

GOVERNANCE

Directors' Remuneration report continued

ANNUAL REPORT ON REMUNERATION

An advisory vote on this Annual Report on Remuneration will be put to shareholders at the AGM on 21 July 2016.

Single figure table for Total Remuneration (audited)

Single figure for the total remuneration received by each executive director for the period ended 2 April 2016 (12 months) and for the financial period ended 4 April 2015 (15 months).

Directors	Salary		Taxable Benefits		Pension		Annual bonus		Share based awards		Total	
	2015/16 (12 mth) £'000	2014/15 (15 mth) £'000	2015/16 (12 mth) £'000	2014/15 (15 mth) £'000	2015/16 (12 mth) £'000	2014/15 (15 mth) £'000	2015/16 (12 mth) £'000	2014/15 (15 mth) £'000	2015/16 (12 mth) £'000	2014/15 (15 mth) £'000	2015/16 (12 mth) £'000	2014/15 (15 mth) £'000
Gavin Darby	700	881	19	31	140	176	599	307	293	342	1,751	1,737
Alastair Murray	404	503	20	26	34	41	245	125	–	–	703	695

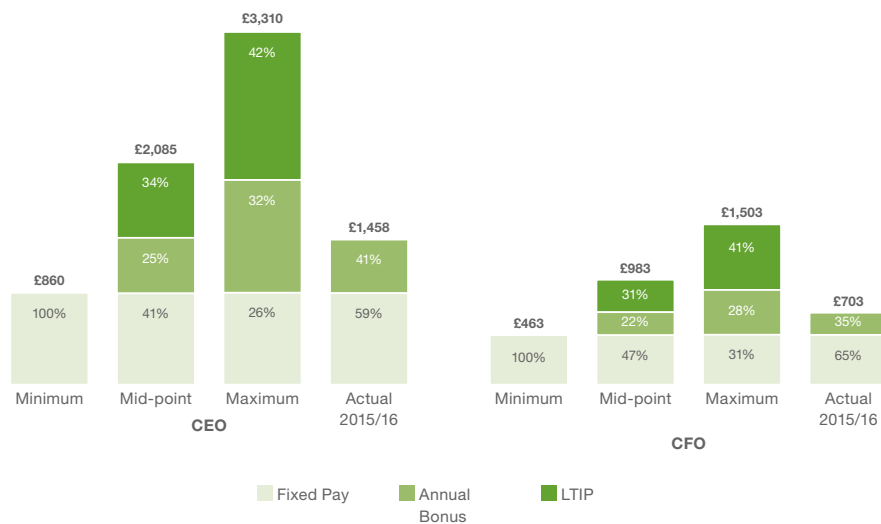
Benefits include those mentioned in the summary table in the Directors' Remuneration Policy report on page 65.

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. He was awarded a bonus of £598,500 representing 57.0% of his bonus opportunity in respect of the financial period. Under the Remuneration Policy 25% of any annual bonus payment to Gavin Darby will be awarded in the form of shares. The first 25% of his total bonus award will be awarded in July 2016 in shares with reference to the opening share price at the start of the financial period fixed at 42.0 pence. In addition, the final tranche of his Co-Investment Award, which comprised 751,814 shares, vested on 1 May 2016. For the purposes of this table the award has been valued at £293,207, based on the share price on 1 May 2016.

Alastair Murray received a basic salary for the period of £404,000 per annum and an annualised salary supplement in lieu of pension of 7.5% of the Earnings Cap (£149,400 for the 2015/16 tax year) which equates to £11,205 for the period together with an additional RPI adjusted pensions supplement of £22,548 in respect of the financial period. Alastair Murray was awarded a bonus of £244,521 representing 57.7% of his bonus opportunity in respect of the financial period (this comprises £177,558 in respect of his annual bonus and £66,963 in respect of the DSBP).

Remuneration scenarios and outcome for the year

These graphs indicate the level of remuneration that could be earned by executive directors at minimum, mid-point and maximum under the Company's current remuneration policy. In addition the actual level of remuneration received in the year is included for comparison.



The scenarios are based on remuneration levels as at 2 April 2016.

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.

