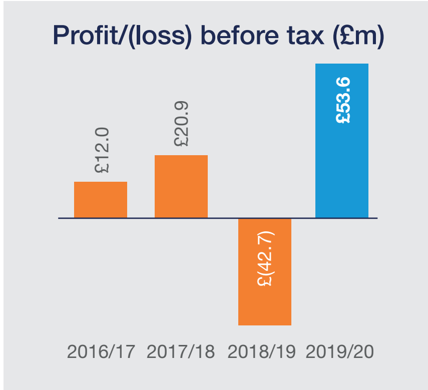
PREMIER FOODS

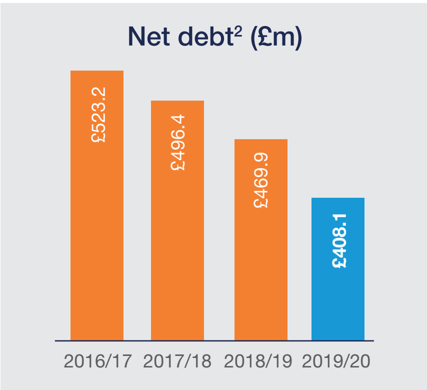
A Recipe For Outperformance

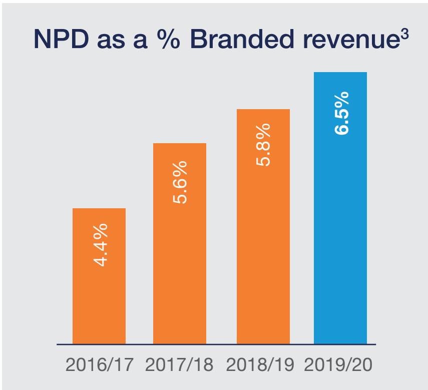
Annual Report for the 52 weeks ended 28 March 2020

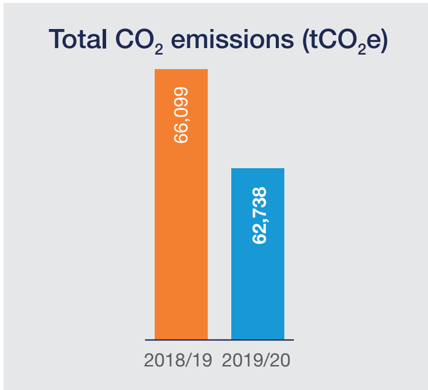
Highlights

Financial and Operational









Strategic review concluded with landmark pension agreement

+2.8%
Group revenue up +2.8% to £847.1m

11
consecutive quarters of UK growth, fuelled by our successful innovation strategy

6.5%
of branded revenue generated from new product development ('NPD')

+5.4%
Adjusted earnings per share[1] up +5.4% from 8.5p to 8.9p

2.7x
Net debt to adjusted EBITDA ratio[1] reduced from 3.2x to 2.7x

[1] A definition and reconciliation of non-GAAP measures to reported measure is set out on page 37.
[2] Net debt is on an adjusted and pre-IFRS 16 basis as defined on page 37.
[3] New product development (NPD) is UK sales from new products launched by the Group in the last three years.

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"Strategic review now concluded, with landmark pension agreement."

Colin Day
Chairman

p11

"The last financial year has been one of great progress for the Group."

Alex Whitehouse
Chief Executive Officer

p02

Our strategy and branded growth model

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Being a responsible business

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Operating and financial review

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Risk management

Our strategy

Our branded growth strategy continues to deliver and enables us to reduce net debt consistently.

Sustainable & profitable revenue growth

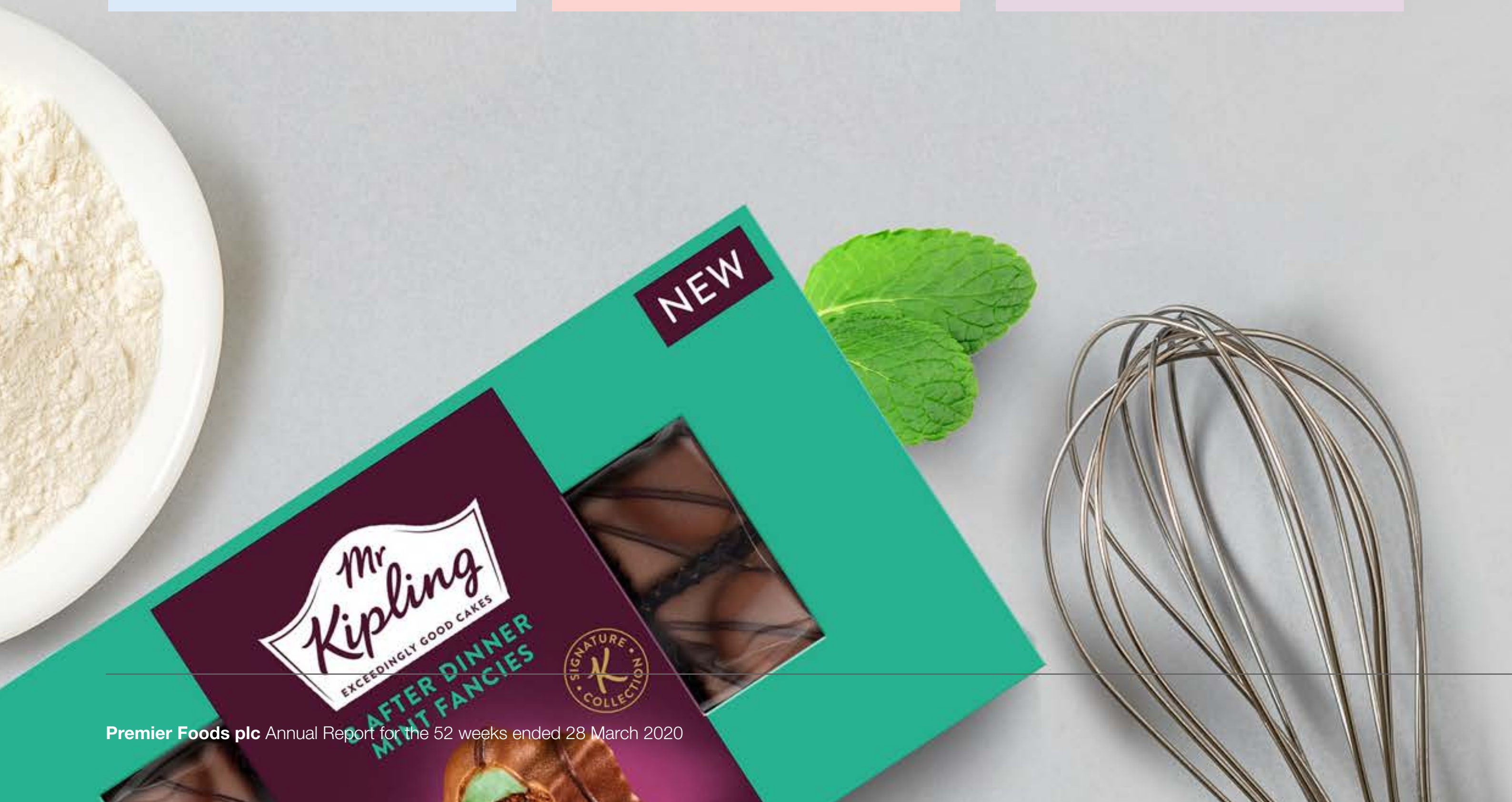
- Leading brand positions.
- Insight driven innovation.
- Sustained marketing investment.
- Collaborative retail partnerships.
- International markets expansion.

Cost control & efficiency

- Lean SG&A cost base.
- Operational Excellence.
- Capital projects.
- Agility, pace & energy.

Cash generation

- Tight focus on Capex.
- Disciplined working capital management.
- Options for cash deployment in short and medium term.



Our branded growth model

Leading brand positions

We have some of the nation's favourite food brands, with leading positions in their respective categories.

Engaging marketing

Emotionally engaging advertising, that is proven to deliver industry leading return on investment (ROI).

Innovation that meets consumers' needs

Robust innovation programme, underpinned by key consumer trends and strong consumer insights at the heart.

Strong customer partnerships

Working closely with our retail partners to deliver excellent in-store execution and category growth.

Leading British brands

Strong market shares and high household penetration.

Category	Our brands	Position	Share	Penetration
Flavourings & Seasonings	Bisto, OXO, Paxo	1	43%	70%
Quick Meals, Snacks & Soups	Batchelors, Nissin	1	32%	46%
Ambient Desserts	Ambrosia, Bird's, Angel Delight	1	36%	55%
Cooking Sauces & Accompaniments	Sharwood's, Loyd Grossman, Homepride	1	16%	52%
Ambient Cakes	Mr Kipling, Cadbury	1	24%	63%

Sources: Category position and market share: IRI 52 w/e 28 March 2020;
Penetration: Kantar Worldpanel 52 w/e 22 March 2020

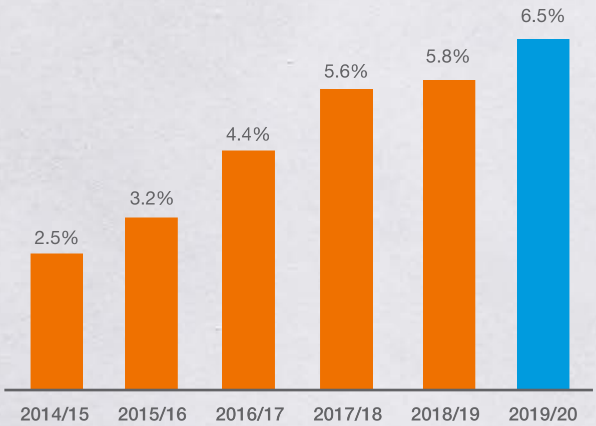
Innovation that meets consumers' needs

Strong innovation programme built on an in-depth understanding of consumer trends, which allows us to develop better solutions for consumers and to drive category growth.

Five key consumer trends we focus on
1 Health and nutrition
2 Convenience
3 Snacking and on-the-go
4 Indulgence
5 Packaging sustainability

NPD as a % of branded revenue

Continuing to grow NPD as a proportion of revenue.



New product development (NPD) is UK sales from new products launched by the Group in the last three years.

Engaging marketing

Doubling of media investment year-on-year, including support for four of our biggest brands with emotionally engaging advertising proven to drive strong ROI.

'Little Thief'

'Tasty'

'Spare chair'

'Dad's night in'

Strong customer partnerships

Leveraging our significant scale with the flexibility of a local manufacturer, we work closely with our customers to deliver excellent in-store execution and category growth.

Co-creating innovation with our customers that delivers against specific shopper needs

Strategic category management delivering category growth

Excellent in-store execution

About Premier Foods

As one of Britain's biggest listed food companies we're committed to the UK, employing over 4,000 dedicated colleagues at 16 manufacturing sites and offices up and down the country. Around 97% of what we sell is made in the UK from quality ingredients, wherever we can sourced sustainably from British suppliers and farmers.

We operate primarily in the ambient food sector which continues to be the largest sector within the total UK grocery market[1]. We operate in four key Grocery categories: Flavourings & Seasonings; Quick Meals, Snacks & Soups; Ambient Desserts and Cooking Sauces & Accompaniments. Within Sweet Treats we operate in the Ambient Cakes category.

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

Expanding in international markets

Our consumer research demonstrates that there are clear opportunities for our brands outside the UK. We have significant businesses in Ireland and Australia with established relationships with the major food retailers. Our Australian business has expanded significantly over the past four years, driven by *Cadbury* and *Mr Kipling* cakes and *Sharwood's* sauces. Our International business accounts for over 5% of Group revenue. Over the course of the year we have introduced a new strategy for the International business in order to build sustainable growth, maximising the potential in markets where we have a strong foundation and taking a more focused approach to new market entry.

Strategic partnerships

Nissin

Since we entered into a co-operation agreement with Nissin Foods Holdings Co., Ltd ('Nissin') in 2016, we've launched *Batchelors* Super Noodles in a new pot format using Nissin's leading noodle technology and manufacturing expertise. Since taking on distribution of Nissin's Soba noodles and Cup Noodle brands in the UK we have seen a continued strong performance, with sales in the year up +88%. The Nissin range now has a market share of 5.0% in the Pot Snacks category, making it the leading authentic brand of noodle pots in the UK market.

Mondelēz International

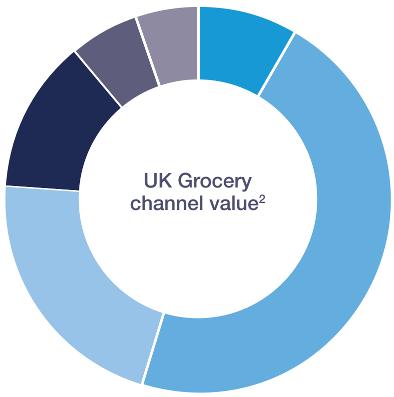
In 2017, we signed a new strategic global partnership with Mondelēz International to renew the Company's long-standing licence to produce and market *Cadbury* branded cake, as well as home baking and ambient dessert products. The new partnership will run until at least 2022, with the right to a three-year extension to take it to 2025 (subject to a sales threshold). The agreement is also expanded to cover 46 countries, including South Africa, Canada and Japan, and has the potential to use the full range of *Cadbury* brands in ambient cake.

Customers

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

UK Grocery channel value[2]

- Hypermarkets: £16.3bn
- Supermarkets: £90.0bn
- Convenience: £41.4bn
- Discounters: £24.5bn
- Online: £11.6bn
- Other: £9.8bn



[1] Kantar Worldpanel Contextual Grocery Report for the 52 weeks to 22 March 2020.

[2] Institute of Grocery Distribution, UK Grocery June 2019.

Chairman's statement

"We have a new management team and structure, with a clear strategy, intently focused and able to deliver sustainable, profitable growth and value for our shareholders."

Colin Day
Chairman

Introduction

In taking on the role as Chairman of Premier Foods, I was cognisant of the Company's history and the pressures faced, primarily by its capital structure. Notwithstanding this, I also recognised the strength of the brands and the solid underlying trading performance.

As I compose this statement, we have a new management team and structure, with a clear strategy, intently focused and able to deliver sustainable, profitable growth and value for our shareholders as evidenced by the results for the full year ended 28 March 2020. Revenue reached £847.1m, an increase of +2.8%, and adjusted profit before tax increased to £93.3m. Importantly, the Group has reduced Net debt by £61.8m to £408.1m, comfortably lowering our Net debt to EBITDA ratio, beneath our target of 3.0x, to 2.7x. This places the results, in terms of both profit and cash generation, and, therefore, Net debt reduction, at the top end of expectations, providing further evidence that Premier Foods is delivering consistent value from our operational strategy.

Board changes

There are a number of changes to report at Board level. Keith Hamill retired as Chairman in July 2019 and Alastair Murray, following six years in the business as CFO and, latterly, as Acting CEO, stepped down in August 2019. I would like to thank them both for their contributions, especially that of Alastair for his long tenure.

As outlined above, the Board took the opportunity to formulate a new team and, following external search processes, was pleased to make two internal promotions. Alex Whitehouse, previously UK Managing Director, was appointed CEO in August 2019, and acting CFO Duncan Leggett, was appointed to the role permanently in December 2019. Alex had been with the business for six years, leading the successful turnaround of the UK business. Duncan Leggett was previously Group Financial Controller and Corporate Development Director, with eight years' service, and brings extensive technical knowledge and experience of the business to the Executive Leadership Team (ELT).

In May 2019, non-executive directors (NEDs) Richard Hodgson and Pam Powell, were appointed Senior Independent Director and Remuneration Committee Chair respectively. In addition, Pam has accepted my invitation to become Workforce NED and facilitate two-way communication between the Board and employee forums.

As outlined at the time of my appointment, we intended to strengthen the Board with two further independent NEDs. I am therefore pleased that Tim Elliott and Helen Jones agreed to join the Board with effect from 15 May 2020.

Strategic review outcome and Board priorities

Following extensive discussions with all stakeholders, the strategic review concluded with the announcement of a segregated merger of the Company's three Defined Benefit pension schemes – bringing them together under one trust. This will unlock benefits and value for all pension scheme members and has the potential to reduce the Company's deficit cash contributions in future years, significantly improving the Group's fiscal structure. Further information regarding the segregated merger can be found in the Operating and financial review on page 35.

Now that the strategic review has concluded, the Company will continue to pursue its successful branded growth model strategy, focusing on the delivery of consistent and solid operational performance, continued cash generation and commensurate debt reduction. The Board and management are committed to growing a business which reflects developing consumer trends and modern living, driven by a focused health and sustainability agenda, delivering further opportunities for value for the benefit of all our stakeholders.

External influences

Our business, like many in our industry, will need to wait to see how trade deals between the UK and EU progress on exit arrangements in the coming months. We have, of course, prepared for a no-deal scenario many times, but await clarity before further reviewing our options and finalising our plan for the end of the transition period.

Towards the end of our financial year, the UK entered an unprecedented lockdown due to the coronavirus outbreak, a challenging time during which many have lost family members. The Government identified the food and drink industry as critical to remain operational, ensuring the continuous supply of food to keep customers' shelves stocked and the nation fed.

The Group's product ranges experienced exceptional demand during March and into Q1, and I would like to thank colleagues across our manufacturing, distribution and office sites for their outstanding commitment and resilience.

Conclusion

In my first 10 months as Chairman of Premier Foods, I have been encouraged by the great energy, passion and pride our colleagues display for our stable of much-loved iconic brands and the way they value the strong working relationships with our business partners, suppliers and customers. This is paramount for our collective growth and success, so I would like to thank them all for their continued support.

As we look forward together, to another year of trading, I'm confident that, with our consistent track record of Net debt reduction and solid growth, we are well positioned to deliver value for the year ahead.

Colin Day
Chairman
24 June 2020

Read more about our new Pension agreement on page 35

Read more in our Governance section on pages 44 to 81

Our purpose and values

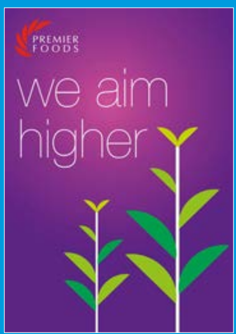
Our purpose

We create the food the nation loves most for modern life.

Our purpose reminds us what we're here to do – create great food our consumers love, food that is tasty, easy to prepare and available in convenient formats. That's why you'll find our brands in 94% of British households. We're proud of our iconic brands and our great products, and our purpose shows how our food is at the heart of what each colleague does every day.

Our values

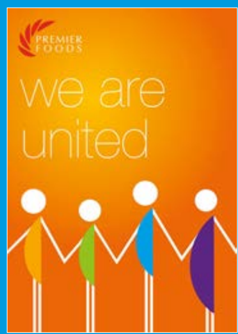
We're committed to creating a truly great place to work. Our shared values give us a common framework for decisions and help guide us in the way we do things and we challenge each other to live them day-by-day. Over the last few years, significant progress has been made in embedding the Group's purpose and values across the business, increasing investment in communication and engagement with colleagues, and up-weighting training in areas such as leadership and diversity & inclusion.



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

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

We're energetic and act with pace.



We achieve more when we work together.

We bring out the best in each other.

Our commitment to be a responsible business

Being responsible and sustainable underpins our business model and is shaped by the issues that matter most to our business and our stakeholders. By being a responsible business, we want to create, sustain and strengthen partnerships with all, in order to deliver long-term sustainable growth.

Read more in Being a responsible business on pages 12 to 27

Chief Executive's review

> **"The last financial year has been one of great progress for the Group. Our market leading brands continued their strong sales growth and outperformed their UK categories, we successfully reduced Net debt to 2.7x EBITDA, and the foundations were laid for a groundbreaking pensions arrangement announced in April 2020."**

Alex Whitehouse
Chief Executive Officer

Strong performance

The Company's brands continued to perform strongly with the UK business outperforming the market and now reaching 11 quarters of back-to-back growth. The consistent strong performance is a result of our branded growth model, leveraging our well-known market leading brands through:

- Innovation: Developing new contemporary products based on rich consumer insight.
- Advertising: Building emotional relationships with our consumers.
- Retail Partnerships: Working closely with our retail partners to generate mutual value.

During the year our innovation rate increased by a further 70 basis points with 6.5% of UK sales now coming from new products launched in the last three years. We also brought to market *PLANTASTIC*, a new brand that uses plant-based recipes, in line with the consumer trend of plant-based eating and targeted at a younger demographic.

Gross margins improved by 90 basis points driven by ongoing cost saving programmes and this supported a doubling of brand advertising versus the prior year, as we create an increasingly virtuous circle whereby increased sales and cash margin facilitate increased brand investment. Trading profit increased by £4.1m to £132.6m and adjusted EPS grew by 5.4%.

International sales were disappointing and declined during the year. Changes have now been made to strategy, structure and leadership in order to unlock the opportunity for the Group's brands that exists outside of the UK.

A hands-on and fresh approach

Following my appointment as CEO in August 2019, the senior leadership of the business has been restructured, moving direct responsibility for the commercial and operational management of the business to an expanded Executive Leadership Team and removing unnecessary reporting layers. This more hands-on approach has given the Group stronger, more direct guidance at the top of the organisation with improved communication and accelerated decision making. This highly energised, focused, and determined team is looking at all aspects of the business with fresh eyes, and so far has led to the decision to reintegrate the Knighton Foods subsidiary back into the core business and to the new pensions arrangements.

Strategic review conclusion

The year-long strategic review was concluded just after the year end, with a groundbreaking pensions arrangement, bringing three legacy Defined Benefit schemes together in a segregated merger. This new structure will leverage the strength of the RHM pension scheme in time, to benefit the funding of the Premier Foods and Premier Grocery Products schemes. Additionally, it offers the prospect of a step change reduction in deficit payments for the Company.

This new pensions' arrangement is a major step forward for the Group, one we see as highly important. This decision was taken in the context of the strong ongoing growth of our brands and the resulting accelerated rate of debt reduction. Our forward-looking strategy is therefore focused on the reduction of Net debt through organic cash flows generated by strong commercial performance; driven by the continued sustainable, profitable growth of our brands.

Sustainability

As a responsible business, we are focusing on the issues that matter most to our stakeholders and will have a positive impact on our planet both now and in the future.

Healthy eating is a key consumer trend and we believe we have an important role to play in helping consumers make positive health choices. Consequently, this is a top priority of our brand innovation programmes. During the year we hit our target of removing 1,000 tonnes of sugar from the nation's diet and we continued to develop healthier alternatives across our brand portfolio including; *Mr Kipling* 30% reduced sugar lemon slices, 30% reduced sugar and fat *Ambrosia* custard, 25% reduced salt *Oxo* cubes and 25% *Bisto* reduced salt gravy pots, as well as launching our new plant-based eating brand *PLANTASTIC*. Meanwhile, our *Loyd Grossman* low fat Indian cooking sauces and no added sugar Italian sauces continued to see significant growth.

During the year, we achieved 81% recyclability of our plastic packaging, up over 10% from last year and we currently have more than 40 projects underway looking at improvements from recyclability, to PVC removal, headroom reduction, inclusion of recycled content and packaging weight reduction.

We were proud to move up a tier in a global animal welfare ranking this year and, in addition, as a business cut our CO_2 emissions by a further 5.1%.

COVID-19

The health of our colleagues has been and remains our number one priority. As a food manufacturer we strengthened our already rigorous hygiene standards and implemented a series of widespread additional measures, including social distancing and amendments to manufacturing lines, to keep colleagues safe. We believe that this has been a key factor in keeping our overall levels of absence low.

The demand for our products ranges at the end of March was exceptionally high as consumers filled their cupboards. As we moved into Q1 we have continued to see much higher demand than we would normally expect at this time of year, a result of people eating meals at home that would otherwise have been eaten in restaurants, pubs, cafés, places of work and education. We anticipate these high levels of demand will continue while restrictions on out-of-home eating remain in place. We take very seriously our responsibility to keep food on the shelves and I am immensely proud of our operational colleagues who have responded to this challenge with great energy and professionalism.

In conclusion, 2019/20 was a year of great progress and I'd like to thank all our colleagues for their exceptional efforts. Looking forward to 2020/21 we expect to continue the positive momentum and make further progress as we continue to focus on driving the growth of our brands and reducing Net debt.

Alex Whitehouse
Chief Executive Officer
24 June 2020

Read more about Our strategy on page 02

Read more in our Operating and financial review on pages 30 to 37

Being a responsible business

Our purpose is to create the food the nation loves most for modern life, and we are committed to doing this responsibly and in a way that is sustainable for our business, our communities and our planet. Our five-pillar responsibility strategy enables us to focus our efforts on addressing the issues that are most relevant to people and the planet, both now and in the future.

Working in partnership with our stakeholders

Our responsibility strategy is shaped by the issues that matter most to our business and our stakeholders. When being a responsible business, we want to create, sustain and strengthen all of our partnerships. We respect, support and encourage our colleagues, engage daily with our suppliers, manufacturers and customers, and build on strong relationships with charity and civil society partners to enable us to meet our ambitions. We work with Government, shareholders, trade bodies and industry groups to shape and challenge our objectives. We care about being a responsible business for our consumers, who we always have at the heart of everything we do when creating the food the nation loves most for modern life.

Our governance

We have a range of cross-functional steering groups which are responsible for the delivery of our ESG strategy, for example: the Plastics steering group, People's Potential steering group and Ethical Sourcing steering group. We have a network of colleagues who are key enablers of success, such as our Green Matters champions and Charity Champions, who ensure our Environmental, Social and Governance (ESG) strategy is being embedded daily across all of our sites. Being a responsible business also means that we hold ourselves accountable against national targets and commitments: as founding members of the UK Plastics Pact or as signatories of Courtauld 2025, we push ourselves to deliver on our responsibility strategy and contribute to wider change.

Connecting with our stakeholders

Our responsibility strategy is shaped by the issues that matter most to our business and our stakeholders. Information in this section highlights our approach to the matters set out in section 172(1) of the Companies Act. Further information is also provided in the Governance section on pages 50 to 52.

Working towards the UN SDGs

Adopted by the United Nations in 2015, the 17 Sustainable Development Goals are a universal call to governments, businesses and civil society alike to shift the world onto a sustainable and resilient path. Everyone has a role to play in achieving shared prosperity in a sustainable world - a world where all people can live productive, vibrant and peaceful lives on a healthy planet by 2030.

For more information, please visit: https://sustainabledevelopment.un.org

This year, we have undertaken work to identify which of the UN Sustainable Development Goals (UN SDGs) we can make an impact on and mapped them to our responsibility strategy:

Reduce our environmental footprint

We strive to continually improve our environmental performance, embedding a culture that encourages the efficient use of resources. We seek to reduce and mitigate our environmental footprint throughout our operations, moving towards greater sustainability as we work with charity partners to restore the natural ecosystems close to our sites.

Alignment to UN SDGs

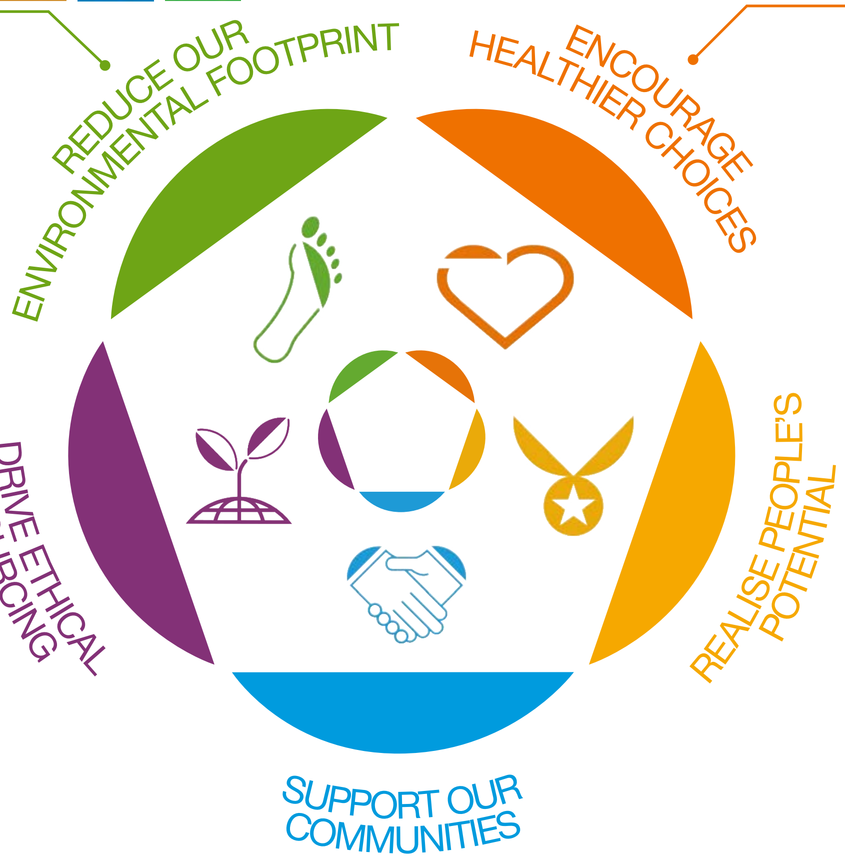
12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 14 LIFE BELOW WATER · 15 LIFE ON LAND

Encourage healthier choices

We're proud to produce great-tasting products from affordable British brands that consumers love and enjoy as part of a healthy, balanced diet. As one of the UK's largest food manufacturers, we believe we have a responsibility to provide choice and encourage the nation to try healthier food options.

Alignment to UN SDGs

2 ZERO HUNGER · 3 GOOD HEALTH AND WELL-BEING



Drive ethical sourcing

We believe it is important to understand the impact of our supply chain on the environment, on animal welfare and on the people involved in supplying us a range of ingredients and finished goods. We therefore have processes and policies in place to embed and promote ethical and sustainable sourcing throughout our supply chain.

Alignment to UN SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 14 LIFE BELOW WATER · 15 LIFE ON LAND

Support our communities

Supporting our communities both locally and nationally is at the heart of our business and is key to reducing inequality within our country. By working with our charity partners, we aim to foster a culture of both physical and mental well-being whilst bringing our colleagues together to support shared charitable aims.

Alignment to UN SDGs

3 GOOD HEALTH AND WELL-BEING · 10 REDUCED INEQUALITIES

Realise people's potential

We want all our colleagues to realise their full potential and contribute to creating an environment where everyone can succeed. From providing bespoke training opportunities, to encouraging diversity and promoting an inclusive workplace, to supporting our colleagues' physical and mental health – we are committed to creating a rewarding and enjoyable place to work.

Alignment to UN SDGs

3 GOOD HEALTH AND WELL-BEING · 5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES

Encourage healthier choices

We're proud to produce great tasting products by affordable British brands that consumers love and enjoy as part of a healthy, balanced diet. Healthy eating is a key consumer trend and a top priority within our brand innovation programme.

Alignment to UN SDGs

2 ZERO HUNGER

3 GOOD HEALTH AND WELL-BEING

Introduction of PLANTASTIC

In 2019 we developed a fresh new plant-based brand, *PLANTASTIC*, tapping into the growing number of consumers moving towards a vegan or flexitarian diet. The brand was launched into market with a delicious range of flapjacks and cakes in four modern flavour combinations - Lemon and Turmeric, Apricot and Ginger, Orange and Parsnip and Cherry and Chocolate - and all providing a source of fibre to help consumers improve their diet.

In early 2020, the brand launched into the chiller aisle too with Strawberry Mixed Grain Snack Pots; healthy mixed grains in a coconut cream with a Strawberry fruit layer, for a snack that provides a source of protein and is low in fat. Our *PLANTASTIC* snacks are available at the front-of-store, providing consumers with the ultimate healthy on-the-go snack option.

As one of the UK's largest food manufacturers, with a presence in around 94% of UK households, we believe we have a responsibility to encourage the nation to make healthier food choices. That's why we've made it a core pillar of our responsibility strategy and set ourselves ambitious KPIs to ensure we deliver on our commitment.

Our KPIs

Extend our range of healthier foods:

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

Enhance the nutrition profile of our existing core range:

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

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

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

Mr Kipling 30% less sugar cake slices

In 2019 we developed a 30% reduced-sugar version of our best-selling *Mr Kipling* cake slices range, providing consumers with the first better-for-you version of a major cake brand.

The range launched with a 30% reduced-sugar version of our famous Angel Slices, containing just 6.1g sugar and 100 calories per 24g slice.

We achieved this by reducing sugar in both layers of pink and yellow sponge, sandwiching a vanilla flavour filling and by replacing the layer of icing that traditionally tops the cake with a reduced-sugar icing decoration.

Having proved popular with consumers, the range was later extended to include 30% reduced-sugar versions of *Mr Kipling* Chocolate and Lemon slices. Each individual cake slice across all three variants contains 100 calories or less, which, importantly, is in line with PHE's portion recommendation.

We are proud to say that both the Angel and Chocolate slices won Product of the Year in the snacking category in 2020!

To encourage our consumers to make healthier choices, we believe it is important to empower them with knowledge and a variety of healthier options. To this end, we innovate to offer alternative better-for-you and healthier options to their pantry favourites, as well as enhancing the nutritional profiles of our existing core range. All of our products are provided with clear nutrition labelling on our packaging to help our consumers make informed choices.

Extend our range of healthier foods

Our innovative R&D team, working closely with our Nutrition team, have continued to develop 'better-for-you' products to encourage our consumers to make healthier choices.

Better-for-you variants are defined by having claimable nutrient benefits, for example a 30% or more reduction in sugar, fat or calories, or a 25% or more reduction in salt/sodium. Consumers can therefore be confident that by choosing better-for-you options, the products are not only improved compared to our original variant, but also against all similar products on the market. This financial year, we are proud to have increased our number of **better-for-you options by 29%**. We launched 13 new products across our brands, including: *Bisto* 25% salt-reduced gravy pot, *Oxo* 25% salt-reduced premium stock cube, *Ambrosia* 30% sugar & fat reduced custard and *Mr Kipling* 30% sugar-reduced Lemon Cake Slices.

Every year, we want to offer a new range of products that enables our consumers to improve their diets by adding more vegetables and different sources of fibre and/or proteins. We also aim to support the increasing number of consumers switching to a flexitarian, vegetarian or plant-based diet, by adapting the recipes of our trusted brands to meet these modern consumer trends. 41% of our cooking sauce products include the equivalent of 'one of your five a day' vegetables. This year, we launched a *Loyd Grossman* plant-based Bolognese range with three variants that provide our consumers with a higher content of vegetables, fibre and protein.

Most notably, we launched *PLANTASTIC*, an entirely new brand that uses plant-based recipes and offers on-the-go healthy snack options for consumers moving to a flexitarian, vegetarian or vegan diet, or those consumers simply wishing to enjoy a great tasting healthy snack.

Enhance the nutrition profile of our existing core range

Working with Government and Public Health England (PHE), we are committed to enhancing the nutrition profile of our core range, including reducing the sugar or salt content.

We have already reformulated many of our products to lower their sugar content, particularly in our cake and dessert categories, including a circa 10% sugar reduction in our core *Mr Kipling* Deep Filled Mince and Apple Pies, without compromising on taste. We also achieved a 30% sugar reduction in our *Ambrosia* light custard and light rice pudding recipes across all formats. We are very proud that in total we have now **removed 1,042 tonnes of sugar** (against our 2015 baseline), exceeding our commitment to remove 1,000 tonnes across our dessert and cake categories.

Having already removed 1,000 tonnes of salt from our portfolio since the first set of salt targets were published, we are continuing this work in all of our New Product Development (NPD) programmes this year, by meeting PHE's 2017 salt targets for their respective categories. Furthermore, we are compliant with PHE salt targets in most of the 15 categories in which we committed to meet 2017 targets. We're making good progress in the few remaining categories and are also working closely with PHE as they develop new salt targets in 80 subcategories.

