15 November 2017

Premier Foods plc

Half year results for the 26 weeks ended 30 September 2017

Solid strategic progress in first half of the year

Headline results	FY17/18 H1	FY16/17 H1	Change (%)
Revenue (£m)	353.3	348.0	+1.5%
Trading profit[1] (£m)	48.0	48.0	-
Adjusted profit before tax[4] (£m)	26.4	26.3	+0.5%
Adjusted earnings per share[6] (pence)	2.56	2.54	+0.9%
Net debt[8] (£m)	(535.3)	(556.0)	+3.7%
Statutory measures	**FY17/18 H1**	**FY16/17 H1**	**Change (%)**
Operating profit (£m)	22.5	22.0	+2.3%
Profit/(loss) after taxation (£m)	0.3	(55.6)	-
Basic earnings/(loss) per share (pence)	0.0	(6.7)	-

Headlines

- Half year revenue up +1.5%; Q2 revenue up +6.2%
- Return to volume driven revenue growth in Q2
- International revenue[7] increased +23% in H1
- Over 40% of Q2 revenue growth from Nissin and Mondelez International strategic partnerships
- Trading profit of £48.0m in line with comparative period
- Adjusted profit before tax up +0.5% to £26.4m
- Statutory profit after tax £0.3m; basic earnings per share 0.0pence
- Net debt £535.3m; £20.7m improvement on last year

Gavin Darby, Chief Executive Officer

"We are pleased to report a return to revenue growth of +1.5% in the first half of the year. A key highlight was our strong performance in the second quarter, with volume driven revenue up +6.2% after a challenging first quarter. Our International business continues to go from strength to strength and saw revenue growth of +23% in the first half of the year."

"Our Strategic partnerships with Nissin and Mondelez International are working very well, together delivering over 40% of our revenue growth in the second quarter. We completed the signing of the new Mondelez International Global Strategic Partnership in the first half of the year and through our partnership with Nissin, Batchelors is now the fastest growing major brand in our portfolio following the launch this year of convenient pot format products such as Super Noodle Pots."

"The cost efficiency programme we launched earlier this year is on track to deliver the expected benefits. We completed the issue of a new £210m high yield bond in June and our Net debt was £21m lower than the same point last year; a little ahead of our plans. Overall, we continue to expect the business to make progress in the second half of the year and our expectations for the full year remain unchanged."

Non-GAAP measures above are defined on page 11 and reconciled to statutory measures throughout

A presentation to investors and analysts will take place today, 15 November 2017, at 9:00am GMT. The presentation will be webcast at www.premierfoods.co.uk/investors/investor-centre. A recording of the webcast will be available on the Company's website later in the day.

A conference call for bond investors and analysts will take place today, 15 November 2017, at 1:30pm GMT. Dial in details are outlined below:

Telephone:	0800 376 7922 (UK toll free)
	+44 20 7192 8000 (standard international access)
Conference ID:	96085488

A factsheet of the Preliminary results is available at:
www.premierfoods.co.uk/investors/results-centre

A Premier Foods image gallery is available using the following link:
www.premierfoods.co.uk/media/image-gallery/

For further information, please contact:

Institutional investors and analysts:

Alastair Murray, Chief Financial Officer	+44 (0) 1727 815 850
Richard Godden, Director of Investor Relations	+44 (0) 1727 815 850

Media enquiries:

Marisa Fitch, Head of Corporate Affairs	+44 (0) 1727 815 850
Maitland	+44 (0) 20 7379 5151
Sundeep Tucker	
Tom Eckersley	

- Ends –

Financial results

Revenue

Group revenue (£m)	**Grocery**	**Sweet Treats**	**Group**
Branded	214.7	80.7	295.4
Non-branded	40.3	17.6	57.9
Total	**255.0**	**98.3**	**353.3**
% change			
Branded	+0.9%	(2.3%)	(0.0%)
Non-branded	+7.4%	+17.0%	+10.1%
Total	**+1.9%**	**+0.7%**	**+1.5%**

Group revenue for the 26 weeks ended 30 September 2017 was £353.3m, an increase of 1.5% on the prior period. Branded revenue was in line with last year at £295.4m while Non-branded revenue increased by 10.1% to £57.9m.

In the second quarter of the year, Group revenue increased by +6.2% to £183.2m compared to the equivalent quarter a year ago. Branded revenue increased by +5.7% to £152.3m and Non-branded revenue grew by +8.9% to £30.9m. Following weaker Q1 trading, the Group's largest brands recovered in the second quarter to record significantly improved performances in terms of both volume and revenue.

Group revenues have been supported in the first half of the year by a combination of benefits from the Group's strategic partnerships with Nissin and Mondelez International. In the second quarter, 44% of the Group's revenue growth reflected benefits obtained through these two strategic partnerships, including *Batchelors* Super Noodle Pots, *Soba* Noodles and *Cadbury* growth in International.

The Grocery business unit reported Half year revenue of £255.0m, up +1.9% on the same period a year ago. Branded revenues grew by +0.9% to £214.7m and Non-branded revenue increased by +7.4% to £40.3m. In the second quarter, Grocery revenue grew +9.7%, with Branded revenue ahead +10.5% and Non-branded revenue increasing +6.1%.

As the Group expected, and as previously reported, the first quarter saw weaker trading in its Grocery brands. Although some brands gained market share, revenues declined reflecting lower overall market volumes partly due to a warmer June, lower promotional effectiveness particularly in the Desserts category and a move to more normalised levels of trade investment in non-retail channels.

The second quarter displayed a significantly stronger trajectory with a return to volume and revenue growth in many of the Group's major brands. One of the major contributors to Grocery branded revenue growth in the half was from *Batchelors*, which grew +7.8% in the period and has also increased its category share by nearly two percentage points over the past year. As commented previously, this was supported significantly by the launch earlier this year of the *Batchelors* Super Noodles Pot product, a product range closely aligned to the consumer trend of snacking and on the go eating. This product launch was accelerated by leveraging the advanced supply chain capabilities of the Group's strategic partner, Nissin. The *Batchelors* brand has also benefitted substantially from the launch of Pasta 'n' Sauce pots, another range of convenient quick meals perfectly suited to today's time conscious consumer.

Bisto, the Group's second largest brand by revenue, performed consistently well during the half, delivering volume and revenue growth and also delivering share gains. *Oxo* volumes and revenue were up significantly in the second quarter following lower category sales in the first quarter. *Angel Delight,* one of the Group's smaller and historically less heavily invested brands, grew by 30% in the period, benefitting from the launch of convenient ready to eat pots.

The Grocery business has been impacted in recent quarters by changing retailer promotional strategies. The Group has largely annualised the effect of these changes and for some customers have seen the gradual return of multi-buy promotional activities which are generally beneficial to delivering volume growth.

Grocery Non-branded revenue increased by £2.8m in the period to £40.3m. New contract wins from both retail and discounter channels, and to a lesser extent, some revenue growth at Knighton Foods contributed to this growth.

Sweet Treats delivered revenue growth of 0.7% in the first half of the year to £98.3m. Branded sales were £1.9m lower at £80.7m while Non-branded revenue continued its strong trajectory, growing by 17.0% to £17.6m.

Cadbury cake revenue in the Sweet Treats business unit was marginally ahead of the prior year and reached its highest ever value UK market share of 8.4% in the period, according to IRI. Total *Mr Kipling* revenue was slightly lower than the prior year, although momentum is building in its margin-enhancing cake on the go range with growth of +55% in the period.