Base salary and fees (executive directors) (audited)

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

In line with the salary increase to all employees not involved in collective bargaining the Committee approved a 1% salary increase for the CEO and CFO in 2015/16 and also in respect of 2016/17 (these took effect from 1 April 2015 and 1 April 2016). Gavin Darby has elected not to take either salary increase and therefore his salary remains unchanged from his appointment in 2013.

Executive director	2 April 2016	Change	4 April 2015	Change	31 December 2013
Gavin Darby	£700,000	–	£700,000	–	£700,000
Alastair Murray	£408,000	+1%	£404,000	+1%	£400,000

Annual Bonus (executive directors) (audited)

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

Performance assessment for 2015/16

The Committee undertook a full and detailed review of the performance of each executive director against the targets set at the start of the period. This took into account the financial performance of the business as a whole as well as an assessment of the market in which the Company operates. It also considered whether the outcomes of the application of the present targets reflected the performance of the business and the executives. Having carefully considered these factors, the Committee was satisfied that the application of the originally set targets was appropriate and approved an award of 57.0% of total opportunity (£598,500) for Gavin Darby and 58.6% of total opportunity (£177,558) for Alastair Murray. For Alastair Murray the same financial and strategic performance measures applied to his DSBP award, for more information see page 57. The first 25% of Gavin Darby's total bonus is 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. Gavin Darby has requested that the remaining cash bonus payment for 2015/16 be used to acquire shares (net of income tax and employee national insurance).

Financial targets

The Company delivered Trading profit for the period of £131.0m which was in line with last year and our target level of profit for the Annual Bonus plan. Following an assessment of performance the Committee concluded this was a good performance taking into account the current deflationary market and the increase in investment made in the year which is crucial to support our future growth plans. This included a £3m increase in consumer marketing and significant incremental investment in people within our consumer insight, innovation, marketing and sales teams. This achieved an award of half of the maximum opportunity for this element. Additional financial measures applied to the CFO's bonus. Net debt reduced by over £50m, which exceeded target, and the operational efficiency savings and SG&A cost control measures were both on target. Full details are set out on pages 54 and 55.

Strategic and personal performance assessment

The detail of strategic and personal targets and performance is also set out in the tables on pages 54 and 55. Individual weightings have been provided for each strategic objective. Performance against personal objectives was assessed on an individual basis, however, the Committee agreed that it was appropriate to provide a combined performance outcome for this element of bonus.

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Directors' Remuneration report continued

Gavin Darby

					Annual Bonus	
Performance measure	Target	Stretch	Performance outcome	Weighting	Outcome (% of max bonus)	
Financial objectives (subject to a Trading profit underpin of £127m)						
Trading profit	£131m	£138m	£131m	50%	25%	
				50%	25%	
Performance measure	Performance outcome				Weighting	Outcome (% of max bonus)
Short to medium-term strategic objectives (subject to a Trading profit underpin of £127m)						
Commercial growth opportunities	The Committee agreed that excellent progress had been made in this area allowing the initial part of the objective to be achieved. However, as commercial negotiations were ongoing the balance of the objective would roll forward and be assessed fully next year.			8.0%	4.0%	
Three year plan	A detailed bottom up three year plan, with challenging stretch plans, was reviewed and approved by the Board resulting in the identification of a number of new growth initiatives and a doubling of medium-term guidance to 2-4%.			8.0%	7.0%	
Accelerating the International business	Successful establishment of new International team and the appointment of a new Managing Director. Key initiatives undertaken with major customers in USA, Australia and Ireland resulting in sales growth of 18% in 2015/16 (on a constant currency basis).			5.3%	4.0%	
Investor relations and broadening shareholder base	Strong engagement including shareholder visits to the USA targeting new investors and a successful capital markets day at our Carlton site attended by around 40 analysts and investors. However, an important element of the objective was to broaden the shareholder base and the Committee determined that this element had not been achieved in the period.			8.0%	2.0%	
Hovis Joint Venture	Strong relationship developed with JV partner and a new long-term plan approved, however, the Committee concluded that the specific objective had not been met.			4.0%	-	
				33.3%	17.0%	
Personal objectives						
Customer relationships	Strong relationships built through regular direct contact with senior management following a period of significant change in strategic focus and personnel at a number of key customers.					
2015 All employee survey	84% response rate (up from 78% in 2013) and substantial improvements made in all areas compared to the results of the last survey in 2013. Action plan prepared to address feedback from survey which is now being implemented.					
Stakeholder engagement	Proactive role with Institute of Grocery Distribution (IGD), Food and Drink Federation (FDF) and other key stakeholders to drive the health and wellness agenda. The Company has revised and adopted a progressive three year nutritional strategy and was one of the first signatories of the Courtauld 2025 environmental commitments.					
				16.7%	15.0%	
				100%	57.0%	