Calories continue to be a popular way for consumers to measure and plan their diet, so we are proud to say that all of our cake and dessert products meet the PHE calorie caps set out in their sugar reduction programme. Furthermore, our reduced-sugar cake slices contain only 100 calories per slice, which is in line with PHE's recommended energy (calories) level for a snack.

Educate our customers and colleagues on their nutrition choices

We continue to champion transparent nutrition labelling so that consumers can make informed choices about the products they buy. As one of the first food manufacturers to adopt the voluntary front-of-pack traffic light labelling, we went on to support the Institute of Grocery Distribution (IGD) in developing best practice guidance to encourage consistency across industry and better consumer understanding of the nutrition information provided in these labels. **95% of our UK portfolio** carries all five key pieces of nutrition data – energy, fat, saturates, sugars, salt – on the front of pack (the remaining 5% only carry the energy information due to the small size of the packaging). This labelling helps our consumers to make informed choices.

To encourage our colleagues to make healthier choices, we partnered with the IGD during the development of their **Eat Wise, Work Wise** programme. This programme aims to enhance healthy eating in the workplace by inspiring changes in personal diets. We have now assessed all our sites with canteens and have rolled out healthier menu options across half, with a goal to extend to every Premier Foods location with on-site canteens by 2021.

By working closely with our catering provider, we have introduced a deli bar in our St Albans head office café, which includes a selection of fresh homemade salads that balance ingredients across the food groups – i.e. carbs, protein and fibre. We also offer a 'goodness' range, which changes daily to create added interest and is low in fat, salt and sugar. All food on offer also carries clear nutritional labelling, so that our colleagues can make informed choices.

Realise people's potential

Our five shared values are: we aim higher, we champion fresh ideas, we are agile, we are united, we respect and encourage one another. These give us a common framework for decision-making and guide the way we do things.

Alignment to UN SDGs

3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES

★ RATEMYAPPRENTICESHIP
TOP 100 APPRENTICESHIP EMPLOYERS
2019 - 2020

We want all of our colleagues to realise their full potential and contribute to creating an environment where everyone can succeed. From providing bespoke training opportunities, to encouraging diversity and promoting an inclusive workplace, to supporting our colleagues' physical and mental health – we are committed to creating a rewarding and enjoyable place to work.

Our KPIs

Attracting talent and developing skills:

- Support and develop graduates and apprentices to progress their career with us.
- Provide extensive training opportunities to our colleagues via online platforms.
- Promote our industry through collaboration with the IGD.

Diversity and Inclusion (D&I):

- Monitor and report on D&I to understand and remove potential blocks.
- Deliver face-to-face training and ongoing support to all leaders within our business by March 2020.
- Provide awareness training to all colleagues by the end of 2021.

Caring for our people:

- Embed a culture of risk prevention at all sites with our 'Be Safe' and TOPs health and safety programmes.
- Deliver annual Health and Wellbeing plans at our sites aligned to the top three areas of interest of our colleagues.
- Increase awareness of good mental health by providing training to all colleagues by 2021.

Attracting talent and developing skills

When we welcome colleagues into our business – no matter at what level – we help them develop the confidence and skills to move up the career ladder.

Our apprenticeship and graduate programmes feed a future pipeline of skilled individuals for roles across our business, offer fantastic career prospects and career progression for existing colleagues. Our ‘Future Leader’ graduate programme provides an excellent foundation for a career in the food and drink industry and enables us to harness and nurture emerging talent. We offer four distinct programmes - within our commercial (sales and marketing), finance, procurement and IT teams. During their programme, our graduates also typically undertake three placement roles and participate in a series of external training modules designed to help them develop core business skills including commercial awareness, presenting, and managing change.

We recruited **66 graduates** over the five-year period 2015-19 and almost 70% have remained with us to progress their career within Premier Foods. Most recently in 2019, 100% of our largest so far intake, 19 graduates, remained at Premier Foods to pursue their careers.

> “Since starting the procurement graduate programme in 2015, I have had the opportunity to work in several different areas of procurement. I liked that I was given responsibility and treated as a real part of the team straight away.”

Naomi Spray
Category Executive

Apprenticeships are one of the most practical ways for people to learn, enabling them to develop and hone new knowledge and skills whilst remaining in paid employment. We offer apprenticeships to both existing colleagues and new recruits, with programmes ranging from technical operators, food technologists, software development, continuous improvement and beyond. Our programmes cover all levels of prior experience, meaning they are a truly inclusive route to career progression. This year, we have supported the training and development of **95 apprentices;** 26 were new recruits to the business, with the remainder recruited from existing colleagues. We are proud that we remained in the **top 100 table of Apprentice Employers** for the third year running!

> “As part of my apprenticeship, I have completed basic continuous improvement (CI) duties on six different lines within the factory. I’m always being exposed to new elements of the business and trying out new tasks every day, which has led me to have a much wider knowledge of the business than I might gain somewhere else.”

Gareth Thompson
Improvement Coordinator

We invest in self-led learning tools, including LinkedIn Learning for all IT-enabled colleagues, which offers access to over 7,000 on-line courses. Since its launch in November 2018, more than 600 colleagues (out of our 1,500 connected colleagues) activated their accounts and 40% have participated in online learning. With over 27,000 training videos watched to date, we have seen our colleagues make use of LinkedIn Learning for more than **1,260 hours of learning** which equates to 168 working days. Meanwhile, our leadership programmes equip our leaders with practical skills and tools to enable them to lead the business with authenticity and integrity.

Fairness and equality of opportunity

We strongly believe that diversity of people fosters diversity of thought, which is vital with innovation at the heart of our business strategy. We are committed to developing an inclusive culture across our whole organisation, and this means all colleagues and potential recruits are treated with respect, valued and encouraged to give their best at all times. Our Diversity and Equality policy statement, approved by the Board in 2017, sets out our approach to equal opportunities and our ambition to address discrimination at work. Our diversity working group monitors progress against key areas of this statement and reports annually to the Board.

Rather than focusing on setting specific targets for diversity (gender and ethnicity), our focus remains to understand where issues arise, monitor and remove potential blocks, while seeking to improve processes and training.

In 2019, we embarked on a company-wide Diversity and Inclusion programme. This led to us holding full-day training sessions, focusing on raising the awareness of unconscious bias and inclusive leadership for our mid to senior level leaders: a total of 263 managers attended nine workshops and, in addition, we ensured that our in-house recruitment team and external agencies were fully engaged in the objectives of the programme. This represents an important first stage of our commitment to a long-term programme, which we are continuing to develop and expand to support our strategy.

Evolution of gender split

	2019/20	%	2019/18	%
Total	4,151		4,110	
Female	1,504	36.23	1,491	36.28
Male	2,647	63.77	2,619	63.72
Graded	564		532	
Female	232	41.13	213	40.04
Male	332	58.87	319	59.96

We have monitored and published our gender diversity statistics since 2011 and a key target of our diversity agenda has been to improve female representation in middle and senior management. We continue to address this through further improvements in recruitment, talent management, flexible working and maternity provision, as well as line manager education and development.

Current legislation requires that we report on our gender pay gap for any legal entities that employ more than 250 colleagues. We have decided to go beyond this and monitor the gender pay gap for all entities within the Group, as we believe it depicts a truer picture. Our latest results are as follows:

Gender pay gap (hourly)	Gender pay gap (bonus)
Mean	Mean
6%	25%
2018: 12%	2018: 34%

We have made progress on closing the gender pay gap, going from a 12% average difference in hourly pay between our male and female population, to a 6% difference. Our full gender pay gap report is available on our website.

Within our organisation, approximately 90% of our workforce is employed at our manufacturing sites, where roles attract more men than women and labour turnover is low. This makes it difficult to significantly improve these results in the short to medium term. To address the skills gap faced by our industry in critical areas including Science, Technology Engineering and Manufacturing (STEM) based roles, we continue to play an active part in driving awareness of our sector, and promoting the breadth of career opportunities that exist within it. We work in partnership with the IGD to support their **Feeding Britain's Future schools campaign**, and this year Premier Foods' volunteers took part in 30 workshops at schools to drive awareness of Fast-Moving Consumer Goods (FMCG) roles. We also participate in the IGD's Schools Programme initiative, with the majority of our sites actively supporting local schools to provide skills training, for example CV writing, confidence building and interview tips.

Caring for our colleagues

Health and Safety

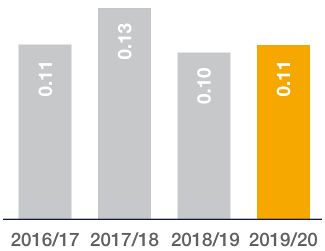
Health and Safety is taken extremely seriously at all levels throughout the business, and we are proud to maintain one of the lowest accident rates within the food industry.

This year, we successfully completed the roll-out of our 'Be Safe' programme across all manufacturing sites, which encourages colleagues to identify and discuss both safe and unsafe actions within their workplace. In the last 12 months, colleagues have identified a total of 4,487 Safe Acts and 2,824 Unsafe Acts. This helps our manufacturing sites to target their resources and improve safety in the most effective areas. The Total Observation Process (TOP) continues to be successful in identifying hazards in the workplace and ensuring they are addressed before an incident can occur. In the last 12 months, 4,236 potential risks were identified and actions taken to address these across the business.

In February 2020 our Safety Management System was reviewed and transitioned across from the British standard OHSAS 18001, to the international health and safety norm ISO 45001. Next year, all sites will be audited and certificated to this standard.

The Board reviews health and safety performance at every scheduled Board meeting. This includes two important measures: Lost Time Accidents ('LTA'), which represent accidents that result in a colleague having to take time off work; and Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ('RIDDOR') where incidents are reported to the regulatory body. This covers accidents resulting in serious injury, over seven days absence from work and dangerous occurrences.

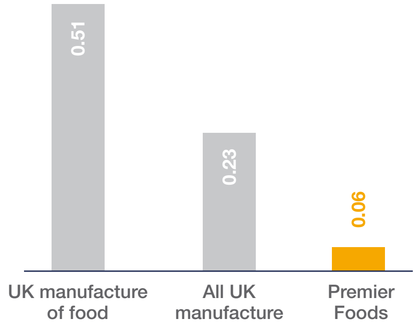
LTAs



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

Across the UK, the average RIDDOR rate for the food manufacturing industry is 0.51 RIDDOR reportable accident per 100,000 hours worked. We operate at a significantly better rate and our goal is to sustain or improve upon this average. In the last 12 months we are proud to have achieved a rate of 0.06, almost 10 times better than the industry average.

RIDDOR



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

Employee health and well-being

We continue to make every effort to look after the health and well-being of our colleagues. Through our dedicated Occupational Health team, we provide professional specialist advice to colleagues on the effects of work on their health. We advise our colleagues on ways to improve physical and psychological well-being within the workplace and provide them with strategies to prevent illness and injury. Last year we invited all colleagues to take part in our first ever **Health Needs Assessment survey**, achieving a strong response rate. This enabled us this year to start developing Health and Well-being plans, tailored to the needs of our colleagues. This has included partnering with local gyms and community groups to put health checks in place.

Leveraging our charity partnership with Mind UK, and as signatories of the Time to Change pledge, we have put a strong focus on how to best support our colleagues' mental health. Our goal is to have at least two volunteers per site trained and certified as Mental Health First Aiders (MHFAs). This year, **36 colleagues across five sites have been on their training and are now certified MHFAs**. We believe that mental health awareness is key to supporting our colleagues' well-being and will train all colleagues in mental health awareness by the end of 2021. As a first step, managers across the business will receive training to identify and help colleagues suffering with mental health issues. Out of our 495 managers, 216 have been trained so far. The next steps are to complete the training of all managers before extending the awareness training to all colleagues.

Support our communities

Supporting our communities, both locally and nationally, is at the heart of our business and a powerful way to engage our colleagues with a shared and meaningful purpose.

Alignment to UN SDGs

3 GOOD HEALTH AND WELL-BEING

10 REDUCED INEQUALITIES

Our KPIs

- Support and raise £200,000 over two years for our charity partner Mind UK.
- Maintain gold level supporter status with GroceryAid.
- Encourage and support our network of Charity Champions.

Our dedicated **network of Charity Champions** is instrumental in delivering this strategy. Our champions come from all corners of our business and represent colleagues at every one of our sites. Charity Champions catch up every six weeks and, in addition, we organise two dedicated days each year to bring them together and encourage team building, the exchange of best practice and to hear news from our charity partners. These sessions perform a vital role in motivating the team to support our communities through fundraising, donations and volunteering.

This year, we made fundraising even more accessible to all colleagues, by introducing a new payroll giving scheme that allows colleagues to regularly donate a chosen amount from their pay. This generates vital, regular donations for our charity partners, enabling them to effectively forecast and plan their funding.

We support our communities in three ways:

01 – National
By supporting our corporate charity partner, Mind UK

02 – Industry
By supporting GroceryAid, an industry charity that makes life better for those in need who currently or previously worked in the grocery industry

03 – Local
By supporting community projects local to our sites

Our partnership with Mind UK

When we embarked on our partnership with leading UK mental health charity Mind UK in 2018, we set ourselves a £200,000 target, with all money raised going to support their Peer-to-Peer Support Service, which aims to empower people to use their own mental health experiences to help others either online or in a group setting, and includes a range of mental health boosting activities such as crafts, walking or meeting for coffee.

> "We are so grateful to the employees at Premier Foods for their commitment and enthusiasm in getting behind our partnership. One in four of us will experience a mental health problem every year so it is vital that we provide advice, information and support so that no one has to face their experience alone. The money raised will help us to achieve this through our Peer Support programmes."
>
> **Emma Ihsan**
> Head of Corporate Partnerships, Mind UK

Across our sites, we've worked hard to raise as much as we can for Mind UK through a combination of colleague-led fundraising initiatives, such as summer barbecues, seasonal raffles, fun runs, bake sales and our site-based donation stations where colleagues can donate clothing and homeware to be sold in Mind UK shops.

This year, our colleagues have come up with fresh fundraising ideas and events, such as a Sports Day at our St Albans office, World Mental Health Day, Miles for Mental Health month in September and matched fundraising in March. With the amazing participation of each site, and the dedication of our network of Charity Champions, we have managed to **reach our target of £200,000**. We're incredibly proud of all our colleagues for helping us achieve this fantastic amount.

When we partnered with Mind UK, we also wanted to use the collaboration to raise awareness of the importance of good mental health, to reduce the stigma around this topic within the workplace, and to help any of our own colleagues struggling with mental health problems. As signatories of the **'Time to Change' pledge**, we have encouraged conversations around mental well-being and supported our colleagues with training in this area. This proved crucial in supporting our colleagues during the challenging Covid-19 lockdown where we were able to share tips and videos too boost moral and leveraged our network of Mental Health First Aiders (see page 18).

In addition, this year we partnered with an independent Employee Assistance Programme, 'Lifeworks', which gives our colleagues free access to a confidential support service designed both to encourage mental well-being and to provide support with many of life's challenges from physical ill health and depression, to a family bereavement or financial concerns.

As our partnership with Mind UK concludes in May 2020, our Charity Champions have been busy selecting our new charity partner for the next two years. We are very excited to announce that we will be supporting **Together For Short Lives**, the leading UK charity for children and young people with life-threatening and life-limiting conditions, and their families. Together for Short Lives provides a lifeline for those who care for seriously ill children and represents the 54 children's hospice services across the UK. We'll be working in partnership for two years to provide much-needed funds to hospices that are local to our sites, ensuring families in our nearby communities are supported and have access to the very best care that is available.

Supporting our industry

We continue to support GroceryAid, an industry charity set up to make life better for grocery people in need and are very proud to maintain our **gold level supporter status** for the second year running – the highest level available.

Critical to this ongoing success, is our representation on both GroceryAid's President and Southern Network Committees, as well as our dedicated network of Charity Champions who are able to engage our wider colleague population in supporting fundraising activities and spreading the word about the charity's purpose, projects and support services. Over the last 12 months, as well as celebrating GroceryAid's annual Awareness Day and promoting the Charity through several internal communication campaigns, our Charity Champions also helped coordinate a series of fundraising activities, from quizzes to raffles and spin classes. In addition, as a business we support GroceryAid's own calendar of fundraising events through paid participation and through our colleagues volunteering their time. This included their touch Rugby tournament, Barcode Festival and annual carol concert.

> "Premier Foods has been fantastic and really embraced our new awards scheme. Contributing across all three pillars of awareness, fundraising and volunteering, they have doubled their support. We can't praise this effort highly enough."
>
> **Steve Barnes**
> GroceryAid Chief Executive

Supporting local charities

Our colleagues are passionate about supporting their local communities and this year they have chosen to support projects such as Wirral Mind, Incubabies, St Albans Food Bank , Earthworks, LOROS – Leicester Hospice, Young Carers Bucks, St Albans Scouts, Launceston Road Runners, Devon branch of Butterfly Conservation and Haematology Cancer Care. Supporting local causes enables our colleagues to make a visible difference within their local community and we find this a powerful tool in bringing both our people and communities together.

Drive ethical sourcing

We believe it is important to understand the impact of our supply chain on the environment, on animal welfare and on the people involved in supplying us a range of ingredients and finished goods. We therefore have processes and policies in place to embed and promote ethical and sustainable sourcing.

Alignment to UN SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
14 LIFE BELOW WATER
15 LIFE ON LAND

BBFAW Business Benchmark on Farm Animal Welfare

Moving up to Tier 2 in BBFAW's animal welfare ranking

Animal welfare is a key business priority for us and we measure our performance against the Business Benchmark on Farm Animal Welfare (BBFAW). Now in its eighth year and with analysis covering 150 of the largest food companies, BBFAW is the most authoritative and comprehensive global account of the impact of corporate practice on farm animal welfare. Working with BBFAW and Compassion in World Farming, we have improved our performance this year and moved from Tier 3 up to Tier 2, with an overall score of 64 (sector average score is 35). We obtained noticeably strong scores in Management Commitments and Policy (Premier Foods score: 86 versus sector average: 49) and Reporting (Premier Foods score: 63 versus sector average: 15). We are proud of these results and will continue working to improve our approach to farm animal welfare.

The full report is available on BBFAW's website: www.bbfaw.com/benchmark/

We always aim to purchase ingredients and packaging that are certified to recognised environmental and ethical standards.

The Group works with over 1,200 active suppliers and our aim is to develop long-term, sustainable partnerships with our key suppliers which deliver mutual benefits. Over the year, 86% of our total third party spend was with UK-based suppliers. Our top 250 suppliers now account for in excess of 93% of our total spend on the goods and services that we purchase.

Our KPIs

Drive sustainable raw material

- Maintain 100% Roundtable on Sustainable Palm Oil (RSPO) sustainable palm oil.
- Source 100% of Round Table on Responsible Soy (RTRS) sustainable soya by 2025.
- Maintain and improve high animal welfare standards, measured against the Business Benchmark on Farm Animal Welfare (BBFAW) – a global industry animal welfare benchmark.

Drive high ethical and compliance standards across the supply chain

- Ensure 85% of direct suppliers (by spend) are signed up to Sedex (Supplier Ethical Data Exchange platform).
- Achieve zero red rated Sedex supplier ratings and ensure all our procurement team has been trained on modern day slavery.
- Drive even higher levels of Health and Safety standards across co-manufacturers, logistics sites and 'on-site' suppliers.
- Maintain high food safety levels and compliance at all of our sites.

Drive sustainable raw material

Our membership of the Roundtable on Sustainable Palm Oil (RSPO)[1], commits us to actively support the continuation of the Roundtable process and advancing the production, procurement and use of sustainable palm oil products. We reflect our commitment to this throughout our supply chain and require all of our palm oil suppliers to sign up as a condition of supply. Since the beginning of 2010, 100% of the palm oil used by Premier Foods has been sourced, as a minimum, through the Green Palm programme and since early 2015, Premier Foods has sourced **100% certified sustainable palm oil**, playing our part in helping to preserve the rainforests in South East Asia. BM TRADA, the leading independent certification body, has certified all of our sites that handle palm oil as having RSPO-approved traceability systems, which means they are capable of guaranteeing the use of palm oil from sustainable sources.

[1] License number: 4-0019-06-100-00. Check our progress at https://rspo.org/members/103/Premier-Foods-Group-Limited

We also support the production of responsible soya bean and for this reason took the decision to become a **member of the Round Table for Responsible Soy (RTRS)**. Through this we can play our role in promoting zero deforestation and respecting the rights, customs, and culture of different communities and indigenous populations around the globe. Since 2016, around 60% of the small amount of soya we buy directly as an ingredient meets these standards. Of the soya we buy indirectly, the vast majority is used within animal feed and therefore sourced indirectly via our dairy, egg, meat, stocks, flavourings and seasoning supply chains. On our journey to ensure 100% of the soya we buy meets the RTRS standards by 2025, we are working with our suppliers to ensure we have complete transparency on how the soya within these indirect supply chains is cultivated.

Animal welfare

We use animal-based ingredients such as milk, eggs and meat across a range of our products. We believe all animals should be treated responsibly and with dignity, and we work with our suppliers to ensure that our high standards of animal welfare are met. Our Animal Welfare Policy embraces the Farm Animal Welfare Committee's stated Five Freedoms, identified to safeguard and improve the welfare of livestock.

As a business we ensure the ingredients we buy are sourced to high standards:

- Dairy: 'Red Tractor' (UK), 'Board Bia' (Ireland), Sustainable Dairy Assurance Scheme, or 'Origin Green and Organic.'
- All of our UK and Irish beef is assured to either 'Red Tractor' or 'Board Bia' standards.
- All of our UK pork is 100% 'Red Tractor'.
- 75% of all fish purchased in our supply chain is from 'Marine Stewardship Council' (MSC) sources.

This year, we have signed and agreed to the principles and policies of the Food Industry Initiative on Antimicrobials (FIIA). We sit on the Strategic Delivery Board of this body which brings together retailers, manufacturers, processors and foodservice companies, to promote and support responsible antimicrobial use and action on antimicrobial resistance. This means that the farmers we work with stop using antibiotics as a proactive, preventative measure and only use critically important antibiotics, as defined by the European Medicines Agency (EMA), as a last resort to safeguard their animals' welfare where no alternative treatment option is available.

To ensure compliance with our animal welfare policy, we require all relevant suppliers to complete a set of questions on their approach and management of animal welfare issues. In the event of non-compliance with our policy, appropriate and time-bound corrective action will be agreed with the supplier. In addition, we have incorporated animal welfare objectives into the joint business plans of our key suppliers to drive outcomes forward.

We are proud to have moved up to Tier 2 on the BBFAW global ranking! - see page 21)

Drive high ethical and compliance standards across the supply chain

Ethical audits

We continue to champion high ethical labour standards throughout our supply chain and ask all of our ingredients and packaging suppliers to become members of Sedex, a not-for-profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains. This gives us visibility of their ethical performance during the regular risk assessments of our supply base and this is supported by our own Sedex Member Ethical Audits (SMETA) which includes health and safety and labour rights. By year end, **89% of direct suppliers were registered with Sedex**, equating to 95% of our direct spend (excludes Knighton), therefore helping to improve our responsible and sustainable business practices, and to source responsibly.

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

If issues of non-compliance with the standards are discovered during the audit, we will work with the supplier to ensure that they have an appropriate, time-bound corrective action plan in place. We will then conduct a follow-up audit to ensure everything is complete. Over the last 12 months we have completed six SMETA audits across our supply base.

Modern day slavery

Premier Foods is committed to tackling all forms of hidden labour exploitation, including slavery and human trafficking. We have policies and procedures in place to help identify and eradicate these practices within our business and to reduce and eliminate risks in our supply chain.

To mitigate the risk of labour exploitation throughout our supply chain, we have established an **Ethical Trading Policy**, which is based around an internationally recognised code of labour practices. Each year, a copy of our Ethical Trading Policy is sent to our active suppliers, encouraging them to follow our practices. We support the Stronger Together initiative, a multi-stakeholder group of colleagues, labour providers, workers and their representatives, focused on addressing modern day slavery and third-party exploitation. All of our manufacturing sites were audited to support compliance with our policy, and we intend to continue to audit them regularly to maintain our focus on this important issue.

Key members of the HR and supply chain teams have received specific **training on modern day slavery** and trafficking, designed to raise awareness of the issues and to empower them to recognise and respond to indicators of human rights abuse within the supply chain. All new employees joining our Procurement team receive this training as part of their formal induction process.

Health and safety

We take a risk-based approach to assessing and managing health and safety and have worked closely with our co-manufacturers in order to drive greater standards across our supply chain. The six audits planned in March were cancelled due to the COVID-19 situation, which means that we have only been able to conduct six out of the 12 planned audits this year across our co-manufacturing suppliers. These audits identify potential risk and put in place targeted improvement plans where required, so the remaining six will be added to the list of audits planned for 2020.

To progress our work in this area even further, we have established a Best Practice in Food Manufacturing Health & Safety Forum which has been attended by more than 10 other food manufacturers, where the focus is on sharing best practices between members.

Food safety and quality

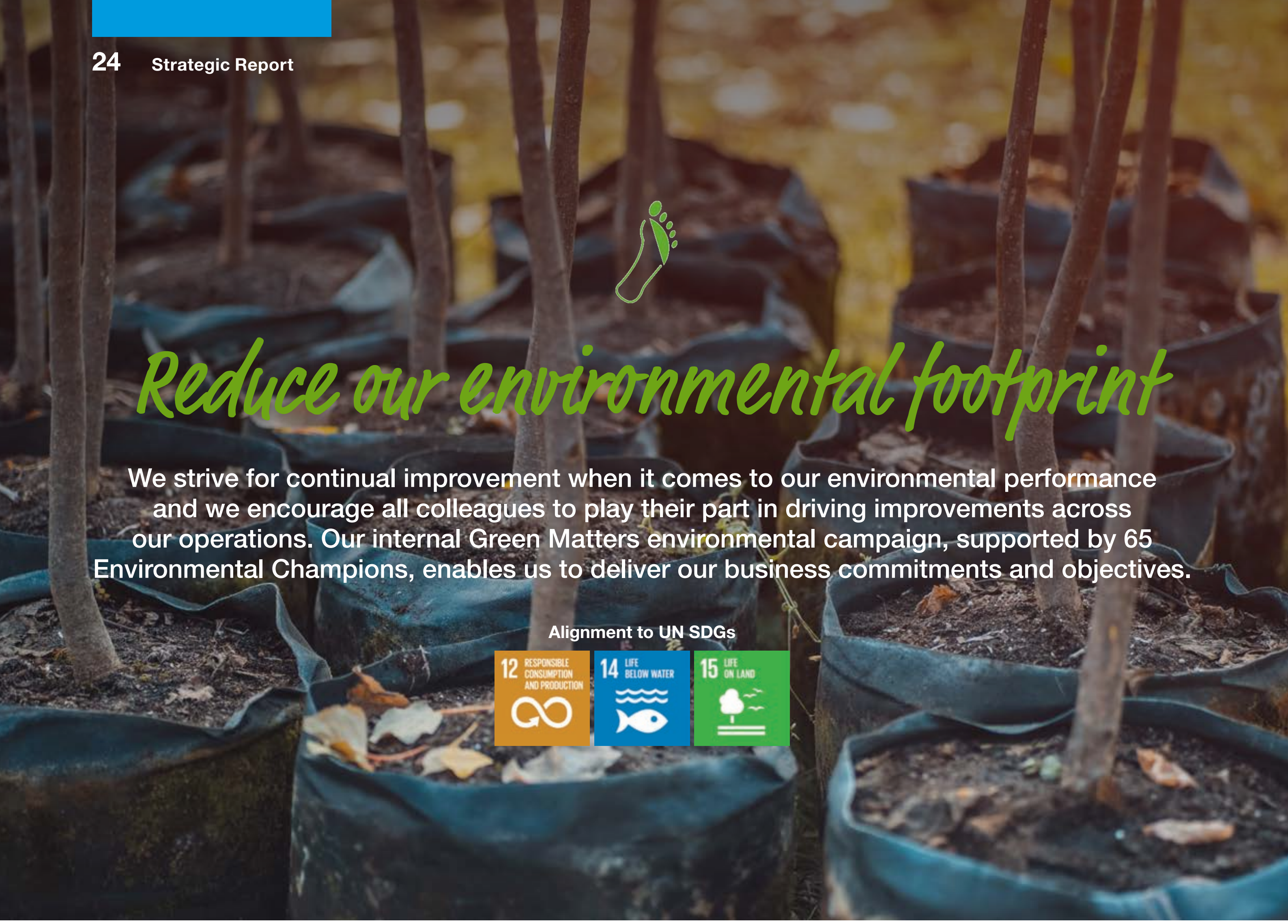
The safety and quality of our products is of paramount importance to us. We operate a Food Safety and Quality Management System based around the British Retail Consortium Global Food Standard version 8, with all sites (excluding Charnwood Foods) audited by an independent accreditation body to this standard. All audits are unannounced, and we're proud that this year all our sites achieved a **rating of B or above, with 88% achieving A+ or AA+ ratings**. We are also audited by retail customers to their specific standards where we have achieved above 80% green rated results. Our Charnwood Foods business predominantly supplies products to a single customer and so operates to their specific Quality Management System and has met their requirements.

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

We conduct food safety and compliance audits on all direct supply manufacturing sites and co-manufacturers, that are measured at medium or high risk. This risk is determined by performance, assessment of the supplier's accreditation, geographic sourcing region and nature of the product supplied. These audits are carried out by a qualified and experienced member of the Premier Foods compliance team or our third-party auditing company. All suppliers in the lower risk category are assessed through a detailed remote audit.

A particular focus for the business is the authenticity of the materials we purchase. We have been heavily involved in the establishment of the Food Industry Intelligence Network ('FIIN') where we sit on the Governing Board and chair their Technical Steering Group. This is a UK food industry initiative to share intelligence and data on food authenticity following the industry horse meat scandal of 2013. The group includes 43 members across food retail, foodservices and manufacturing, representing a very significant element of the UK food industry.

We have a targeted authenticity and safety surveillance programme in place for raw materials and have carried out circa 800 tests in the last 12 months. To support our food safety and quality standards, we have an internationally recognised laboratory, Premier Analytical Services ('PAS') carrying out research and analysis of food ingredients and packaging, employing around 48 scientists and performing approximately **100,000 tests** per annum.



Reduce our environmental footprint

We strive for continual improvement when it comes to our environmental performance and we encourage all colleagues to play their part in driving improvements across our operations. Our internal Green Matters environmental campaign, supported by 65 Environmental Champions, enables us to deliver our business commitments and objectives.

Alignment to UN SDGs

We are signatories to and active members of the FDF 2025 Ambition, the Courtauld 2025 Commitment, Champions 12.3 and WRAP's UK Plastics Pact. Our industry commitments go beyond legislation, are an integral part of our governance and help to inform our ESG strategy and target setting. Based on these commitments, we have developed additional KPIs to drive our progress forward. We also partner with community groups and NGOs, such as The Westcountry Rivers Trust and Company Shop Group, to deliver a programme of initiatives.

Our KPIs:

Climate action

- Achieve a 55% absolute reduction in CO_2 emissions by 2025 against a 1990 baseline.
- Contribute to an industry-wide target to reduce water use by 25% by 2020 compared to 2007.
- Maintain sending zero waste to landfill and reduce waste sent to energy recovery.

Food waste

- Monitor, report and reduce our food waste as part of our commitment to Courtauld 2025.
- Maintain sending zero food waste to landfill.
- Increase food waste redistribution to over 750 tonnes per annum by 2020.

Packaging

Embed environmentally sustainable packaging across our portfolio:

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

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

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

Educate consumers and customers by providing clarity on disposal options:

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

Climate action

To achieve greater sustainability, we seek to reduce and mitigate our environmental footprint throughout our operations, and this year, we are proud to have further reduced our energy consumption across our sites (to 254,856,747 kWh, down from 260,235,458 kWh). All of our manufacturing sites (excluding Knighton Foods) are accredited to ISO 14001 Environmental Management Systems to drive efficiency further.

We have reduced our overall **CO_2 emissions this year by a further 5.1% which is a 39.8% decrease against our baseline figure** of 103,102 tonnes CO_2 (year ended 31 December 2008) when we first started to collect emissions data on a like-for-like basis, and this has been adjusted for site disposals.

The main changes implemented in the last 12 months were at our Lifton Devon creamery, home of *Ambrosia*. The site has benefitted from the first full year running of natural gas to fuel the boilers which emit around 25% less CO_2 per kWh than the previously used heavy fuel oil and, in addition, we installed a new and more efficient can retort system.

We have a **zero waste to landfill** policy and, as a priority, we work with our waste partner to recycle wherever we can. This year, 43,333 tonnes have been recycled and the rest (1,625 tonnes) sent to incineration facilities to generate energy.

We have met and exceeded our previous target to reduce water use by 25% (against a 2007 baseline when we started measuring) by 2020. The Courtauld 2025 Water Stewardship Steering Group, of which our Group Environmental Manager is the Co-Chair, is now looking at setting a new target. Our annual non-ingredient water usage has increased this year due to leaks, but we have immediately taken action to fix the issues. Premier Foods is committed to supporting the Courtauld 2025 Water Ambition and playing its part to improve the quality and availability of water in key areas of the UK where ingredients are sourced to produce food and drink (see case study).

Our environmental performance	2019/2020	2018/2019*
CO_2 emissions total (tCO_2e)	62,738.40	66,099.26
Scope 1 – direct emissions (tCO_2e)	40,277.57	40,938.85
Scope 2 – electricity emissions (tCO_2e)	22,460.83	25,160.41
Energy consumption (kWh)	254,856,747	260,235,458
Non-ingredient water usage (m3)**	669,438	662,575
Waste sent to energy recovery (t)**	1,639	1,625
Tree planting	16,000	5,705

* Our reporting period has changed from calendar year to financial year, so figures for 2018 have been restated accordingly. See page 79 for details of our full statutory GHG emissions reporting.

** Excluded: Knighton.

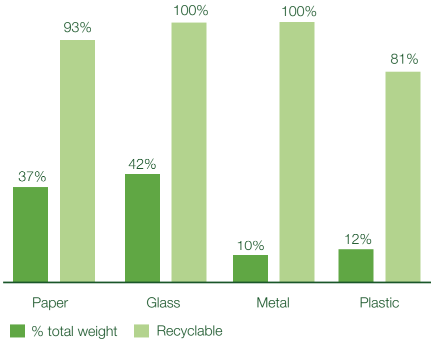
Packaging

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

The chart below illustrates the split in our use of packaging materials by volume weight and their respective recyclability rates. All the corrugated paper or carton board we use within our packaging is from Forestry Stewardship Council ('FSC') or Programme for the Endorsement of Forest Certification (PEFC) certified sources and is fully recyclable.

In total, **95% of our packaging, by weight, is recyclable** (both widely recycled and check locally) using OPRL guidelines.

PACKAGING SPILT BY MATERIAL



16,000 trees planted to reduce water stress in Devon

We joined the Tamar Water Stewardship Business Board, along with other local organisations such as The Westcountry Rivers Trust, to address the issue of water stress and the associated risks of water scarcity, flooding and water pollution in the River Tamar catchment area in Devon, where our *Ambrosia* Creamery is located. Premier Foods, along with other companies, provided financial support to plant 16,000 trees in the area and provide woodland management for a minimum of 10 years, ensuring longevity in the landscape.