The growth in Non-branded Sweet Treats revenues continued the same pattern as seen in the prior year, with new contract wins across a broad range of retail customers in various cake sub-categories. Additionally, the business is benefitting from the growth of the hard discounter channel with the continuation of new retail space.

The International business unit continues to perform very strongly and in line with the Group's medium term expectations. In the first half of the year, revenues grew +23% on a constant currency basis and were up +30% in the second quarter. Over the last two years, International revenues have progressed at a compound annual growth rate of 18%, and have posted twelve successive quarters of year on year growth in the last three years.

A key part of the business unit's success to date is due to the growth of *Mr Kipling* and *Cadbury* cake in Australia. Building on this, the Group has recently entered the New Zealand market for the first time with a range of *Mr Kipling* and *Cadbury* cakes. Additionally, *Sharwood's,* the Group's third largest brand in international markets, is expected to benefit from further expansion in the USA over the medium term through increased distribution in a major USA retailer.

An important element of the International business's strategy is the transition from a predominantly sales and distribution model to one of building brands in some of its key international markets. In FY16/17 the *Sharwood's* brand benefitted from a targeted social media marketing campaign in Australia and this is being followed up in the current year by similar marketing activity for *Mr Kipling*, also in Australia. These are the first such marketing campaigns the Group has undertaken in its international markets and are central to support its growth ambitions.

Trading profit

£m	**FY17/18 H1**	**FY16/17 H1**	**Change**
Divisional contribution[2]			
Grocery	51.4	56.2	(8.5%)
Sweet Treats	11.5	6.6	+74.2%
Total	62.9	62.8	+0.2%
Group & corporate costs	(14.9)	(14.8)	(1.2%)
Trading profit[1]	**48.0**	**48.0**	**0.0%**

The Group reported Half year Trading profit of £48.0m, in line with the prior year. Divisional contribution was £0.1m higher than the prior year period at £62.9m, of which £51.4m was generated from the Grocery business and £11.5m from Sweet Treats. Group & corporate costs were broadly in line with the prior period at £14.9m.

Grocery Divisional contribution benefitted from increased volumes in the first half of the year from the Bisto, Batchelors, Loyd Grossman and Sharwood's brands, although this was offset by mix effects with higher sales of lower margin products such as Non-branded flour. As previously commented, the Group has experienced material input cost inflation in the past year from both commodity cost increases and the devaluation of Sterling. The Group takes a blended approach to managing these cost increases, managing its own efficiencies, adjusting promotional mechanics and formats where appropriate and finally looking at limited price increases where these cannot be avoided.

The Group undertakes a collaborative approach when working with its customers, and accordingly this process took longer than expected. As a result, while Grocery Divisional contribution was lower in the first quarter of the year, the second quarter saw a return to more normal % margin levels following the conclusion of this process. Input cost inflation is forecast to continue into the second half of the year, albeit at a lower rate. As a result the Group will continue to keep its cost recovery plans under close review.

Grocery also saw reduced overhead recoveries in some manufacturing sites in the period. In particular, the transition to higher promotional price points for the core Ambrosia range resulted in short-term reductions in volumes which in turn impacted manufacturing overhead recoveries at the Group's Lifton site. Entering the second half, promotional volumes in Ambrosia are recovering and manufacturing recoveries have returned to normal levels. A decline in volumes and lower efficiencies during the first half of the year at Knighton Foods materially impacted Divisional contribution.

During the year, the Group has embarked on a major transformation of its warehousing and distribution operations. This programme is planned to consolidate all the Group's logistics operations at one single location in Tamworth, central England. While the first phase of the transition has experienced some initial implementation challenges, these are now substantially resolved and the plan to deliver the programme benefits remains on track.

In Sweet Treats, Divisional contribution was +£4.9m higher than the comparative period at £11.5m. This was due to phasing of consumer marketing investment and savings from new and ongoing lower levels of SG&A costs. These SG&A savings in Sweet Treats are expected to continue into the second half of the year.

As previously stated, the Group expects to invest the majority of its consumer marketing spend in the second half of the financial year. Activity will be particularly focused on the third quarter - the Group's key trading period, and hence the time of year when we are able to deliver the best return on investment.

Operating profit

£m	FY17/18 H1	FY16/17 H1	Change
Adjusted EBITDA[3]	**56.1**	**56.1**	**0.0%**
Depreciation	(8.1)	(8.1)	0.0%
Trading profit	**48.0**	**48.0**	**0.0%**
Amortisation of intangible assets	(18.0)	(19.0)	+5.3%
Fair value movements on foreign exchange and derivatives	0.9	1.0	+10.0%
Restructuring costs	(3.1)	(7.1)	+56.3%
Net interest on pensions and administrative expenses	(1.0)	(0.9)	(11.1%)
Operating profit before impairment	26.8	22.0	+21.8%
Impairment of goodwill	(4.3)	-	-
Operating profit	**22.5**	**22.0**	**+2.3%**

Adjusted EBITDA in the first half of the year was £56.1m and depreciation was £8.1m, both of which were in line with the comparative period.

Operating profit increased by £0.5m to £22.5m in the period, and while restructuring costs and amortisation of intangible assets were lower in the period, these were partly offset by an impairment of goodwill related to Knighton Foods. Restructuring costs in the Half year of £3.1m related to charges associated with the Group's logistics restructuring programme. The comparative period included restructuring costs of £7.1m, a large proportion of which were charges related to corporate activity. An impairment charge of £4.3m in the period related to the write off of Knighton Foods goodwill.

Net interest on pensions and administrative expenses was £1.0m in the period, slightly higher than the comparative period. This comprised administrative expenses incurred of £2.5m, partly offset by a net interest credit of £1.5m owing to an opening combined pension schemes surplus.

Finance costs

£m	FY17/18 H1	FY16/17 H1	Change
Senior secured notes interest	15.9	15.3	(4.0%)
Bank debt interest	3.6	4.4	18.6%
	19.5	19.7	0.9%
Amortisation of debt issuance costs	2.1	2.0	(2.9%)
Net regular interest[5]	**21.6**	**21.7**	**0.6%**
Fair value movements on interest rate financial instruments	(0.3)	(0.2)	(59.9%)
Write-off of financing costs	4.0	0.1	-
Discount unwind	(2.0)	8.6	
Other interest	0.4	0.5	8.6%
Net finance cost	**23.7**	**30.7**	**22.9%**

Net regular interest for the Half year was £21.6m, a decrease of £0.1m compared to the prior period. As expected, the largest element of finance costs was interest due to holders of the Group's senior secured notes of £15.9m. Bank debt interest of £3.6m was £0.8m lower in the period due to lower levels of average debt and slightly lower LIBOR levels compared to the prior period.

Net finance cost was £23.7m for the Half year; £7.0m lower than the comparative period. In the prior year, a £8.6m discount unwind charge relating to long term property provisions held by the Group due to a reduction in gilt yields was reflected in the reported Net finance cost of £30.7m. In the current period, an increase in gilt yields resulted in a benefit of £2.0m. Write-off of financing costs of £4.0m in the Half year related to the write off of transaction costs associated with the issue in 2014 of six year senior secured floating rate notes due March 2020, which were repaid during the period.

Taxation

The taxation credit on continuing operations for the period ended 30 September 2017 of £1.5m compares to a charge of £46.9m in FY16/17 H1 and included a deferred tax movement of £0.9m based upon management's best estimate of the effective annual income tax rate expected for the full financial year and a credit largely relating to the repayment of Irish taxation paid in prior years.