Alastair Murray

					Annual Bonus	
Performance measure	Target	Stretch	Performance outcome	Weighting	Outcome (% of max bonus)	
Financial objectives (subject to Trading profit underpin of £127m)						
Trading profit	£131m	£138m	£131m	25%	12.5%	
Net Debt	£540.6m	£530.6m	£534.2m	10%	8.0%	
Operational efficiency savings	£7m	£10m	£7m	10%	7.5%	
SG&A cost control	£36.1m	£34.6m	£36.1m	5%	4.0%	
				50%	32.0%	
Performance measure	Performance outcome				Weighting	Outcome (% of max bonus)
Short to medium-term strategic objectives (subject to a Trading profit underpin of £127m)						
Investor relations and broadening shareholder base	Strong engagement including shareholder visits to the USA targeting new investors and a successful capital markets day at our Carlton site attended by around 40 analysts and investors. However, an important element of the objective was to broaden the shareholder base and the Committee determined that this element had not been achieved in the period.			16.7%	5.0%	
Corporate development	Detailed review of strategic opportunities to accelerate growth and to deleverage the business undertaken. The Committee concluded that whilst part of the objective had been successfully completed other elements had yet to be concluded and could only be assessed in 2016/17.			11.1%	5.5%	
Treasury and risk management	Effective management of working capital allowed for the cancellation of our debtor securitisation facility. Development of effective relationships with bondholders and rating agencies and single B rating maintained.			5.5%	5.0%	
				33.3%	15.5%	
Personal objectives						
Shared service centre operational efficiency	Introduction of new leadership resulting in improved efficiency, effectiveness and an enhanced control environment, with further actions to be implemented.					
Cash forecasting and budgeting	Successful implementation of new IT system to integrate and improve forecasting and budgeting.					
External audit tender	Completion of audit tender.					
2015 All employee survey	Strong engagement from Finance team and an average 17% improvement in favourable scores from the previous survey in 2013.					
				16.7%	11.1%	
				100%	58.6%	

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› Directors' Remuneration report continued

Annual bonus measures for 2016/17

The Committee has determined that the structure for the annual bonus scheme will continue on a similar basis to last year, details of which are set out below. The financial performance measures for 2016/17 continue to be heavily based on Trading profit as this is aligned to the Company's strategy of category growth. For the CEO it includes an element of revenue growth aligned with our increased sales growth guidance and for the CFO it includes the delivery of further net debt reduction, reflecting the importance of organically deleveraging the business. Sales, Trading profit and Net debt are all KPIs (see page 20). Strategic objectives reflect the Company's recently announced accelerated growth plans and the commercial opportunities from our collaboration with Nissin. The Board considers the financial targets and certain of the strategic targets to be commercially sensitive but has agreed that they will be disclosed as part of the performance assessment in next year's annual report. The financial and strategic targets contain a Trading profit underpin.

The first 25% of Gavin Darby's total bonus will be awarded in shares with the price fixed at the start of the financial period and the whole of any award to Alastair Murray under the Deferred Share Bonus Plan shall be in the form of shares deferred for two years (see page 57 for further details).