We have also helped plant trees ourselves and over two days, a volunteering group of Premier Foods, Westcountry Rivers Trust, South West Water and South West Lakes Trust colleagues planted 2,000 trees at Roadford Forest, which is adjacent to a reservoir and a key location for the quality of water. The newly planted trees will enhance and increase levels of biodiversity, soil retention and carbon sequestration.

Removing 500 tonnes of black plastics

Black plastic has been identified as particularly problematic because, whilst technically recyclable, UK recycling centres do not currently have the optical sorting equipment needed to identify and recycle it. As a result, black plastic will often get sent to landfill or incineration.

To address this challenge, at the start of 2019 we took action to remove black plastic from our portfolio – first from our *Mr Kipling* cakes, pies, and secondly from our *Cadbury* cakes – switching instead to using a clear, recyclable plastic tray. These contain a minimum of 50% recycled content, an important attribute given our ambition to support a circular plastics economy.

This project has resulted in us removing 500 tonnes of non-recyclable black plastic from the UK market annually.

Plastics

Our packaging portfolio is made up of a variety of materials like glass, cardboard and plastic to ensure that our products are kept fresh and arrive safely with consumers. Plastic currently represents just 12% of our packaging portfolio and we are adopting a recycle, reduce and remove strategy to make further improvements. We support a vision for a circular plastics economy, where plastic is valued and kept in the economy, but out of the environment. That's why, in April 2018, we signed up as **a founding member of the UK Plastics Pact** and pledged to work with governments, businesses, local authorities, NGOs and citizens to help transform the UK plastics packaging sector by 2025.

Our dedication to improve the environmental impact of our plastic packaging predates the launch of the UK Plastics Pact. Our journey started four years ago to remove unnecessary plastic materials from our packaging, whilst always following the Packaging Essential Requirements legislation. In the last 24 months, we have **removed 500 tonnes of hard-to-recycle or problematic plastics** from our portfolio. Our work here has focused on removing polystyrene and black plastic trays and pots across a variety of brands. Our *Mr Kipling* six flatpack slices have changed to a clear RPET material so they can be easily recycled and by Christmas 2019, our popular mince pies were in clear trays, over 200 million of them!

With our approach to improve the recyclability of plastic packaging across our portfolio, we are focusing on using new and alternative recyclable materials across our brands. Through this process, we have found instances where a change would mean increasing the overall weight of the packaging, as there is not always a lighter-weight recyclable alternative available. Therefore, the current KPI to remove an additional 500 tonnes of packaging from our portfolio is no longer aligned with our broader recyclability and circular economy commitment, so we have chosen to no longer measure this. Instead, we will continue working on increasing the percentage of recycled content in our packaging to foster a circular economy as per our UK Plastics Pact commitment. To date, we have achieved 81% recyclability of our plastic packaging, which is an increase from 69% in the last 12 months.

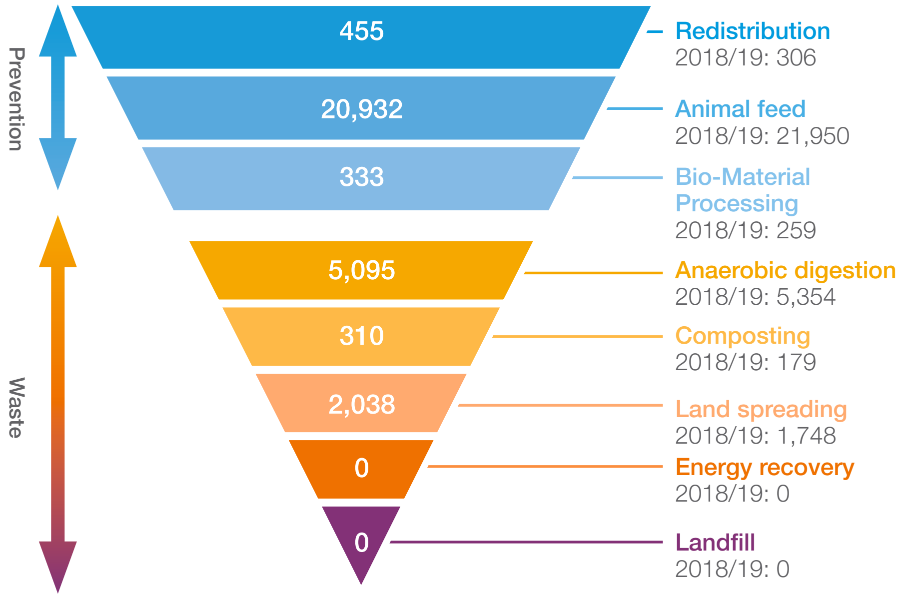
This progress has been possible because we have instituted a new cross-functional Plastics Steering Group which is systematically reviewing the recyclability and volume of plastics used within our packaging, to identify where we can make improvements. Where an alternative packaging material is available, is deemed suitable and is more sustainable for the environment, we will look to remove plastic. There are more than 40 projects within the programme, including: recyclability, PVC removal, headroom reduction, inclusion of recycled content and packaging weight reduction. Plastics remains a complex issue and so we have been working with our suppliers, customers and peers this year to deepen our understanding and make improvements on plastics use.

We recognise that key to a circular economy is creating a market for more recycled content and help consumers to physically recycle material which is recyclable. On both points, we are making progress. Overall, **17% of our plastic packaging across our portfolio now has a recycled material content** to help create a market-pull for recycled polymers, whilst remaining in compliance with food safety standards. **All of our UK packaging is compliant with OPRL guidelines** to ensure that our consumers can easily understand how to dispose of our packaging. We have this year also joined the Citizen Collaborative Action Group of WRAP's UK Plastics Pact to support its campaigns. We have actively participated in the Clear on Plastics campaign which aims to cut through the confusion on plastic packaging and give UK citizens clear, evidence-based information, which allows them to make their own informed choices.

Food waste

The UN has a number of sustainability goals (SDGs) and SDG 12 seeks to "ensure sustainable consumption and production patterns." The third target under this goal (Target 12.3) calls for cutting in half per capita global food waste at the retail and consumer level, and reducing food losses along production and supply chains (including post-harvest losses) by 2030. In our commitment to support this, we have signed up to WRAP and IGD's initiative **Target, Measure, Act**. We share the ambition to halve food waste globally by 2030 and are a member of Champions 12.3, a coalition of executives from governments, businesses, international organisations,

Food waste figures (in tonnes)
based on WRAP's food waste hierarchy*
2019/20



* The data above is calculated on a financial year basis, with the exception of Redistribution which is calendar year.

research institutions, farmer groups, and civil society dedicated to inspiring ambition, mobilising action, and accelerating progress toward achieving SDG Target 12.3 by 2030. At Premier Foods, we are working to monitor, report and reduce our food surplus in line with this and are proud of our record of sending 0% to landfill since 2013 and are working to move our waste up the food waste hierarchy.

Our total food production for this period was 347,168 tonnes. We have measured our overall food waste to be 7,791 tonnes, which equates to 2.24% of food produced (on a calendar year basis, as reported with Champions 12.3). The waste can be created by many different issues, such as not meeting quality standards, production over-runs, short shelf life of warehouse stock and floor waste during the packing process. The split of disposal of our 7,791 tonnes of waste is between anaerobic digestion and land injection of on-site effluent plant waste as fertiliser. Working on redistributing more of our surplus stock, we are proud to **partner with Company Shop** and support those most in need within our communities. Company Shop takes our edible but damaged and therefore unsaleable food and sells it to community members in need, at a discounted price. Profits are used to help fund activities and workshops for the local community which take place at Community Shop centres and include, for example, cookery lessons, craft sessions, lunch clubs and CV writing workshops.

This year, we strengthened our partnership with Company Shop and met our target to double the number of our manufacturing sites partnered with them, from three to six. With the Harnessing Harder to Reach Surplus initiative, Company Shop have been able to help us identify surplus stock created on our production lines. An example of this work is on our surplus *OXO* cubes, which are now repackaged and labelled before being sold to the members-only shops.

We redistributed around **1.5 million units via Company Shop to their members**. These equate to 455 tonnes of food waste, or the equivalent of **1 million meals**, which is an uplift of 49% compared with the previous year. This is also estimated to save 1,821 tonnes of CO_2 emissions.

Key performance indicators

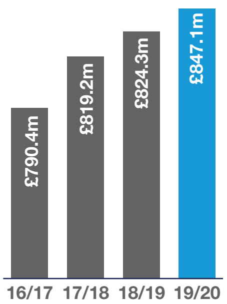
We use a number of performance indicators to monitor financial, operational and responsibility performance

These are reviewed on a regular basis by our senior management teams and the Board. Performance indicators are used to encourage focus on the delivery of our key strategic priorities. They are used to measure performance, highlight areas for attention and corrective action, as well as recognising good performance and celebrating success. Trading profit, Net debt and nutrition also form part of management's bonus objectives, and an overview of how remuneration links to our strategy is set out on page 59.

Group revenue

Year-on-year growth in revenue

+2.8%



Why is this important?

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

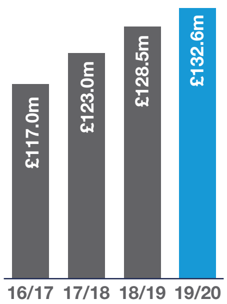
Progress we've made

Group revenue increased by 2.8% in the full year to £847.1m. This growth was driven by our branded growth model of delivering new product innovation based on consumer trends, together with emotionally engaging advertising and strategic relationships with our retail partners.

Trading profit

Trading profit is defined in the Operating and financial review on page 37.

+3.2%



Why is this important?

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

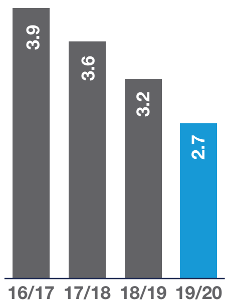
Progress we've made

Trading profit increased by 3.2% in the year. This improvement was driven by our strong branded revenue growth in both business segments.

Net debt to adjusted EBITDA ratio

The ratio measures the Group's overall level of debt. Net debt and EBITDA are defined in the Operating and financial review on page 37.

0.5x
Reduction



Why is this important?

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

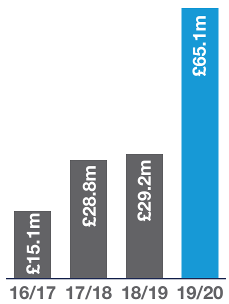
Progress we've made

Net debt reduced by £61.8m from £469.9m in 2018/19 to £408.1m in 2019/20 (on a pre-IFRS 16 basis). As a result of this deleveraging and EBITDA growth, the ratio of Net debt to EBITDA reduced from 3.2x to 2.7x which is now below our previously announced target of 3.0x.

Free cash flow

Free cash flow is defined in the Operating and financial review on page 37.

+123%



Why is this important?

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

Progress we've made

Free cash flow increased by 123% in 2019/20 to £65.1m. Cash flow benefitted from the increase in Trading profit, working capital inflow reflecting lower stock holding levels at year end and a reduction in out flows related to Non-trading items.

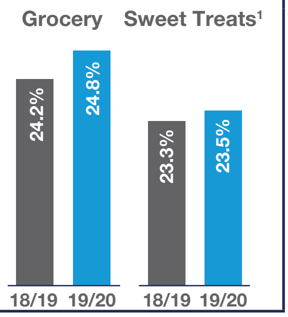
Environmental and Health and Safety performance is reported in more detail in the section on being a responsible business on pages 12 to 27. Following the launch of our new responsibility programme based around five key pillars, our KPI on 'better-for-you' choices has been updated to focus on ensuring products with a claimable nutritional benefit are available across our entire core range.

Branded market share

This is our branded retail sales expressed as a percentage of the retail sales of the categories in which we operate (based on IRI data for the 52 weeks ending 28 March 2020 and 30 March 2019).

+60bps Grocery

+20bps Sweet Treats



Why is this important?

Increasing market share indicates consumer preference for our products.

Progress we've made

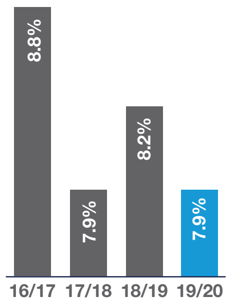
Grocery market share increased by 60 basis points in the 52 weeks ended 28 March 2020, with all the Group's Grocery categories growing share.

Sweet Treats grew market share in the year with a range of exciting new product launches, including *Cadbury* Creme Egg Choc cakes and *Cadbury* Dairy Milk Slices.

[1] During the course of the year we redefined how we view the Sweet Treats category with our customers and, as a result, the prior year figure has been restated.

SG&A as a % of Group revenue

SG&A represents the selling, general and administration costs of the central functions across the business.



Why is this important?

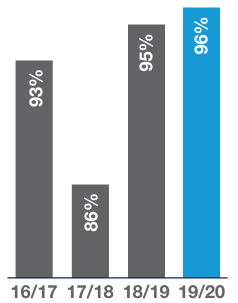
As part of our cost and efficiency strategy we intend to maintain a lean organisational structure, ensuring complexity is kept to a minimum.

Progress we've made

SG&A as a % of revenue has reduced slightly year-on-year and reflects cost savings following the changes to the leadership team during the year.

% of products testing superior or at par with competitors

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



Why is this important?

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

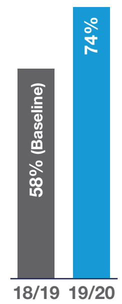
Progress we've made

Our overall performance improved again over the financial period, reflecting an increase in the quality of our branded products, with continued focus in the year on the Group's top-selling Grocery and Sweet Treat products to ensure that all test superior to our competitors.

The review covered 69% of our branded portfolio (by retail sales value) as part of a four-year rolling programme.

By 2025, every core range to include at least one 'better-for-you' option

A core range is a branded product range or sub-range within our portfolio that delivers 10% or more of the turnover within its category. A better-for-you option is a claimable nutritional benefit such as reduced/no added sugar, reduced/no added salt or wholegrain alternative.



Why is this important?

As a business, we believe we have a responsibility to offer consumers 'better-for-you' options and also aligns with a key consumer trend for healthier eating. Further information on health and nutrition is set out on pages 14 and 15.

Progress we've made

Over the course of the period, we have increased the number of core ranges that have at least one 'better-for-you' option to 74% from a base of 58% for the last financial year. This was driven by NPD launches across our portfolio, including *Mr Kipling*, *Ambrosia*, *Bisto*, *OXO* and *Loyd Grossman*.

Operating and financial review

"Our branded growth model continues to drive revenue and our cost savings programme is now expected to deliver ahead of its original £5m target over the next two years."

Duncan Leggett
Chief Financial Officer

We have now grown Group revenues, Trading profit and adjusted earnings for each of the last three years, driven by our successful branded growth model. Most of our major brands grew revenues in the year and sales of Nissin branded products nearly doubled. Additionally, our cost savings programme is now expected to deliver ahead of its original £5m target over the next two years.

Revenue

Group revenue (£m)	Grocery	Sweet Treats	Group
Branded	514.7	190.9	705.6
Non-branded	96.9	44.6	141.5
Total	**611.6**	**235.5**	**847.1**
% change			
Branded	+3.3%	+5.6%	+3.9%
Non-branded	(1.8%)	(3.9%)	(2.5%)
Total	**+2.4%**	**+3.6%**	**+2.8%**

Group revenue for the 52 weeks ended 28 March 2020 was £847.1m, up +2.8% on the prior year. Branded revenue increased by +3.9% to £705.6m while Non-branded revenue declined (2.5%) to £141.5m. In the fourth quarter of the year, Group revenues accelerated to finish 3.6% higher than the same quarter last year. Within this, the Group's branded revenues increased +5.0% in Q4.

The Group employs a branded growth model strategy which utilises the strength of its market leading brands, to launch insightful new product innovation, supported by emotionally engaging advertising and strategic retail partnerships. In following this strategy, revenues in the UK increased every quarter compared to the equivalent quarters in the prior year. This culminated with growth of +7.3% in the fourth quarter, representing the eleventh consecutive quarter of UK revenue growth. Additionally, the Group saw market share gains in all its categories during the year, and overall, delivered 47 basis points of share growth in the 52 weeks to 28 March 2020.

Grocery

Grocery branded revenues grew +3.3% to £514.7m in the year and increased +5.6% in the fourth quarter. In overall terms, this reflected benefits from the Group's innovation strategy and increased consumer marketing investment in the year. Over the course of the year, the UK Grocery business (i.e. excluding International) grew revenues each quarter and by +4.5% in the full year. Additionally, the Group's grocery categories and brands saw a sharp increase in volumes in the last three weeks of the financial year, as large numbers of consumers in the UK sought to build household stocks of some grocery products during the COVID-19 pandemic.

The vast majority of brands in the Grocery business grew revenues in the year. *Bisto* and *Batchelors*; the largest two brands, delivered revenue growth during 2019/20, with both benefitting from emotionally engaging media advertising and innovation during the year. *Bisto* saw the launch of microwave-ready gravy pots while *Batchelors* extended its very popular range of Super Noodles pots and Pasta 'n' Sauce pots.

Nissin Soba Noodles & Cup Noodles continue to grow very strongly, with sales in the year up 88% compared to the prior year. Performance as measured by market share data is equally strong, with the Nissin range reaching a 2.9% market share of the Quick Meals, Snacks & Soup category in the 52 weeks ended 28 March 2020. In the narrower Pot Snacks category, the Nissin range reached a market share of 5.0% in the same period, making it the leading authentic brand of noodle pots in the UK market.

In cooking sauces, *Sharwood's* and *Loyd Grossman*, delivered increased volumes following recent range reviews with UK retailers and strong product innovation performance. *Loyd Grossman* in particular saw good revenue growth during 2019/20 and both brands saw high levels of demand in the latter half of the fourth quarter, reflecting consumer patterns associated with COVID-19. *Sharwood's* also launched new Rice Pots, a range of convenient curry pots in three flavour variants, building on the success of the pots ranges under the Group's *Batchelors* brand. This is an example of stretching one of the Group's brands into adjacent categories and the Group considers there to be further similar opportunities in the future.

A number of the Group's smaller brands also saw volumes and revenues rise significantly in the fourth quarter as consumer buying patterns changed following the effects of COVID-19. *McDougall's* flour, for example, saw very marked increases in demand, as more consumers turned to baking at home.

Sales of *Ambrosia* benefitted from increased off-shelf execution with retailers, more favourable weather conditions compared to the prior year in the second quarter and COVID-19 related demand in the fourth quarter.

Sweet Treats

Branded revenues in Sweet Treats grew +5.6% to £190.9m in 2019/20, building on the excellent progress in the prior year. Revenues of *Mr Kipling* increased by 4% at a Group level and to its highest ever annual revenues. The last twelve months have seen *Mr Kipling* benefitting from further TV advertising, and in the second quarter saw the launch of its new 'Signature' range. This new offering of premium cakes includes After Dinner Mint Fancies; Apple, Pear & Custard Crumble Tarts and Chocolate, Caramel & Pecan slices all of which align to one of the Group's key consumer trends of 'indulgence' and targeting evening eating occasions. The second half of the year saw the launch of new mini *Mr Kipling* Mince Pies, Fruit pies and Bakewells. The introduction of these new mini versions of some of *Mr Kipling's* most popular products demonstrates enhanced cake product capability following the significant re-configuration of an existing manufacturing line at its Stoke bakery. This has vastly improved the flexibility of different cake sizes and types and facilitates the development of more new products which closely match consumer trends.

The performance of *Mr Kipling* is a prime example of how the Group's branded growth model strategy is working well. Following the relaunch of *Mr Kipling* in 2018, revenues of the Group's largest brand are 17% higher than they were two years ago.

Cadbury cake revenues were also strong in 2019/20, increasing by nearly 8%. This performance reflected the introduction of new *Cadbury* cake slices and also new Easter ranges, including *Cadbury* Crème Egg Choc cakes which supported market share gains in the year.

Collaboration with its retail customers remains a high priority for the Group. Against the backdrop of tightening retailer ranges, the Group has delivered increased distribution of its products across its categories in the year; including benefits from new products launched under the *Mr Kipling* and *Cadbury* cake portfolio.

Also in 2019/20, the Group launched the first products under its new *PLANTASTIC* brand. First to market were a range of delicious Flapjacks using plant-based ingredients targeting the growing trend of consumers looking for plant-based and vegan products. In the second half of the year, the Group extended the brand to include Dessert Grain pots with flavours including Strawberry, Raspberry and Mango & Passion Fruit.

International

The International business experienced a disappointing year as revenues fell (19%). *Mr Kipling* continued to grow in Australia and the USA, due to some new product launches and store listings respectively. Elsewhere, progress was limited.

While the International business did not deliver sales and profit progress in 2019/20, the Group continues to believe a clear opportunity exists for its brands to grow internationally. The Group has reviewed its International strategy and is adopting a new approach to deliver a sustainable profitable business as evidenced in the UK business. A new Head of International has been appointed to lead a fresh new approach. Functional director heads are being replaced with new market heads with a switch of resources from the UK to be present in relevant markets. There will be a change of emphasis underpinned by a strong focus on in-market execution, which involves ensuring the right products, are presented to the consumer at the right price combined with an optimum promotional strategy. Route to market solution will include using the carefully chosen local partners with appropriate capabilities.

Non-branded

In the Grocery business, Non-branded revenue declined (1.8%) in the year while Sweet Treats saw revenue fall by (3.9%) to £44.6m. Grocery saw a fall in revenues at Knighton due to a large contract loss which has since been partially regained. In Sweet Treats, the sales decline was attributed to contract exits from lower margin business in all year round cake ranges partly offset by some contract wins in seasonal cake, although these effects were largely seen in the first half of the year. In H2, revenue trend recovered to grow +7.3%.

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

Operating and financial review CONTINUED

Trading profit

Divisional contribution[2] (£m)	2019/20	2018/19	Change
Grocery	148.2	138.3	7.2%
Sweet Treats	23.7	23.6	0.4%
Total	171.9	161.9	6.2%
Group & corporate costs	(39.3)	(33.4)	(17.7%)
Trading profit	132.6	**128.5**	**3.2%**

The Group reported Trading profit of £132.6m in 2019/20, £4.1m ahead of the prior year. Divisional contribution increased by £10.0m to £171.9m while Group & corporate costs were £5.9m higher than 2018/19. The Grocery business was the larger contributor to the progress in Divisional contribution, delivering an increase of £9.9m compared to the prior year. Sweet Treats Divisional contribution was £0.1m higher in the year at £23.7m as strong revenue performances from *Mr Kipling* and *Cadbury* cake due to benefits from the branded growth model were supported by increased consumer marketing investment.

Grocery benefitted from good performances across its branded portfolio as described above flowing through to increased Divisional contribution. This was partly offset by increased consumer marketing investment, with *Batchelors*, *Bisto* and Oxo all benefitting from media advertising in the year. Additionally, while Knighton delivered improved margins in the year, the International business encountered a decline in revenues and profits.

In Sweet Treats, Divisional contribution was slightly higher than the prior year as the growth in branded revenues were largely offset by increased marketing costs. In particular, *Mr Kipling* benefitted from increased media investment with further airing of its successful 'Little Thief' campaign.

Consumer marketing investment is expected to increase in 2020/21 with up to six of the Group's largest brands in line to benefit from media advertising in the year, with the continued focus on delivering strong branded revenue growth.

Group & corporate costs increased by £5.9m in 2019/20 to £39.3m due to higher depreciation charges following the adoption of IFRS 16 and higher Group wider management incentive schemes costs, covering a management population of nearly 500 colleagues.

Operating profit

£m	2019/20	2018/19	Change
Adjusted EBITDA[3]	152.5	**145.5**	**7.0**
Depreciation	(19.9)	(17.0)	(2.9)
Trading profit	132.6	**128.5**	**4.1**
Amortisation of intangible assets	(29.4)	(34.4)	5.0
Fair value movements on foreign exchange & derivatives	1.7	(1.3)	3.0
Net interest on pensions and administrative expenses and past service costs	(4.6)	(1.3)	(3.3)
Non-trading items:			
GMP equalisation	-	(41.5)	41.5
Restructuring costs	(4.1)	(16.8)	12.7
Impairment of goodwill & intangible assets	-	(30.6)	30.6
Other non-trading items	(0.9)	1.9	(2.8)
Operating profit	95.3	**4.5**	**90.8**

The Group delivered Operating profit of £95.3m in the year, a £90.8m increase on the prior year. The growth was due to a number of factors, including: an improved trading performance as described above, the non-repeat of certain non-trading items in the year and lower amortisation of intangible assets.

Amortisation of intangibles was £29.4m in the year, £5.0m lower than the prior year. This follows the full amortisation of certain SAP software modules at the Group's main manufacturing sites during the second half of 2018/19 and brand impairments taken in the prior year. Fair valuation of foreign exchange and derivatives was a gain of £1.7m in the year.

Net interest on pensions and administrative expenses was a charge of £4.6m. Expenses for operating the Group's pension schemes were £10.2m in the period, partly offset by a net interest credit of £9.3m due to an opening surplus of the Group's combined pension schemes. Also included is a non-cash charge of £3.7m which reflects settlement costs associated with enhanced transfer value payments made to certain RHM scheme deferred members.

Non-trading items were £5.0m in 2019/20; an £82.0m reduction on the equivalent period a year ago. In the prior year, the Group also reflected a Guaranteed Minimum Pensions (GMP) equalisation charge of £41.5m and impairment of intangible assets and goodwill of £30.6m. The Group also experienced restructuring costs in 2018/19 associated with the consolidation of the Group's logistics operations to one central location which has since been completed. Restructuring costs incurred in 2019/20 include advisory costs relating to the Group's strategic review, costs associated with a commercial re-organisation of the Group and costs related to the departure of the previous Acting CEO.

Finance costs

£m	2019/20	2018/19	Change
Senior secured notes interest	31.0	31.7	0.7
Bank debt interest – net	5.0	5.1	0.1
	36.0	36.8	0.8
Amortisation of debt issuance costs	3.3	3.7	0.4
Net regular interest[5]	39.3	**40.5**	**1.2**
Write-off of financing costs & early redemption fees	-	11.3	11.3
Discount unwind	1.3	3.0	1.7
Other finance income	-	(7.6)	(7.6)
Other finance cost	1.1	-	(1.1)
Net finance cost	41.7	**47.2**	**5.5**

Net finance cost was £41.7m in the year; a decrease of £5.5m compared to 2018/19. Net regular interest in 2019/20 was £39.3m, a reduction of £1.2m compared to the prior year. Consistent with recent years, the largest component of finance costs in the period was interest due to holders of the Group's senior secured notes, which was £31.0m. The interest on the senior secured notes was £0.7m lower compared to the prior year. This followed a full year benefit of the re-financing in June 2018 of the June 2021 £325m fixed rate notes at a coupon of 6.5% to the October 2023 £300m fixed rate notes at the slightly lower coupon of 6.25%.

Bank debt interest of £5.0m was £0.1m lower in the year due to lower levels of average debt and a lower margin on the revolving credit facility following the refinancing completed in May 2018. Amortisation of debt issuance costs was £3.3m, £0.4m lower than the prior year. As there has been no re-financing of the Group's bank debt or Senior Secured Notes in the year, there was no repeat of the write off of financing fees and early redemption fees incurred last year.

A charge of £1.3m in the period relating to a discount unwind associated with properties held by the Group. In the prior year, a £3.0m discount unwind charge was reflected in reported Net finance cost and due to a movement in discount rates impacting Group provisions. Other finance costs of £1.1m related to non-cash interest costs following the adoption of IFRS 16 – Leases.

Taxation

£m	2019/20	2018/19
Profit/(loss) before tax	53.6	**(42.7)**
- Tax (charge)/credit at rate of 19.0%	(10.2)	8.2
Tax effect of:		
Changes in tax rate	4.9	-
Other items	(1.8)	0.7
Income tax (charge)/credit	(7.1)	**8.9**
Net deferred tax liability	184.9	13.5

A tax charge in the year of £7.1m compared to a credit of £8.9m in the prior year. The current year's charge reflects a charge of £10.2m on profit before tax at the rate of 19%. This is partly offset by a credit of £4.9m due to a change in the opening deferred tax balances rate from 17% to 19% following the repeal of the 2016 Finance Act.

A net deferred tax liability at 28 March 2020 of £184.9m is an increase of £171.4m compared to the prior year position. This is substantially due to a charge of £160.6m to other comprehensive income in relation to an increase in the combined surplus of retirement benefit obligations of the Group's pension schemes.

The Group currently retains brought forward losses which it can utilise to offset against future tax liabilities. Due to changes in tax legislation with respect to tax shields, and the expectation of lower pension deficit contribution payments which are allowable for tax, the Group may recommence paying cash tax in low single digit £millions from 2022/23.

Earnings per share

Earnings per share (£m)	2019/20	2018/19	Change
Operating profit	95.3	4.5	90.8
Net finance cost	(41.7)	(47.2)	5.5
Profit/(loss) before taxation	53.6	**(42.7)**	**96.3**
Taxation	(7.1)	8.9	(16.0)
Profit/(loss) after taxation	46.5	(33.8)	80.3
Average shares in issue	846.6	841.5	5.1m
Basic earnings/(loss) per share (pence)	5.5	**(4.0)**	**9.5**

The Group reported a profit before tax of £53.6m in the year, an increase of £96.3m compared to the prior year. Profit after tax was £46.5m, compared to a loss of £(33.8)m in 2018/19.

Adjusted earnings per share (£m)	2019/20	2018/19	Change
Trading profit	132.6	128.5	+3.2%
Less: Net regular interest	(39.3)	(40.5)	+3.1%
Adjusted profit before tax	93.3	**88.0**	**+6.0%**
Less: Notional tax (19%)	(17.7)	(16.7)	(6.0%)
Adjusted profit after tax[6]	75.6	71.3	+6.0%
Average shares in issue (millions)	846.6	841.5	+0.6%
Adjusted earnings per share (pence)	8.9	**8.5**	**+5.4%**

Adjusted profit before tax increased by 6.0% in 2019/20 to £93.3m, due to both further Trading profit growth in the year and lower net regular interest costs as described above. Adjusted profit after tax also increased by 6.0%, to £75.6m in the year after deducting a notional 19.0% tax charge of £17.7m. Based on average shares in issue of 846.6 million shares, adjusted earnings per share grew +5.4% to 8.9p.

Operating and financial review CONTINUED

Free cash flow

£m	2019/20	2018/19
Statutory cash flow statement		
Cash generated from operating activities	85.9	57.7
Cash used in investing activities	(18.0)	(17.7)
Cash generated from/(used in) financing activities	82.2	(35.8)
Net increase in cash & cash equivalents	**150.1**	**4.2**

On a statutory basis, cash generated from operations was £121.5m compared to £80.2m in 2018/19. Cash generated from operating activities was £85.9m after deducting net interest paid of £35.6m. Cash generated from financing activities was £82.2m in 2019/20 versus £(35.8m) cash used in the prior year. This was largely due to the prudent decision by the Group to draw down £85m of its £176.6m committed revolving credit facility in light of events associated with COVID-19.

The Group reported an inflow of Free cash in the period of £65.1m. Trading profit of £132.6m was ahead of the prior year for the reasons outlined above, while depreciation of £19.9m was £2.6m higher as operating leases are now treated as an asset following the adoption of IFRS 16. Other non-cash items of £1.7m was predominantly due to share based payments.

Net interest paid of £35.6m was £5.5m higher than the prior year, but this was due to the later timing of the first interest payment on the Group's £300m fixed rate notes, which were issued in the first half of last year. As with the prior year period, no taxation was paid in the period due to the availability of brought forward losses and capital allowances.

£m	2019/20	2018/19
Trading profit	132.6	128.5
Depreciation	19.9	17.0
Other non-cash items	1.7	2.4
Interest	(35.6)	(30.1)
Pension contributions	(44.7)	(41.9)
Capital expenditure	(18.0)	(17.7)
Working capital & other	14.6	(7.7)
Non-trading items	(6.6)	(18.1)
Proceeds from share issue	1.1	1.4
Sale of property, plant & equipment	0.1	-
Hovis repayment of loan note	-	7.6
Financing fees	-	(12.2)
Free cash flow[10]	**65.1**	**29.2**

Pension contributions in the period were £44.7m; £2.8m higher than 2018/19 due to the previously agreed planned increases in deficit contribution payments to the Premier Foods pension scheme. Pension deficit contributions payments made to the Premier Foods pension schemes of £38.2m were the largest component of cash paid in the year; the balance being expenses connected to administering both the RHM and Premier Foods schemes and government levies. As previously announced, pensions administrative costs in 2020/21 are expected to reduce by £4m to £4-£6m.

Capital expenditure was £18.0m in the period, slightly higher than the prior year. One of the key projects in the year was the completion of a line at its Stoke cake manufacturing site which will provide enhanced and varied product innovation capabilities. In 2020/21, the Group expects to increase its capital expenditure to circa £25m to fund investment in both growth projects supporting the Group's innovation strategy and cost release projects to deliver efficiency savings.

A working capital inflow of £14.6m in the year compared to an outflow of £7.7m in 2018/19. This reflected lower stock holding levels at the year end as the Group experienced higher than expected demand from its retail customers in the final three weeks of the financial year due to impacts associated with COVID-19.

Non-trading items of £6.6m were paid in the year and reflect the cash impact of the final tranche of the Group's logistics transformation programme costs, costs associated with the Group's strategic review and cash outflows relating to the departure of previous senior management. In the prior year the Group received a partial repayment of its loan note and associated interest from Hovis of £7.6m.

Net debt and sources of finance

Net debt at 28 March 2020 was £429.6m, a reduction of £40.3m compared to the previous year, and after including the impact of reflecting IFRS 16 which included £21.5m in reported Net debt which is not in the comparative year. On a pre-IFRS 16 basis, Net debt was £408.1m which represents a reduction of £61.8m compared to the prior year. Free cash inflow in the period was £65.1m and the movement in debt issuance costs was £3.3m.

There were no changes to the Group's lending facilities or its issued Senior Secured Notes in the period. At 28 March 2020, the Group held cash and bank deposits of £177.9m. This included £85m of drawings against the Group's £176.6m committed revolving credit facility.

	£m
Net debt at 30 March 2019	**469.9**
Free cash inflow in year	(65.1)
Movement in debt issuance costs	3.3
Net debt pre-IFRS 16 Leases	**408.1**
IFRS 16 Leases	21.5
Net debt at 28 March 2020	**429.6**
Adjusted EBITDA	152.5
Net debt / EBITDA	**2.82x**
Adjusted EBITDA (pre-IFRS 16)	149.9
Net debt / EBITDA (pre-IFRS 16)	**2.72x**

On a pre-IFRS 16 Leases basis, Net debt / EBITDA was 2.72x, which was comfortably ahead of the Group's target of 3.0x by March 2020. On a reported basis, Net debt / EBITDA was 2.82x. Under the Group's financing documents with its bank lending group, the Company is restricted from making a distribution to shareholders until its Net debt / EBITDA ratio is less than 3.0x. The definition of this ratio is slightly different to the reported ratio, the main difference includes adding back the Group's invoice discounting facility of £30m to Net debt.

Pensions

Following an extensive strategic review which has explored all options available to the Group, on 20 April 2020 the Board announced a landmark agreement with its pension schemes which is transformational for both the Group and its pension scheme members by significantly improving its long standing pension funding situation. In particular, the Board expects this will provide greater funding certainty for Premier Foods pension schemes members by leveraging the strength of the successful RHM pension scheme investment strategy. Alongside the strong progress the Group has delivered through its branded growth model strategy, this new pensions agreement provides the platform for further value creation for all stakeholders. The Group has now agreed and signed legal documentation with the scheme trustees for the merger to be implemented as planned on 30 June 2020.