Deferred tax assets at 30 September 2017 were £30.8m compared to £32.4m at 1 April 2017. Deferred tax assets relating to brought forward losses were approximately £54m which equate to around £320m of future taxable profits.

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

Earnings per share

Statutory earnings per share (£m)	FY17/18 H1	FY16/17 H1	Change
Operating profit	22.5	22.0	+2.3%
Net finance cost	(23.7)	(30.7)	+22.9%
Loss before taxation	**(1.2)**	**(8.7)**	**+86.2%**
Taxation credit/(charge)	1.5	(46.9)	-
Profit/(Loss) after taxation	0.3	(55.6)	-
Average shares in issue	834.2	827.7	
Basic earnings/(loss) per share (pence)	**0.0**	**(6.7)**	**-**

A loss before tax of (£1.2m) was reported in the first half of the year, compared to a loss before tax in the comparative period of (£8.7m). After a taxation credit of £1.5m in the period, profit after taxation was £0.3m, which resulted in a neutral basic earnings per share in pence.

Adjusted earnings per share (£m)	FY17/18 H1	FY16/17 H1	Change
Trading profit	48.0	48.0	0.0%
Less: Net regular interest	(21.6)	(21.7)	+0.6%
Adjusted profit before tax	**26.4**	**26.3**	**+0.5%**
Less: Notional tax (19%/20%)	(5.0)	(5.3)	4.6%
Adjusted profit after tax	21.4	21.0	+1.7%
Average shares in issue (millions)	834.2	827.7	
Adjusted earnings per share (pence)	**2.56**	**2.54**	**+0.9%**

Adjusted profit before tax for the Half year was £26.4m, +£0.1m ahead of the comparative period. This was due to a slightly lower net regular interest charge compared to the previous period. Adjusted profit after tax was £21.4m after deducting a notional 19.0% tax charge, an increase of £0.4m compared to FY16/17 H1. Based on average shares in issue of 834.2 million shares, adjusted earnings per share in the period was 2.56 pence, +0.9% higher than the 2.54 pence reported in the previous Half year.

Free cash flow

£m	FY17/18 H1	FY16/17 H1
Trading profit	48.0	48.0
Depreciation	8.1	8.1
Other non-cash items	1.0	3.2
Interest	(17.2)	(20.2)
Taxation	1.0	-
Pension contributions	(19.8)	(32.1)
Capital expenditure	(8.6)	(6.2)
Working capital & other	(12.9)	(8.6)
Restructuring costs	(6.9)	(11.3)
Purchase of own shares	-	(0.7)
Disposal of fixed assets	1.3	-
Financing fees	(6.8)	-
Free cash outflow[9]	**(12.8)**	**(19.8)**
Statutory cash flow statement		
Cash generated/(used) in operating activities	1.2	(13.2)
Cash used in investing activities	(7.3)	(6.0)
Cash generated from financing activities	22.3	25.4
Net increase in cash & cash equivalents	**16.2**	**6.2**

Free cash flow in the Half year was an outflow of £12.8m. Trading profit and Depreciation, at £48.0m and £8.1m respectively, were in line with the prior year period. Interest paid in the period was £3.0m lower than the comparative period at £17.2m due to timing differences. A taxation credit of £1.0m was received in the period from Irish tax authorities in respect of tax paid on previous period losses. Pension contributions in the Half year were £19.8m, a reduction of £12.3m from the comparative period principally due to the re-negotiation of deficit contributions to the Group's pension schemes announced in March this year. Capital expenditure was £2.4m higher in the period at £8.6m and the Group's expectations for the Full year are unchanged at £20-£22m. Working capital and other items was an outflow of £12.9m. Restructuring costs associated with redundancies relating to the Group's cost reduction and efficiency programmes and implementation costs associated with the Group's logistics transformation programme together amounted to £6.9m. The Group now expects restructuring costs to be between £10-£12m in this financial year. Financing fees of £6.8m relate to costs associated with the extension of the Group's revolving credit facility and the issue of new £210m Senior secured floating rate notes in the period.

On a statutory basis, cash generated from operations was £17.4m compared to £7.0m in FY16/17 H1. This was primarily due to lower pension deficit contributions, as commented and identified in the table above. Cash generated from operating activities was £1.2m in the period, compared with cash used in operating activities in the comparative period of (£13.2m). Cash used in investing activities was (£7.3m) in the Half year compared to (£6.0m) in FY16/17 H1. Cash generated from financing activities was £22.3m in the period. This was principally due to proceeds from borrowings of £210.0m which reflected the issue of new Senior secured floating rate notes, the repayment of the 2014 £175.0m Senior secured floating rate notes and the associated reduction in the Group's revolving credit facility.

At 30 September 2017, the Group held cash and bank deposits of £9.5m and bank overdrafts of £11.4m.

Net debt and sources of finance

	£m
Net debt at 1 April 2017	**523.2**
Free cash outflow in period	12.8
Movement in debt issuance costs	(0.7)
Net debt at 30 September 2017	**535.3**

Net debt at 30 September 2017 was £535.3m; a £20.7m reduction compared to the same point a year ago. The movement in Net debt compared to the previous year end was an outflow of £12.1m. The Group generally observes an increase in Net debt in the first half of the financial year, reflecting the natural working capital cycle of the business. The movement in debt issuance costs in the period was £0.7m.

In the first half of the year, the Group extended the term of its revolving credit facility with its lending syndicate from March 2019 to December 2020. The total facility, which was £16.0m drawn at 30 September 2017, reduced from £272m to £217m in June 2017 and reduces further to £184m in March 2019. The interest margin under the revolving credit facility is unchanged and covenants under the facility, which are tested bi-annually, were updated to ensure appropriate headroom in future reporting periods.

The Group also completed the issuance of new five year £210m Senior Secured floating rate notes due July 2022. This new note replaced the Group's £175m Senior Secured floating rate notes, previously due to mature March 2020, and reduced the revolving credit facility by a total of £55m. As previously announced, the pricing of the new £210m Senior Secured floating rate notes was confirmed at 5.00% +LIBOR, which is in line with the retired £175m Senior Secured floating rate notes.

Pensions

IAS 19 Accounting Valuation (£m)	30 September 2017			1 April 2017		
	RHM	Premier Foods	Combined	RHM	Premier Foods	Combined
Assets	4,061.0	661.1	4,722.1	4,190.9	673.7	4,864.6
Liabilities	(3,472.9)	(1,122.3)	(4,595.2)	(3,597.0)	(1,162.8)	(4,759.8)
Surplus/(Deficit)	**588.1**	**(461.2)**	**126.9**	**593.9**	**(489.1)**	**104.8**
Net of deferred tax (17.0%)	488.1	(382.8)	105.3	493.0	(406.0)	87.0

The IAS 19 pension schemes valuation reported a surplus for the combined RHM and Premier Foods' pension schemes at 30 September 2017 of £126.9m, equivalent to £105.3m net of a deferred tax charge of 17.0%. This compares to a combined RHM and Premier Foods' schemes surplus at 1 April 2017 of £104.8m and £87.0m net of deferred tax. A deferred tax rate of 17.0% is deducted from the IAS19 retirement benefit valuation of the Group's schemes to reflect the fact that pension deficit contributions made to the Group's pension schemes are allowable for tax.

The valuation at 30 September 2017 comprised a £588.1m surplus in respect of the RHM schemes and a deficit of £461.2m in relation to the Premier Foods schemes. Assets in the combined schemes decreased by £142.5m in the period from £4,864.6m to £4,722.1m. RHM scheme assets decreased by £129.9m and the Premier Foods' schemes assets decreased by £12.6m.