	CEO	CFO
Maximum opportunity as a % of salary	150%	75%
Performance measure	Weighting	Weighting
Financial objectives (subject to a Trading profit underpin)		
Trading profit	40%	30%
Revenue growth	10%	
Net debt		20%
	50%	50%
Short to medium-term strategic objectives (subject to a Trading profit underpin)		
CEO	33.3%	
<ul style="list-style-type: none"> • Delivery of growth acceleration through a number of initiatives including further expansion within International and developing incremental growth and value initiatives through the co-operation agreement with Nissin. • Corporate development opportunities. • Management of the Hovis Joint Venture and re-integration of Knighton. • Investor relations 		
CFO		33.3%
<ul style="list-style-type: none"> • Management of Hovis Joint Venture and re-integration of Knighton. • Corporate development opportunities. • Strategic cost and efficiency opportunities. • Evaluating financial synergies from our co-operation agreement with Nissin. • Developing relationships with the Group's pension trustees and agreeing the 2016 actuarial valuation. 		
Personal objectives		
CEO	16.7%	
Deepen Customer relationships/ Develop and implement diversity strategy/ Stakeholder management		
CFO		16.7%
Delivery of KPIs for the Company's shared service centre/ Delivery of investor relations strategy/ Completion of IT enabling and efficiency project/ Improved efficiency within audit and control		
	100%	100%

Deferred Share Bonus Plan (DSBP)

Alastair Murray participates in the DSBP which operates alongside the Annual Bonus plan with a maximum opportunity of 30% of salary. 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 period. If the objective is met, the bonus earned will be converted into shares following the announcement of the results for the financial period and deferred for a period of up to two years. These shares are subject to forfeiture over the period of deferral and the shares for these awards are sourced in the market.

DSBP award for 2015/16

For 2015/16 the Committee determined that the performance targets for the DSBP would be aligned with those of the Annual Bonus plan (excluding personal objectives). This simplifies the CFO's remuneration 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. The two performance conditions were split 50:50 between financial and strategic measures and full details of the performance outcome is set out in the table on the 2015/16 annual bonus on page 55. The Committee approved an award of 55.3% of total opportunity (£66,963) which will be made in the form of shares.

Deferred Share Bonus Plan		CFO
Maximum opportunity as a % of salary		30%
Performance Measures (subject to a Trading profit underpin of £127m)		
	Weighting	Outcome
Financial	50%	32.0%
Short to medium-term strategic objectives	50%	23.3%
	100%	55.3%

DSBP award for 2016/17

The Committee has determined that for 2016/17 the DSBP will operate on the same basis as last year and details of the financial and strategic objectives are set out in the table on 2016/17 annual bonus on page 56.

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.

LTIP award for 2015/16

As advised last year the award to Alastair Murray was increased pro rata, on a one-off basis, to reflect the longer 15 month period following the change in year end. No adjustment was made to the size of the award to Gavin Darby in 2015.

	Basis of award	Value on award date	Performance period
Gavin Darby	200%	£1,400,000	05.04.15 – 31.03.18
Alastair Murray	187.5%	£757,500	05.04.15 – 31.03.18

Performance measure	Weighting	Targets		
		Below threshold	Threshold	Stretch
Relative TSR ¹	2/3	< Median	Median	Upper quartile
Adjusted EPS ²	1/3	< 8.97p	8.97p	10.00p
% of relevant portion of award vesting ³		0%	20%	100%

¹ Measured against the constituents of the FTSE 250 Index (excluding investment trusts) around the start of the period.

² 2014/15 base year EPS was 8.0p.

³ Straight line vesting between threshold and stretch.

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Directors' Remuneration report continued

LTIP award for 2016/17

For the 2016/17 award the Committee proposes to use the same measures as the 2015/16 LTIP award, i.e. a relative TSR condition (comprising 2/3rds of the award) and an adjusted EPS condition (comprising 1/3rd of the award), which is aligned with the Company's strategy to deliver sustainable earnings growth and improved shareholder return over the medium-term. The Committee believes that these measures 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 Company is a member of the FTSE Small Cap Index, however, for a number of years the Company has used the FTSE 250 Index as the comparator group for the TSR measure as this is aligned with the size and scale of the business in terms of turnover and enterprise value. Over the year the Committee reviewed the comparator group and has concluded that the FTSE All Share Index is a more appropriate index to use as this includes a wide range of companies, including the members of the FTSE Small Cap Index. The TSR condition requires at least a median ranking to be achieved for 20% of this part of the award to vest, with full vesting taking place for an upper quartile ranking against the constituents of the FTSE All Share Index (excluding investment trusts). The EPS targets reflect our recently announced accelerated growth plans and the additional investment required to deliver them. The Committee considers the targets to be challenging, particularly in the context of current growth levels in the markets in which we operate. The Compound Annual Growth Rate (CAGR) ranges from 3.5% to 7.11%. Further details of all outstanding LTIP awards are provided in the table on page 59.