The IAS 19 pension schemes valuation reported a surplus for the combined RHM and Premier Foods' pension schemes at 28 March 2020 of £1,230.4m, £857.3m higher than 30 March 2019 and equivalent to £1,021.2m net of a deferred tax charge of 19.0%. A deferred tax rate of 19.0% is deducted from the IAS 19 retirement benefit valuation of the Group's schemes to reflect the fact that pension deficit contributions made to the Group's pension schemes are allowable for tax. An increase in the RHM surplus of £667.5m to £1,505.3m was a major factor behind the growth in the combined surplus, although the Premier Foods deficit reduced by £189.8m to £274.9m.

	28 March 2020			30 March 2019		
IAS 19 Accounting Valuation (£m)	RHM	Premier Foods	Combined	RHM	Premier Foods	Combined
Assets	4,745.3	774.7	5,520.0	4,333.6	707.1	5,040.7
Liabilities	(3,240.0)	(1,049.6)	(4,289.6)	(3,495.8)	(1,171.8)	(4,667.6)
Surplus/(Deficit)	**1,505.3**	**(274.9)**	**1,230.4**	**837.8**	**(464.7)**	**373.1**
Net of deferred tax (19.0%/17.0%)	1,219.3	(222.7)	996.6	695.4	(385.7)	309.7

Assets in the combined schemes increased by £479.3m to £5,520.0m in the period. RHM scheme assets increased by £411.7m to £4,745.3m while the Premier Foods' schemes assets increased by £67.6m to £774.7m. The increase in assets can largely be attributed to Government bonds which increased by £456.1m in the year, predominantly in the RHM scheme.

Liabilities in the combined schemes decreased by £378.0m in 2019/20 to £4,289.6m. The value of liabilities associated with the RHM scheme were £3,240.0m, a reduction of £255.8m while liabilities in the Premier Foods schemes were £122.2m lower at £1,049.6m. The decrease in the value of liabilities in both schemes is due to lower inflation rate assumptions and a change in mortality rate assumptions. The discount rate assumption was 2.5% at 28 March 2020; five basis points higher than the prior year, which also contributed to the lower valuation of liabilities at this date. Additionally, and as a standard part of the triennial valuation process, scheme membership composition was assessed, reviewing various scheme data such as mortality. Following this review, a reduction in scheme liabilities has been reflected in the position at 28 March 2020.

Operating and financial review CONTINUED

Combined pensions schemes (£m)	28 March 2020	30 March 2019
Assets		
Equities	**11.5**	179.5
Government bonds	**1,802.6**	1,346.5
Corporate bonds	**25.3**	26.9
Property	**445.2**	436.1
Absolute return products	**1,198.2**	1,342.0
Cash	**32.4**	37.3
Infrastructure funds	**309.8**	255.8
Swaps	**487.1**	498.4
Private equity	**510.1**	446.1
LDI	**268.3**	223.2
Other	**429.5**	248.9
Total Assets	**5,520.0**	5,040.7
Liabilities		
Discount rate	**2.50%**	2.45%
Inflation rate (RPI/CPI)	**2.65%/1.65%**	3.25%/2.15%

The Triennial actuarial valuation of the Group's Pension Schemes as at March and April 2019 (depending on scheme date) has now concluded; the results of these are outlined in the accompanying table and which shows actuarial valuations from 2016 and 2013 as previously disclosed. The scheme valuations for 2016 and 2013 used a discount rate of Gilts +1.0% in valuing scheme liabilities. For the RHM 2019 valuation only, the discount rate used was Gilts +0.5%; all other valuations used a discount rate of Gilts +1.0%.

Actuarial valuation surplus/(deficit) £m	2019	2016	2013
RHM	338	135	(504)
Premier Foods	(552)	(551)	(538)
Irish schemes	0	0	(20)
Combined schemes	**(214)**	**(416)**	**(1,062)**

The net present value of future deficit payments, to the end of the respective recovery periods, remains at circa £300-320m. However, following the transformational agreement agreed with the pension Trustees as described above, the net present value of future deficit payments is projected to reduce by up to 45% to £175-185m in future years.

IFRS 16 – Leases

A new accounting standard, IFRS 16 – Leases, came into effect for accounting periods commencing on or after 1 January 2019, replacing the previous standard, IAS 17. Accordingly, the 52 weeks ending 28 March 2020 is the first accounting period that the Group is adopting IFRS 16. As previously stated, the Group has elected to transition to IFRS 16 using the Modified Retrospective Approach, and as such, comparatives will not be re-stated at 28 March 2020. It is important to note that there is no economic or cash impact to the Group as a result of this accounting standard change.

As at 28 March 2020, the increase in leases held on the Group's balance sheet compared to 30 March 2019 was £21.5m following the adoption of IFRS 16. Accordingly, reported Net debt has increased to reflect this change. The Group's depreciation charge has also increased and was £19.9m in the year. It should be noted that in future years, there may be a degree of volatility in the value of assets and liabilities recognised with respect to leases, reflecting the timing of lease renewals and any fluctuations to discount rates.

Executive Leadership Team

The Group restructured its Executive Leadership Team (ELT) during the year to deliver sharper consumer, customer and operational focus. These changes are expected to accelerate the pace and agility of decision making and streamline internal processes and reporting.

With a more functional approach, three new appointments to the ELT were confirmed; Chief Customer Officer, Chief Marketing Officer and Operations Director. Consequently, the leadership structure changed and resulted in the removal of the UK Managing Director and International Managing Director roles; however, this does not detract from the Group's aspirations for its International business.

Outlook

The Group expects to make further progress this year, employing its successful branded growth model which has been instrumental in delivering eleven successive quarters of UK revenue growth. Additionally, a new international strategy is being implemented with the objective of delivering sustainable profitable growth.

The first quarter of 2020/21 has seen particularly strong trading, with Group revenues set to increase approximately 20% compared to the prior year, as it continues to see elevated levels of demand for its Grocery brands during the COVID-19 pandemic. The Group recognises it is at an early stage of its financial year, and that it also remains unclear as to how consumers' eating habits may change as lockdown measures ease over the coming weeks. However, in light of the strong first quarter's trading, the Group expects to exceed current expectations for 2020/21 Revenue and Trading profit, despite the Group incurring some additional operational costs across its supply chain. The Group also expects options for cash deployment and capital allocation will improve as a result of anticipated further Net debt reduction in 2020/21.

Duncan Leggett
Chief Financial Officer

24 June 2020

Appendices

The Group's preliminary results are presented for the 52 weeks ended 28 March 2020 and the comparative period, 52 weeks ended 30 March 2019. All references to the 'quarter', unless otherwise stated, are for the 13 weeks ended 28 March 2020 and the comparative period, 13 weeks ended 30 March 2019.

Quarter 4 Sales

Q4 Sales (£m)	Grocery	Sweet Treats	Group
Branded	142.5	47.1	189.6
Non-branded	24.0	4.6	28.6
Total	**166.5**	**51.7**	**218.2**
% change			
Branded	+5.6%	+3.5%	+5.0%
Non-branded	(6.1%)	(1.2%)	(5.3%)
Total	**+3.7%**	**+3.0%**	**+3.6%**

Notes and definitions of non-GAAP measures

The Group 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. The Group uses Trading profit to review overall Group profitability. Trading profit is defined as profit/(loss) before tax before net finance costs, amortisation of intangible assets, non-trading items, fair value movements on foreign exchange and other derivative contracts, and net interest on pensions and 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, other finance income, early redemption fee, fair value movements on interest rate financial instruments and other interest payable.
6. Adjusted profit after tax is Adjusted profit before tax as defined in (4) above less a notional tax charge of 19.0% (2018/19: 19.0%).
7. Adjusted earnings per share is Adjusted profit after tax as defined in (6) above divided by the weighted average of the number of shares of 846.6 million (52 weeks ended 30 March 2019: 841.5 million).
8. International sales remove the impact of foreign currency fluctuations and adjusts prior year sales to ensure comparability in geographic market destinations. The constant currency calculation is made by adjusting the current year's sales to the same exchange rate as the prior year.
9. Net debt is defined as total borrowings, less cash and cash equivalents and less capitalised debt issuance costs.
10. Free cash flow is defined as the change in Net debt as defined in (9) above before the movement in debt issuance costs.
11. Net debt on a pre-IFRS 16 basis.
12. Assumptions on future deficit contributions subject to: (i) Investment returns of RHM scheme; (ii) no change to deficit recovery period length. Also subject to future actuarial valuations and associated negotiations.

Additional notes:

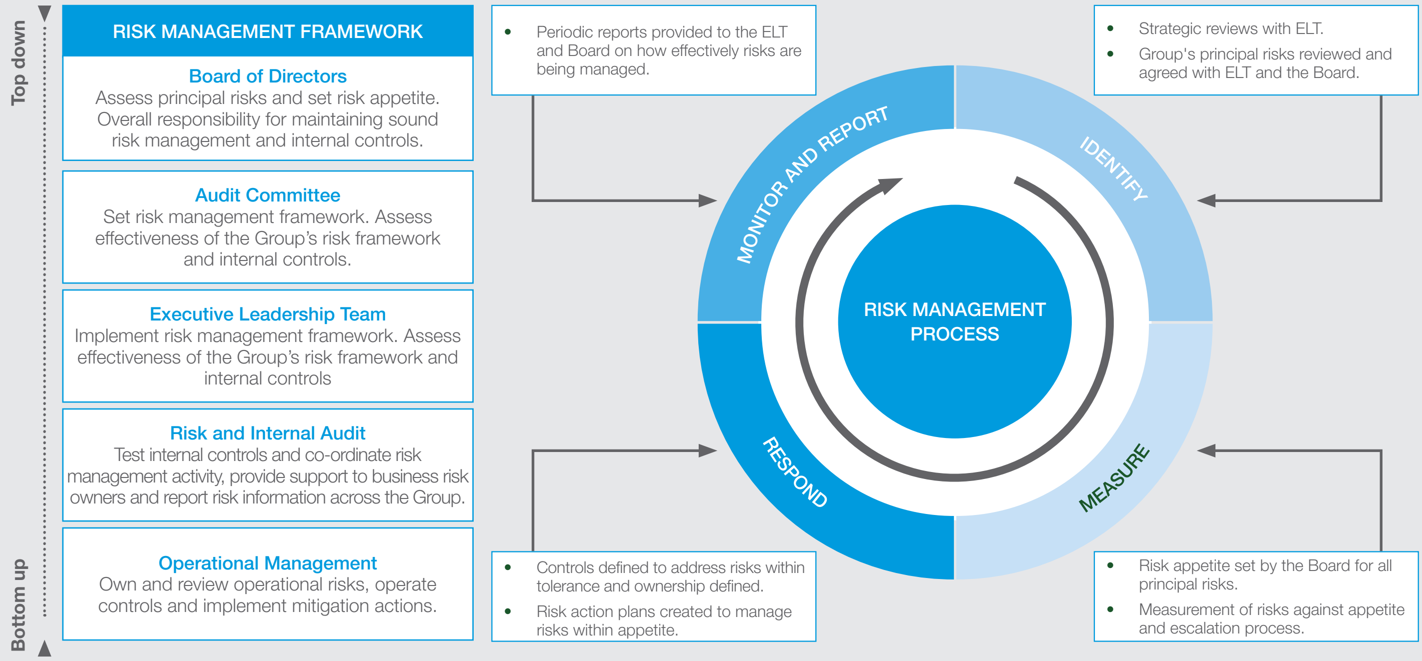
- The Directors believe that users of the financial statements are most interested in underlying trading performance and cash generation of the Group. As such, intangible asset amortisation and impairment are excluded from Trading profit because they are non-cash items.
- Restructuring costs have been excluded from Trading profit because they are incremental costs incurred as part of specific initiatives that may distort a user's view of underlying trading performance.
- Net regular interest is used to present the interest charge related to the Group's ongoing financial indebtedness, and therefore excludes non-cash items and other credits/charges which are included in the Group's net finance cost.
- Group & corporate costs refer to group and corporate expenses which are not directly attributable to a business unit and are reported at total Group level.
- In line with accounting standards, the International and Knighton business units, the results of which are aggregated within the Grocery business unit, are not required to be separately disclosed for reporting purposes.

Risk management

Our approach

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

The long-term viability statement on page 43 provides a broader assessment of the longer term prospects of the Group after consideration of the principal risks and availability of funding.



Principal Risks and Uncertainties

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. We are exposed to a variety of other risks but we report those we believe are likely to have the greatest current or near-term impact on our strategic and operational plans and reputation. These risks (gross) and uncertainties are identified in the heatmap opposite (in no particular order), followed by a more detailed description, including key mitigating activities in place to address them. We have also considered the broad potential impacts of the COVID-19 pandemic, which impacts a number of our principal risks. The 'Changes since 2018/19' highlight changes in the profile of our principal risks or describe our experience and activity over the last year.

Risk appetite

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

Emerging risks

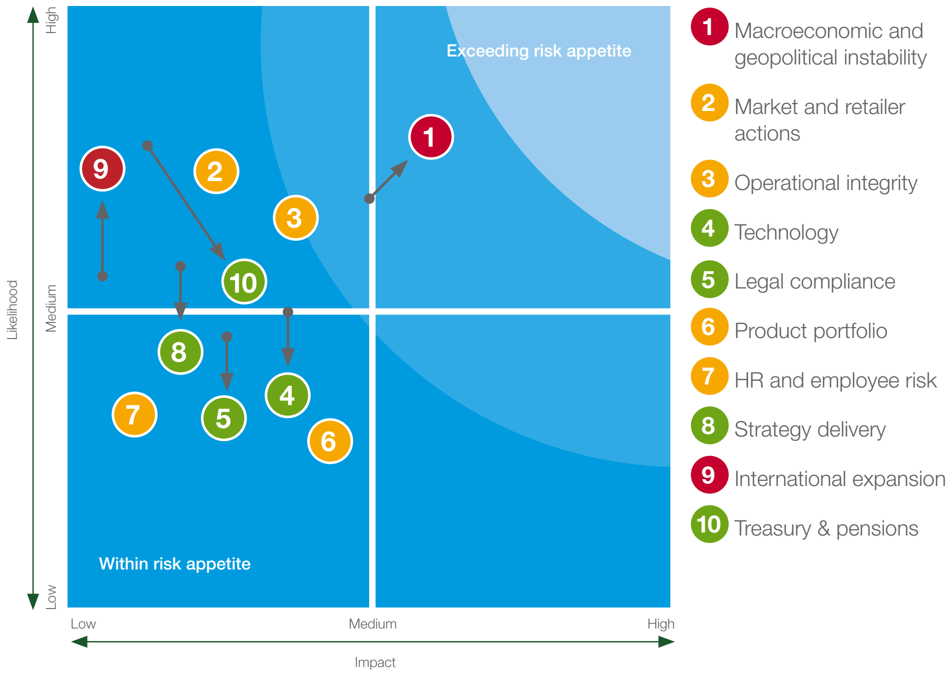
There are two ways in which we have identified our emerging risks in this report. First, for our principal risks, we have noted in the following pages some emerging threats regarding these risks. These uncertainties may relate to future regulatory, economic or political changes. Secondly, we also face a number of uncertainties where an emerging threat may potentially impact us in the longer term. In some cases, there may be insufficient information available to understand the likely scale and impact of the risk. We also might not be able to fully define a mitigation plan until we have a better understanding of the threat. We have created a watchlist of these risks which we will review on a regular basis to monitor any changes to the likely impact on our business. Some examples of these are:

Healthy eating

The UK Government has in recent years introduced guidelines and legislation to help influence consumers to make healthy eating choices, for example the Department of Health and Social Care ('DHSC') issued proposals on curbing promotions on High Fat, Salt and Sugar (HFSS) products. Whilst we are confident that our product ranges cater to and enable healthy choices for consumers, continued government intervention in this area could have an impact on our product formulation and innovation pipeline. We will continue to engage with the DHSC on any proposed legislation.

Climate change

There is clear evidence that global temperatures are rising rapidly and a consensus among scientists and policymakers that human-made greenhouse gases ('GHGs') are having a direct impact on the climate. We support the view that urgent action is needed to address climate change. Climate change poses a number of potential risks for us from both a physical (e.g. isolated events such as increased intensity of storms, heatwaves or higher average operating temperatures) and regulatory (e.g. new or strengthened carbon reduction commitments) perspective. For further information on how we are working to reduce our environmental impact see pages 24 to 27 of Being a responsible business.



Risk trend

- Risk increased
- Risk stable
- Risk decreased
- New risk

Arrows indicate the change in risk since the prior year

Risk management enables our strategy

Sustainable & profitable revenue growth | Cost control & efficiency | Cash generation

1 Macroeconomic and geopolitical instability

Link to strategy

Risk and potential impact

Our business has been subject to a period of prolonged uncertainty owing to political developments related to Brexit which presents a significant risk to our business and may affect our supply chain and expose us to the risk of a further devaluation of sterling against the euro, thereby increasing the Group's cost base. The outbreak of COVID-19 has created wide macroeconomic uncertainty that has the potential to impact the Group, although to date it has seen an elevated level of consumer demand. A prolonged period of disruption could expose the Group to operational risks such as securing supplies of key ingredients which could disrupt production or increase costs (see Risk 3). A more detailed assessment of the potential impact of the UK's withdrawal from the EU and COVID-19 on our business and the viability statement can be found on page 43.

How we manage it

- We manage the impact of commodity price inflation and foreign exchange volatility through hedging activity and ongoing supplier risk management.
- A cross-functional committee headed by the Group CFO and Group Procurement Director has been put in place to manage the Group's readiness for Brexit. See page 43 for more details.
- The Executive Leadership Team closely monitors the COVID-19 threat to ensure appropriate incident and response plans are in place. Above all, we maintain our commitment to the health and safety of our employees and customers by putting people first.

Changes since 2018/19

The Withdrawal Agreement and Implementation Bill received Royal Assent on 23 January 2020 and the UK left the EU on 31 January 2020.

The UK subsequently entered a transition period which is due to end on 31 December 2020.

The UK Government imposed a lockdown on the general population with the exception of key workers on 23 March 2020 to slow the rate of COVID-19 infections. As a food manufacturing business our factories remained open and modifications were made to enable social distancing while non-factory employees were told to work remotely.

Risk management CONTINUED

2 Market and retailer actions

Link to strategy

Risk and potential impact

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

How we manage it

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

Changes since 2018/19

- The discounters continue to outperform the major retailers who could respond by further dropping prices and moving to own-label products. This could negatively impact on our margins and demand for our brands.
- Our international business has under-performed. We have a new strategy in place with the intent of delivering sustainable growth (see Risk 9).

3 Operational integrity

Link to strategy

Risk and potential impact

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

How we manage it

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

Changes since 2018/19

- The COVID-19 pandemic has caused significant disturbance to global supply chains. Our suppliers have risen to the challenge to continue supplying us with raw materials and bought-in finished goods. Our Procurement, Operational and Technical teams have also managed to source alternative suppliers.
- We have seen unprecedented levels of demand from consumers and our customers. Our factories have had to increase production levels while putting modifications to ensure compliance with WHO and UK Government guidelines to keep employees safe.
- We worked with our logistics partner to ramp up operations at our Tamworth distribution centre to cope with the extremely high levels of orders and maintain customer service levels.

4 Technology

Link to strategy

Risk and potential impact

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

How we manage it

- We use a range of techniques, including firewalls, anti-virus software, and duplicated systems that are comparable to those used in peer companies.
- Cyber insurance has been purchased to insure the Group against potential losses arising from a cyber-security breach.

Changes since 2018/19

- Our information technology infrastructure remains secure and has been able to cope with the additional network traffic as a result of our employees working from home during the lockdown with no significant loss of connectivity or productivity.
- We are working to enhance the security of our factory operational technology environment.

Risk trend

- Risk increased
- Risk stable
- Risk decreased
- New risk

Risk management enables our strategy

Sustainable & profitable revenue growth · Cost control & efficiency · Cash generation

5 Legal compliance

Link to strategy

Risk and potential impact

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

How we manage it

- We have leading food industry processes to manage Health & Safety and food safety issues (including an ongoing programme of internal and external audits).
- We have dedicated Legal and Regulatory teams to monitor laws and regulations to ensure compliance, protect intellectual property and defend against litigation where necessary.
- We work closely with our external advisers and the regulators, government bodies and trade associations regarding current and future legislation which would impact upon the Group.
- Whistleblowing processes are in place.

Changes since 2018/19

- There were no significant changes to this risk profile in the current financial year.

6 Product portfolio

Link to strategy

Description and potential impact

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

How we manage it

- We have a programme of innovation, based on deep rooted consumer insights, to continuously modernise our portfolio of distinctly British brands to ensure they remain relevant to today's shoppers.
- We continue to review the impact of weather on sales during our monthly product performance reviews.

Changes since 2018/19

- The DHSC's proposal to curb multi-buy promotions for HFSS (High Fat, Salt and Sugar) products by late 2020 is still under consultation. We will continue to engage with the DHSC during the consultation process.
- The current increased demand of grocery products has placed operational pressure on our major customers, some of whom have consequently delayed their range reviews. This may delay the launch of our new product ranges but this is balanced against increased demand for our core product ranges.

7 HR and employee risk

Link to strategy

Description and potential impact

We may be unable to attract and retain the critical capabilities, or develop the skills, required by the business to deliver our strategy, business plan and projects.

How we manage it

- We continue to invest in colleague development and engagement initiatives on a focused basis.
- We have processes in place to attract talent into the business with the right capabilities and behaviours, and recruit the majority of colleagues through our 'in-house' team.
- We have succession plans in place to retain and progress our internal talent pipeline.
- We have a well-established and successful graduate recruitment and development programme, and invest heavily in apprenticeship training.
- We benchmark pay to make sure we remain competitive in the market.

Changes since 2018/19

- The Group introduced a leadership-led development programme to embed Diversity & inclusion throughout the business.
- There has been significant investment in on-line learning through the LinkedIn learning platform.
- As a result of COVID-19, we introduced measures in line with the government's advice on social distancing, including remote working arrangements and even more stringent Health & Safety measures in our sites, to protect the well-being of our colleagues.

Risk management CONTINUED

Risk trend

- Risk increased
- Risk stable
- Risk decreased
- New risk

Risk management enables our strategy

Sustainable & profitable revenue growth · Cost control & efficiency · Cash generation

8 Strategy delivery

Link to strategy

Description and potential impact

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

How we manage it

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

Changes since 2018/19

- Our branded growth strategy for delivering new product innovation based on consumer trends, together with high quality advertising behind our major brands, continues to work very well.
- We concluded our strategic review which resulted in a landmark pensions agreement between the Company and its pension Trustees.
- Our strategy has delivered trading profit at the top end of market expectations on the back of consistent growth. Volumes in the fourth quarter rose sharply to fulfil increased consumer demand as a result of the COVID-19 pandemic in the last three weeks of March 2020.

9 International expansion

Link to strategy

Description and potential impact

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

How we manage it

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

Changes since 2018/19

- The Group has reviewed and realigned the strategy for the International business to position it to achieve sustainable growth.
- A new International structure is in place to deliver the international strategy.

10 Treasury and pensions

Link to strategy

Description and potential impact

We are the sponsoring employer of a number of large historical pension schemes and also have significant amounts of long-term debt, these items taken together are a substantial liability on the balance sheet. Tri-annual pension fund valuations, and hence requests for deficit repair contributions ('DRCs'), are heavily impacted by financial market conditions over which the Group has no control. Trustees could potentially request DRC's which are not compatible with the Group's ability to pay. Furthermore, our ability to manage our debt capital structure may be impacted by market trends which are outside of our control, e.g. interest rate movements or volatility in the high yield debt markets. Our revolving credit facility expires in December 2020.

How we manage it

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

Changes since 2018/19

- We announced a landmark pensions agreement between the Group and its pension Trustees. The agreement, once executed, could potentially provide a more secure future for the Group's pension scheme members and reduce future funding requirements.
- The Group continues to monitor performance of the pension assets.
- The Group has ensured that it has adequate credit facilities in place and continues to monitor its covenants during the COVID-19 lockdown.

UK Withdrawal from the EU

The UK's withdrawal from the EU has the potential to significantly change the terms of trade which currently exist between the EU and the United Kingdom. The Group will continue to monitor the ongoing political situation and upcoming trade negotiations. While the outcome of these talks is difficult to predict, the Group has considered a number of different scenarios and appropriate mitigation plans have been developed.

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

Background

Although we are a UK based business we purchase a meaningful amount of our commodities from the EU, which leaves us exposed to movements in Sterling and Euro quoted commodities. Our supply chain is also primarily UK based although we do have a seasonal labour workforce from EU countries in our Sweet Treats business.

Focus areas

Our initial risk assessment identified a number of key areas that may potentially be impacted. If a UK-EU Free Trade Agreement (FTA) is not agreed by the end of the 2020 transition period, and no extension of talks is agreed, the default trading scenario implies the application of tariffs in line with World Trade Organisation (WTO) rules. This may have implications for the Group which will need to be managed through its sourcing policy and pricing model and by utilising operational flexibility to realign supply chains as appropriate. Reduced access to EU labour supply and a more restrictive migration policy may result in a tighter or more expensive UK labour market.

We recognise that the current climate makes the final outcome of the negotiations between the UK and the EU more uncertain. While we would prefer a negotiated trade deal, we are prepared for any potential outcome, including trading on WTO terms. Our established Brexit Committee has fully assessed each area and the likely impacts have been evaluated. The Group has taken reasonable steps to mitigate the potential risks. The key risks identified, and the actions taken are as follows:

Trading model

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

Customer service and supply chain

We worked with our customers and supply chain partners to prepare for a WTO trading arrangement. We developed contingency plans to ensure supply continuity and the effective operation of our manufacturing sites and the likely resulting confusion and delays at borders. These included a programme of building our inventory of finished goods and critical raw materials for our key products, which we are able to execute while closely monitoring political developments. We also secured additional warehousing capacity in ROI to ensure continuity of supply.

Tariffs

We have researched the implications of potential tariffs and considered the potential impact on our cost base and explored strategies to mitigate them, should the UK be required to trade on WTO terms. The actions we have undertaken include a review of our supply chain for components and raw materials, a plan to build stocks in-country, i.e. ROI, prior to the date the UK leaves the EU and changes to systems and processes to capture and report on the new tariffs under any new trading arrangement.

Regulatory

The Brexit Committee has reviewed the potential regulatory impact of moving to WTO terms on our products, which are produced and packaged in the UK. We have put in place measures to ensure our products remain compliant so as to protect customer service levels.

Viability statement

The Board has determined that the most appropriate period over which to assess the Company's viability, in accordance with the UK Corporate Governance Code, is three years. This is consistent with the Group's business model which devolves operational decision-making to the businesses, each of which sets a strategic planning time horizon appropriate to its activities which are typically of three years duration. The Board also considered the nature of the Group's activities and the degree to which the businesses change and evolve in the relatively short-term. The Board considered the Group's profitability, cash flows and key financial ratios over this period and the potential impact that the principal risks and uncertainties set out on pages 38 to 43 could have on the solvency or liquidity of the Group.

Sensitivity analysis was applied to these metrics and the projected cash flows were stress tested against a number of severe but plausible scenarios. As of 28 March 2020, £92m of committed borrowing facilities available to the Group were undrawn. The Board considered the level of performance that would cause the Group to breach its debt covenants (see note 2 of the financial statements) and a variety of factors that have the potential to reduce trading profit substantially. These included the rate and success of the Group's strategy; and macro-economic influences such as fluctuations in world currency, commodity markets, climate change, COVID-19 and the implications of the UK's withdrawal from the EU.

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

Based on this assessment, the Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 1 April 2023.

The strategic report on pages 1 to 43 was approved by the Board on 24 June 2020 and signed on its behalf by:

Alex Whitehouse
Chief Executive Officer

Board of directors

Colin Day
Non-executive Chairman

Appointed to the Board:
August 2019.

N

Skills and experience: Colin retired as Chief Executive of Essentra plc in 2017, was previously Chief Financial Officer at Reckitt Benckiser plc for over 10 years and prior to that at Aegis Group plc. He has served as a non-executive director on the boards of major UK plc's including Amec Foster Wheeler, WPP, Cadbury, Imperial Brands and easyJet.

Colin is currently a board member of the Department for Environment, Food and Rural Affairs and chairs the Defra Audit and Risk Assurance Committee. He is a non-executive director and Audit Committee Chair at Meggitt plc and Euromoney Institutional Investor plc. He is also a member of the Board and Finance Committee of Cranfield University. Colin is a Fellow of the Association of Chartered Certified Accountants and has an MBA from Cranfield School of Management.

Alex Whitehouse
Chief Executive Officer

Appointed to the Board:
August 2019.

Skills and experience: Alex joined the Company in July 2014 and was appointed Managing Director of the Grocery Strategic Business Unit in September 2014. He was promoted to UK Managing Director in April 2017. Alex has more than 20 years senior international, marketing, sales, strategy, innovation and general management experience gained across multiple geographies. He spent 18 years with Reckitt Benckiser plc where he held senior marketing and general management roles including Managing Director, New Zealand and most recently Worldwide Head of Shopper & Customer Marketing. Earlier in his career, he held a number of retail management positions with Whitbread plc.

Duncan Leggett
Chief Financial Officer

Appointed to the Board:
December 2019.

Skills and experience: Duncan's responsibilities currently include operational and corporate finance, corporate development, investor relations and property. Duncan joined the Company in September 2011 and has held a number of senior roles within finance, including Group Financial Controller and most recently Director of Financial Control and Corporate Development. Prior to joining the Company, Duncan spent nine years at KPMG working with clients across a variety of industries. He is a qualified Chartered Accountant.

Richard Hodgson
Senior Independent Director

Appointed to the Board:
January 2015 (appointed SID on 30 May 2019).

A R N I

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

Shinji Honda
Non-executive director

Appointed to the Board:
March 2018.

Skills and experience: Shinji is Managing Executive Officer and Chief Strategy Officer of Nissin Foods Holdings Co., Ltd ('Nissin'), with responsibility for Nissin's long-term growth strategy and overseas operations, including Europe. Prior to joining Nissin in January 2018, Shinji spent his entire professional career at Takeda Pharmaceutical Company Limited ('Takeda'), a leading Japanese pharmaceutical company. He was named Member of the Board of Takeda in June 2013 and Senior Managing Director and Corporate Strategy Officer in October 2014, having previously had responsibility for creating the company's long-term growth strategy and overseeing Takeda's international operations, including the role of President and CEO of Takeda North America. Shinji received a Master of Science in Management from Stanford Business School in California, USA.

Daniel Wosner
Non-executive director

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

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

Orkun Kilic
Non-executive director

Appointed to the Board:
February 2019.

Skills and experience: Orkun is founder and Chief Investment Officer of Berry Street Capital Management LLP. He was, until May 2019, the Managing Partner of Paulson Europe LLP and Portfolio Manager of the Paulson European Opportunities Fund, having joined the company in 2011, becoming Head of European Investments in 2015. Prior to joining Paulson Europe, Orkun worked in Investment Banking with Morgan Stanley, focusing on mergers and acquisitions. Orkun received his Masters of Business Administration from Harvard Business School in 2009. He graduated magna cum laude in business administration and economics from Koç University, Turkey. Orkun also received his Masters of Science in Financial Engineering from Boğaziçi University, Turkey.

Committee membership:

- A Audit committee
- R Remuneration committee
- N Nomination committee
- Committee chair
- I Independent

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

Pam Powell
Non-executive director

Appointed to the Board:
May 2013 (appointed Chair of the Remuneration Committee on 30 May 2019).

A R N I

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

Simon Bentley
Non-executive director

Appointed to the Board:
February 2019 (appointed Chair of Audit Committee on 28 March 2019).

A R N I

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

Tim Elliott
Non-executive director

Appointed to the Board:
May 2020

A R N I

Skills and experience: Tim has nearly 40 years' experience in investment banking and corporate finance, advising a wide range of companies and industries, particularly those in the consumer and retail sectors. During his career, Tim held Managing Director roles at both Barclays Capital and JP Morgan and, more latterly, was a Partner and Consultant at KPMG. Tim has deep knowledge and experience of capital markets and is currently a non-executive director and Audit Committee chair of CPP Group plc.

Helen Jones
Non-executive director

Appointed to the Board:
May 2020

A R N I

Skills and experience: Helen brings 35 years of commercial and general management experience for FMCG and multi-site consumer businesses. During her executive career, Helen was previously Group Executive Director of Caffe Nero Group Ltd and Managing Director of Zizzi restaurants. Prior to this, Helen spent nine years at Unilever and was the successful architect of launching the Ben & Jerry's brand in the UK and Europe culminating in her appointment as Brand Development Director Europe for Ben & Jerry's Homemade Inc. Helen is currently non-executive director of Halfords plc and also serves on the Board of Fuller, Smith & Turner plc.

Board attendance

During the year there were 10 scheduled meetings of the Board and six meetings of the Audit Committee, four meetings of the Remuneration Committee and three meetings of the Nomination Committee. In addition, a number of other Board and Committee meetings and calls were convened for specific business.

All directors are expected to attend the AGM, scheduled Board meetings and relevant Committee meetings, unless they are prevented from doing so by prior commitments. Where a director is unable to attend a meeting they have the opportunity to read the papers and ask the Chairman to raise any comments. They are also updated on the key discussions and decisions which were taken at the meeting. Non-executive directors also have the opportunity to meet without management present.

Details of Board and Committee membership and attendance at scheduled Board meetings and Committee meetings are set out in the table opposite.

All directors (serving at the time) attended the 2019 AGM, with the exception of Orkun Kilic, who was unable to attend the AGM and the Board meeting held after the AGM, due to a serious family illness.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive directors				
Alex Whitehouse[1]	6/6	–	–	–
Duncan Leggett[2]	3/3	–	–	–
Non-executive directors				
Colin Day[3]	6/6	–	–	2/2
Simon Bentley	10/10	6/6	4/4	3/3
Richard Hodgson	10/10	6/6	4/4	3/3
Shinji Honda	10/10	–	–	–
Orkun Kilic	9/10	–	–	–
Pam Powell	9/10	5/6	4/4	3/3
Daniel Wosner	10/10	–	–	–
Former directors				
Alastair Murray[4]	4/4	–	–	–
Keith Hamill[5]	4/4	–	–	1/1

Pam Powell was unable to attend one Board conference call and one Audit Committee meeting due to another business commitment when both meetings were rescheduled at short notice. Tim Elliott and Helen Jones were both appointed as non-executive directors on 15 May 2020, following the end of the financial year.

1. Appointed to the Board on 30 August 2019.
2. Appointed to the Board on 10 December 2019.
3. Appointed to the Board on 30 August 2019.
4. Resigned as a director on 30 August 2019.
5. Resigned as a director on 17 July 2019.

Governance overview

Chairman's introduction

Dear shareholder

On behalf of the Board, I would like to introduce the Group's corporate governance statement for 2019/20.

Corporate governance and how it supports the delivery of the Group's strategic objectives

The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that promotes the long-term success of the Company and generates value for shareholders and contributes to all our stakeholders whether customers, suppliers, employees, the government or wider society. The Board of directors is responsible for the governance of the Group. The responsibilities of the Board include setting the Group's purpose, values and strategy, providing the leadership to put them into effect, supervising the management of the business, monitoring performance and reporting to shareholders on their stewardship.

The Board and Committees have reviewed the new UK Corporate Governance Code 2018 (the 'Governance Code') on several occasions over the year. The Board was pleased to note that, in a number of areas, the Group was already compliant. However, certain new areas of focus were identified and work streams put in place to address them.