Liabilities in the combined schemes decreased by £164.6m in the period to £4,595.2m. The value of liabilities associated with the RHM scheme were £3,472.9m, a reduction of £124.1m while liabilities in the Premier Foods schemes were £40.5m lower at £1,122.3m. The reduction in the value of liabilities in both schemes is due to a slight increase in the discount rate assumption, from 2.65% to 2.70% and a reduction in the inflation rate assumption; from 3.3% to 3.2%.

Combined pensions schemes (£m)	30 September 2017	1 April 2017
Assets		
Equities	**443.1**	527.0
Government bonds	**867.3**	519.1
Corporate bonds	**22.5**	23.0
Property	**343.9**	357.4
Absolute return products	**1,244.8**	1,284.2
Cash	**142.7**	69.1
Infrastructure funds	**235.5**	242.6
Swaps	**707.5**	1,116.1
Private equity	**313.5**	321.7
Other	**401.3**	404.4
Total Assets	**4,722.1**	4,864.6
Liabilities		
Discount rate	**2.70%**	2.65%
Inflation rate (RPI/CPI)	**3.2%/2.1%**	3.3%/2.2%

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

Principal risks and uncertainties

The Group's principal risks and uncertainties were disclosed on page 20 to 23 of the annual report and accounts for the financial period ended 1 April 2017 and these remain relevant for the current period. The major strategic and operational risks are summarised under the headings of Delivery of strategy, Corporate risks, Commodity prices / Foreign exchange, Weather, Commercial arrangements, Business restructuring, Operational continuity and Legal compliance.

Outlook

The Group's strategy is to give an equal focus and weight to growing revenue, delivering cost efficiencies and generating cash. In the UK, a core objective for the Group continues to be to grow ahead of its categories and for International to deliver strong double-digit growth. The global strategic relationships presented by the Cadbury and Nissin partnerships are already delivering tangible benefits and the Group's cost savings programme is on track to deliver expected benefits. The Group is focused on reducing its leverage ratio to below 3.0x in approximately 3-4 years through profit improvement and debt reduction.

The Group is encouraged by the volume and revenue growth performance in the second quarter of the year. Additionally, Trading profit for the first half of this financial year was in line with the Group's expectations. Assuming average UK temperature trends, especially in the key third quarter trading period, the Group anticipates progress in the second half of the year and its expectations for the full year remain unchanged.

Gavin Darby
Chief Executive Officer

Alastair Murray
Chief Financial Officer

Appendices

The Company's results are presented for the 26 weeks ended 30 September 2017 and the comparative period, 26 weeks ended 1 October 2016. All references to the 'quarter', unless otherwise stated, are for the 13 weeks ended 30 September 2017 and the comparative period, 13 weeks ended 1 October 2016.

Quarter 2 Sales

Q2 Sales (£m)	**Grocery**	**Sweet Treats**	**Group**
Branded	112.4	39.9	152.3
Non-branded	21.2	9.7	30.9
Total	**133.6**	**49.6**	**183.2**
% change			
Branded	+10.5%	(5.8%)	+5.7%
Non-branded	+6.1%	+15.7%	+8.9%
Total	**+9.7%**	**(2.3%)**	**+6.2%**

Notes and definitions of Non-GAAP measures

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

1. Trading profit is defined as profit/(loss) before tax before net finance costs, profits and losses from share of associates, amortisation of intangible assets, impairment, fair value movements on foreign exchange and other derivative contracts, restructuring costs, and net interest on pensions and administration expenses.
2. Divisional contribution refers to Gross Profit less selling, distribution and marketing expenses directly attributable to the relevant business unit.
3. Adjusted EBITDA is Trading profit as defined in (1) above excluding depreciation.
4. Adjusted profit before tax is Trading profit as defined in (1) above less net regular interest.
5. Net regular interest is defined as net finance cost after excluding write-off of financing costs, fair value movements on interest rate financial instruments and other interest.
6. Adjusted earnings per share is Adjusted profit before tax as defined in (4) above less a notional tax charge of 19.0% (2016/17 H1: 20.0%) divided by the weighted average of the number of shares of 834.2million (26 weeks ended 1 October 2016: 827.7million).
7. Constant currency sales are referred to with reference to the International business unit and remove the impact of foreign currency fluctuations when comparing sales between two reporting periods.
8. Net debt is defined as total borrowings, less cash and cash equivalents and less capitalised debt issuance costs.
9. Free cash flow is defined as the change in Net debt as defined in (8) above before the movement in debt issuance costs.

- Group & corporate costs refer to group and corporate expenses which are not directly attributable to a business unit and are reported at total Group level.
- The International business unit is currently too small for separate disclosure and in line with accounting standards is aggregated within the Grocery business unit for reporting purposes.

£m	Future pension cash payments schedule					
	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Deficit contributions	35	35	37	38	38	38
Administration costs	4-6	4-6	4-6	6-8	6-8	6-8
Total	**39-41**	**39-41**	**41-43**	**44-46**	**44-46**	**44-46**

1 – Assumes mid-point of respective administration cost ranges

Responsibility Statement of the Directors

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Premier Foods plc are listed on page 25 of the Premier Foods plc annual report and accounts for the financial period ended 1 April 2017. Keith Hamill joined the Board on 1 October 2017 as non-executive Chairman designate and was appointed Chairman on 9 November 2017. On 9 November 2017 David Beever stepped down as Chairman and member of the Board.

Approved by the Board on 14 November 2017 and signed on its behalf by:

Gavin Darby
Chief Executive Officer

Alastair Murray
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO PREMIER FOODS PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 30 September 2017 which comprises the condensed consolidated balance sheet, the related condensed consolidated statement of profit and loss, statement of comprehensive income, statement of cash flows and statement of changes in equity and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 30 September 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Richard Pinckard
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

14 November 2017

Condensed consolidated statement of profit or loss (unaudited)

	Note	**26 weeks ended 30 Sept 2017 £m**	26 weeks ended 1 Oct 2016 £m
Revenue	4	**353.3**	348.0
Cost of sales		**(240.4)**	(224.3)
Gross profit		**112.9**	123.7
Selling, marketing and distribution costs		**(50.0)**	(60.9)
Administrative costs		**(40.4)**	(40.8)
Operating profit	4	**22.5**	22.0
Operating profit before impairment		**26.8**	22.0
Impairment of goodwill	8	**(4.3)**	-
Finance cost	5	**(26.7)**	(31.7)
Finance income	5	**2.7**	0.8
Net movement on interest rate financial instruments	5	**0.3**	0.2
Loss before taxation		**(1.2)**	(8.7)
Taxation credit/(charge)	6	**1.5**	(46.9)
Profit/(loss) for the period attributable to owners of the parent		**0.3**	(55.6)
Basic earnings/(loss) per share (pence)	7	**0.0**	(6.7)
Diluted earnings/(loss) per share (pence)	7	**0.0**	(6.7)
Adjusted earnings per share[1]	7	**2.56**	2.54

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

The notes on pages 20 to 36 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated statement of comprehensive income (unaudited)

	Note	**26 weeks ended 30 Sept 2017 £m**	26 weeks ended 1 Oct 2016 £m
Profit/(loss) for the period		**0.3**	(55.6)
Other comprehensive income/(losses)			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit schemes	12	**3.2**	(390.7)
Deferred tax (charge)/credit		**(0.3)**	50.2
Items that are or may be reclassified to profit or loss			
Exchange differences on translation		**-**	0.1
Other comprehensive income/(loss), net of tax		**2.9**	(340.4)
Total comprehensive income/(loss) attributable to owners of the parent		**3.2**	(396.0)