	Basis of award	Value on award date	Performance period
Gavin Darby	200%	£1,400,000	03.04.16 – 31.03.19
Alastair Murray	150%	£612,000	03.04.16 – 31.03.19

Performance measure	Weighting	Targets		
		Below threshold	Threshold	Stretch
Relative TSR ¹	2/3	< Median	Median	Upper quartile
Adjusted EPS ²	1/3	< 9.2p	9.2p	10.2p
% of relevant portion of award vesting ³		0%	20%	100%

¹ Measured against the constituents of the FTSE All Share Index (excluding investment trusts) around the start of the period.

² 2015/16 base year EPS was 8.3p.

³ Straight line vesting between threshold and stretch.

Anticipated vesting of 2013 LTIP Award

The performance conditions for the 2013 LTIP award are based on an absolute TSR condition (comprising 2/3rds of the award) and an adjusted EPS condition (comprising 1/3rd of the award). 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 re-set its growth and profit expectations. As a result the entry point for the EPS target has not been achieved. The TSR condition is based on the Company's average share price over the 91 day period starting on 1 April 2016 and will not be known until the end of July. However, based on the Company's share price on 2 April 2016, the Committee has concluded that the entry point for the TSR target will not be achieved and consequently the 2013 LTIP award will not vest.

Co-Investment Award

The Co-Investment Award which is specific to Gavin Darby, was awarded 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 vested 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 second tranche of the Co-Investment Award vested on 1 May 2015 and Gavin Darby exercised the award on 8 June 2015. 354,064 shares were sold at 41.25p to cover tax and employee national insurance with the remaining shares being retained. Following the payment of an annual bonus to Gavin Darby in respect of the period ended 2 April 2016 the performance condition for the final tranche of his Co-Investment Award has now been satisfied and this has been reflected in the single figure table on page 52.

Dilution limits

Awards under the LTIP and 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 34,336 shares as at 2 April 2016). The Company complies with the Investment Association guidelines in respect of the dilutive effect of newly issued shares.

Pension payments

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

	Total contributions to DC-type pension plan £'000	Cash in lieu of contributions to DC-type pension plan £'000
Gavin Darby	–	140
Alastair Murray	11	23

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

Share ownership guidelines and share interest table (audited)

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). The following table shows executive directors' interests in Company shares. Awards under the LTIP are subject to a three year vesting period and will only vest if stretching performance conditions are met. 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.

	Shares owned as at 2 April 2016	Shares owned as at 4 April 2015	Extent to which share ownership guidelines met	Unvested share interests under the LTIP	Unvested share interests under the Co-Investment Award ¹	Sharesave Plan	Total
Gavin Darby	4,153,526	3,366,523	373%	8,178,666	751,814	30,524	13,114,530
Alastair Murray	309,522	309,522	62%	2,909,112	–	16,906	3,235,540