Purpose, values and culture

One of the Board's responsibilities is to assess and monitor culture to ensure it is aligned with the Group's strategy. Over the last few years, significant progress has been made in embedding the Group's purpose and values across the business, increasing investment in communication and engagement with colleagues, and up-weighting training in areas such as leadership and diversity & inclusion. Progress is monitored via Group-wide colleague surveys, site visits by the Board, issues raised in whistle-blowing helpline calls, colleague retention levels and with the appointment of Pam Powell as our Workforce NED.

The Board most recently reviewed the Group's purpose, values, strategy and culture as part of the review and approval of the Group's three-year strategic plan in February 2020. The Board's effectiveness in monitoring the culture and behaviours throughout the organisation was also considered as part of this year's external Board evaluation and, while rated positively, it was felt that this would be strengthened through the introduction of the Workforce NED and developing a more flexible and modern approach to conducting engagement surveys.

Workforce NED

During the year, Pam Powell was appointed as the Board's Workforce NED in order to enhance effective engagement with the workforce, enable the Board to be kept informed of the views of the workforce and ensure these views are taken into consideration as part of the Board's decision-making process.

As part of this process, the Company is in the process of establishing new joint consultative committees at each site, known as the Voice Forum. The forums consist of management and elected representatives from across the site and meet on a quarterly basis. The Workforce NED is invited to join forums on a periodic basis, with the aim of covering all sites across the business over a three-year period. The Workforce NED will then feed back to the Board on the issues raised at the site Voice Forums. In addition, as part of her role as Workforce NED, Pam Powell will also have oversight of the plans of the HR and Communications team to engage with colleagues, through programmes such as annual and pulse engagement surveys.

Remuneration Committee

The remit of the committee (which already included senior management remuneration) has been extended to cover oversight of the wider workforce and the Remuneration Report has been revised to reflect the new Governance Code reporting requirements.

Compliance with the UK Governance Code 2018

The Board supports the principles laid down by the UK Governance Code 2018 (the Governance Code) as issued by the Financial Reporting Council, which applies to accounting periods beginning on or after 1 January 2019 (available at www.frc.org.uk).

There were a number of Board vacancies, over the course of the financial period, including Chairman, CEO, CFO, SID and Remuneration Committee Chair. All these positions have now been filled on a permanent basis.

Over the course of the financial year, the level of Board independence was below that recommended by the new Governance Code. However, this has now been rectified following the appointment of Tim Elliott and Helen Jones (see Board independence on page 47).

After a review of post cessation shareholdings for executive directors, the Remuneration Committee and the Board concluded that sufficiently robust retention measures exist under the current plan rules to ensure a significant number of shares are held post cessation and therefore it was not recommended to introduce a formal policy (this is discussed in more detail in the Remuneration Report on page 60).

Board changes in the year

There have been a number of changes to the Board over the year. I was appointed Chairman in August 2019, following the retirement of Keith Hamill in July. At the same time, we appointed a new executive management team with Alex Whitehouse appointed as CEO and Duncan Leggett appointed as CFO (initially on an interim basis). These two key internal appointments highlight that the Group has developed a robust talent pipeline. Following these changes, Alastair Murray, who joined the business in 2013 as CFO and was appointed Acting CEO in February 2019, stepped down from the Board. I would like to thank both Keith and Alastair for their contributions to the business during a period of significant change.

Finally, I am pleased to welcome Tim Elliott and Helen Jones, who both joined the Board on 15 May 2020, and have also been appointed as members of the Audit, Remuneration and Nomination Committees. I look forward to their contributions as we continue on our path to future value creation.

AGM

As a consequence of the COVID-19 pandemic we are making changes to the way in which we conduct this year's AGM. We understand the importance of the AGM to shareholders and value the opportunity to meet in person. However, the health and safety of our shareholders, employees and the broader community is of paramount importance.

In light of the UK Government's current guidance on public gatherings, the Board has concluded that shareholders cannot be permitted to attend the AGM in person this year. The AGM, which will be held at 11:00 am on 12 August 2020, will be conducted by electronic means and the format of the meeting will be purely functional to comply with relevant legal requirements.

We will continue to monitor the evolving impact of the pandemic and, if it becomes appropriate or necessary to make changes to the proposed format of the 2020 AGM, we will inform shareholders as soon as we can.

We would like to thank all shareholders for their co-operation and understanding in these challenging times.

Colin Day
Non-executive Chairman
24 June 2020

Board roles and responsibilities

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

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

Board Committees and the ELT

The Board delegates responsibility for the oversight of Board composition, financial performance, internal controls and remuneration strategy to its three Committees. Their terms of reference are available on the Company's website. Details of the work of the Nomination, Audit and Remuneration Committees are set out on pages 53, 54 and 77, respectively.

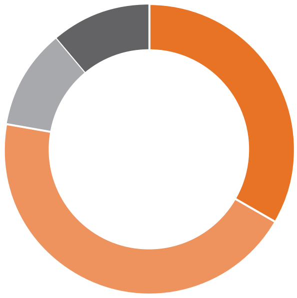
In addition, the Board delegates day-to-day responsibility for managing the business to the ELT and its sub-committees. The ELT comprises the heads of the commercial business units and key corporate functions. The ELT meets weekly and members regularly present to the Board.

Stakeholder engagement

A key role of the Board is to understand the needs of various stakeholders and our engagement in the year is provided on pages 50 and 51.

Board tenure

The average length of appointment of our NEDs was 2.6 years, as at year end. The breakdown for the full Board can be seen in the following chart.

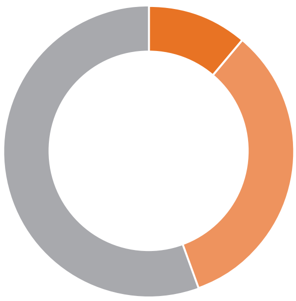


0-1 years:	3
1-3 years:	4
3-6 years:	1
6-9 years:	1
9+ years:	0

(As at 28 March 2020)

Board independence

The new Governance Code recommends that at least half the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent. The Board has been through a period of transition with the appointment of a new Chairman, CEO and CFO and, as at year end, less than half the Board were considered independent (see the chart below). Following the appointment of Tim Elliott and Helen Jones, as independent non-executive directors on 15 May 2020, the level of Board independence is now in line with the Governance Code recommendation.



Chairman:	1
Independent directors:	3
Non-independent directors:	5

(As at 28 March 2020)

Only independent NEDs are members of the Company's Board committees, with the exception of the Chair of the Nomination Committee. The Chairman, who was considered independent on appointment, chairs the Nomination Committee but is not a member of the Audit or Remuneration Committees. Shinji Honda, Orkun Kilic and Daniel Wosner, who represent our three largest shareholders, are fully independent of management but are not considered independent.

Conflicts of interest

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

Under our Relationship Agreements with Nissin, Oasis and Paulson, each is entitled to nominate an individual for appointment to the Board, so long as they retain an interest in shares in the Company (for Nissin this represents 15% of issued share capital and for Oasis and Paulson this represents 10% of issued share capital). As a result, approximately 43% of the shareholder register are now represented on the Board. During the period to 28 March 2020, no other director had a material interest at any time in any contract of significance with the Company or Group other than their service contract or letter of appointment.

Induction

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

Governance overview CONTINUED

Colin Day was appointed Chairman in August 2019. A key part of his induction has been to meet with a wide range of shareholders to understand their views on the Company's strategy, performance and strategic priorities. He has undertaken a number of site visits to meet colleagues across the business. He has also engaged with a range of key advisers, pension trustees and other key stakeholders.

Alex Whitehouse was appointed as CEO in August 2019 and Duncan Leggett as CFO in December 2019. Additional mentoring, training and support has been provided by the Chairman, with support from the Company Secretary and HR Director, recognising that this is their first appointment as executive directors.

Board information

The main source of information is via the Board pack which is designed to keep directors up to date with all material business developments in advance of Board meetings. In addition, training on specific issues is provided as and when required. Non-executive directors also meet with senior management outside of Board meetings to discuss specific areas of interest in more detail, e.g. brand and marketing plans, customer strategy and pension investment strategy. The Board pack generally contains the following standing items: CEO business review; Health and Safety, employee and corporate affairs updates; commercial updates; new product development; customer service levels; operations and logistics; strategic projects; capital expenditure; CFO report; management accounts; investor relations; and treasury report.

Key Board activities in the year

Set out below are details of the key areas of focus over the course of the financial period.

Strategic development & implementation

- Strategic review – detailed review of options to accelerate shareholder return.
- International strategy – reviewed new strategy to return the International business to long-term sustainable growth.
- Three Year Strategic Plan – detailed review of business plans for the medium-term.
- Knighton – approved plan to re-integrate the business into the rest of the Group.
- Ongoing updates from management on implementation of strategy throughout the year.

Operational performance

- Monthly trading updates from the Grocery, Sweet Treats, International and Knighton businesses.
- Review of the implications of the COVID-19 pandemic on the business and key stakeholders.
- Monthly management accounts.
- Review of the implications of Brexit.

Financial performance & risk

- Approval of budget, re-forecasts and monthly management accounts.
- Review of key risks facing the business.
- Review of viability statement over the next three years.
- Approval of Half Year and Full Year results.
- Approval of Q1 and Q3 trading statements.
- Review of annual report to confirm it is fair, balanced and understandable.

Governance & culture

- Board and committee evaluations.
- Appointment of workforce NED.
- Review of governance best practice and the new Governance Code.

Responsibility & sustainability

- The Board reviewed the Group's approach to Health and Safety, product safety and the control of allergens as well as trends and issues relating to nutrition, modern day slavery, gender pay, diversity & inclusion and plastic packaging.

Board allocation of time over the year

Strategic development & implementation:	40%
Operational performance:	15%
Financial performance & risk:	25%
Governance & culture:	10%
Responsibility & sustainability:	10%

Board and committee evaluation

The Board conducts a three-year rolling evaluation process, which normally follows the following format:

Year 1

An externally facilitated evaluation is carried out to assess the effectiveness of the Board, each committee and the Chairman. The input of each Board member is kept confidential to foster open, honest and in-depth feedback. A report is presented to the Board and an action plan drawn up.

Years 2 and 3

An internally facilitated evaluation is managed by the Company Secretary. A questionnaire is prepared by the Company Secretary, in conjunction with the Chairman, focusing on core responsibilities of the Board. It also builds on the key development areas identified in the prior year. The input of each Board member is kept confidential to foster open, honest and in-depth feedback. A report is presented to the Board and an action plan drawn up.

2019/20 evaluation

Following a tender process, conducted by the Company Secretary and Chairman, Lintstock was appointed to conduct the 2019/20 evaluation. Lintstock has no other connection with the Group.

Lintstock worked with the Company Secretary and Chairman to devise comprehensive questionnaires covering core areas such as Board composition, expertise and dynamics, strategic and operational oversight, risk management and internal control, and succession planning. Separate questionnaires were prepared for each of the Board's Committees. The review also considered a number of issues specific to the Company, including the conduct of the Group's strategic review and the preparation of the Company's new Remuneration Policy.

Lintstock created a report compiling the feedback and presented this to the Board with recommendations for areas of focus. Following review, the Board approved an action plan to address areas highlighted by the evaluation for focus over the forthcoming year.

Outcomes

Overall, the responses to the Board and Committee questions were very positive and demonstrated that the Board had strong foundations and was well placed to deal with future challenges. Board composition, Board dynamics, the conduct of meetings, Committee reporting, Board support and risk management, were all rated highly. The performance of the Chairman, who was appointed in August 2019, was considered to be highly effective, having developed strong relationships with directors and shareholders and it was confirmed that the Board and its Committees continued to operate effectively. In addition, it was noted that the new executive management team, also appointed during the year, had established positive relationships with the rest of the Board.

The following areas to enhance the effectiveness of the Board were identified:

- The need to address Board balance and diversity.
- Continued focus on engagement with the wider workforce and the monitoring of culture.
- Monitoring of the implementation of the new International strategy.
- Continued focus on succession planning and talent management.
- The strategic priorities for the next 12 months were discussed and agreed.

Assessment of Chairman's performance

As part of the annual Board evaluation process, Richard Hodgson, the Senior Independent Director, led a review of the Chairman's performance. A conference call was held with the other non-executive directors, without the Chairman being present. The review focused on the relationship between the Chairman and the CEO, the overall leadership of the Board, the governance process, the conduct of Board meetings and the quality of debate. In addition, the Chairman's relationship with major shareholders and his understanding of their priorities was discussed.

A summary of the key findings was shared at a subsequent call between the SID and the Chairman. The review concluded that Colin Day was highly effective as Chairman, following his appointment in August 2019. It was also noted that the Chairman had no other significant external commitments and was able to dedicate sufficient time to the role.

Governance overview CONTINUED

Connecting with our stakeholders

We believe that how we work with our stakeholders has an important role to play in achieving our branded growth strategy, helping us to be a responsible business and delivering long-term sustainable growth.

Stakeholder	Customers and consumers	Colleagues	Suppliers
Why these stakeholders are important to our business	Customers and consumers buy and eat our products – they are at the heart of the Group's business model.	We have an experienced and dedicated workforce of over 4,000 colleagues at 16 sites across the UK. We have a responsibility to ensure all colleagues work in a safe environment and have opportunities to learn and develop in their careers.	We are one of Britain's largest food manufacturers and we are proud to work with many British suppliers. Over the year, 86% of our total third party spend was with UK based suppliers.
Issues and factors which are most important to these stakeholders	• Category leadership • Excellent customer service levels • Innovative, relevant products which meet consumers' needs • Great tasting products • Convenient and responsible packaging formats • Environmental, nutritional and sustainability issues	• Understanding our purpose, strategy and values • Reward and recognition • Safe and pleasant working conditions • Learning & development opportunities • Health and wellbeing • Diversity & inclusion • Brexit implications for EU citizens	• Understanding the Group's strategy and growth plans • Forming long-term collaborative partnerships • Transparent terms of business • Fair payment terms
Engagement and outcomes	We seek to develop sustainable partnerships with our customers that deliver long-term benefits to both parties. Regular meetings take place at many levels, through the sales team, senior management and CEO. These cover range reviews, new products, promotions, displays and service levels. Feedback from customers is also provided via an annual customer survey. Customer insights, from a number of channels, are shared and discussed at Board meetings, including details on consumer behaviours, market trends and competitor activities. Product tastings and NPD are showcased at Board meetings. Customer and consumer feedback is reported to the Board via KPIs. It is essential that we engage with our consumers so that we can understand consumption and lifestyle trends in order to help us to create products that meet their needs. We also regularly benchmark our products with consumers in blind panel tests.	We communicate and engage with colleagues in many ways to ensure they understand our business priorities and performance. This ensures that, in turn, we can listen to their issues and concerns. We have regular Company briefings led by the CEO and shared by video feed to all sites across the Group. There are regular site briefings from management to give presentations and listen to feedback, supplemented by ELT and Board visits. Feedback is received via Group employee surveys, line management and HR teams, resulting in targeted action plans to address key areas for improvement. The Board receives regular updates on key employee issues and internal communications. Additionally, during the year, the Board appointed a Workforce NED and we are introducing employee forums at all sites to increase the focus on two-way communication. A formal whistleblowing procedure is in place to allow employees to raise any concerns or issues they have confidentially and details of all cases raised are fed back to the Board via the Audit Committee.	It is crucial that we develop strong relationships with our suppliers, based upon mutual trust and respect, to ensure that we can source high quality ingredients at the right price. We have open, constructive and effective relationships with suppliers through regular meetings which provide both parties the ability to feed back on successes, challenges and our ongoing strategy. Regular audits of suppliers are undertaken to ensure compliance with ethical sourcing standards. Feedback from suppliers is also provided via feedback surveys. The Company's whistleblowing hotline has been extended to cover suppliers to allow them to raise any concerns anonymously. Key supplier contracts are discussed by the Board as appropriate. Payment policies, practice and performance are reported through the Government's Payment Practices Reporting portal.
Further information	Encourage healthier choices – pages 14 and 15.	Realise people's potential – pages 16 to 18. Workforce NED – page 46.	Drive ethical sourcing – pages 21 to 23

Section 172(1) Statement

Like many major UK businesses, the Group operates in a complex and interconnected commercial and regulatory environment which impacts and touches many different stakeholders. By understanding and engaging with stakeholders, the Board can consider their interests and priorities when making key decisions and ensure that the business works constructively with them as we promote the success of the Group. The table below summarises our key stakeholders and our engagement with them, additional information on the Board's response to the COVID-19 pandemic and the conclusion of the Group's strategic review is set out on page 52. Further details of our engagement with key stakeholders is also set out in the section on Being a responsible business, on pages 12 to 27.

Communities and environment	Government and society	Bond holders, banks and pension schemes	Shareholders, investors and analysts
As a responsible food manufacturer, we consider the impact we have in the areas we operate, including local businesses, residents and charities. We also have an important role to play in ensuring we reduce our impact on the environment.	The Board believes in the importance of acting responsibly and operating with high standards of business conduct. The Group also takes an active role in seeking to shape and influence debates around key issues in society relating to food safety, nutrition and health & wellbeing issues.	The Group's bond holders and lending group provide essential financing that supports the long-term viability of the Group. The Group also has three pension schemes, with approximately 45,000 pensioners and deferred pensioners, who depend on the Group's long-term ability to fund the schemes.	An important role of the Board is to represent and promote the interests of its shareholders, as well as being accountable to them for the performance and activities of the Group.
• How our factories impact on local communities • Volunteering and supporting charities • Reducing carbon emissions • Environmental commitments • Plastic packaging	• Food safety • Nutrition • Brexit preparations • Tax • Conducting business in a fair way	• Being kept up to date with current trading and performance • Cash flow and Net debt levels • The strength of our employer covenant • Ongoing schedule of contributions	• Shareholder return over the medium-term • Good governance and stewardship of the Group and its brands • Delivery of financial performance • De-leveraging the business
Updates are provided to the Board on ESG (Environmental Social and Governance) matters affecting the business, so that the longer-term prospects of the Group can be considered in its decision-making. The Board receives updates on KPIs relating to our economic contribution and environmental impact, as well as our contributions to the community, both at a local site level and via the work we do with our corporate charity partners. During the year, the Board reviewed the Group's new approach to reporting on ESG matters, including aligning all our goals to the UN's Sustainable Development Goals.	The Board receives regular updates from the Corporate Affairs Director on key regulatory issues affecting the Group and the food industry, such as nutritional guidelines, advertising and promotions. The General Counsel & Company Secretary provides updates on governance, legal, regulatory and compliance matters. We seek to take an active role through membership of organisations such as the Institute for Grocery Distribution and the Food and Drink Federation.	Management engages regularly with the Group's lenders, bond holders and banking group via conference calls, conferences and face-to-face meetings. The CFO maintains a regular dialogue via attendance at Trustee and Investment Committee meetings for each of the principal pension schemes and regularly reports on the Group's trading performance. During the year the Group has reduced net debt by 13.2% to £408.1m and both our corporate credit ratings have been maintained with 'Stable' outlooks. As part of the Group's strategic review, a segregated merger has been agreed with the Group's three main pension schemes.	The Board believes it is very important to engage with its shareholders and does this in a number of ways. This includes the financial results presentations and conference calls for shareholders and analysts, face-to-face meetings, investor road shows and anonymous shareholder feedback via brokers. During the year the Group reviewed it's corporate broking arrangements and appointed Peel Hunt LLP to act as joint corporate broker alongside existing corporate broker, Jefferies International. The Chairman and CEO have met regularly with shareholders following their appointments in August 2019. The Chair of the Remuneration Committee has also engaged closely with shareholders in connection with the introduction of a new Remuneration Policy. Board members also have the opportunity to meet with private shareholders at the Company's AGM
Support our communities – pages 19 to 20. Reduce our environmental footprint – pages 24 to 27.	Being a responsible business – pages 12 to 27.	Net debt and free cash flow KPIs - page 28. Strategic review – page 52.	Remuneration Policy and engagement with shareholders – pages 56 and 57.

Governance overview CONTINUED

Connecting with our stakeholders (continued)

Further details on how the Board has considered the interests of stakeholders when making key decisions over the course of the financial period, is set out in the two case studies below:

The Group's response to the COVID-19 pandemic

The Board has regularly monitored the impact of the COVID-19 outbreak on the Company and its key stakeholders. The Group has established a COVID-19 steering Group, headed by the CEO, and regular updates have been provided to the Board. The Group's key priority has been the health and wellbeing of our colleagues and other stakeholders. A wide range of additional health, safety and hygiene protocols have been adopted in our factories and offices and across our supply chain. These were initiated in early March and are monitored on an ongoing basis in line with Government and WHO guidelines. Measures include changes to the procedures for shift changeovers, additional hygiene protocols and social distancing measures. There has also been extensive two-way communication with colleagues across the business to provide assurance and to address areas of concern. This includes weekly update calls with the senior leadership team, a dedicated information section on the Group's intranet, regular communication via email, a comms pack posted to all factory based colleagues and factory briefings.

The Group takes its responsibilities as a major UK food manufacturer seriously and the Board recognises the importance of supplying food to the nation at a time of need. We have worked closely with our suppliers to ensure continued supply of ingredients and, where necessary, identifying new sources of supply. It has also been essential to work collaboratively with customers to understand their priorities and ensure timely delivery of orders.

The CEO and ELT have been working closely with the Government through the IGD Policy Issues Council, FDF Presidents Committee, Food Resilience Industry Forum and DEFRA's Agri Food Chain Directorate to ensure a coordinated response from the whole food industry. As a consequence of these actions, to date, the Group's manufacturing and logistics operations have been able to remain fully operational.

The Board has also closely monitored the financial impact of the pandemic on the Group's cash flow, liquidity, banking covenants and ongoing sources of long-term finance to ensure the Group's long-term viability.

Strategic review

In April 2020 the Group concluded its strategic review, announced on 27 February 2019, with a landmark agreement with its pension schemes which is expected to be transformational for both the Group and its pension scheme members by significantly improving its long-standing pension funding situation.

The agreement was the result of extensive discussions between management, led by the CFO, the trustee boards of the three UK defined benefit schemes and other key stakeholders. The Board considered the interest of the pension members (approximately 45,000 pensioners and deferred pensioners) and it was agreed that the proposed segregated merger of the three schemes represented a much more secure future for the Group's pension scheme members. The agreement also has potential to significantly reduce future funding requirements for the Group and it was therefore considered to be in the best long-term interest of the Group and shareholders as a whole.

In addition, as part of the strategic review, over the course of the financial period, the Board has explored a wide range of options available to the Group, including potential M&A activity. This required the Board to evaluate the extent to which these options would be value accretive to the business and, therefore, in the long-term interests of the Group and its shareholders. The Board also assessed the potential impact on the Group's employees, pension schemes, customers and suppliers.

Nomination Committee report

Dear shareholder

On behalf of your Board, I would like to present the Nomination Committee report for the period ended 28 March 2020. The Committee is responsible for:

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

The Committee also reviews the succession requirements of the Board and senior management and makes recommendations to the Board as appropriate. With the exception of myself, as Group Chairman, only independent non-executives are members of the Committee. Details of the Committee's membership and meeting attendance are set out on pages 44 and 45.

Appointment process for new Chairman, CEO and CFO

Keith Hamill stepped down from the Board in July 2019. Following his departure Richard Hodgson, Senior Independent Director, was appointed Chair of the Nomination Committee to lead the search process for a new Chairman and, at the same, a new executive leadership team, supported by the Nomination Committee and HR Director.

Lygon Group ('Lygon'), who have no other connection with the Group, were engaged to assist and advise on the search and appointment process. Following consultation, Lygon drew up a clear specification for the desired candidate and a longlist of potential candidates was prepared. Following review by the Committee, a shortlist was prepared and interviews held with the Committee members. I was identified as the preferred candidate, with the appropriate FMCG experience and skill set to lead the Board.

At the same time, the Committee assessed the options for the roles of CEO and CFO. Russell Reynolds Associates, who have no other connection with the Group, were engaged to assist with the CEO search process and Lygon were engaged to assist with the CFO search process. Specifications were prepared for both roles and a longlist of potential candidates was produced.

The Committee also recognised that there was a robust succession pipeline within the business and assessed internal candidates for the roles. Following a full review process, it was recommended that the Board appoint Alex Whitehouse as CEO. It was felt that Mr Whitehouse had detailed knowledge of the business, having joined the Group in 2014, and had a proven track record with the successful turnaround of the UK business, following his appointment as UK Managing Director in 2017. It was also recommended that Duncan Leggett, who had been with the Company since 2011 and had an in-depth knowledge of the business and its financing arrangements, be appointed as CFO.

Appointment process for new independent non-executive directors

As outlined at the time of my appointment, we intended to strengthen the Board with two further independent NEDs. Lygon were engaged to assist and advise on the search and appointment process. Following consideration of a number of contenders, from various sources, the Committee identified Helen Jones and Tim Elliott as the preferred candidates. Both were considered to have a wealth of highly relevant experience in their respective fields, and they agreed to join the Board with effect from 15 May 2020.

Succession management

There is a strong culture of succession planning and talent management within the organisation. This has resulted in a significant proportion of senior roles being filled internally, with the majority of ELT positions being internal promotions. Colleagues see this as positive, helping not only in attracting talent externally, but also with internal retention. There is an established leadership programme in place designed to help prepare senior managers to take on more challenging roles and this is complemented at a more junior level with our graduate recruitment programme.

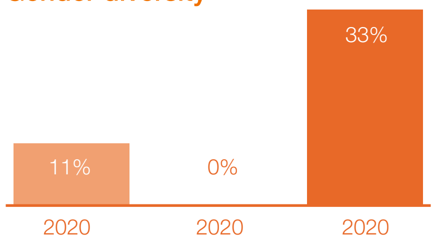
Board balance and diversity

When selecting a new director, the Board considers a broad range of skills, backgrounds and experience, reflecting both the type of industry and the geographical locations in which we operate. The Committee is also mindful of the benefits that an inclusive culture can bring to our organisation as a whole.

In 2011, the Board adopted a policy to have at least two female Board directors by 2015 and this target was successfully achieved in May 2013. Whilst we have had two female Board members since 2013, following the Board changes announced in February 2019, the number of female directors reduced to one as at year end. However, with the appointment of Helen Jones on 15 May 2020, I am pleased to confirm that the Board is now once again in compliance with its policy on gender diversity.

Further information on our approach to diversity and inclusion across the business is set out in the section on Being a responsible business on pages 12 to 27.

Gender diversity



Key
- Board – (1 of 9 directors)
- Senior management – (0 of 8 ELT members)
- Direct reports – (15 of 45 ELT direct reports)

(As at 28 March 2020)

Review of non-executive director performance

Over the course of the year, a review of the contribution and performance of the independent non-executive directors was undertaken and this was considered by the Nomination Committee as part of its assessment of the composition of the Board. Following this review, it was agreed that the Board had an appropriate balance of skills, experience and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. In addition, the current Board was felt to have a broad range of retail, marketing, commercial and financial experience which is appropriate for the size and complexity of the Group. Consequently, the Nomination Committee recommended the re-election (or election) of all directors at the 2020 AGM.

Colin Day
Nomination Committee Chairman

24 June 2020

Audit Committee report

Dear shareholder

On behalf of your Board, I am pleased to present the Audit Committee report for the period ended 28 March 2020. The Committee has responsibility, on behalf of the Board, for reviewing the effectiveness of the Group's financial reporting systems and the internal control policies and procedures for the identification, assessment and reporting of risk.

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

All members of the Committee are independent non-executives, with a broad range of FMCG, commercial and marketing experience relevant to the Group's business. Details of Committee membership, their qualifications and meeting attendance are set out on pages 44 and 45. In addition to the Committee members, the CEO, CFO, Chairman, Director of Financial Control, Head of Internal Audit and external audit partners are regularly invited to attend and present at the Committee's meetings.

Areas of review

During the financial period the Committee:

- monitored financial reporting, including the annual report and the full-year, half-year and quarterly results announcements;
- considered the going concern and viability statements for the Group;
- reviewed the ongoing negotiations regarding Brexit, the potential impact on the Group and its stakeholders and mitigating actions;
- reviewed the potential impact of the COVID-19 pandemic on the Group's performance and viability and also the potential impact on the timing of the audit of the full-year results and results announcement;
- received regular reports from the internal audit function, ensured it was adequately resourced, monitored its activities and effectiveness, and agreed the annual internal audit plan;
- conducted a bi-annual review of key risks facing the business and assessed the Group's mitigation plans;
- reviewed and approved an update to the Group's policy on Auditor Independence and Non-Audit Services;
- reviewed the Group's IT systems and controls, cyber security and business continuity management; and
- reviewed calls received from the whistleblowing helpline and management's response to them.

Committee evaluation

As part of the external Board evaluation exercise conducted by Lintstock during the year (see page 49 for more information), a review of the Committee's effectiveness was also undertaken and an action plan for the coming year agreed.

Auditor appointment, independence and non-audit services

KPMG were appointed as external auditor in September 2015 following a comprehensive tender process.

In accordance with our Auditor Independence Policy, the Committee has continued to review the level of non-audit fees with management during the year. The Committee also received an update from KPMG's lead partner on the internal controls that they employ to safeguard their independence, integrity and objectivity. In December 2019, the FRC released the Revised Ethical Standard 2019 for auditors. This has replaced the previous list of prohibited non-audit services with a much shorter list of permitted services, all of which are 'closely related' to an audit or required by law and/or regulation (known as the "whitelist"). As a consequence, the Group's policy on Auditor Independence and Non-Audit Services has been updated to replace the previous list of prohibited services with the new FRC whitelist (a copy of the policy is available on the Group's website).

KPMG undertook non-audit work during the period which related to audit related assurance services in respect of the Half Year results and the provision of royalty statements required under our *Cadbury* licence with Mondelēz International and our licence agreement with *Loyd Grossman*. As a consequence, non-audit fees for the period amounted to £84,000 (2018/19: £493,020) representing 15% of the audit fee. The Committee is mindful of guidelines in respect of non-audit services and the potential threat to auditor independence. The Committee assessed that, in both cases, the nature of the royalty work would be best performed by KPMG due to their knowledge of the business, the timescale required for completing the assignments and the overall cost in undertaking the work. In addition, KPMG consulted their own internal Audit Quality and Risk Management team prior to agreeing the engagements. KPMG's procedures for ensuring compliance with quality control standards, maintaining independence, integrity and objectivity were also reviewed and no matters were identified which might impair the auditor's independence and objectivity.

External auditor effectiveness

Over the course of the year, the Committee has continued to review the effectiveness and independence of the auditor and assessed the effectiveness of the external audit process by reference to the scope of the audit work undertaken, presentations to the Committee, feedback from management involved in the audit process and separate review meetings held without management. Following this assessment, the Committee has recommended to the Board that KPMG be reappointed at the AGM in 2020 (the Board's recommendation is set out on page 81).

Risk management

Details of our risk management process are set out in the risk management section on pages 38 to 43.

Internal controls

In accordance with the FRC guidance on audit committees and the Governance Code, an annual review of internal controls is conducted. The Board has delegated authority to the Audit Committee to monitor internal controls and conduct the annual review. This review covers all material controls, such as financial, operational and compliance, and also the overall risk management system in place throughout the year under review, up to the date of this annual report. The Committee reports the results of this review to the Board for discussion and, when necessary, agreement on the actions required to address any material control weaknesses. The Committee confirms that it has not been advised of any failings or breaches which it considers to be significant during the financial period and found the internal controls to be effective.

Internal audit

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

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

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

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

Site/Factory – Financial and operational control environment.

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

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

Fair, balanced and understandable

The Board requested that the Audit Committee confirm whether the annual report and accounts taken as a whole were fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's position and performance, business model and strategy. The Audit Committee recommended that the Board make this statement which is set out on page 81.

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

Significant issues in relation to the financial statements

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

Commercial arrangements

Commercial payments to customers in the form of rebates and discounts represent significant balances in the income statement and balance sheet. Calculations of these balances require management assumptions and estimates, including volumes sold and the period of the arrangements. The Committee reviewed the assumptions and estimates and the level of accruals and provisions in detail. Further information is set out in note 3.4 on page 105.

Carrying value of goodwill and brands

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

The brands, trademarks and licences are deemed to be individual Cash Generating Units (CGUs). For the purpose of goodwill, the Group has four CGUs – Grocery, Sweet Treats, International and Knighton. The Committee reviewed the results of goodwill impairment testing of the CGUs and the review of the carrying value of certain of the Group's brands. There is no goodwill attributable to the Sweet Treats or Knighton CGUs and the International CGU has no goodwill or intangible assets. The results of the impairment testing included management's assumptions in respect of cash flows, long-term growth rates and discount rates. The Committee also considered sensitivities to changes in assumptions and related disclosure as required by IAS 36. This year's review concluded that no impairment of Goodwill or brands was required. A brand impairment of £30.6m was recognised during the prior period relating, primarily, to the *Sharwood's* brand. Further information is set out in notes 11 and 12 on pages 114 and 115.

Defined benefit pension plans

The Group operates a number of defined benefit schemes. The main schemes are closed to future accrual but hold substantial assets and liabilities. Valuation of the scheme liabilities is based on a number of assumptions, such as inflation, discount rates and mortality rates, each of which could have a material impact on the valuation under IAS 19 included in the balance sheet. The Group's RHM Pension Scheme also holds assets for which quoted prices are not available. As at 28 March 2020 the RHM Pension Scheme reported a surplus of £1,505.3m and the Premier Schemes reported a deficit of £274.9m (2018/19: RHM Pension Scheme surplus of £837.8m; Premier Schemes deficit of £464.7m), largely driven by the return on scheme assets and change in financial assumptions. The Committee reviewed the basis for management's assumptions and the movements in the IAS 19 valuation in detail over the year. The financial assumptions were based on the same methodology as last year, updated for the 2019 triennial valuation. Further information is set out in note 13 on pages 116 to 121.

At the reporting date, the property asset class carried an uncertainty clause over the valuation performed by independent valuers of the property funds. This reflects the difficulty in assigning a value to the underlying properties held by the respective funds due to the current economic environment caused by COVID-19.

The inclusion of the 'uncertainty' clause does not invalidate the valuation, nor does it mean that the valuation cannot be relied upon. The declaration has been included in the investment manager's valuation report as a precaution to ensure transparency of the fact that less certainty can be attached to the valuation than would otherwise be the case under normal market conditions.

Management has reviewed the asset values that make up the property asset class, to ensure the values appropriately reflect current market conditions, recognising that there is short-term volatility driven by the current market conditions.

Deferred tax

Deferred tax arises due to timing differences and can either be an asset or liability on the balance sheet. An asset may be used to reduce future taxable income; a liability represents a future tax payment that is expected to be made. Calculating the value of the asset or liability accurately involves assessing several factors such as forecasts of future taxable profits and growth rates and an assessment of historic forecasts as well as accessibility of losses held in Group companies and any periods open to HMRC enquiry. The current year liability of £184.9m was compared to a liability of £13.5m in 2018/19, largely driven by the large increase in the pension scheme combined surplus. Further information is set out in note 8 on pages 110 and 111.

Viability and going concern

The Audit Committee conducted a number of detailed reviews of the Group's viability and going concern, taking into account severe but plausible business downsides, including the potential impact of the current COVID-19 pandemic. The Committee concluded that it was reasonable for the Board to expect that the Group would have adequate resources to operate for the foreseeable future and therefore recommended that the viability statement (set out on page 43) and the going concern statement (set out on page 99) could be supported.