The notes on pages 20 to 36 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated balance sheet (unaudited)

	Note	As at 30 Sept 2017 £m	As at 1 Apr 2017 £m
ASSETS:			
Non-current assets			
Property, plant and equipment		**184.2**	187.5
Goodwill	8	**646.0**	650.3
Other intangible assets		**447.2**	464.0
Net retirement benefit assets	12	**588.1**	593.9
Deferred tax assets		**30.8**	32.4
		1,896.3	1,928.1
Current assets			
Inventories		**89.9**	71.3
Trade and other receivables		**79.5**	65.1
Derivative financial instruments	10	**0.4**	0.1
Cash and cash equivalents	13	**9.5**	3.1
		179.3	139.6
Total assets		**2,075.6**	2,067.7
LIABILITIES:			
Current liabilities			
Trade and other payables		**(215.0)**	(191.7)
Financial liabilities:			
– short-term borrowings	9	**(11.5)**	(21.3)
– derivative financial instruments	10	**(2.1)**	(2.9)
Provisions for liabilities and charges	11	**(6.2)**	(10.0)
Current income tax liabilities		**-**	(0.7)
		(234.8)	(226.6)
Non-current liabilities			
Financial liabilities – long-term borrowings	9	**(533.3)**	(505.0)
Net retirement benefit obligations	12	**(461.2)**	(489.1)
Provisions for liabilities and charges	11	**(39.1)**	(43.1)
Other liabilities		**(10.2)**	(11.1)
		(1,043.8)	(1,048.3)
Total liabilities		**(1,278.6)**	(1,274.9)
Net assets		**797.0**	792.8
EQUITY:			
Capital and reserves			
Share capital		**83.6**	83.3
Share premium		**1,406.8**	1,406.7
Merger reserve		**351.7**	351.7
Other reserves		**(9.3)**	(9.3)
Profit and loss reserve		**(1,035.8)**	(1,039.6)
Total equity		**797.0**	792.8

The notes on pages 20 to 36 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated statement of cash flows (unaudited)

	Note	**26 weeks ended 30 Sept 2017 £m**	26 weeks ended 1 Oct 2016 £m
Cash generated from operations	13	**17.4**	7.0
Interest paid		**(17.9)**	(21.0)
Interest received		**0.7**	0.8
Taxation received		**1.0**	-
Cash generated/(used) in operating activities		**1.2**	(13.2)
Purchase of property, plant and equipment		**(7.0)**	(3.9)
Purchase of intangible assets		**(1.6)**	(2.1)
Sale of property, plant and equipment		**1.3**	-
Cash used in investing activities		**(7.3)**	(6.0)
Repayment of borrowings		**(181.0)**	(1.6)
Proceeds from borrowings		**210.0**	34.0
Movement in securitisation funding programme		**-**	(6.4)
Financing fees and other costs of finance		**(6.8)**	-
Proceeds from share issue		**0.1**	0.1
Purchase of shares to satisfy share awards		**-**	(0.7)
Cash generated from financing activities		**22.3**	25.4
Net inflow of cash and cash equivalents		**16.2**	6.2
Cash, cash equivalents and bank overdrafts at beginning of period		**(18.1)**	7.8
Cash, cash equivalents and bank overdrafts at end of period	13	**(1.9)**	14.0

The notes on pages 20 to 36 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity (unaudited)

	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	Non-controlling interest £m	Total equity £m
At 3 April 2016		82.7	1,406.6	351.7	(9.3)	(979.3)	(3.9)	848.5
Loss for the period		-	-	-	-	(55.6)	-	(55.6)
Remeasurements of defined benefit schemes	12	-	-	-	-	(390.7)	-	(390.7)
Deferred tax credit		-	-	-	-	50.2	-	50.2
Exchange differences on translation		-	-	-	-	0.1	-	0.1
Other comprehensive income		-	-	-	-	(340.4)	-	(340.4)
Total comprehensive income		-	-	-	-	(396.0)	-	(396.0)
Shares issued		-	0.1	-	-	-	-	0.1
Share-based payments		-	-	-	-	3.2	-	3.2
Purchase of shares to satisfy share awards		-	-	-	-	(0.7)	-	(0.7)
Deferred tax movements on share-based payments		-	-	-	-	0.9	-	0.9
Movement in non-controlling interest		-	-	-	-	(3.9)	3.9	-
At 1 October 2016		82.7	1,406.7	351.7	(9.3)	(1,375.8)	-	456.0
At 2 April 2017		**83.3**	**1,406.7**	**351.7**	**(9.3)**	**(1,039.6)**	**-**	**792.8**
Profit for the period		**-**	**-**	**-**	**-**	**0.3**	**-**	**0.3**
Remeasurements of defined benefit schemes	12	**-**	**-**	**-**	**-**	**3.2**	**-**	**3.2**
Deferred tax charge		**-**	**-**	**-**	**-**	**(0.3)**	**-**	**(0.3)**
Other comprehensive income		**-**	**-**	**-**	**-**	**2.9**	**-**	**2.9**
Total comprehensive income		**-**	**-**	**-**	**-**	**3.2**	**-**	**3.2**
Shares issued		**0.3**	**0.1**	**-**	**-**	**-**	**-**	**0.4**
Share-based payments		**-**	**-**	**-**	**-**	**1.5**	**-**	**1.5**
Deferred tax movements on share-based payments		**-**	**-**	**-**	**-**	**(0.9)**	**-**	**(0.9)**
At 30 September 2017		**83.6**	**1,406.8**	**351.7**	**(9.3)**	**(1,035.8)**	**-**	**797.0**

The notes on pages 20 to 36 form an integral part of the condensed consolidated interim financial information.

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 ambient food products as described in the Group's annual report and accounts for the financial period ended 1 April 2017.

2. Significant accounting policies

Basis of preparation

The condensed consolidated financial statements ("financial information") for the period ended 30 September 2017 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The financial information for the 26 weeks ended 30 September 2017 should be read in conjunction with the Group's financial statements for the 52 weeks ended 1 April 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. They have been prepared applying the accounting policies and presentation as applied in the preparation of the Group's published consolidated financial statements for the 52 weeks ended 1 April 2017, except where new or revised accounting standards have been applied. There has been no significant impact on the Group profit or net assets on adoption of new or revised accounting standards in the period.

The financial information for the period ended 30 September 2017 is unaudited but has been subject to an independent review by KPMG LLP.

The Group's financial statements for the 52 weeks ended 1 April 2017, which were approved by the Board of Directors on 16 May 2017, were reported on by KPMG LLP and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not contain a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

This financial information was approved for issue on 14 November 2017.

Basis for preparation of financial statements on a going concern basis

The Group's revolving credit facility includes net debt/EBITDA and EBITDA/interest covenants. In the event these covenants are not met then the Group would be in breach of its financing agreement and, as would be the case in any covenant breach, the banking syndicate could withdraw funding to the Group. The Group was in compliance with its covenant tests as at 1 April 2017 and 30 September 2017. The Group's forecasts, taking into account 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 next 12 months. The Group therefore continues to adopt the going concern basis in preparing its financial information.

3. Critical accounting policies, estimates and judgements

The following are areas of particular significance to the Group's interim financial information and include the use of estimates and the application of judgement, which is fundamental to the preparation of this financial information.

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 12.