¹ The final tranche of the CEO's Co-Investment Award vested on 1 May 2016

Executive share awards

	Date of grant	Balance as at 4 April 2015	Shares awarded in the year	Shares exercised in the year	Shares lapsed in the year	Balance as at 2 April 2016	Option price	Share price on date of grant	Share price on date of exercise	Exercise period/ vesting date
Gavin Darby										
Co-Investment Award	22.02.13	1,503,628	–	751,814	–	751,814	–	62.07p	41.25p	01.05.16
LTIP ¹	22.02.13	2,255,442	–	–	–	2,255,442	–	62.07p	–	31.03.16
	25.06.14	2,629,107	–	–	–	2,629,107	–	53.25p	–	31.03.17
	11.06.15	–	3,294,117	–	–	3,294,117	–	42.50p	–	31.03.18
Sharesave Plan ²	11.10.13	3,214	–	–	–	3,214	72.79p	–	–	01.12.16
	26.09.14	10,404	–	–	–	10,404	34.60p	–	–	01.12.17
	15.12.15	–	16,906	–	–	16,906	31.94p	–	–	01.02.19
Alastair Murray										
LTIP ¹	25.06.14	1,126,760	–	–	–	1,126,760	–	53.25p	–	31.03.17
	11.06.15	–	1,782,352	–	–	1,782,352	–	42.50p	–	31.03.18
Sharesave Plan ²	15.12.15	–	16,906	–	–	16,906	31.94p	–	–	01.02.19

¹ All LTIP awards are in the form of performance shares. Details of the anticipated vesting of the 2013 LTIP Award are set out on page 58.

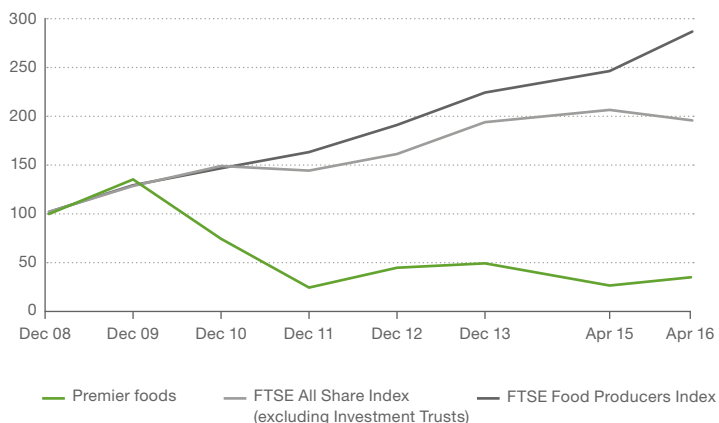
² The Sharesave Plan is a HMRC tax advantaged scheme under which option prices for awards may be set at up to a 20% discount to the market value of shares immediately prior to the date the offer is made. Executive directors are eligible to participate in the Company's Sharesave Plan on the same basis as all other eligible employees.

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Total shareholder return

The market price of a share in the Company on 1 April 2016 (the last trading day before the period end) was 56.75 pence; the range during the financial period was 30.25 pence to 59.0 pence. This graph shows the value, by 2 April 2016, of £100 invested in Premier Foods plc on 31 December 2008 compared with the value of £100 invested in the FTSE All Share 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.



Source: Thomson Reuters (Datastream)

Chief Executive's single figure for total remuneration

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

Year	CEO	Single Figure for total remuneration	Annual bonus as a % of maximum	LTIP vesting as a % of maximum
2015/16	Gavin Darby ¹	£1,750,933	57.0%	–
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 the single figure for total remuneration are set out on page 52.

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 since his appointment in 2013. The average pay of management grades (approximately 400 employees) is used for the purposes of comparison as they are members of the Group's Annual Bonus plan. Small discretionary awards were made to management in 2014/15 under the Annual Bonus plan.

	CEO		Management grades	
	% Change 2015/16	% Change 2014/15	% Change 2015/16	% Change 2014/15
Base salary	–	–	+1%	+1%
Benefits ¹	-23%	+46%	–	–
Annual bonus ¹	+144%	+40%	+160%	+48%

¹ Benefits and annual bonus for the 2014/15 financial period have been prorated to a 12 month period for comparison with 2015/16.

Relative importance of spend on pay

The following table sets out the amounts and percentage change in total employee costs. The terms of our current 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 importance of organically deleveraging the business to a point at which dividend payments can be resumed under the Group's banking arrangements. The figures for 2014/15 represent a 15 month period.

	2015/16	2014/15	Change
Total employee costs	£147.6m	£213.9m	-31.0%
Recurring cash flow	£71.5m	£(24.4)m	N/A
Net debt	£534.2m	£584.9m	-8.7%

Non-executive directors

Single figure for the total remuneration received by each non-executive director for the financial period ended 2 April 2016 (12 months) and for the financial period ended 4 April 2015 (15 months) (audited).