Simon Bentley
Audit Committee Chairman

24 June 2020

Directors' Remuneration report

Annual Statement

Dear shareholder

I was appointed Chair of the Remuneration Committee in May 2019, following the retirement of Jennifer Laing, having been a member of the Committee since 2013. I am pleased to present the Directors' Remuneration report for the period ended 28 March 2020.

New Remuneration Policy

In accordance with the requirements of the Companies Act 2006, we are required to put the Company's remuneration policy to shareholder vote every three years. Set out on pages 61 to 67 is the Company's 2020 Remuneration Policy which will be put to shareholders at the 2020 AGM.

The Committee considers that the current Remuneration Policy operated as anticipated over the financial period. However, there are a number of changes proposed to reflect the remuneration of the newly appointed CEO and CFO, as compared to the remuneration of their predecessors, and to reflect changes in the UK Governance Code and in best practice. These represent an overall decrease in quantum of salary, pension and the maximum opportunity for both elements of variable pay. The Committee believes these levels of reward are commensurate with the Company's level of turnover, enterprise value and complexity, while still providing an appropriately motivating incentive.

The key policy changes are detailed below:

Pension	The maximum contribution or allowance for executive directors was 20% of basic salary. It has been decreased to be in line with that available to the majority of the workforce. Currently this equates to a contribution of 7.5% of basic pay up to an earnings cap.
Annual bonus	Maximum (as a percentage of salary) for the CEO has been decreased from 150% to 125% and for the CFO from 105% to 100%. Financial targets will represent not less than 70% of the total bonus opportunity (an increase from not less than 50%), with the balance consisting of non-financial targets subject to the delivery of a threshold level of trading profit. Annual bonus will no longer be subject to personal performance.
Long-Term Incentive Plan (LTIP)	Maximum individual limit (as a percentage of salary) has decreased from 200% to 150%.
Shareholding	Multiple of salary that the executives must hold in shares, which was previously a guideline, is now a requirement and has been increased from 100% of salary to 200% of salary.
Services contracts	The standard notice period was set at 12 months from the executive director and the Company. This has been decreased to six months. To assist with recruitment, upon appointment to the Board, the notice period may be set at up to 12 months, decreasing to six months after six months of employment.
Policy on payment for loss of office	The policy previously enabled the Company, where appropriate, to provide a departing executive director with outplacement services. The policy has been expanded to enable the Company to pay for the provision of outplacement support and the reasonable fees for a departing executive director to obtain independent legal advice in relation to his or her termination arrangements and nominal consideration for any agreement to introduce contractual terms protecting the Company's rights following termination.

Board changes

As highlighted in the Chairman's Statement on page 09, there have been a significant number of Board changes in the financial year. Alastair Murray was appointed Acting CEO on 1 February 2019, in addition to his role of Chief Financial Officer, on a temporary basis whilst the Board conducted a search process for a new CEO. On 30 August 2019 we announced the appointment of Colin Day as non-executive Chairman, Alex Whitehouse as CEO and Duncan Leggett as acting CFO (appointed permanent CFO on 10 December 2019).

Following these appointments, it was agreed that Alastair Murray would step down from the Board, also with effect from 30 August 2019, having served as CFO for six years and acting CEO for the past seven months. The Committee exercised discretion to treat Mr Murray as a 'good leaver' in relation to his leaving arrangements (which were made available following his departure on the Group's website) and full details are provided on page 69. All payments were made pursuant to the terms of his service agreement and in line with the Company's current Directors' Remuneration Policy and applicable share plan rules.

Executive Directors' Salary

Alex Whitehouse, CEO, has been appointed with a salary of £475,000 and Duncan Leggett, CFO, has been appointed with a salary of £275,000. The salary levels reflect the fact that this is their first appointment as CEO and CFO, respectively.

The Committee aims to increase their salaries over the next two years to a level at, or near, the FTSE 250 lower quartile, which the Committee feels would be appropriate given the Company's level of turnover, enterprise value and complexity. Any such increases over the next two years (which are at the Committee's discretion and subject to performance) are likely to be higher than the annual increase awarded to all other colleagues not involved in collective bargaining.

Performance outcome for 2019/20

The Committee believes that the executive remuneration is closely aligned with the Group's strategic priorities, with a high proportion of total remuneration delivered through variable pay linked to financial performance and delivery of strategy. When agreeing the final outcome for the year, the Committee considered the performance of the business as a whole, the quality of earnings delivered, the remuneration arrangements for the wider workforce and the market in which the business operates. This also included an assessment of the impact of the current COVID-19 pandemic on consumer shopping habits in the final month of the financial year. The Committee considered whether it was appropriate to exercise discretion but it believes that the outcome of both the annual bonus and LTIP assessment reflect the Group's underlying financial performance and delivery against strategy over the appropriate performance periods. A summary of annual bonus, LTIP and total pay for the financial period are set out below.

Annual Bonus performance outcome for 2019/20

The Committee reviewed the performance of executive directors over the financial period and assessed the extent to which the financial and non-financial targets had been achieved. This resulted in a bonus of £284,112 for Mr Whitehouse (representing 81.5% of opportunity), £70,464 for Mr Leggett (representing 81.5% of opportunity) and £118,069 for Mr Murray (representing 64.2% of opportunity). All three awards were paid pro rata for their period of service and full details of the assessments are set out on pages 69 to 71.

One-third of any annual bonus payment to Mr Whitehouse and Mr Leggett will be made in the form of shares deferred for a three-year period under the Deferred Bonus Plan (DBP), details of the DBP are set out on page 72.

LTIP

The Committee assessed the performance conditions for the 2017 LTIP award. The targets relating to adjusted EPS have been achieved, meaning that this element of the award (one-third) vested in full on 13 June 2020. Following an assessment of TSR performance it was determined that this element of the award (two-thirds) would lapse in full. The targets for the annual bonus and LTIP awards for 2020/21 are aligned with the Group's strategic priorities and this is illustrated on page 59. Further details of the measures for 2020/21 are provided on page 73.

Summary of 2019/20 remuneration outcomes

	Alex Whitehouse £'000	Duncan Leggett £'000	Alastair Murray £'000
Salary	277	85	177
Salary supplement	-	-	100
Taxable benefits	19	6	19
Pension	7	4	15
Annual bonus	284	70	118
Share based awards	74	18	121
Single figure for total remuneration	661	183	550

New LTIP

The Company's existing Long-Term Incentive Plan ('2011 LTIP') is due to expire in April 2021. The Committee believes the LTIP continues to play an important role in the overall remuneration of executive directors and other members of senior management (please see pages 58 and 59 for further information on the Group's remuneration strategy). It is therefore proposed to seek shareholder approval for a new 10 year LTIP ('2020 LTIP') at the AGM in August 2020. The terms of the 2020 LTIP are designed to be largely the same as the 2011 LTIP but with the removal of the matching share award element (which was discontinued in 2017) and appropriate changes to bring it in line with prevailing best practice and the Company's new Remuneration Policy. A summary of the key elements of the 2020 LTIP is set out in the AGM Notice.

New Governance Code

The Committee has reviewed and considered the recommendations of the new UK Governance Code 2018 over the course of the year and these have been incorporated into the Remuneration Report.

Shareholder engagement

Over the course of the year, there has been extensive engagement with shareholders both in advance of the drafting of the new Remuneration Policy and in reviewing the key changes we have proposed and I would like to thank shareholders for providing helpful feedback.

I look forward to receiving your support for the Annual Report on Remuneration, our new Remuneration Policy and the 2020 LTIP Plan at the 2020 AGM.

On behalf of the Board
24 June 2020

Pam Powell
Chair of the Remuneration Committee

Directors' Remuneration report CONTINUED

Overall approach to remuneration

The Committee follows the following broad principles when considering the design, implementation and assessment of remuneration in line with the recommendations set out in Provision 40 of the 2018 UK Governance Code:

Clarity – *remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce*

The Company's remuneration policy is designed to support the delivery of the Group's strategic objectives which are aligned with the long-term interest of both shareholders and key stakeholders. The Committee is committed to being transparent in respect to the elements of remuneration, quantum, the rationale for targets set and performance outcomes. The Committee engages with shareholders and is keen to understand their views and priorities when considering key remuneration issues and any major changes.

Simplicity – *remuneration structures should avoid complexity and their rationale and operation should be easy to understand*

The Committee believes the current arrangement for executive directors to be simple and these consist of three elements:

- A fixed element that comprises salary, pension and taxable benefits.
- A variable element that is subject to performance conditions and comprises:
  - short-term goals via the annual bonus plan; and
  - long-term goals via the Long-Term Incentive Plan.

The Committee has made a number of changes to remuneration policy over the last few years to remove complexity and reflect market practice and considers that the current arrangements are clear, easy to understand and provide an appropriate balance.

Risk – *remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated*

Targets are reviewed to ensure they reflect the overall risk appetite set by the Board and do not encourage inappropriate behaviours or excessive risk taking.

Mitigation is provided through the recovery provisions that apply to both the cash and share elements of the annual bonus plan and the recovery and withholding provisions that apply to the LTIP. The Committee reviewed arrangements for all elements of remuneration in the financial year to update the malus and clawback provisions in line with current best practice expectations. This included introducing additional trigger events in the event of corporate failure and/or material damage to the Company's business or reputation and the LTIP rules have been updated to include a discretion to override the vesting result in exceptional circumstances.

In addition, holding periods are in place for awards under the Deferred Bonus Plan and LTIP, see page 60 below.

Predictability – *the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy*

The Committee assesses the potential outcome of future reward by reference to potential pay-outs that can be received at a range of outcomes (minimum, mid-point and maximum) as set out on page 64. In addition, the effect of future share price growth under the LTIP is also considered based on a 50% increase in share price over the period.

Proportionality – *the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance*

As referred to under 'Alignment to culture' below, the Committee seeks to ensure that targets for annual bonus and long-term incentives are aligned with the Group's strategy and the long-term sustainable development of the business.

The focus of our remuneration strategy is on rewarding performance – the majority of executive remuneration (approximately 70% at maximum) is variable and only payable if demanding performance targets are met. The majority of variable pay is payable in the form of shares.

When setting targets for variable elements of pay the Committee carefully considers the targets to minimise the risk of excessive reward by reference to the maximum potential award that could be achieved.

When assessing performance against annual bonus and LTIP the Committee also considers:

- the overall performance of the business;
- the quality of earnings when assessing the achievement of financial targets; and
- the market in which the Company operates.

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

Alignment to culture – *incentive schemes should drive behaviours consistent with company purpose, values and strategy*

As part of the preparation of the 2020 Remuneration Policy the Committee reviewed the overall design of the Group remuneration strategy and believes that it is consistent with the Company's purpose, values and strategy and is aligned with the Group's culture. When setting the annual goals for the annual bonus and LTIP award, the Committee considers a range of different potential measures in order to select those that it believes are most likely to drive the successful delivery of the Group strategy and are aligned with shareholders' interests to deliver earnings growth and improved shareholder value in the medium-term.

How remuneration links to our strategy

The following table summarises the performance measures for executive directors' annual bonus and LTIP arrangements and how they are aligned with our strategy (see our strategy and branded growth model on pages 02 and 03).

Strategic priority	Group KPIs (see pages 28 and 29)	Annual Bonus goals (see page 71)	LTIP targets (see page 73)
Drive revenue growth	• Group revenue • Trading profit • Branded market share	• Trading profit • Non-financial objectives	• Adjusted EPS
Cost control & efficiency	• SG&A as a % of Group revenue	• Net debt • Non-financial objectives	
Cash generation	• Free cash flow	• Net debt • Non-financial objectives	
Reducing Net debt	• Net debt/ EBITDA	• Net debt • Non-financial objectives	
Delivering shareholder value		• Non-financial objectives	• Relative TSR
Being a responsible business	• Healthier choices • Health and safety • Environmental	• Non-financial objectives	

Senior management and the wider workforce

The remit of the Committee already includes the oversight of remuneration for senior management (who are defined as the Group's Executive Leadership Team) and has been extended to include the review of workforce remuneration and related policies, and the alignment of incentives and rewards with culture.

Remuneration for executive directors is set within the wider context of the Group's remuneration policy for the wider workforce. The key differences of quantum and structure in pay arrangements across the Group reflect the different sizes of roles and levels of accountability required for the role and that executive directors and senior management have a much greater emphasis on performance-based pay through the annual bonus and the LTIP.

Salaries for management grades are normally reviewed annually (currently in July each year) and take account of both business and personal performance. Specific arrangements are in place at each site and these may be annual arrangements or form part of a longer-term arrangement and the Board is kept regularly updated on these arrangements.

The Committee reviews the level of salary increases for colleagues not involved in collective bargaining and also reviews and approves the annual bonus plan for the general management population. Financial objectives for executive directors and the management population are aligned and strategic objectives cascaded down the management structure. In 2018/19, the Committee approved changes to the management scheme to make it more competitive and aid recruitment and retention. Senior management participate in long-term incentive arrangements reflecting their contribution to Group performance and enhancing shareholder value. All employees are encouraged to own shares in the Company via the Sharesave Plan and executive directors through our shareholding guidelines.

Gender pay gap reporting

Details of gender pay gap reporting is provided on page 17.

CEO pay ratio

The table below sets out a comparison of the CEO's total earnings as compared to the wider workforce based on colleagues' pay at the 25th percentile, median and 75th percentile. Premier Foods is a food manufacturing business employing around 4,000 colleagues, the majority of whom are based at our manufacturing sites. As a result, all three of the CEO pay ratio reference points compare our CEO's remuneration with colleagues based at our manufacturing sites. We apply the same reward principles for all colleagues – that overall remuneration should be competitive when compared to similar roles in similar organisations. For manufacturing colleagues, we benchmark against the general pay conditions for similar roles in the local area, including other food manufacturers. For the CEO, we benchmark against salaries at companies with a similar level of turnover, enterprise value and complexity. The key differences of quantum and structure in pay arrangements between the CEO and the majority of colleagues, reflect the different levels of responsibilities, skill and experience required for the role. The CEO's has a much greater emphasis on performance-based pay through the annual bonus and the LTIP. The ratios may therefore vary significantly year-on-year depending on bonus and LTIP outcomes.

		Pay ratio		
Year	Method	25th percentile	Median	75th percentile
2019/20	A	51:1	42:1	30:1
2019/20	Base salary	22,719	21,218	37,650
2019/20	Total pay and benefits	£23,927	£28,890	£40,381

The CEO total figure for remuneration was £1,211,697, as set out on page 75 of this report. Alastair Murray served as CEO from 31 March to 30 August 2019 and Alex Whitehouse served as CEO from 30 August to 28 March 2020.

We have calculated the ratio in line with the reporting regulation using method A, which determines total full-time equivalent remuneration for all UK colleagues for the relevant financial year and ranks the data to identify colleagues whose remuneration places them at the 25th, 50th and 75th percentile. We believe this is the most accurate means of calculating the workforce comparison. The Board confirms that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

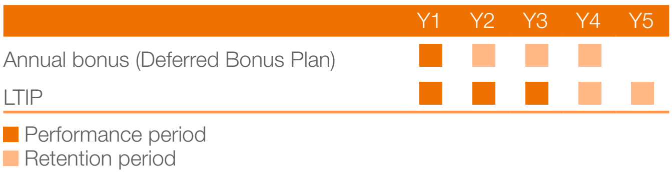
Directors' Remuneration report CONTINUED

The workforce comparison is based on:

1. Payroll data from 1 April 2019 to 28 March 2020 for all colleagues including the CEO but excluding non-executive directors, annualised to provide a full data set for the year ended 28 March 2020.
2. Part-time colleagues have been included by calculating the full-time equivalent value of their pay and benefits.
3. Total pay comprises salary and taxable benefits (including shift allowance, overtime, car allowance and performance related pay). Employers' pension contributions were not included in the data used to identify colleagues at the three percentile ranges due to the complexity of the exercise, resulting from the number of part-time colleagues and variable working hours. However, employers' pension contributions have been included in the total pay and benefits figures for the three colleagues listed in the table above for comparative purposes.

Share ownership, vesting and retention periods

To align executive directors' interests with those of shareholders they are expected to retain 50% of shares from vested awards under the Deferred Bonus Plan (DBP) and the LTIP (other than sales to settle any tax or NICs due) until they reach a value at least equal to 200% of their annual salary (valued at the time of purchase or vesting). In addition, to encourage a focus on the long-term sustainable development of the business, retention periods have been introduced for both the annual bonus scheme and Long-Term Incentive Plan. One-third of any annual bonus award is deferred into shares for three years under the DBP. In addition, any shares which vest under LTIP awards granted since 2018 will be deferred for a further two-year period.



Post employment holding periods

Our current approach to incentives is designed to ensure that executive directors continue to have significant shareholdings for at least two years after departure (and in many cases longer) which are subject to robust clawback and malus provisions. Under our current policy, unvested share awards on cessation (both deferred bonuses and long-term incentive awards) continue to vest at their normal vesting date which can be up to three years from the date of cessation (i.e. three years from grant). In addition, there is a two-year post vesting holding period which applies to long-term incentive awards which will continue post cessation, as a result of which executive directors will need to hold any shares subject to vested awards at cessation for up to two years from cessation and will need to hold shares that vest post cessation for two years post vesting. In the latter case, for an award granted in their last year this means that they will need to hold any shares that vest for up to five years from cessation (i.e. five years from grant of the award).

The members of the Remuneration Committee reviewed the recommendation set out in the new Corporate Governance Code regarding the introduction of a formal post-employment holding period. It was felt that the current arrangements provide an adequate disincentive against inappropriate short-term actions by departing executive directors. Extending post-cessation shareholding arrangements further, in either quantum or duration, was not judged to be appropriate by the Committee, as executive directors would no longer have the ability to influence the strategic direction or financial performance of the business, which operates in a dynamic and changing FMCG environment.

Non-executive directors

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

Remuneration Policy

Set out below is the Directors' Remuneration Policy which, if approved, will apply from the close of the 2020 AGM.

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

Base salary

Link to strategy

Provides an appropriate level of fixed income.

Set at levels to attract and retain talented individuals with reference to the Committee's assessment of:

- The specific needs of the Group by reference to the size and complexity of the business;
- The specific experience, skills and responsibilities of the individual; and
- The market rates for companies of comparable size and complexity and internal Company relativities.

Operation

Normally reviewed annually (currently with effect from 1 July) in conjunction with those of the wider workforce.

Maximum opportunity

Salaries for the relevant year are detailed in the Annual Report on Remuneration.

Whilst the Company does not have a cap on salaries, increases are normally expected to be in line with increases across the management grades, subject to particular circumstances such as a significant change in role, responsibilities or organisation. Where an executive is appointed at a salary lower than the assessed market rate, subject to performance, their salary may be increased to the assessed market rate which could result in increases above the salary increase awarded to all employees not involved in collective bargaining. An explanation of differences in remuneration policy for executive directors compared with other employees is set out later in this Directors' Remuneration Policy.

Performance

Performance measures: Group performance is taken into consideration when determining an appropriate level of base salary increase for the Group as a whole and personal performance is taken into account when determining an appropriate level of base salary increase for the executive.

Performance period: N/A.

Benefits

Link to strategy

Help to recruit, retain and promote the efficient use of management time.

Operation

The Company typically provides the following benefits:

- Cash allowance in lieu of company car;
- Fully expensed fuel;
- Private health insurance;
- Life insurance;
- Permanent incapacity benefit:
- Telecommunication services;
- Professional memberships;
- Allowance for personal tax and financial planning; and
- Other ancillary benefits, including relocation expenses (as required).

Maximum opportunity

There is currently no maximum level, however, the provision and level of allowances and benefits are considered appropriate and in line with market practice.

Performance

Performance measures: N/A.

Performance period: N/A.

Pension

Link to strategy

To offer a level of benefit in line with that offered to the majority of the workforce to help recruit and retain and to recognise long-term commitment to the Group.

Operation

Executive directors may participate in the Group's defined contribution scheme on the same basis as all other new employees, or receive an equivalent allowance in lieu of pension provision.

Executive directors may also salary sacrifice additional amounts into this scheme but will not receive any additional contribution from the Group. Only basic pay is pensionable.

Maximum opportunity

The maximum contribution or allowance for executive directors is the same as is available to the majority of the workforce. Currently this is either a contribution or a salary supplement of 7.5% of basic pay up to an earnings cap (£166,200 for 2019/20), but increasing each April in line with the Retail Prices Index as at the previous September).

Performance

Performance measures: N/A.

Performance period: N/A.

Directors' Remuneration report CONTINUED

Annual bonus

Link to strategy
Designed to incentivise delivery of annual financial and operational goals and directly linked to delivery of the Group's strategy.

Operation
An annual bonus is earned based on performance against a number of performance measures which are linked to the Group's strategy. Maximum of two-thirds of the bonus is paid in cash and a minimum of one-third deferred into shares under the Premier Foods Deferred Bonus Plan ('DBP') which are released after three years subject to continued employment.

The rules of the DBP contain a dividend equivalent provision enabling payments to be made (in cash or shares) at the time of vesting, in an amount equivalent to the dividends that would have been paid on the participant's vested shares between the date of grant of the relevant award and the date of vesting.

Clawback and malus provisions apply for both the cash and share elements.

Maximum opportunity
Maximum (as a percentage of salary):

- CEO: 125%
- Other Directors: 100%

Performance
Performance measures: Performance conditions are designed to promote the delivery of the Group's strategy and can be made up of a range of:

- Financial targets (e.g. turnover, trading profit and cash flow) representing not less than 70% of the total bonus opportunity, subject to the delivery of a threshold level of trading profit;
- Non-financial targets subject to the delivery of a threshold level of profitability.
- No more than 20% of the bonus will vest for threshold performance with full vesting taking place for equalling or exceeding the maximum target.
- Specific details of the performance measures for the relevant year can be found in the Annual Report on Remuneration to the extent that they are not commercially sensitive.

Performance period: One year.

Long-Term Incentive Plan (LTIP)

Link to strategy
The Premier Foods Long-Term Incentive Plan ('LTIP') provides a clear link to our strategic goal of delivering profitable growth with sustainable share price growth over the medium to long-term.

Operation
Annual grant of Share Awards.

Share Awards are the conditional award of shares or nil cost options which normally vest after three years, subject to performance conditions.

Awards under the LTIP, including the determination of any relevant performance conditions, will be considered and determined on an annual basis at the discretion of the Committee.

The rules contain a dividend equivalent provision enabling payments to be made (in cash or shares) at the time of vesting, in an amount equivalent to the dividends that would have been paid on the participant's vested shares between the date of grant of the relevant award and the date of vesting.

Clawback and malus provisions apply.

Maximum opportunity
Maximum individual limit in respect of any financial year of 150% of salary in that financial year.

Performance
Performance measures: Performance conditions are based on a range of targets focused on the delivery of increased shareholder value over the medium to long-term.

Currently, these include a combination of total shareholder return and adjusted earnings per share.

No more than 20% of the LTIP award will vest for threshold performance with full vesting taking place for equalling or exceeding the maximum target.

Performance period: Three years.

Holding period: Two years (post vesting).

Sharesave Plan

Link to strategy
To offer all employees the opportunity to build a shareholding in a simple and tax-efficient manner.

Operation
The Company's Sharesave Plan is an HMRC compliant scheme which is usually offered annually to all employees. The key terms of the plan will only be changed to reflect HMRC changes.

Maximum opportunity
Participants may save up to the statutory limit (currently £500 per month but subject to any lower limit set by the Committee) over a three-year period, following which they have the opportunity to buy Company shares at a price set at the beginning of the savings period.

Performance
Performance measures: None, other than continued employment.

Performance period: Three years.

Shareholding requirements

Link to strategy
To align executives' interests with shareholders.

Operation
Executive directors are expected to retain 50% of shares from vested awards under the DBP and the LTIP (other than sales to settle any tax or NICs due) until they reach their required multiple of salary in shares (which is currently 200% of salary). The Committee will review progress against the requirements (which are set out in the Annual Report on Remuneration) on an annual basis.

Maximum opportunity
N/A

Performance
Performance measures: N/A.

Performance period: N/A.

Non-executive director fees

Link to strategy
Provides an appropriate level of fixed fee to recruit and retain individuals with a broad range of experience and skill to support the Board in the delivery of its duties. Fees are reviewed annually.

Operation
The remuneration of non-executive directors is determined by the Chairman and executive directors. The remuneration of the Chairman is determined by the Remuneration Committee.

Includes a Chairman's fee and standard non-executive fee. Additional fees are payable for additional responsibilities, for example the roles of Committee Chairs and the Senior Independent Director.

Any reasonable business related expenses (including tax thereon) which are determined to be a taxable benefit can be reimbursed.

Maximum opportunity
Increases are normally expected to be in line with the market, taking into account increases across the Group as a whole, subject to particular circumstances such as a significant change in role, responsibilities or organisation.

The current aggregate maximum under the Company's Articles of Association for the Chairman and the non-executive directors is £1,000,000.

Performance
Performance measures: N/A.

Performance period: N/A.

Directors' Remuneration report CONTINUED

1. Notes to the policy table

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

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

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

Choice of performance measures and approach to target setting

The Committee reviews the performance measures used in the incentive arrangements on an annual basis to ensure that they remain appropriate and aligned to the delivery of the annual business plan and Group strategy. Currently the annual bonus measures consist of financial (70%) and non-financial (30%) targets. This approach is adopted in order to link pay to the delivery of overall Group performance measured across a balance of key strategic aims. The targets will be set by reference to internal budgeting and strategic plans.

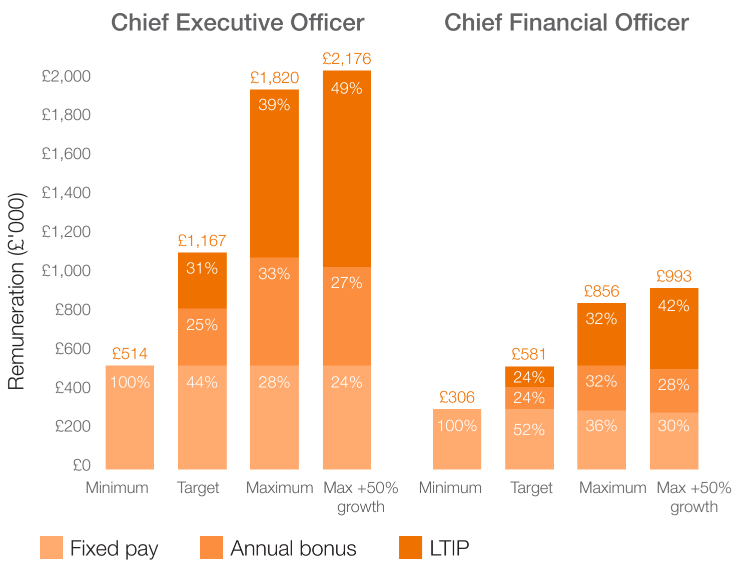
It is expected that the LTIP will continue to use a combination of adjusted earnings per share and total shareholder return based measures to reflect both an internal measure of Group performance as well as the delivery of shareholder value. Targets are set taking into account both internal and external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

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

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

2. Remuneration scenarios and weighting

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



Notes:

1. As the DBP is a portion of annual bonus it is included within this segment.
2. The executive directors can participate in the Sharesave Plan on the same basis as other employees. For simplicity, the value that may be received from participating in the Sharesave Plan has been excluded from the scenario charts.
3. Assumptions when compiling the charts are:

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

   Target = fixed pay plus 50% of annual bonus payable and 50% of LTIP vesting.

   Maximum = fixed pay plus 100% of annual bonus payable and 100% of LTIP vesting.

   Maximum +50% growth = fixed pay plus 100% of annual bonus payable and 100% of LTIP vesting at a 50% higher share price than when the LTIP was awarded.

3. Service contracts

The executive directors have rolling service contracts. The executive directors' service contracts contain the key terms shown in the table below. The CEO's notice period (which was agreed prior to the current policy) reduces to six months after 12 months of employment rather than after six months of employment). In the event that any additional executive directors are appointed, it is likely that their service contracts will contain broadly similar terms.

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

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

4. External directorships

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

5. Policy on payment for loss of office

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

- The executive directors have rolling contracts. Standard notice period is set at six months, however, upon appointment to the Board, an executive director's notice period may be set at 12 months, decreasing to six months after six months of employment.
- The Company may elect to terminate employment immediately in circumstances where it considers it to be appropriate by making a payment in lieu of notice equivalent to the executive director's salary, pension and benefits for the notice period in two equal instalments (the first within 28 days of termination and the second three months (or where the notice period is 12 months, six months) following the date of termination). These payments are subject to the executive director's duty to mitigate his or her loss by finding alternative employment. If the executive director finds an alternative position, future payments will be reduced by the amount of remuneration received by the executive director pursuant to that alternative remunerated position.
- Salary, pensions and benefits will generally not be paid to a 'bad leaver' in lieu of notice. The Company may terminate an executive director's employment without notice (or payment in lieu) in certain circumstances, including where he or she commits an act of dishonesty, is guilty of gross misconduct or a serious breach of his or her service agreement.
- A time pro-rated bonus (where relevant in respect of that bonus year) may be payable for the period of active service from the start of the bonus year to the date on which the director's employment terminates for 'good leavers'. Any unpaid bonus for the preceding completed bonus year may also be payable) to a 'good leaver'. The amount of such bonus will be determined at the discretion of the Committee taking into account performance. Any bonus payable could, at the discretion of the Remuneration Committee, be paid entirely in cash. There is no entitlement to any bonus (in respect of that or any previous bonus year) following notice of termination (or cessation of employment) for 'bad leavers' and they will not receive any bonus in such circumstances. Any share-based entitlements granted to an executive director under the Company's share plans will be determined based on the relevant plan rules or award agreement. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, injury, redundancy (not in respect of the DBP), transfer of the employing company or business out of the Group or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied. The 'good leaver' treatment under the various plans is as follows:

- DBP and LTIP awards will vest on the normal vesting date (unless the Remuneration Committee decides that the awards should vest on the date of cessation) subject to, in the case of LTIP awards, performance conditions (measured over the original time period or a shorter period where the LTIP awards vest on cessation of employment) and are reduced pro-rata to reflect the proportion of the period from grant actually served. The Remuneration Committee has the discretion to disapply time pro-rating if it considers it appropriate to do so. However, it is envisaged that for the LTIP awards this would only be applied in exceptional circumstances. In determining whether an executive should be treated as a 'good leaver' or not, the Committee will take into account the performance of the individual and the reasons for their departure.
- The Remuneration Committee may agree that the Company will pay for the provision of outplacement support and the reasonable fees for a departing executive director to obtain independent legal advice in relation to his or her termination arrangements and nominal consideration for any agreement to introduce contractual terms protecting the Company's rights following termination.
- Where it is necessary to discharge an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a director's office or employment the Committee may make a payment to a departing executive director.
- In the event of change of control of the Company, if the Company gives notice to terminate or the executive director is constructively dismissed, his or her employment shall terminate immediately and he or she will be entitled to a payment in lieu of notice equivalent to the executive director's salary, pension and benefits for his or her notice period. Any share-based entitlements will be dealt with in accordance with the rules of the relevant schemes.

6. Recruitment policy

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

Reward element	Detailed terms
Base salary	In line with the above Directors' Remuneration Policy table. However, includes discretion to pay lower base salary with incremental increases as new appointee becomes established in the role.
Pension and benefits	In line with the above Directors' Remuneration Policy table.
Performance based pay	Executive directors are entitled to participate in the Company's Annual Bonus, DBP and Long-Term Incentive Plans in line with the above Directors' Remuneration Policy table. The maximum variable pay for the CEO will be 275% of the base salary and 250% of base salary for the CFO and other directors. In its discretion, the Committee may set different performance measures to apply to awards made in the year of appointment if it considers that to be appropriate.
Notice Period	To assist with recruitment, upon appointment to the Board, an executive director's notice period may be set at up to 12 months, decreasing to the standard notice period of six months after six months of employment.
Buy outs	In order to facilitate external recruitment of executive directors, it may be necessary for the Committee to consider buying out existing incentive awards which would be forfeited on the individual leaving their current employment. The Committee would seek, where possible, to provide a buy-out structure which was consistent with the forfeited awards in terms of quantum, vesting period and performance conditions. The buy-out award may necessitate the use of the flexibility in the Listing Rules to make such awards outside the existing LTIP.

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

7. Consideration of employees/wider Group

The Committee is responsible for reviewing and approving the remuneration arrangements for senior management. The Group HR Director is a regular attendee at meetings of the Remuneration Committee and is able to brief the Committee on remuneration levels for the wider workforce and meetings which have been held with employee representative bodies. The Committee reviews workforce remuneration, salary increases within the Group, and the level of annual bonus awards, as well as overseeing participation in long-term incentives for below Board level senior management. As a result, the Committee is aware of how typical employee total remuneration compares to the potential total remuneration packages of executive directors and takes this into account when setting policy for executive director remuneration. However, in line with current market practice, the Group does not actively consult with employees on executive remuneration.

Differences in Remuneration Policy for executive directors compared to other employees

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

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

8. Consideration of shareholders' views

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

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

9. Key changes to the Remuneration Policy

The proposed policy differs from the policy that was approved by shareholders at the AGM held on 20 July 2017 in the following areas:

Pension	The maximum contribution or allowance for executive directors was 20% of basic salary. It has been decreased to be in line with that available to the majority of the workforce. Currently this equates to a contribution of 7.5% of basic pay up to an earnings cap.
Annual bonus	Maximum (as a percentage of salary) for the CEO has been decreased from 150% to 125% and for the CFO from 105% to 100%. Financial targets will represent not less than 70% of the total bonus opportunity (an increase from not less than 50%), with the balance consisting of non-financial targets subject to the delivery of a threshold level of trading profit. Annual bonus will no longer be subject to personal performance.
Long-Term Incentive Plan (LTIP)	Maximum individual limit (as a percentage of salary) has decreased from 200% to 150%.
Shareholding	Multiple of salary that the executives must hold in shares, which was previously a guideline, is now a requirement and has been increased from 100% of salary to 200% of salary.
Services contracts	The standard notice period was set at 12 months from the executive director and the Company. This has been decreased to six months. To assist with recruitment, upon appointment to the Board, the notice period may be set at up to 12 months, decreasing to six months after six months of employment.
Policy on payment for loss of office	The policy previously enabled the Company, where appropriate, to provide a departing executive director with outplacement services. The policy has been expanded to enable the Company to pay for the provision of outplacement support and the reasonable fees for a departing executive director to obtain independent legal advice in relation to his or her termination arrangements and nominal consideration for any agreement to introduce contractual terms protecting the Company's rights following termination.

Directors' Remuneration report CONTINUED

Annual Report on Remuneration

An advisory vote on this Annual Report on Remuneration will be put to shareholders at the 2020 AGM.

Single figure table for total remuneration (audited)

Single figure for the total remuneration received by each executive director for the 52 weeks ended 28 March 2020 (2019/20) and 30 March 2019 (2018/19).

	Alex Whitehouse		Duncan Leggett		Alastair Murray	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Salary	277	N/A	85	N/A	177	416
Salary supplement	–	N/A	–	N/A	100	40
Taxable benefits	19	N/A	6	N/A	19	27
Pension	7	N/A	4	N/A	15	36
Annual Bonus	284	N/A	70	N/A	118	232
Share based awards	74	N/A	18	N/A	121	–
Single figure for total remuneration	661	–	183	–	550	751

Alex Whitehouse

Mr Whitehouse was appointed CEO on 30 August 2019 and all payments relate to the period from this appointment. He received a basic salary of £475,000 per annum and an annualised pension benefit of £12,465, which equates to 7.5% of the Earnings Cap (£166,200 for the 2019/20 tax year). Mr Whitehouse received a bonus of £284,112. Benefits provided for the period related to the provision of car allowance, private medical insurance and private fuel.