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

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

Goodwill and other intangible assets

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

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

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

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

Advertising and promotion costs

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

4. Segmental analysis

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

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

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

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

The segment results for the period ended 30 September 2017 and 1 October 2016, and the reconciliation of the segment measures to the respective statutory items included in the financial information, are as follows:

	26 weeks ended 30 Sept 2017		
	Grocery	**Sweet Treats**	**Total**
	£m	**£m**	**£m**
Revenue	**255.0**	**98.3**	**353.3**
Divisional contribution	**51.4**	**11.5**	**62.9**
Group and corporate costs			**(14.9)**
Trading profit			**48.0**
Amortisation of intangible assets			**(18.0)**
Fair value movements on foreign exchange and other derivative contracts			**0.9**
Restructuring costs			**(3.1)**
Net interest on pensions and administrative expenses			**(1.0)**
Operating profit before impairment			**26.8**
Impairment of goodwill			**(4.3)**
Operating profit			**22.5**
Finance cost			**(26.7)**
Finance income			**2.7**
Net movement on interest rate financial instruments			**0.3**
Loss before taxation			**(1.2)**
Depreciation	(3.7)	(4.4)	(8.1)

	26 weeks ended 1 Oct 2016		
	Grocery	Sweet Treats	Total
	£m	£m	£m
Revenue	250.3	97.7	348.0
Divisional contribution	56.2	6.6	62.8
Group and corporate costs			(14.8)
Trading profit			48.0
Amortisation of intangible assets			(19.0)
Fair value movements on foreign exchange and other derivative contracts			1.0
Restructuring costs			(7.1)
Net interest on pensions and administrative expenses			(0.9)
Operating profit			22.0
Finance cost			(31.7)
Finance income			0.8
Net movement on interest rate financial instruments			0.2
Loss before taxation			(8.7)
Depreciation	(3.9)	(4.2)	(8.1)

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

5. Finance income and costs

	26 weeks ended 30 Sept 2017 £m	26 weeks ended 1 Oct 2016 £m
Interest payable on bank loans and overdrafts	**(3.1)**	(2.9)
Interest payable on senior secured notes	**(15.9)**	(15.3)
Interest payable on revolving facility	**(0.9)**	(1.9)
Interest payable on interest rate financial instruments	**(0.3)**	(0.4)
Other interest payable[1]	**(0.4)**	(9.1)
Amortisation of debt issuance costs	**(2.1)**	(2.0)
	(22.7)	(31.6)
Write off of financing costs	**(4.0)**	(0.1)
Total finance cost	**(26.7)**	(31.7)
Interest receivable on bank deposits	**0.7**	0.8
Other interest receivable[2]	**2.0**	-
Total finance income	**2.7**	0.8
Fair value movements on interest rate financial instruments	**0.3**	0.2
Net finance cost	**(23.7)**	(30.7)

[1]Included in other interest payable is £nil (2016/17: £8.6m) relating to the unwind of the discount on certain of the Group's long term provisions and a change in the discount rates used.

[2]Included in other interest receivable is £2.0m (2016/17: £nil) relating to the unwind of the discount on certain of the Group's long term provisions which has been more than offset by the change in discount rates used.

6. Taxation

The taxation credit for the period ended 30 September 2017 of £1.5m (2016/17: £46.9m charge) includes a deferred tax movement of £0.9m (2016/17: £1.0m credit), which is based upon management's best estimate of the effective annual income tax rate expected for the full financial year and a credit largely relating to repayment of foreign taxes paid in prior years.

Charges arising on derecognising deferred tax assets in respect of losses (2016/17: £44.9m) and restatement of deferred tax balances at 17% (2016/17: £3.0m) did not arise in the period.

7. Earnings/(loss) per share

Basic earnings/(loss) per share has been calculated by dividing the profit for the period ended 30 September 2017 attributable to owners of the parent of £0.3m (2016/17: £55.6m loss) by the weighted average number of ordinary shares of the Company.

	26 weeks ended 30 Sept 2017 Number	26 weeks ended 1 Oct 2016 Number
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**834,183,666**	827,687,105
Effect of dilutive potential ordinary shares	**9,134,664**	15,381,217
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**843,318,330**	843,068,322

	26 weeks ended 30 Sept 2017			26 weeks ended 1 Oct 2016		
	Basic	**Dilutive effect of share options**	**Diluted**	Basic	Dilutive effect of share options	Diluted
Profit/(loss) after tax (£m)	**0.3**		**0.3**	(55.6)		(55.6)
Earnings/(loss) per share (pence)	**0.0**	**0.0**	**0.0**	(6.7)	-	(6.7)

Dilutive effect of share options

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

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

There is no dilutive effect of share options or share awards in the 26 weeks ended 1 October 2016 as the Group made a loss in the period.

Adjusted earnings per share ("Adjusted EPS")

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

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

Trading profit and Adjusted EPS have been reported as the directors believe these provide an alternative measure by which the shareholders can better assess the Group's underlying trading performance and provides a more meaningful comparison of how the business is managed and measured on a day to day basis.

	26 weeks ended 30 Sept 2017 £m	26 weeks ended 1 Oct 2016 £m
Trading profit	**48.0**	48.0
Less net regular interest	**(21.6)**	(21.7)
Adjusted profit before tax	**26.4**	26.3
Notional tax at 19% (2016/17: 20%)	**(5.0)**	(5.3)
Adjusted profit after tax	**21.4**	21.0
Average shares in issue (m)	**834.2**	827.7
Adjusted EPS (pence)	**2.56**	2.54

Net regular interest		
Net finance cost	**(23.7)**	(30.7)
Exclude fair value movements on interest rate financial instruments	**(0.3)**	(0.2)
Exclude write off of financing costs	**4.0**	0.1
Exclude other interest	**(1.6)**	9.1
Net regular interest	**(21.6)**	(21.7)

8. Impairment of goodwill

An impairment charge of £4.3m was recognised during the period (2016/17: £nil). This is related to the write off of goodwill relating to Knighton Foods Investments Limited ('Knighton'). The impairment reflects the challenging trading conditions faced by Knighton.

9. Bank and other borrowings

	As at 30 Sept 2017 £m	As at 1 Apr 2017 £m
Current:		
Bank overdrafts	**(11.4)**	(21.2)
Finance lease obligations	**(0.1)**	(0.1)
Total borrowings due within one year	**(11.5)**	(21.3)
Non-current:		
Secured senior credit facility - revolving	**(16.0)**	(22.0)
Transaction costs	**4.2**	5.6
	(11.8)	(16.4)
Senior secured notes	**(535.0)**	(500.0)
Transaction costs	**13.5**	11.4
	(521.5)	(488.6)
Total borrowings due after more than one year	**(533.3)**	(505.0)
Total bank and other borrowings	**(544.8)**	(526.3)

Revolving credit facility

The revolving credit facility of £217m is due to mature between March 2019 and December 2020 and attracts an initial bank margin of 4.00% above LIBOR. Banking covenants of net debt / EBITDA and EBITDA / interest are in place and are tested biannually.

The Group entered into a floating to fixed interest rate swap in June 2014, with a nominal value of £150m, attracting a swap rate of 1.44%. It has amortised to a current value of £50m and expires in December 2017.