	Basic Fee	Committee Chair Fee	SID Fee	Total Fees 2015/16	Total Fees 2014/15
David Beaver	£265,000	–	–	£265,000	£333,458
Richard Hodgson ¹	£57,000	–	–	£57,000	£14,077
Ian Krieger	£57,000	£13,000	£9,167	£79,167	£92,708
Jennifer Laing	£57,000	£10,500	–	£67,500	£81,437
Pam Powell	£57,000	–	–	£57,000	£71,725
Former non-executive directors:					
Charles Miller Smith ²	£9,500	–	–	£9,500	£71,725

¹ Richard Hodgson was appointed as a non-executive director on 6 January 2015.

² Charles Miller Smith retired as a non-executive director on 1 June 2015.

Non-executive directors' fees

The fees of our non-executive directors (NEDs) are set out in the table opposite. A review of non-executive fees was undertaken in May 2015 and this concluded that the fee for the Senior Independent Director (SID) should be increased from £5,000 to £10,000 per annum recognising the increased level of work required by the role. This is the first increase to NED fees (excluding the Chairman fee) since 2009. No changes to the Chairman's fee or basic NED fee were proposed.

NED Fees	2 April 2016	Change	4 April 2015
Chairman fee	£265,000	–	£265,000
Basic NED fee	£57,000	–	£57,000
Additional remuneration:			
Audit Committee Chairman fee	£13,000	–	£13,000
Remuneration Committee Chairman fee	£10,500	–	£10,500
Senior Independent Director fee	£10,000	100%	£5,000

Non-executive directors' terms of appointment

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

NED	Date of original appointment	Expiry of current appointment/ amendment letter	Notice period
David Beaver	22 January 2008	AGM 2017	3 months
Richard Hodgson	6 January 2015	AGM 2017	3 months
Ian Krieger	1 November 2012	AGM 2018	3 months
Jennifer Laing	1 October 2012	AGM 2018	3 months
Pam Powell	7 May 2013	AGM 2016	3 months

Non-executive directors' interests in shares (audited)

NED	Ordinary shares owned as at 2 April 2016	Ordinary shares owned as at 4 April 2015
David Beaver	304,881	304,881
Richard Hodgson	–	–
Ian Krieger	504,000	304,000
Jennifer Laing	54,802	54,802
Pam Powell	160,366	160,366
Former non-executive directors:		
Charles Miller Smith ¹	1,095,069	1,095,069

¹ Interest as at the date immediately before Charles Miller Smith ceased to be a director, the shares were held in the form of contracts for difference.

GOVERNANCE

➤ Directors' Remuneration report continued

The Committee

The table on page 47 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 regularly attend by invitation. The Deputy Company Secretary acts as secretary to the Committee. Over the course of the year the Committee held three scheduled meetings.

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 £57,512 (2014/15: £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 measures and targets for the variable element of remuneration packages and determine the extent to which performance targets have been achieved. The Committee's terms of reference are available on the Company's website.

What the Committee discussed during the financial period:

- Reviewed the voting results for the 2015 Directors' Remuneration report at the AGM;
- Approved a second award under the Company's management bonus scheme which is linked to completing the turnaround of the business;
- Reviewed and recommended executive directors' and senior managers' annual bonuses in respect of the financial period and set the targets for the 2016/17 annual bonus in accordance with the strategic objectives of the Company;
- Granted the 2015 awards under the Company's all-employee and executive share plans and agreed the targets for awards due to be made in 2016; and
- Discussed developments in best practice with regard to 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.

Statement of voting at Annual General Meeting

Details of our engagement with shareholders and our response to the vote at the AGM in 2015 are set out in the Remuneration Committee Chairman's letter on page 50.

	Approval of Directors' Remuneration Report 2014/15	% of votes cast	Approval of the Remuneration Policy	% of votes cast
Date of AGM	23 July 2015		29 April 2014	
Votes for	478,131,714	84.94%	593,707,405	99.05%
Votes against	84,762,438	15.06%	5,714,208	0.95%
Total votes cast	562,894,152	100%	599,421,613	100%
Votes withheld	13,136,566		3,168,444	