Duncan Leggett

Mr Leggett was appointed CFO on 10 December 2019 and all payments relate to the period from this appointment. He received a basic salary of £275,000 per annum and an annualised pension benefit of £12,465, which equates to 7.5% of the Earnings Cap (£166,200 for the 2019/20 tax year). Mr Leggett received a bonus of £70,464. Benefits provided for the period related to the provision of car allowance, private medical insurance and professional membership.

In line with the current Remuneration Policy, one-third of the annual bonus awards to Mr Whitehouse and Mr Leggett will be in the form of shares deferred for three years.

Alastair Murray

Mr Murray stepped down as Acting CEO and CFO on 30 August 2019 following the appointments of Mr Whitehouse and Mr Leggett. He received a basic salary for the period of £426,606 per annum and an annualised supplement in lieu of pension of 7.5% of the Earnings Cap (£166,200 for the 2019/20 tax year) which equates to £5,194 for the period together with an additional RPI adjusted pensions supplement of £10,419. In addition, he received a monthly salary supplement of £20,000 (which does not count towards pension, annual bonus or long-term incentives) for carrying out the role of Acting CEO, in addition to his role of CFO. Mr Murray received a bonus of £118,069 for the financial period. Benefits related to the provision of a company car, use of an executive driver service (following his appointment as Acting CEO) and private medical insurance. All payments were on a pro rata basis for the period of his appointment up to 30 August 2019.

The figures for share based payments represent an estimate of the value of the 2017 LTIP award, which will part vest in June 2020, based on the three-month average price to 28 March 2020 of 32.6p. The share price at the date of grant was 40.5p and therefore there was no gain attributable to share price appreciation over the three-year performance period (see page 72 for more information).

Full details of the annual bonus performance assessments for Mr Whitehouse, Mr Leggett and Mr Murray are set out on pages 69 to 71.

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

Alex Whitehouse, CEO, was appointed with a salary of £475,000 and Duncan Leggett, CFO, was appointed with a salary of £275,000. The salary levels reflect the fact that this is their first appointment as CEO and CFO, respectively. The Committee aims to increase their salaries over the next two years to a level at, or near, the FTSE 250 lower quartile, which the Committee feels would be appropriate given the Company's level of turnover, enterprise value and complexity. Any such increases over the next two years (which are at the Committee's discretion and subject to performance) are likely to be higher than the annual increase awarded to all other colleagues not involved in collective bargaining.

The Company has moved the annual salary review date from 1 April to 1 July so that it takes place after the completion of the Group's annual performance review. The Committee reviewed the proposals for 2019/20 and approved an increase of 2.5% to Mr Murray's CFO salary, in line with all colleagues not involved in collective bargaining with effect from 1 July 2019. In this transitional year, the increase was backdated to 1 April 2019. For Mr Whitehouse and Mr Leggett, this represents their salaries on the date of their appointment as CEO and CFO.

Executive director	Salary from 1 July 2019	Change	Salary from 1 April 2018
Alex Whitehouse	£475,000	–	–
Duncan Leggett	£275,000	–	–
Alastair Murray	£426,606	+2.5%	£416,201

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

Payments for loss of office in the year totalled £989,112 (2018/19: £498,654) and no other payments were made to former directors.

The Committee exercised discretion to pay Mr Murray £478,360 in lieu of his 12-month notice period in respect of salary, contractual benefits and pension supplement. This was paid in two equal instalments, the first was paid immediately following Mr Murray's resignation as a director and the second payment made six months following the resignation date. In the event of him becoming otherwise employed or engaged before the second payment was made, it would have been reduced by the amount received (or to be received over the next six months) in respect of such employment or engagement, save for the potential for one permitted non-executive directorship, as contemplated by his service agreement. In addition, the Company agreed to make a payment of £8,973 in lieu of 3.5 days accrued holiday. Mr Murray received a salary supplement of £20,000 per month in recognition of him acting as Chief Executive Officer. The Committee agreed to pay Mr Murray £60,000 (less tax and National Insurance) in lieu of providing three months' notice of the termination of his appointment as acting Chief Executive Officer. A capped contribution of £10,000, excluding VAT, was paid towards Alastair's legal fees incurred in connection with his departure.

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

As a result, he was eligible to receive a pro rata bonus in respect of time served in the financial year ended 28 March 2020.

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

Awards under the Premier Foods Deferred Bonus Plan will, in accordance with the Directors' Remuneration Policy, vest on the normal vesting date in full without time pro-rating. The value of the shares will be calculable at the date of vesting. The Remuneration Committee exercised its discretion to disapply time pro-rating in respect of the award.

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

A payment of £431,779 was paid to Mr Darby, who stepped down as CEO on 31 January 2019, representing the second half of his 12 months' notice.

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 2019/20

The Committee undertook a full and detailed review of the performance of each executive director against their financial and non-financial targets. Following the appointment of Mr Whitehouse as CEO and the appointment of Mr Leggett as acting CFO, a new set of non-financial goals were agreed covering the period of their appointment. The weightings were also amended to bring them in line with the Company's new Remuneration Policy, so that 70% were subject to financial targets and 30% were subject to non-financial targets (previously the weighting was 50:50). As well as reviewing the specific targets, the Committee also considered the financial performance of the business as a whole and the wider market in which the Group operates. This included an assessment of the impact of the current COVID-19 pandemic on trading performance in the final month of the financial year.

As discussed in the Chairman's statement and Chief Executive's review on pages 09 and 11, the Group delivered a strong overall performance in 2019/20 with Trading profit up +3.2% to £132.6m and Net debt (on a pre-IFRS 16 basis) reduced significantly from £469.9m to £408.1m, both ahead of market expectation. The Committee reviewed performance against each of the non-financial targets (also subject to a financial underpin) and the extent to which they were achieved.

Following the review, the Committee assessed that bonus awards of 81.5% of opportunity for Mr Whitehouse and Mr Leggett and 64.2% of opportunity for Mr Murray were appropriate (all three were time pro rated to reflect their respective periods of service). Further details of the specific financial and non-financial targets and the performance outcomes are set out in the tables on pages 70 and 71. One-third of the annual bonus payment to Mr Whitehouse and Mr Leggett will be made in the form of shares deferred for a three-year period under the Deferred Bonus Plan (DBP), details of the DBP are set out on page 72. The time pro-rated bonus payable to Mr Murray will be paid fully in cash, in accordance with the 'Policy on payment for loss of office'.

Directors' Remuneration report CONTINUED

Alex Whitehouse (audited)

Performance measure	Target	Stretch	Performance outcome	Weighting	Performance (% of max bonus)
	Annual bonus				
Financial targets (subject to a Trading profit underpin of £127.0m)					
Trading profit	£130.0m	£140.0m	£132.6m	50.0%	31.5%
Net debt	£440.0m	£430.0m	£408.1m	20.0%	20.0%
				70.0%	51.5%

Performance measure	Performance outcome	Weighting	Performance (% of max bonus)
Non-financial targets (subject to a Trading profit underpin of £127.0m)			
CEO transition	Introduced new executive leadership team members, simplified ways of working, and successfully realigned management structures across the Group to refocus the business and enhance the delivery of the Group's branded growth model strategy.	10.0%	10.0%
Strategic review	Successful completion of the Group's strategic review with the announcement of a landmark agreement with the Group's pension schemes, which is transformational for both the Group and its pension scheme members by significantly improving its long-standing pension funding situation.	10.0%	10.0%
Business development	Appointed Head of the International business, implemented revised operating structure, and presented a new International strategy for approval by the Board, to deliver improved long-term sustainable growth. Completed review of the Knighton business resulting in the announcement to integrate Knighton into the Group.	10.0%	10.0%
		30.0%	30.0%
	Final outcome	100.0%	81.5%

Duncan Leggett (audited)

Performance measure	Target	Stretch	Performance outcome	Weighting	Performance (% of max bonus)
	Annual bonus				
Financial targets (subject to a Trading profit underpin of £127.0m)					
Trading profit	£130.0m	£140.0m	£132.6m	50.0%	31.5%
Net debt	£440.0m	£430.0m	£408.1m	20.0%	20.0%
				70.0%	51.5%

Performance measure	Performance outcome	Weighting	Performance (% of max bonus)
Non-financial targets (subject to a Trading profit underpin of £127.0m)			
Strategic review	Worked closely with the Board, advisers, pension trustees and other key stakeholders to obtain agreement for a segregated merger of the Group's three main pension schemes, which will place all the UK defined benefit schemes under one Trust.	10.0%	10.0%
Business development	Presented plans to the Board for the delivery of savings across central functions and operations over the next two years. Supported the review and implementation of the strategy for the integration of the Knighton business.	10.0%	10.0%
Shared service centre	Completed robotics implementation solutions in line with budgeted savings. Successful introduction and delivery of key financial KPIs to improve efficiency and reduce costs at the Group's shared service centre.	10.0%	10.0%
		30.0%	30.0%
	Final outcome	100.0%	81.5%

Alastair Murray (audited)

Performance measure	Target	Stretch	Performance outcome	Weighting	Performance (% of max bonus)
	Annual bonus				
Financial targets (subject to a Trading profit underpin of £127.0m)					
Trading profit	£130.0m	£140.0m	£132.6m	40.0%	25.2%
Net debt	£440.0m	£430.0m	£408.1m	10.0%	10.0%
				50.0%	35.2%

Performance measure	Performance outcome	Weighting	Performance (% of max bonus)
Non-financial targets (subject to a Trading profit underpin of £127.0m)			
Strategic Review	Led review with the Board to identify potential strategic opportunities, appointed advisory team and worked closely with them to deliver initial phase of the strategic review.	30.0%	16.0%
Business development	Stabilisation of performance at Knighton and initiated the review into the long-term strategy for the business.	10.0%	6.0%
Logistics transformation	Delivery of improvement in day-to-day operational and financial performance of the UK logistics operation.	10.0%	7.0%
		50.0%	29.0%
	Final outcome	100.0%	64.2%

Annual bonus measures for 2020/21

As part of the arrangements proposed for the new Remuneration Policy, during the year the Committee agreed to simplify the weightings for the annual bonus performance measures. Financial targets will represent not less than 70% of the total bonus opportunity (an increase from not less than 50%), with the balance consisting of non-financial targets and the element subject to personal performance has been removed.

The Committee agreed that, for 2020/21, the financial targets would represent 75% of the total bonus opportunity. The performance measures are linked to the Group's strategy to focus on revenue growth, cost efficiency and cash generation with the aim to de-leverage the business. Trading profit and Net debt are both Group KPIs (see page 28). Non-financial objectives are focused on commercial opportunities to drive sales, generate cost savings and improve free cash flow. The Board considers the financial targets and certain of the non-financial 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 non-financial targets both contain Trading profit underpins. The Committee noted that, given the current uncertainty regarding the ongoing impact of the COVID-19 pandemic, it would monitor performance over the financial year and consider the need, if any, to exercise discretion when determining the final outcome for the period.

One-third of any annual bonus awarded in respect of the 2020/21 financial year will be deferred in shares for three years under the Deferred Bonus Plan.

	Alex Whitehouse	Duncan Leggett
Maximum opportunity as a % of salary	125%	100%
Performance measure	**Weighting**	**Weighting**
Financial objectives (subject to a Trading profit underpin)		
Trading profit	50%	50%
Net debt	25%	25%
	75%	75%
Non-financial objectives (subject to a Trading profit underpin)		
Strategic	15%	15%
Operational	5%	5%
Environmental, Social and Governance	5%	5%
	100%	100%

Directors' Remuneration report CONTINUED

Deferred Bonus Plan (DBP)

One-third of any annual bonus payment awarded to executive directors is made in the form of shares. These shares are awarded under the terms of the DBP which was approved by shareholders in July 2017. Awards will normally be made within six weeks following the announcement of the Group's full year results in the form of nil cost options. The awards will normally vest on the third anniversary of grant and, if awarded in the form of nil cost options, will then be exercisable up until the tenth anniversary of grant. The shares are subject to forfeiture and clawback provisions. Details of the DBP award granted on 7 June 2019 is set out below:

	2018/19 Annual bonus	Bonus deferral (one-third)	Shares awarded	Deferral period
Alastair Murray	£231,615	£77,205	219,832	07.06.19 – 07.06.22

Long-Term Incentive Plan (LTIP)

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

The 2011 LTIP Plan is due to expire in April 2021. The Committee believes the LTIP continues to play an important role in the overall remuneration of executive directors and other members of senior management and is therefore seeking shareholder approval for a new 10 year LTIP ('2020 LTIP Plan') at the 2020 AGM. The terms of the 2020 LTIP Plan are designed to be largely the same as the 2011 LTIP Plan but with the removal of the matching share award element and appropriate changes to bring it in line with prevailing best practice and the Company's new Remuneration Policy. A summary of the key changes is set out in the AGM Notice.

Performance assessment for the 2017 LTIP award

The performance conditions for the 2017 LTIP award were based on a relative TSR condition (comprising two-thirds of the award) and an adjusted EPS condition (comprising one-third of the award). The Committee assessed the two performance conditions in May 2020 and concluded that the adjusted EPS target had been fully achieved whereas the relative TSR target had not been achieved. The adjusted EPS outcome for 2019/20 was 8.9p versus a target of 8.7p and this will result in one-third of the LTIP award vesting in June 2020.

	Targets				Outcome	
Performance measure	Weighting	Below threshold	Threshold	Stretch	Actual performance	Payout
Relative TSR[1]	2/3	< Median	Median	Upper quartile	Below median	0%
Adjusted EPS[2]	1/3	< 7.8p	7.8p	8.7p	8.9p	33.3%
% of relevant portion of award vesting[3]		0%	20%	100%		

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

LTIP award for 2019/20 (audited)

Details of the LTIP award granted on 7 June 2019 is set out below.

	Basis of award	Max value on award date	Performance period
Alastair Murray	150%	£624,302	01.04.19 – 31.03.22

	Targets			
Performance measure	Weighting	Below threshold	Threshold	Stretch
Relative TSR[1]	2/3	< Median	Median	Upper quartile
Adjusted EPS[2]	1/3	< 10.1p	10.1p	11.1p
% of relevant portion of award vesting[3]		0%	20%	100%

1. Measured against the constituents of the FTSE All Share Index (excluding investment trusts) around the start of the period.
2. 2018/19 base year adjusted EPS was 8.5p.
3. Straight-line vesting between threshold and stretch.

Pro rata LTIP awards

On the appointment of Mr Whitehouse as CEO and Mr Leggett as acting CFO it was agreed that they would be eligible to receive a pro rata award under the 2019/20 LTIP award to reflect the award levels of their new roles. This would ordinarily have been made immediately following appointment, however, members of the Board were in a prohibited period until the results of the Group's strategic review were announced in April 2020 and the awards have therefore been delayed. To ensure consistency with the original 2019/20 LTIP Award made in June 2019, the same performance conditions, performance period and share price will be applied. The vesting date will be three years from the date of grant and a two-year post vesting holding period will apply.

LTIP award for 2020/21

For the 2020/21 award the Committee proposes to use the same measures as the 2019/20 LTIP award, i.e. a relative TSR condition (comprising two-thirds of the award) and an adjusted EPS condition (comprising one-third of the award), which is aligned with the Company's focus on revenue, cost efficiency and cash generation in order to reduce Net debt and improve shareholder return over the medium-term. The Committee believes that these measures are fully aligned with the interests of shareholders and that awards will only vest following the achievement of stretching performance targets. When setting the targets, the Committee also considered the potential impact of the current COVID-19 pandemic on both performance measures. Following this review, it was agreed between the Committee and management, that it would be appropriate to raise the adjusted EPS targets from the provisional targets previously agreed upon by the Committee.

The TSR condition requires at least a median ranking to be achieved for 20% of this part of the award to vest, with full vesting taking place for an upper quartile ranking against the constituents of the FTSE All Share Index (excluding investment trusts). The Committee considers that the FTSE All Share Index is an appropriate index to use as it includes a wide range of companies, including the members of the FTSE Small Cap Index. The Compound Annual Growth Rate (CAGR) for the adjusted EPS target ranges from 9.5% to 12.5%. The Committee considers the targets to be challenging, particularly in the context of current growth levels in the markets in which we operate. Further details of all outstanding LTIP awards are provided in the table on page 74.

	Basis of award	Max value on award date	Performance period
Alex Whitehouse	150%	£712,500	01.04.20 – 31.03.23
Duncan Leggett	100%	£275,000	01.04.20 – 31.03.23

	Targets			
Performance measure	Weighting	Below threshold	Threshold	Stretch
Relative TSR[1]	2/3	< Median	Median	Upper quartile
Adjusted EPS[2]	1/3	< 11.69p	11.69p	12.69p
% 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. 2019/20 base year adjusted EPS was 8.9p.
3. Target EPS of 12.29p (at which 50% vests) with straight-line vesting between threshold and target and between target and stretch.

Dilution limits

Awards under certain executive and all-employee share plans may be satisfied using either newly issued shares or shares purchased in the market and held in the Group's Employee Benefit Trust (which held 81,714 shares as at 28 March 2020). The Group complies with the Investment Association guidelines in respect of the dilutive effect of newly issued shares. The current dilutive impact of share awards over a 10-year period is approximately 2.9%.

Pension payments

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

	Company contributions to Group's DC pension plan £'000	Cash in lieu of contributions to DC-type pension plan £'000
Alex Whitehouse	3	4
Duncan Leggett	2	2
Alastair Murray	-	15

Under the Company's new Remuneration Policy, pension entitlements for executive directors are now aligned with those available to the majority of the workforce, which currently equates to a contribution of 7.5% of basic pay up to an earnings cap (£166,200 for the 2019/20 tax year). Executive directors have the right to participate in the Group's defined contribution ('DC') pension plan or elect to be paid some, or all, of their contributions in cash. During the year Mr Whitehouse and Mr Leggett both participated in the Group's DC pension plan. Mr Murray was also entitled to an additional pension supplement which amounted to £10,419.

Share ownership guidelines

To align executive directors' interests with those of shareholders, the new Remuneration Policy has increased the multiple of salary that the executives must hold in shares from 100% of salary to 200% of salary. They are expected to retain 50% of shares from vested awards under the DBP and the LTIP (other than sales to settle any tax or NICs due) until they reach this target (valued at the time of purchase or vesting). The Committee will review progress against the requirements, recognising that both current executive directors were appointed in the year. In February 2019, the Company announced it was conducting a review of its strategic options to increase shareholder value and the Board determined that it would be inappropriate for directors to deal in shares of the Company until the outcome of the strategic review was concluded. The conclusion of the strategic review was announced by the Company in April 2020, after the end of the financial year.

Directors' Remuneration report CONTINUED

Share interests table (audited)

The following table shows executive directors' interests in Company shares. Awards under the LTIP are subject to a three-year vesting period and will only vest if stretching performance conditions are met. In July 2017 the Company adopted a two-year holding period post vesting. The figures shown represent the maximum number of shares a director could receive following the end of the vesting period if all performance targets were achieved in full.

Share ownership guidelines and share interest table (audited)

	Shares owned as at 28 March 2020[1]	Shares owned as at 31 March 2019[1]	Extent to which share ownership guidelines met[2]	DBP Awards	LTIP Awards	Sharesave Awards	Total
Alex Whitehouse	336,692	N/A	13%	–	2,350,436	24,862	2,711,990
Duncan Leggett	60,407	N/A	5%	–	161,500	24,862	246,769
Alastair Murray	409,784	392,878	34%	344,397	1,790,263	–	2,544,444

1. Mr Whitehouse was appointed CEO on 30 August 2019, Mr Leggett was appointed CFO on 10 December 2019 and Mr Murray stepped down from the Board on 30 August 2019.
2. The Shareholding guidelines were increased from 100% of salary to 200% of salary during the course of the financial period.

Executive share awards (audited)

	Date of grant	Balance as at 1 April 2019[1]	Awarded in the year	Exercised in the year	Vested in year[2]	Lapsed in the year[3]	Balance as at 28 March 2020[1]	Option price	Share price on date of grant	Share price on date of exercise	Date of vesting/ becomes exercisable	Maximum expiry date
Alex Whitehouse												
LTIP	03.06.16	648,063	–	–	–	648,063	–	–	42.50	–	03.06.19	02.06.23
	13.06.17	677,557	–	–	–	–	677,557	–	40.50	–	13.06.20	12.06.24
	08.08.18	772,538	–	–	–	–	772,538	–	41.20	–	08.08.21	07.08.25
	07.06.19	–	900,341	–	–	–	900,341	–	34.00	–	07.06.22	06.06.26
Sharesave Plan	20.12.16	7,826	–	–	–	–	7,826	34.50	–	–	01.02.20	31.07.20
	17.12.18	8,160	–	–	–	–	8,160	30.00	–	–	01.02.22	31.07.22
	16.12.19	–	8,876	–	–	–	8,876	29.20	–	–	01.02.23	31.07.23
		2,114,144	909,217	–	–	648,063	2,375,298					
Duncan Leggett												
LTIP	13.06.17	161,500	–	–	–	–	161,500	-	40.50	–	13.06.20	12.06.24
Sharesave Plan	20.12.16	7,826	–	–	–	–	7,826	34.50	–	–	01.02.20	31.07.20
	17.12.18	8,160	–	–	–	–	8,160	30.00	–	–	01.02.22	31.07.22
	16.12.19	–	8,876	–	–	–	8,876	29.20	–	–	01.02.23	31.07.23
		177,486	8,876	–	–	–	186,362					
Alastair Murray												
LTIP[3]	03.06.16	1,440,141	–	–	–	1,440,141	–	–	42.50	–	03.06.19	02.06.23
	13.06.17	1,505,682	–	–	–	391,478	1,114,204	–	40.50	–	13.06.20	12.06.24
	08.08.18	1,525,287	–	–	–	991,437	533,850	–	41.20		08.08.21	07.08.25
	07.06.19	–	1,777,623	–	–	1,635,414	142,209	–	34.00	–	07.06.22	06.06.26
DBP	08.08.18	124,565	–	–	–	–	124,565	–	41.20	–	08.08.21	02.02.22
	07.06.19	–	219,832	–	–	–	219,832	–	34.00	–	07.06.22	07.12.22
Sharesave Plan[4]	15.12.15	16,906	–	16,906	–	–	–	31.94	–	33.50	01.02.19	31.07.19
	20.12.16	7,826	–	–	–	7,826	–	34.50	–	–	01.02.20	31.07.20
		4,620,407	1,997,455	16,906	–	4,466,296	2,134,660					

1. Mr Whitehouse was appointed CEO on 30 August 2019, Mr Leggett was appointed CFO on 10 December 2019 and Mr Murray stepped down from the Board on 30 August 2019.
2. The Remuneration Committee has determined that the EPS element of the 2017 LTIP has vested in full (see page 72 for more information).
3. The shares shown as lapsed under the 2017, 2018 and 2019 LTIP awards illustrate the impact of time pro-rating, following Mr Murray's cessation of employment on 30 August 2019.
4. Sharesave award lapsed on cessation of employment.

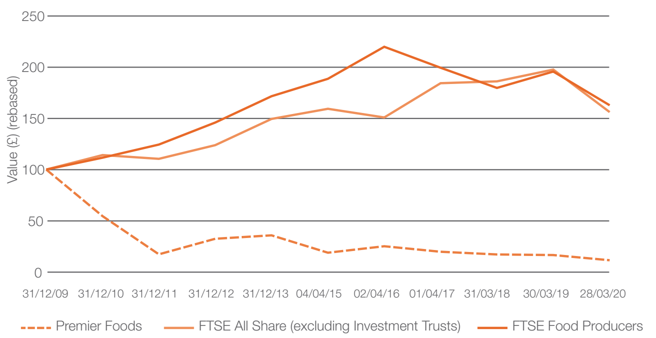
Share ownership for the wider Group

The Committee recognises the importance of aligning colleagues' interests with those of shareholders and encourages share ownership in order to increase focus on the delivery of shareholder return. All members of the ELT participate in the LTIP. Participation in the Sharesave Plan currently represents approximately 24% of colleagues.

Total shareholder return

The market price of a share in the Company on 27 March 2020 (the last trading day before the end of the financial period) was 24.5 pence; the range during the financial period was 18.46 pence to 43.0 pence.

This graph shows the value, by 28 March 2020, of £100 invested in Premier Foods plc on 31 December 2009, compared with the value of £100 invested in the FTSE Food Producers Index and FTSE All Share Index (excluding Investment Trusts) on the same date. The Committee considers these to be the most appropriate comparator indices to assess the performance of the Group. The other points plotted are the values at intervening financial year-ends.



Source: FactSet

Percentage change in CEO pay

For the purpose of this table, pay is defined as salary, benefits and annual bonus. The figure for the CEO is a combination of seven months pro rata salary for Mr Whitehouse and five months pro rata CFO salary for Mr Murray plus the monthly salary supplement as Acting CEO. The average pay of management grades (approximately 400 colleagues) is used for the purposes of comparison as they are members of the Group's Annual Bonus plan.

	CEO		Management grades	
	% Change 2019/20	% Change 2018/19	% Change 2019/20	% Change 2018/19
Base salary	-20.0%	-1.1%	+2.5%	+2.0%
Benefits	+77.7%	0%	0%	0%
Annual bonus	-28.6%	+53.2%	+17.6%	+111.2%

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 10 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
2019/20	Alex Whitehouse[1]	£661,403	81.5%	33.3%
2019/20	Alastair Murray[1]	£550,294	64.2%	33.3%
2018/19	Alastair Murray	£158,297	53.0%	–
2018/19	Gavin Darby	£1,241,708	60.0%	–
2017/18	Gavin Darby	£1,229,383	35.0%	–
2016/17	Gavin Darby	£862,455	–	–
2015/16	Gavin Darby	£1,750,933	57.0%	–
2014/15	Gavin Darby	£1,736,749	23.4%	–
2013	Gavin Darby	£1,405,753	16.0%	–
	Michael Clarke	£1,122,795	–	–
2012	Michael Clarke	£1,699,575	66.0%	–
2011	Michael Clarke	£2,277,070	–	–
	Robert Schofield	£895,485	–	–
2010	Robert Schofield	£715,052	10.0%	–
2009	Robert Schofield	£929,967	29.0%	–

1. Mr Whitehouse was appointed as CEO on 30 August 2020 and Mr Murray stepped down as Acting CEO and Chief Financial Officer. For Mr Murray the figure was calculated as his pro rata CFO salary, bonus, LTIP, pension and benefits plus his £20,000 monthly salary supplement for the period he was Acting CEO. Full details of the single figure for total remuneration are set out on page 68.

Relative importance of spend on pay

The following table sets out the amounts and percentage change in total employee costs. The figure for 2018/19 included GMP equalisation costs of £41.5m. The terms of our current banking facility contain restrictions on the payment of dividends. Free cash flow and Net debt have therefore been included as additional indicators. Cash flow demonstrates the cash available to reinvest in the business and service debt payments and Net debt highlights the importance of organically de-leveraging the business to a point at which dividend payments can be resumed under the Group's banking arrangements (see KPIs on page 28).

	2019/20	2018/19	Improvement/ Deterioration
Total employee costs	£168.9m	£202.3m	-16.5%
Free cash flow	£65.1m	£29.2m	+122.9%
Net debt	£408.1m	£469.9m	+13.2%

Directors' Remuneration report CONTINUED

Non-executive directors (audited)

Single figure for the total remuneration received by each non-executive director for the financial periods ended 28 March 2020 and 30 March 2019.

Director	Basic fee	Committee Chair fee	SID fee	Total fees 2019/20	Total fees 2018/19
Colin Day[1]	126,231	–	–	126,231	N/A
Simon Bentley	57,000	13,000	–	70,000	4,988
Richard Hodgson[2]	57,000	–	8,406	65,406	57,000
Shinji Honda[3]	–	–	–	–	–
Orkun Kilic[3]	–	–	–	–	–
Pam Powell[4]	57,000	8,826	–	65,826	57,000
Daniel Wosner[3]	–	–	–	–	–
Former directors					
Keith Hamill[1]	69,819	–	–	69,819	235,000

1. Mr Day was appointed Chairman on 30 August 2019 and Mr Hamill retired as Chairman on 17 July 2019.
2. Mr Hodgson was appointed Senior Independent Director on 30 May 2019 and received an additional fee of £10,000 per annum from that date.
3. Messrs Honda, Kilic and Wosner are appointed pursuant to relationship agreements with our three largest shareholders and do not receive a fee for their roles as non-executive directors.
4. Ms Powell was appointed Chair of the Remuneration Committee on 30 May 2019 and received an additional fee of £10,500 per annum from that date.

Non-executive directors' fees

The fees of our non-executive directors (NEDs) are set out below. Mr Day was appointed as non-executive Chairman on 30 August with an annual fee of £215,000. A review of non-executive directors' fees was last undertaken by the Board in March 2020 and no increase to fees was recommended.

NED Fees	28 March 2020	Change	30 March 2019
Chairman fee	£215,000	- 8.5%	£235,000
Basic NED fee	£57,000	–	£57,000
Additional remuneration:			
Audit Committee Chairman fee	£13,000	–	£13,000
Remuneration Committee Chairman fee	£10,500	–	£10,500
Senior Independent Director fee	£10,000	–	£10,000

Non-executive directors' terms of appointment

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

NED	Date of original appointment	Expiry of current appointment/amendment letter	Notice period
Colin Day	30 August 2019	AGM 2022	3 months
Simon Bentley	27 February 2019	AGM 2021	3 months
Richard Hodgson	6 January 2015	AGM 2023	3 months
Shinji Honda	23 March 2018	–	–
Orkun Kilic	27 February 2019	–	–
Pam Powell	7 May 2013	AGM 2022	3 months
Daniel Wosner	27 February 2019	–	–

Non-executive directors' interests in shares (audited)[1]

NED	Ordinary shares owned as at 28 March 2020	Ordinary shares owned as at 30 March 2019
Colin Day	–	N/A
Simon Bentley	–	–
Richard Hodgson	–	–
Shinji Honda[2]	–	–
Orkun Kilic[2]	–	–
Pam Powell	160,366	160,366
Daniel Wosner[2]	72,850	72,850
Former directors		
Keith Hamill[3]	266,666	266,666

1. The Board believes it is important for independent non-executive directors to hold shares in the Company in order to align with the interests of shareholder. In February 2019 the Company announced it was conducting a review of its strategic options to increase shareholder value and the Board determined that it would be inappropriate for directors to deal in shares of the Company until the outcome of the strategic review was concluded.
2. Messrs Honda, Kilic and Wosner are shareholder representative directors appointed pursuant to relationship agreements with our three largest shareholders who currently hold shares representing approximately 43% of the Company's issued share capital.
3. Mr Hamill retired as Chairman on 17 July 2019.

The Committee

Details of the Committee members and meeting attendance are set out on pages 44 and 45. Pam Powell was appointed as Chair of the Remuneration Committee on 30 May 2019, having served as a member of the Remuneration Committee for six years, following the retirement of Jennifer Laing in February 2019. Throughout the financial period all members of the Committee have been independent. In addition, the Chairman, CEO, HR Director and Aon plc ('Aon') attended by invitation. In accordance with the Committee's terms of reference, no one attending a Committee meeting may participate in discussions relating to his/her own terms and conditions of service or remuneration. Over the course of the year the Committee held four meetings.

Advisers

The Executive Compensation practice of Aon has been appointed as advisers to the Committee. During the year, Aon provided advice in connection with executive remuneration arrangements. Aon is a signatory of the Remuneration Consultants Company Code of Conduct. The trustees of the Company's pension schemes have appointed Aon to act as Administrators and Actuary to the schemes and, in the case of the RHM pension scheme, to act as Investment Advisers. The Executive Compensation practice of Aon operates independently of the pension teams and the Committee is satisfied there is no conflict of interest. Aon received fees of £67,985 (2018/19: £40,255) 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 remit has been extended to review the remuneration arrangements for the wider workforce and to ensure there is alignment between the Group's remuneration arrangements and culture. The Committee's terms of reference are available on the Group's website.

The key activities of the Committee during the financial period were as follows:

- Undertook an engagement exercise with shareholders to understand their views on remuneration in advance of preparing a new Remuneration Policy for approval by shareholders;
- Reviewed the potential impact of COVID-19 on remuneration matters;
- Reviewed and discussed the recommendations of the 2018 Governance Code and developments in best practice in order to make appropriate changes to the Company's Remuneration Policy;
- Reviewed and approved the termination payments for Alastair Murray who stepped down as Acting CEO and Chief Financial Officer during the financial period;
- Reviewed and approved the remuneration arrangements for the new Chairman, CEO and CFO appointed during the financial period;
- Together with the Board, received regular updates on the remuneration arrangements for the wider workforce;
- Reviewed and approved the rules for a new 10 year LTIP and recommended it for approval at the 2020 AGM;
- Reviewed the voting results for the 2019 Directors' Remuneration Report;
- Reviewed the 2019/20 annual bonus plan for management at below Board level;
- Reviewed and recommended executive directors' and senior managers' annual bonuses in respect of the financial period and set the targets for the 2020/21 annual bonus, ensuring they were aligned with the strategic objectives of the Group;
- Granted the 2019 awards under the Company's all-employee plans and monitored colleague participation; and
- Granted the 2019 awards under the Company's executive share plans to executive directors and senior managers and agreed the targets for awards due to be made in 2020, ensuring they are aligned with the strategic objectives of the Group.

Committee evaluation

As part of the external Board evaluation exercise conducted by Lintstock during the year (see page 49 for more information) a review of the Committees effectiveness was also undertaken and an action plan for the coming year agreed.

External appointments

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

Statement of voting at Annual General Meeting

The details of the voting on the resolutions at the AGM held on 17 July 2019 are set out below (full details of the voting results for each resolution are available on the Group's website www.premierfoods.co.uk).

	Approval of Directors' Remuneration Report 2018/19	% of votes cast	Approval of the current Directors' Remuneration Policy	% of votes cast
Date of AGM	17 July 2019		20 July 2017	
Votes for	492,116,412	88.04%	540,647,973	98.82%
Votes against	66,861,208	11.96%	6,432,867	1.18%
Total votes cast	558,977,620	100%	547,080,840	100%
Votes withheld	76,155		3,797,166	

The Directors' Remuneration Report was approved by the Board on 24 June 2020 and signed on its behalf by:

Pam Powell
Chair of the Remuneration Committee

Other statutory information

Directors' report

The directors' report consists of pages 02 to 81 and has been drawn up and presented in accordance with, and in reliance upon, applicable English company law and the liabilities of directors in connection with that report shall be subject to the limitations and restrictions provided by such law. In the directors' report references to the Company or Group are references to Premier Foods plc and its subsidiaries.

Profit and dividends

The profit before tax for the financial year was £53.6m (2018/19: loss of £(42.7)m). The directors do not recommend the payment of a dividend for the period ended 28 March 2020 (2018/19: £nil). Under the terms of our current financing arrangements dividends are only permitted once the Group's Net debt to EBITDA ratio (as defined in the relevant agreements) falls below 3.0x. The Group is committed to deleveraging the business and reducing the Net debt to EBITDA ratio (see our Strategy on page 02).

Research and development

Applied research and development work continues to be directed towards the introduction of new and improved products; the application of new technology to reduce unit and operating costs; and to improve service to customers. Total research and development spend (including capitalised development costs) was £11.9m (2018/19: £9.9m).