Senior secured notes

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

10. Financial instruments

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

	As at 30 Sept 2017		As at 1 Apr 2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£m	**£m**	£m	£m
Loans and receivables:				
Cash and cash equivalents	**9.5**	**9.5**	3.1	3.1
Trade and other receivables	**56.6**	**56.6**	47.5	47.5
Financial assets at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	**0.3**	**0.3**	-	-
– Commodity and energy derivatives	**0.1**	**0.1**	0.1	0.1
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	**-**	**-**	(0.5)	(0.5)
– Interest rate swaps	**(0.1)**	**(0.1)**	(0.4)	(0.4)
– Other financial liabilities	**(2.0)**	**(2.0)**	(2.0)	(2.0)
Financial liabilities at amortised cost:				
Trade and other payables	**(210.4)**	**(210.4)**	(186.7)	(186.7)
Senior secured notes	**(535.0)**	**(541.7)**	(500.0)	(502.9)
Senior secured credit facility – revolving	**(16.0)**	**(16.0)**	(22.0)	(22.0)
Bank overdraft	**(11.4)**	**(11.4)**	(21.2)	(21.2)
Finance lease obligations	**(0.1)**	**(0.1)**	(0.1)	(0.1)

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

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

	As at 30 Sept 2017		As at 1 Apr 2017	
	Level 1	**Level 2**	Level 1	Level 2
	£m	**£m**	£m	£m
Financial assets at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	**-**	**0.3**	-	-
– Commodity and energy derivatives	**-**	**0.1**	-	0.1
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	**-**	**-**	-	(0.5)
– Interest rate swaps	**-**	**(0.1)**	-	(0.4)
Financial liability	**-**	**(2.0)**	-	(2.0)
Financial liabilities at amortised cost:				
Senior secured notes	**(541.7)**	**-**	(502.9)	-

11. Provisions for liabilities and charges

	As at 30 Sept 2017 £m	As at 1 Apr 2017 £m
Non-current	**(39.1)**	(43.1)
Current	**(6.2)**	(10.0)
Total	**(45.3)**	(53.1)

Total provisions for liabilities and charges of £45.3m at 30 September 2017 (1 April 2017: £53.1m) comprise property provisions of £31.3m (1 April 2017: £34.0m) which primarily relate to provisions for non-operational leasehold properties and dilapidations provisions which will be incurred over a number of years in accordance with the length of the leases and other provisions of £14.0m (1 April 2017: £19.1m) which relate primarily to insurance claims and provisions for restructuring costs.

12. Retirement benefit schemes

Defined benefit schemes

The Group operates a number of defined benefit schemes under which current and former employees have built up an entitlement to pension benefits on their retirement. These are as follows:

(a) The Premier schemes, which comprise:

Premier Foods Pension Scheme (“PFPS”)
Premier Grocery Products Pension Scheme (“PGPPS”)
Premier Grocery Products Ireland Pension Scheme (“PGPIPS”)
Chivers 1987 Pension Scheme
Chivers 1987 Supplementary Pension Scheme.

(b) The RHM schemes, which comprise:

RHM Pension Scheme
Premier Foods Ireland Pension Scheme

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

Actuarial valuations for the schemes based in Ireland took place during the course of 2013 and 2014. They are all due further valuations in 2016 and 2017, the results of which will not be known until late 2017/early 2018.

The exchange rates used to translate the overseas Euro based schemes are £1.00 = €1.1345 for the average rate during the period, and £1.00 = €1.1329 for the closing position at 30 September 2017.

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

	Premier schemes	RHM schemes
At 30 September 2017		
Discount rate	**2.70%**	**2.70%**
Inflation – RPI	**3.20%**	**3.20%**
Inflation – CPI	**2.10%**	**2.10%**
Expected salary increases	**n/a**	**n/a**
Future pension increases	**2.10%**	**2.10%**
At 1 April 2017		
Discount rate	2.65%	2.65%
Inflation – RPI	3.30%	3.30%
Inflation – CPI	2.20%	2.20%
Expected salary increases	n/a	n/a
Future pension increases	2.15%	2.15%

For the smaller overseas schemes the discount rate used was 1.95% (2016/17: 1.80%) and future pension increases were 1.45% (2016/17: 1.45%).

At 1 April 2017 and 30 September 2017 the discount rate was derived based on a bond curve expanded to include bonds rated AA by one credit agency (and which might for example be rated A or AAA by other agencies).

This presents a change in methodology compared to the discount rate derived for 2 April 2016 or 1 October 2016 which were derived from a bond curve where all bonds had been rated AA by at least two credit agencies.

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

	Premier schemes	RHM schemes
Life expectancy at 30 September 2017		
Male pensioner, currently aged 65	**87.6**	**85.6**
Female pensioner, currently aged 65	**89.4**	**88.2**
Male non-pensioner, currently aged 45	**88.7**	**86.7**
Female non-pensioner, currently aged 45	**90.6**	**89.4**
Life expectancy at 1 April 2017		
Male pensioner, currently aged 65	87.7	85.9
Female pensioner, currently aged 65	89.5	88.3
Male non-pensioner, currently aged 45	88.8	86.8
Female non-pensioner, currently aged 45	90.8	89.5

The fair values of plan assets split by type of asset are as follows:

	Premier schemes £m	**% of total %**	**RHM schemes £m**	**% of total %**	**Total £m**	**% of total %**
Assets with a quoted price in an active market at 30 September 2017:						
UK equities	**0.3**	**0.0**	**0.5**	**0.0**	**0.8**	**0.0**
Global equities	**8.0**	**1.2**	**434.3**	**10.7**	**442.3**	**9.4**
Government bonds	**23.8**	**3.6**	**843.5**	**20.8**	**867.3**	**18.4**
Corporate bonds	**22.5**	**3.4**	**-**	**-**	**22.5**	**0.5**
Property	**8.4**	**1.3**	**335.5**	**8.3**	**343.9**	**7.3**
Absolute return products	**401.4**	**60.7**	**843.4**	**20.7**	**1,244.8**	**26.4**
Cash	**12.2**	**1.9**	**130.5**	**3.2**	**142.7**	**3.0**
Other	**184.5**	**27.9**	**3.0**	**0.1**	**187.5**	**4.0**
Assets without a quoted price in an active market at 30 September 2017:						
Infrastructure funds	**-**	**-**	**235.5**	**5.8**	**235.5**	**5.0**
Swaps	**-**	**-**	**707.5**	**17.4**	**707.5**	**14.9**
Private equity	**-**	**-**	**313.5**	**7.7**	**313.5**	**6.6**
Other	**-**	**-**	**213.8**	**5.3**	**213.8**	**4.5**
Fair value of scheme assets as at 30 September 2017	**661.1**	**100**	**4,061.0**	**100**	**4,722.1**	**100**
Assets with a quoted price in an active market at 1 April 2017:						
UK equities	0.3	0.0	0.6	0.0	0.9	0.0
Global equities	7.1	1.1	519.0	12.4	526.1	10.8
Government bonds	22.4	3.3	496.7	11.9	519.1	10.7
Corporate bonds	23.0	3.4	-	-	23.0	0.5
Property	8.1	1.2	349.3	8.3	357.4	7.3
Absolute return products	399.7	59.3	884.5	21.1	1,284.2	26.4
Cash	13.4	2.0	55.7	1.3	69.1	1.4
Other	199.7	29.7	2.8	0.1	202.5	4.2
Assets without a quoted price in an active market at 1 April 2017:						
Infrastructure funds	-	-	242.6	5.8	242.6	5.0
Swaps	-	-	1,116.1	26.6	1,116.1	22.9
Private equity	-	-	321.7	7.7	321.7	6.6
Others	-	-	201.9	4.8	201.9	4.2
Fair value of scheme assets as at 1 April 2017	673.7	100	4,190.9	100	4,864.6	100

The schemes invest in interest rate and inflation swaps to protect from fluctuations in interest and inflation.

The amounts recognised on 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 30 September 2017			
Present value of funded obligations	**(1,122.3)**	**(3,472.9)**	**(4,595.2)**
Fair value of plan assets	**661.1**	**4,061.0**	**4,722.1**
(Deficit)/surplus in schemes	**(461.2)**	**588.1**	**126.9**
At 1 April 2017			
Present value of funded obligations	(1,162.8)	(3,597.0)	(4,759.8)
Fair value of plan assets	673.7	4,190.9	4,864.6
(Deficit)/surplus in schemes	(489.1)	593.9	104.8

The aggregate surplus of £104.8m has increased to a surplus of £126.9m during the period ended 30 September 2017 (52 weeks ended 1 April 2017: £26.1m decrease) primarily due to the impact of an increase in the discount rate assumption on the defined benefit obligations.

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

	Premier schemes £m	RHM schemes £m	Total £m
Defined benefit obligation at 2 April 2016	(1,004.2)	(3,207.8)	(4,212.0)
Interest cost	(34.2)	(110.6)	(144.8)
Current service cost	-	(0.1)	(0.1)
Remeasurement losses	(155.1)	(437.8)	(592.9)
Exchange differences	(3.8)	(2.0)	(5.8)
Benefits paid	34.5	161.3	195.8
Defined benefit obligation at 1 April 2017	**(1,162.8)**	**(3,597.0)**	**(4,759.8)**
Interest cost	**(15.0)**	**(46.8)**	**(61.8)**
Remeasurement gains	**35.5**	**88.2**	**123.7**
Exchange differences	**(1.7)**	**(0.9)**	**(2.6)**
Benefits paid	**21.7**	**83.6**	**105.3**
Defined benefit obligation at 30 September 2017	**(1,122.3)**	**(3,472.9)**	**(4,595.2)**

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

	Premier schemes £m	RHM schemes £m	Total £m
Fair value of plan assets at 2 April 2016	584.2	3,758.7	4,342.9
Interest income on plan assets	20.2	130.2	150.4
Remeasurement gains	54.0	462.3	516.3
Administrative costs	(3.0)	(3.3)	(6.3)
Contributions by employer	49.2	2.5	51.7
Exchange differences	3.6	1.8	5.4
Benefits paid	(34.5)	(161.3)	(195.8)
Fair value of plan assets at 1 April 2017	**673.7**	**4,190.9**	**4,864.6**
Interest income on plan assets	**8.7**	**54.6**	**63.3**
Remeasurement losses	**(19.0)**	**(101.5)**	**(120.5)**
Administrative costs	**(1.5)**	**(1.0)**	**(2.5)**
Contributions by employer	**19.1**	**0.7**	**19.8**
Exchange differences	**1.8**	**0.9**	**2.7**
Benefits paid	**(21.7)**	**(83.6)**	**(105.3)**
Fair value of plan assets at 30 September 2017	**661.1**	**4,061.0**	**4,722.1**

The reconciliation of the net defined benefit liability over the period is as follows:

	Premier schemes £m	RHM schemes £m	Total £m
(Deficit)/surplus in schemes at 2 April 2016	(420.0)	550.9	130.9
Amount recognised in profit or loss	(17.0)	16.2	(0.8)
Remeasurements recognised in other comprehensive income	(101.1)	24.5	(76.6)
Contributions by employer	49.2	2.5	51.7
Exchange differences	(0.2)	(0.2)	(0.4)
(Deficit)/surplus in schemes at 1 April 2017	**(489.1)**	**593.9**	**104.8**
Amount recognised in profit or loss	**(7.8)**	**6.8**	**(1.0)**
Remeasurements recognised in other comprehensive income	**16.5**	**(13.3)**	**3.2**
Contributions by employer	**19.1**	**0.7**	**19.8**
Exchange differences	**0.1**	**-**	**0.1**
(Deficit)/surplus in schemes at 30 September 2017	**(461.2)**	**588.1**	**126.9**

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

	Premier schemes £m	RHM schemes £m	Total £m
26 weeks ended 30 September 2017			
Operating profit			
Administrative costs	**(1.5)**	**(1.0)**	**(2.5)**
Net interest (cost)/credit	**(6.3)**	**7.8**	**1.5**
Total for the period	**(7.8)**	**6.8**	**(1.0)**
26 weeks ended 1 October 2016			
Operating profit			
Administrative costs	(1.4)	(2.2)	(3.6)
Net interest (cost)/credit	(7.0)	9.7	2.7
Total for the period	(8.4)	7.5	(0.9)
52 weeks ended 1 April 2017			
Operating profit			
Current service costs	-	(0.1)	(0.1)
Administrative costs	(3.0)	(3.3)	(6.3)
Net interest (cost)/credit	(14.0)	19.6	5.6
Total	**(17.0)**	**16.2**	**(0.8)**

13. Notes to the cash flow statement

Reconciliation of loss before taxation to cash flows from operating activities

	26 weeks ended 30 Sept 2017 £m	26 weeks ended 1 Oct 2016 £m
Continuing operations		
Loss before taxation	**(1.2)**	(8.7)
Net finance cost	**23.7**	30.7
Operating profit	**22.5**	22.0
Depreciation of property, plant and equipment	**8.1**	8.1
Amortisation of intangible assets	**18.0**	19.0
Impairment of goodwill	**4.3**	-
Gain on disposal of property, plant and equipment	**(0.5)**	-
Fair value movements on financial instruments	**(0.9)**	(1.0)
Equity settled employee incentive schemes	**1.5**	3.2
Increase in inventories	**(18.7)**	(17.4)
(Increase)/decrease in trade and other receivables	**(14.8)**	15.4
Increase/(decrease) in trade and other payables and provisions	**16.7**	(11.8)
Movement in retirement benefit obligations	**(18.8)**	(31.2)
Cash generated from continuing operations	**17.4**	6.3
Discontinued operations	**-**	0.7
Cash generated from operations	**17.4**	7.0

Analysis of movement in borrowings

	As at 1 Apr 2017 £m	**Cash flows £m**	**Other non-cash movements £m**	**As at 30 Sept 2017 £m**
Bank overdrafts	(21.2)	9.8	-	**(11.4)**
Cash and cash equivalents	3.1	6.4	-	**9.5**
Net cash and cash equivalents	(18.1)	16.2	-	**(1.9)**
Borrowings - revolving credit facilities	(22.0)	6.0	-	**(16.0)**
Borrowings - senior secured notes	(500.0)	(35.0)	-	**(535.0)**
Finance lease obligations	(0.1)	-	-	**(0.1)**
Gross borrowings net of cash[1]	(540.2)	(12.8)	-	**(553.0)**
Debt issuance costs	17.0	-	0.7	**17.7**
Total net borrowings[1]	(523.2)	(12.8)	0.7	**(535.3)**

[1] Borrowings excludes derivative financial instruments.

14. Contingencies

There were no material contingent liabilities as at 30 September 2017 and 1 April 2017.

15. Related party transactions

The Group's related party transactions and relationships for the 52 weeks ended 1 April 2017 were disclosed on page 106 of the annual report and accounts.

Transactions with associates and major shareholders during the period are set out below.

	26 weeks ended 30 Sept 2017 £m	52 weeks ended 1 Apr 2017 £m
Sale of goods:		
- Hovis	**0.2**	0.4
Sale of services:		
- Hovis	**0.4**	0.7
- Nissin	**-**	0.2
Total sales	**0.6**	1.3
Purchase of goods:		
- Hovis	**5.3**	12.6
- Nissin	**2.5**	-
Total purchases	**7.8**	12.6

16. Subsequent events

There have been no material subsequent events.