Share capital information

The Company's issued share capital as at 28 March 2020 comprised 848,209,480 ordinary shares of 10p each. During the period 3,280,793 ordinary shares were allotted to satisfy the vesting of awards made to colleagues under the all-employee Sharesave Plan, details of the movements can be found in note 22 on page 130. All of the ordinary shares rank equally with respect to voting rights and the rights to receive dividends and distributions on a winding up. In accordance with the Articles, there are no restrictions on share transfers, limitations on the holding of any class of shares or any requirement for prior approval of any transfer with the exception of certain officers and employees of the Company who are required to seek prior approval to deal in the shares of the Company and are prohibited from any such dealing during certain periods under the requirements of the EU Market Abuse Regulation.

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

The directors were granted authority at the 2019 AGM to allot relevant securities under two separate resolutions (i) up to one-third of the Company's issued share capital; and (ii) up to two-thirds of the Company's issued share capital in connection with a rights issue. This authority will apply until the conclusion of the 2020 AGM. A similar authority will be sought from shareholders at the 2020 AGM. The Company does not currently have authority to purchase its own shares and no such authority is being sought at the 2020 AGM.

Significant contracts – change of control

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

The Company's executive and all-employee share plans contain provisions, as a result of which, options and awards may vest and become exercisable on a change of control in accordance with the plan rules. Details of directors' service contracts and the provisions relating to a change of control are set out on page 66.

Articles of association

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

Substantial shareholdings

Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. As at 23 June 2020, the Company has been notified of the following interests of 3% or more in the Company:

Shareholder	Ordinary shares[1]	% of share capital[2]
Nissin Foods Holdings Co., Ltd.	164,486,846	19.39
Oasis Management Company Ltd	101,312,591	11.94
Paulson & Co. Inc.[3]	101,199,294	11.93
Brandes Investment Partners, L.P.	42,252,415	4.98

1. Number of shares held at date of notification.
2. Per cent of share capital as at 28 March 2020.
3. Held in the form of shares and as total return swap.

Powers of directors

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

Director appointments

The Board has the power to appoint one or more additional directors. Under the Articles any such director holds office until the next AGM when they are eligible for election. Shareholders may appoint, reappoint or remove directors by an ordinary resolution. In addition, the appointment of Messrs Honda, Kilic and Wosner are subject to the terms of shareholder relationship agreements (see Conflicts of interest on page 47).

Directors' and officers' liability insurance

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

Access to external advice

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

Political donations

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

Greenhouse gas (GHG) emissions reporting

In the table below we have detailed our scope 1 & 2 GHG emissions for the period 1 April 2018 to 31 March 2020 from a 2011 baseline year. In previous years we have reported calendar year figures but, following the introduction of the new SECR (streamlined energy and carbon reporting) regulations in April 2019, we have moved to financial year reporting. In comparison with 2018/19, we have reduced our overall GHG emissions by 5.08% in 2019/20.

GHG emissions	2019/20	2018/19	Percentage change
Total UK energy use (kWh's)	277,141,174	283,868,167	-2.37%
Scope 1 Direct emissions from sites (tCO_2e)	40,277.57	40,938.85	-1.62%
Scope 2 Electricity indirect emissions (tCO_2e)	22,460.83	25,160.41	-10.73%
Total annual net emissions (tCO_2e)	62,738.40	66,099.26	-5.08%
Production output (tonnes)	318,304.89	337,125.00	-5.58%
Overall Intensity ($kgCO_2e$ per tonne of product)	197.10	196.07	0.53%

Principal energy efficiency measures taken in 2019/20

The main changes implemented in the last 12 months are at our Lifton Devon Creamery, home of *Ambrosia*. In 2018 the site moved from Heavy Fuel Oil and Kerosene to fuel the boilers, to using Natural Gas. 2019/20 was the first full year of Natural Gas use, which emits around 25% less CO_2 per kWh than Heavy Fuel Oil. The site also benefited from the installation of a new can retort system, replacing an old and less efficient system.

All of our sites have a rolling plan of LED lighting upgrades, which will be continuing for at least another two years. Between August and October 2019, we completed an ESOS (Energy Savings Opportunities Scheme) audit of all Group sites, which has identified several opportunities for improvement.

In addition, a Monitoring and Targeting meter system has been installed at our Ashford factory. Through the increased measurement of energy use the site was able to identify opportunities for improvement, resulting in a reduction in over 1m kWh's of energy over the financial year.

Methodology

Premier Foods' GHG emissions were assessed and calculated using internal data and emission factors from Defra's Conversion Factors for Company Reporting 2019 for converting energy usage to carbon dioxide equivalent (CO_2(e)) emissions. We have followed the methodology in the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). The analysis has used an operational control approach. The emissions data relates to all production sites within the control of the Company during the period.

Transport fuel is regarded as de-minimis and has not been included in the data above, as it is less than 1.1% of total emissions.

All of our energy use is based in the UK, we have no manufacturing or office facilities under our control outside of the UK.

Whilst the Group planted 16,000 trees in the UK during 2019/20, which will remove approximately 4,000 tonnes of CO_2 from the atmosphere as they grow, the impact of this has not been included in the figures reported opposite.

Colleague engagement

The Board and its committees receive regular updates on workforce matters, and this has been enhanced with the introduction of a standing item covering the workforce which is reported to the Board via the HR report each meeting. This includes:

- Updates on key issues raised at Voice Forums, which are being established at sites across the business;
- Site based pay negotiations;
- Results of periodic employee engagement exercises and action plans to address the issues raised; and
- All employee share schemes.

Additional feedback mechanisms via the Board's Remuneration and Audit Committees include:

- Understanding of remuneration arrangements for the workforce across the business;
- Oversight of the Management bonus scheme and Management and Admin colleagues annual pay reviews; and
- Periodic reporting of issues raised via the Company's confidential whistleblowing helpline and management's response to them.

Further information on how we have engaged with employees during the financial period can be found in the following sections:

- Being a responsible business: pages 16 to 18.
- Workforce NED: page 46.
- Engaging with our stakeholders and Section 172(1) statement: pages 50 to 52.

Colleague communication

We continue to place a high degree of importance on communicating with colleagues at all levels of the organisation. In recent years we have invested in this area, with large digital news screens at every site, our mobile-enabled intranet, a weekly news round-up email and posters.

We also video stream our colleague briefing sessions direct to all sites, in addition to cascading it through local briefings. We believe it is important to hear views from our colleagues in order to understand how the working environment can be improved. In our manufacturing sites, we have constructive relationships with our Trade Union colleagues, while in head office we run 'Listening Groups' and also host 'Meet the CEO' sessions and 'Lunch and Learn' events.

Employment of people with disabilities

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

Other statutory information CONTINUED

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

Code of conduct and whistleblowing helpline
The Group is committed to ensuring that everyone that comes into contact with the business is treated with respect, and their health, safety and basic human rights are protected and promoted. The Board has approved a code of conduct which sets out the standards of behaviour all employees are expected to follow and provides a useful guidance to help colleagues when it comes to making the right decision. The code was introduced in 2012 and is updated and reissued on a periodic basis. A copy of the code is included in the induction pack for new joiners and is available on the Group's intranet and corporate website. The code is made up of 10 key elements, including: acting honestly and complying with the law; competing fairly; food safety; and treating people fairly.

We also have a confidential whistleblowing call line to enable anyone who comes into contact with our business (whether colleagues, contractors, agency workers, customers, suppliers or distributors) to raise any concerns they have that cannot be dealt with through the normal channels. Calls logged with the whistleblowing service are followed up promptly by the appropriate person within the business and the issues raised and management's response are reviewed by the Audit Committee. The Audit Committee also reviews the whistleblowing service annually and arranges for it to be refreshed and communicated to sites.

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

Going concern and viability statement
The directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the next 12 months and therefore continue to adopt the going concern basis in preparing the consolidated financial statements. Further information on the basis of preparation is set out in note 2.1 on page 99. The Company's viability statement is set out in the section on risk management on page 43.

Related parties
Details on related parties can be found in note 25 on page 133.

Subsequent events
Details relating to subsequent events can be found in note 27 on page 135.

Statement of directors' responsibilities

in respect of the annual report and the financial statements

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

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

Independent auditor

KPMG LLP ('KPMG') have indicated their willingness to be reappointed as auditor of the Company. Upon recommendation of the Audit Committee, the reappointment of KPMG and the setting of their remuneration will be proposed at the 2020 AGM.

Auditor and the disclosure of information to the auditor

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

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

The directors' report was approved by the Board on 24 June 2020 and signed on its behalf by:

Simon Rose
General Counsel & Company Secretary

companysecretary@premierfoods.co.uk

Independent auditor's report

to the members of Premier Foods plc

1. Our opinion is unmodified

We have audited the financial statements of Premier Foods plc ("the Company") together with its subsidiaries ("the Group") for the 52 weeks ended 28 March 2020 which comprise the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity, Company balance sheet, Company statement of changes in equity and the related notes, including the accounting policies in note 2 to the Group financial statements and note 1 to the Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 28 March 2020 and of the Group's profit for the 52 weeks ended 28 March 2020;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

We were first appointed as auditor by the Directors on 4 September 2015. The period of total uninterrupted engagement is for the five financial years ended 28 March 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£4.5m (2018/2019:£4.5m) 0.53% (2018/2019: 0.55%) of Group revenue	
Coverage	96% (2018/2019:95%) of Group revenue	
Key audit matters		**vs 2018/2019**
Recurring risks (Group)	Valuation of pension scheme assets for which a quoted price is not available*	▲
	Valuation of defined benefit pension obligation*	◀▶
	Revenue recognition subject to commercial arrangements	▲
	Carrying value of goodwill**	▼
New risks (Group)	Going concern	▲
Recurring risks (Company only)	Recoverability of parent's balances with Group undertakings	◀▶

* Prior year risk was presented as a combined risk

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

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

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

	The risk	Our response
Valuation of pension scheme assets for which a quoted price is not available *Refer to page 55 (Audit Committee Report), page 105 (accounting policy) and page 116 (financial disclosures).*	**Subjective valuation** The Group's RHM pension scheme holds assets for which quoted prices are not available. The valuation of these assets can have a significant impact on the surplus. Valuations are prepared based on the most recent information available and are adjusted where appropriate. Given the impact of the Covid-19 pandemic upon financial markets, there is increased estimation uncertainty in respect of harder to value investments. For certain assets, the latest asset valuations preceded the negative impact of the Covid-19 pandemic on financial markets, and as such the Directors obtained up to date valuations as at March 2020 to reduce estimation uncertainty. The effect of these matters is that we determined that the pension assumptions have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	**Our procedures included:** • **Assessing experts:** Assessed the competence and objectivity of the fund managers and custodians who prepared asset statements to support the Group's valuation of scheme assets; • **Assessing historical estimates:** Compared the Group's fund managers' historical estimated net asset values to the latest audited financial statements of those funds to assess the Group's ability to accurately estimate the fair value of assets; • **Asset confirmations:** Obtained asset statements as at March 2020 in respect of the schemes' investments directly from fund managers and custodians; and compared the asset values per the asset statements to asset values recognised; • **Assessing disclosures:** Considered the adequacy of the Group's disclosures relating to the valuation of scheme assets for which a quoted price is not available. **Our results** • The results of our testing were satisfactory and we consider the valuation of scheme assets for which a quoted price is not available to be acceptable (2018/19: acceptable).

KPMG

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

	The risk	Our response
Valuation of defined benefit pension obligation **Defined benefit pension obligation (£(4,289.6m);** 2018/19: £(4,667.6m)) *Refer to page 55 (Audit Committee Report), page 105 (accounting policy) and page 116 (financial disclosures).*	**Subjective valuation** Small changes in the assumptions used to determine the liabilities of the RHM Pension Scheme, Premier Foods Pensions Scheme and Premier Grocery Products Pension Scheme, in particular those relating to inflation, mortality, and discount rates, can have a significant impact on the valuation of the liabilities. The effect of these matters is that we determined that the pension assumptions have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	**Our procedures included:** • **Controls testing:** Tested the design, implementation and effectiveness of the management review control over the key actuarial assumptions; • **Benchmarking assumptions:** Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the inflation, mortality and discount rate assumptions, against externally derived data; • **Assessing experts:** Assessed the competence and objectivity of the Group's corporate actuaries; and • **Assessing disclosures:** Considered the adequacy of the Group's disclosures relating to the sensitivity of the obligation to these assumptions. **Our results** • The results of our testing were satisfactory and we consider the valuation of defined benefit obligation to be acceptable (2018/19: acceptable).

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

	The risk	Our response
Revenue subject to commercial arrangements **Commercial accruals (£(52.4m);** 2018/19: £(45.3m)) *Refer to page 55 (Audit Committee Report), page 105 (accounting policy) and page 123 (financial disclosures).*	**Estimation uncertainty impacting revenue** The Group enters into commercial arrangements with its customers on a regular basis to offer product promotions and discounts. The Group measures revenue taking into consideration estimated rebates and discounts. Due to the nature of some arrangements and the number of different arrangements in place, there is a risk that these arrangements are not appropriately accounted for and as a result revenue is misstated. The Group also focuses on revenue as a key performance measure which could create an incentive for revenue to be overstated or understated through manipulation of rebates and discounts, resulting from the pressure the Directors may feel to achieve performance targets in the current or subsequent year. The most significant areas of estimation uncertainty are: • estimating the sales volumes attributable to each arrangement; and • determining the period which the arrangements cover and hence the appropriate period for recognition. The effect of these matters is that we determined that the valuation assumptions used have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** • **Accounting policies:** Assessed the appropriateness of the revenue recognition accounting policies, in particular those relating to rebates and discounts and assessing compliance with the relevant accounting standards; **Test of details:** Key aspects of testing involved: • Compared a sample of promotions recorded during the financial year to supporting evidence such as customer acceptance, electronic point of sale data and customer debit notes to assess the accuracy of the estimate; • Examined credit notes issued after 28 March 2020 to assess the completeness of the commercial accruals recorded; • Examined changes to rebate and discount accruals after 28 March 2020 to assess the accuracy of accruals recorded at 28 March 2020; • Obtained supporting documentation for a sample of journals posted to revenue accounts to assess the appropriateness of the journals; • Visited a selection of customer stores before the period end, identifying product promotions and assessing whether those promotions were appropriately accrued for; and • Compared a sample of commercial accruals and recorded at 28 March 2020 to supporting evidence such as customer acceptance and electronic point of sale data to confirm that the promotion was run by the customer; • **Assessing disclosures:** Considered the adequacy of the Group's disclosures relating to the critical accounting policies, estimates and judgments in respect of volume rebates and discounts. **Our results** • The results of our testing were satisfactory and we consider revenue relating to commercial arrangements to be acceptable (2018/19: acceptable).

KPMG

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

	The risk	Our response
Going concern *Refer to page 55 (Audit Committee Report) and page 99 (accounting policy).*	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group. That judgement is based on an evaluation of the inherent risks to the Group's business model and how those risks might affect the Group's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risk most likely to adversely affect the Group's available financial resources over this period is the impact of Covid-19 on sales, profitability and cash flow in particular due to the potential disruption to the supply chain, the potential for the closure of manufacturing sites and the potential impact of a weaker UK economy. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	**Our procedures included:** • **Assessing business model:** Performed an assessment of the risks resulting from Covid-19 on the Group's business model and how these risks were mitigated; • **Assessing assumptions:** Evaluated whether the assumptions within the model were realistic and achievable and consistent with the external and/or internal environment and other matters identified in the audit; • **Sensitivity analysis:** Considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively; • **Test of details:** Evaluated management's assessment of the entity's compliance with debt covenants; • **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern disclosure by evaluating the adequacy of the disclosure in the basis of preparation in Note 2 to the financial statements. **Our results** • We found the going concern disclosure without any material uncertainty to be acceptable (2018/19: acceptable).

KPMG

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

	The risk	Our response
Carrying value of goodwill **Goodwill (£646.0m;** 2018/19: £646.0m) *Refer to page 55 (Audit Committee Report), page 105 (accounting policy) and page 114 (financial disclosures).*	**Forecast based valuation** The carrying value of goodwill is dependent on the achievement of future business plans which are inherently uncertain. The business operates in an environment of significant retailer pressure on price, competitor activity and increasing commodity prices. In light of these trading challenges and the Group's financial constraints on brand investment, there is a risk that the Group's goodwill, which is all attributed to the Grocery cash generating unit, may not be recoverable. The effect of these matters is that we determined that the valuation assumptions used have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** • **Controls testing:** Tested the design and implementation of the management review control over the key assumptions in the valuation models; • **Benchmarking assumptions:** Evaluated assumptions used in the valuation models, in particular those relating to: i) the short and long-term revenue growth rates; ii) future changes in profitability; iii) the discount rates used, by comparing these with externally derived data such as projected economic growth rates and discount rate inputs; • **Sensitivity analysis:** Performed sensitivity analysis of key assumptions noted above; • **Assessing disclosure:** Assessed whether the Group's disclosures relating to the sensitivity of the outcome of the impairment assessments to changes in key assumptions reflect the risks inherent in the valuation of goodwill. **Our results** • The results of our testing were satisfactory and we found the carrying value of goodwill at 28 March 2020 to be acceptable. (2018/19: carrying value of goodwill at 30 March 2019 acceptable).

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

	The risk	Our response
Recoverability of parent's balances with Group undertakings **Company only** **(£1,322.5m;** 2018/19: £1,314.6m) *Refer to page 138 (accounting policy) and page 139 (financial disclosures).*	**Low risk, high value** The carrying amount of the intra-group receivables balance represents 98% (2018/19: 99%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the company's financial statements, this is considered to be the area that had the greatest effect on our overall Company audit.	**Our procedures included:** **Test of details:** Key aspects of testing involved: • Assessed the Directors' assumptions over the recoverability of the parent's balances with Group undertakings against our own knowledge of the trading performance and net assets of the relevant counterparty; • Evaluated the Directors' assessment of the probability of default for the relevant counterparty by comparing these with an external study on corporate default and rating transition. **Our results** • We found the Group's assessment of the recoverability of the parent's balances with Group undertakings to be acceptable (2018/19: acceptable).

We continue to perform procedures over the accuracy of the amount for net deferred tax liabilities recognised and the impact of uncertainties consequent upon the UK's departure from the European Union on our audit. However, as there have not been significant changes in the judgements taken in the current year with regard to each of these areas, we have not assessed these as one of the most significant risks in our current year audit and, therefore, they are not separately identified in our report this year.

Following the completion of the outsourcing of warehousing and logistics during the prior year, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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

The materiality of the Group financial statements as a whole was set at £4.5m (2018/19: £4.5m), determined with reference to a benchmark of Group revenue of £847.1m (2018/19: £824.3m) of which it represents 0.53% (2018/19: 0.55%). We consider Group revenue to be the most appropriate benchmark as it is a key performance indicator.

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

Materiality for the Company financial statements as a whole was set at £1.2m (2018/19: £0.6m), determined with reference to a benchmark of total assets of £1,344.4m, of which it represents 0.09% (2018/19: 3.9% of profit before tax), and chosen to be lower than materiality for the Group financial statements as a whole.

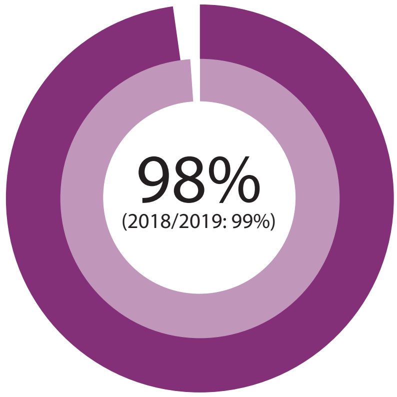
We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.22m (2018/19:£0.22m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 33 (2018/19: 33) reporting components, we subjected 5 (2018/19: 5) to full scope audits for Group purposes.

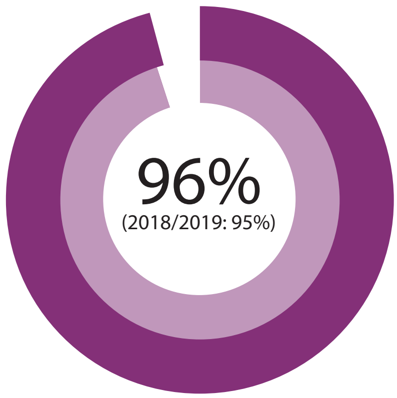
For the remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The component materialities ranged from £1.2m to £4.2m (2018/19: £0.6m to £4.25m), having regard to the mix of size and risk profile of the Group across the components. All full scope components are managed from the central locations in the UK and the work on all components subject to audit was performed by the Group team.

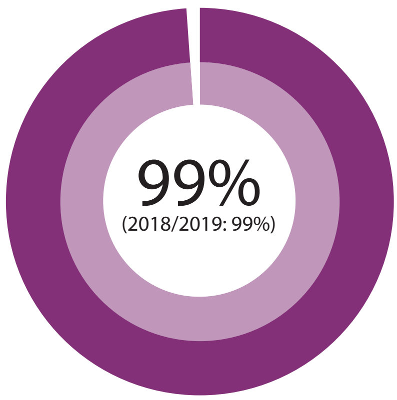
Total profits and losses that made up Group profit before tax



Group revenue



Group total assets



- Full scope for group audit purposes 2019/20
- Full scope for group audit purposes 2018/19
- Residual components

4.We have nothing to report on going concern

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

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

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial tatements; or if the same statement under the Listing Rules set out on page 99 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability statement on page 43 and the Risk Management section on page 38 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

Corporate governance disclosures

We are required to report to you if:

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

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

We have nothing to report in these respects.

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 81, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

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

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

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

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

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

Richard Pinckard (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
24 June 2020

Consolidated statement of profit or loss

	Note	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2020 £m
Revenue	4	**847.1**	824.3
Cost of sales		**(549.6)**	(542.6)
Gross profit		**297.5**	281.7
Selling, marketing and distribution costs		**(125.6)**	(119.8)
Administrative costs		**(76.6)**	(157.4)
Operating profit	4, 5	**95.3**	4.5
Finance cost	7	**(44.1)**	(56.7)
Finance income	7	**2.4**	9.5
Profit/(loss) before taxation		**53.6**	(42.7)
Taxation (charge)/credit	8	**(7.1)**	8.9
Profit/(loss) for the period attributable to owners of the parent		**46.5**	(33.8)
Basic earnings/(loss) per share			
From profit/(loss) for the period (pence)	9	**5.5**	(4.0)
Diluted earnings/(loss) per share			
From profit/(loss) for the period (pence)	9	**5.4**	(4.0)
Adjusted earnings per share[1]			
From adjusted profit for the period (pence)	9	**8.9**	8.5

1 Adjusted earnings per share is defined as trading profit less net regular interest, less a notional tax charge at 19.0% (2018/19: 19.0%) divided by the weighted average number of ordinary shares of the Company.

The notes on pages 97 to 135 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

	Note	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Profit/(loss) for the period		46.5	(33.8)
Other comprehensive income, net of tax			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit schemes	13	816.7	53.2
Deferred tax charge	8	(167.0)	(9.1)
Current tax credit	8	5.2	–
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation		0.3	(0.2)
Other comprehensive income, net of tax		655.2	43.9
Total comprehensive income attributable to owners of the parent		701.7	10.1

The notes on pages 97 to 135 form an integral part of the consolidated financial statements.

Consolidated balance sheet

	Note	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
ASSETS:			
Non-current assets			
Property, plant and equipment	10	**194.0**	186.0
Goodwill	11	**646.0**	646.0
Other intangible assets	12	**341.3**	366.4
Net retirement benefit assets	13	**1,512.6**	837.8
		2,693.9	2,036.2
Current assets			
Inventories	14	**68.0**	77.8
Trade and other receivables	15	**89.1**	89.2
Cash and cash equivalents	16	**177.9**	27.8
Derivative financial instruments	18	**0.9**	–
		335.9	194.8
Total assets		**3,029.8**	2,231.0
LIABILITIES:			
Current liabilities			
Trade and other payables	17	**(249.7)**	(238.0)
Financial liabilities			
– short term borrowings	19	**(85.0)**	–
– derivative financial instruments	18	**(0.8)**	(1.6)
– IFRS 16 lease liability	19	**(2.5)**	–
Provisions for liabilities and charges	20	**(6.4)**	(9.7)
		(344.4)	(249.3)
Non-current liabilities			
Financial liabilities			
– IFRS 16 lease liability	19	**(19.0)**	–
– long term borrowings	19	**(501.0)**	(497.7)
Net retirement benefit obligations	13	**(282.2)**	(464.7)
Provisions for liabilities and charges	20	**(9.6)**	(32.4)
Deferred tax liabilities	8	**(184.9)**	(13.5)
Other liabilities	21	**(8.7)**	(10.6)
		(1,005.4)	(1,018.9)
Total liabilities		**(1,349.8)**	(1,268.2)
Net assets		**1,680.0**	962.8
EQUITY:			
Capital and reserves			
Share capital	22	**84.8**	84.5
Share premium	22	**1,409.4**	1,408.6
Merger reserve	22	**351.7**	351.7
Other reserves	22	**(9.3)**	(9.3)
Profit and loss reserve	22	**(156.6)**	(872.7)
Total equity		**1,680.0**	962.8

The notes on pages 97 to 135 form an integral part of the consolidated financial statements.

The financial statements on pages 92 to 96 were approved by the Board of directors on 24 June 2020 and signed on its behalf by:

Alex Whitehouse
Chief Executive Officer

Duncan Leggett
Chief Financial Officer

Consolidated statement of cash flows

	Note	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Cash generated from operations	16	121.5	80.2
Interest paid		(38.0)	(32.0)
Interest received		2.4	1.9
Other finance income		–	7.6
Cash generated from operating activities		**85.9**	57.7
Purchases of property, plant and equipment		(12.8)	(14.3)
Purchases of intangible assets		(5.3)	(3.4)
Sale of property, plant and equipment		0.1	–
Cash used in investing activities		**(18.0)**	(17.7)
Repayment of borrowings		–	(325.0)
Proceeds from borrowings		85.0	300.0
Payment of lease liabilities		(3.9)	–
Financing fees		–	(12.2)
Proceeds from share issue		1.1	1.4
Cash generated from / (used in) financing activities		**82.2**	(35.8)
Net increase in cash and cash equivalents		**150.1**	4.2
Cash, cash equivalents and bank overdrafts at beginning of period		27.8	23.6
Cash, cash equivalents and bank overdrafts at end of period	16	**177.9**	27.8

The notes on pages 97 to 135 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	Total equity £m
At 1 April 2018		84.1	1,407.6	351.7	(9.3)	(884.8)	949.3
Loss for the period		–	–	–	–	(33.8)	(33.8)
Remeasurements of defined benefit schemes	13	–	–	–	–	53.2	53.2
Deferred tax charge	8	–	–	–	–	(9.1)	(9.1)
Exchange differences on translation		–	–	–	–	(0.2)	(0.2)
Other comprehensive income		–	–	–	–	43.9	43.9
Total comprehensive income		–	–	–	–	10.1	10.1
Shares issued		0.4	1.0	–	–	–	1.4
Share-based payments	22	–	–	–	–	2.1	2.1
Deferred tax movements on share-based payments		–	–	–	–	(0.1)	(0.1)
At 30 March 2019		84.5	1,408.6	351.7	(9.3)	(872.7)	962.8
At 31 March 2019		**84.5**	**1,408.6**	**351.7**	**(9.3)**	**(872.7)**	**962.8**
Implementation of IFRS 16 (net of tax)		**–**	**–**	**–**	**–**	**12.7**	**12.7**
Adjusted balance at 31 March 2019		**84.5**	**1,408.6**	**351.7**	**(9.3)**	**(860.0)**	**975.5**
Profit for the period		**–**	**–**	**–**	**–**	**46.5**	**46.5**
Remeasurements of defined benefit schemes	13	**–**	**–**	**–**	**–**	**816.7**	**816.7**
Deferred tax charge	8	**–**	**–**	**–**	**–**	**(167.0)**	**(167.0)**
Current tax credit	8	**–**	**–**	**–**	**–**	**5.2**	**5.2**
Exchange differences on translation		**–**	**–**	**–**	**–**	**0.3**	**0.3**
Other comprehensive income		**–**	**–**	**–**	**–**	**655.2**	**655.2**
Total comprehensive income		**–**	**–**	**–**	**–**	**701.7**	**701.7**
Shares issued		**0.3**	**0.8**	**–**	**–**	**–**	**1.1**
Share-based payments	22	**–**	**–**	**–**	**–**	**1.3**	**1.3**
Deferred tax movements on share-based payments		**–**	**–**	**–**	**–**	**0.5**	**0.5**
Other deferred tax movements		**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
At 28 March 2020		**84.8**	**1,409.4**	**351.7**	**(9.3)**	**(156.6)**	**1,680.0**

The notes on pages 97 to 135 form an integral part of the consolidated financial statements.

Notes to the financial statements

1. General information

Premier Foods plc (the "Company") is a public limited company incorporated and domiciled in England and Wales, registered number 5160050, with its registered office at Premier House, Centrium Business Park, Griffiths Way, St Albans, Hertfordshire AL1 2RE. The principal activity of the Company and its subsidiaries (the "Group") is the manufacture and distribution of branded and own label food products. Copies of the annual report and accounts are available on our website: http://www.premierfoods.co.uk/investors/results-centre.

These Group consolidated financial statements were authorised for issue by the Board of directors on 24 June 2020.

2. Accounting policies

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

2.1 Basis of preparation

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

The statutory accounting period is the 52 weeks from 31 March 2019 to 28 March 2020 and comparative results are for the 52 weeks from 1 April 2018 to 30 March 2019. All references to the 'period', unless otherwise stated, are for the 52 weeks ended 28 March 2020 and the comparative period, 52 weeks ended 30 March 2019.

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

The following accounting standards and interpretations, issued by the International Accounting Standards Board ("IASB"), effective for periods on or after 1 January 2019, have been endorsed by the EU:

International Financial Reporting Standards	
IFRS 16	*Leases*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IFRS 9	*Prepayments Features with Negative Compensation*
Amendments to IAS 28	*Long term interests in Associates and Joint Ventures*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Annual improvements to IFRS	*2015-2017 cycle*

The impact on adoption of the new or revised standards is explained in the following paragraphs.

The following standards and amendments to published standards, effective for periods on or after 1 January 2020, have been endorsed by the EU:

International Financial Reporting Standards	
Amendments to references to Conceptual Framework in IFRS Standards	
Amendments to IAS 1 and IAS 8	*Definition of Material*
Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*

The following standards and amendments to published standards, effective for periods on or after 1 January 2021, have not been endorsed by the EU:

International Financial Reporting Standards	
IFRS 17	Insurance Contracts

IFRS 16 Leases

This is the first set of full year accounts in which IFRS 16 Leases has been applied. IFRS 16 introduced a single, on-balance sheet accounting model for lessees and sets out the principles for the recognition, measurement, presentation and disclosure of leases. As a result, the Group, as a lessee, has recognised right of use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, discounted at the Group's incremental borrowing rate at 31 March 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented as previously reported under IAS 17 and related interpretations. The Group had previously provided for some of these costs under IAS 37 therefore the Group has reviewed these provisions and made adjustments as necessary.

Notes to the financial statements CONTINUED

2. Accounting policies continued

Details of the changes in accounting policies arising from the implementation of IFRS 16 are as follows:

Lease recognition

Previously, the Group determined at the inception of a contract whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 31 March 2019.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low value ('low-value assets').

For leases of properties in which the Group is a lessee, it has applied the practical expedient permitted by IFRS 16 and will account for each lease component and any associated non-lease components as a single lease component.

Right of use assets

The Group recognises right of use assets at the commencement date of the lease. Right of use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right of use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Right of use assets are subject to and reviewed regularly for impairment, any impairment of a right of use asset would be considered a Non-trading item. Depreciation on right of use assets is predominantly recognised in cost of sales and administration costs in the consolidated statement of profit and loss.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed and variable lease payments that depend on an index or rate less any lease incentives receivable. Any variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Generally, the Group uses its incremental borrowing rate as the discount rate. The incremental borrowing rate used for the purposes of calculating the present value of lease payments is 4.17%.

After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the fixed lease payments. Interest charges are included in finance costs in the consolidated statement of profit and loss.

Short-term leases and leases of low-value items

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of less than 12 months and leases of low-value assets. Lease payments relating to short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Impact of IFRS 16 on financial statements

The Group leases many assets including properties, vehicles and other equipment. As a lessee, the Group previously classified leases as operating leases or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership.

Balance sheet

The table below shows a reconciliation from the total operating lease commitment as disclosed at 31 March 2019 to the total lease liabilities recognised in the accounts immediately after transition:

	£m
Operating lease commitments as at 31 March 2019	18.3
Provisions for non-operational property lease costs	8.9
Discounted using incremental borrowing rate	(3.8)
Other adjustment relating to implementation of IFRS 16	0.1
Lease liabilities recognised at 31 March 2019	23.5

The Group presents right of use assets separately in the consolidated balance sheet. The carrying amounts of right of use assets are as below:

	Property £m	Vehicle, Plant & Equiipment £m	Total £m
Balance at 31 March 2019	10.1	3.9	14.0
Balance at 28 March 2020	9.0	2.8	11.8

The Group presents lease liabilities separately in the consolidated balance sheet.

Statement of profit and loss
The Group has recognised depreciation and interest costs in respect of leases that were previously classified as operating leases in the income statement for the period, rather than rental charges. During the 52 weeks ended 28 March 2020, the Group recognised £2.6m of depreciation charges and £1.1m of interest costs in respect of these leases.

Reserves
The Group has previously provided for property costs under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. On transition to IFRS 16, the Group recognised right of use assets in respect of its non-operational leasehold properties which were immediately impaired through reserves. Elements of the Group's provisions for non-operational properties cannot be recognised as lease creditors under IFRS 16 and have therefore been credited to reserves.

Cash flow statement
The implementation of IFRS 16 is an accounting change only and does not impact cash flows.

Basis for preparation of financial statements on a going concern basis
The Group's revolving credit facility includes net debt/EBITDA and EBITDA/interest covenants, as detailed in note 19. 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 compliant with its covenant tests as at 28 September 2019 and 28 March 2020.

Having undertaken a robust assessment of the Group's forecasts with specific consideration to the trading performance of the Group in the context of the current COVID-19 pandemic, and nothwithstanding the net current liabilities position of the Group, the directors have reasonable expectation that the Group is able to operate within the level of its current facilities including covenant tests and has adequate resources to continue in operational existence for the next 12 months. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements for the reasons set out below:

At 28 March 2020, the Group had total assets less current liabilities of £2,685.4m and net assets of £1,680.0m. Liquidity as at that date was £269.5m, made up of cash and cash equivalents, and undrawn committed credit facilities of £91.6m.

To date the Group has experienced no net adverse impact of the COVID-19 pandemic with elevated levels of demand seen. During the outbreak of COVID-19, the Group's first priority is the health and wellbeing of its colleagues, customers and other stakeholders. Nevertheless, the full impact of the COVID-19 outbreak is unknown at this time and the Group takes its responsibility as a major UK food manufacturer very seriously, working closely with its customers to ensure maximum availability of its product ranges for consumers.

Accordingly, the Directors have rigorously reviewed the evolving situation relating to COVID-19 and have modelled a series of 'downside case' scenarios that cover the next 12 months. These downside cases represent increasingly severe but plausible scenarios and include assumptions relating to estimation of the impact of the closure of all manufacturing sites for a period of 8 weeks.

Whilst these downside scenarios are severe but plausible, each is considered by the Directors to be extremely prudent, having an adverse impact on Revenue, margin and cash flow. These scenarios are considered a stress test of the Group's ability to adopt the going concern basis. The Directors, in response, have identified mitigating actions that would reduce costs, optimising cashflow and liquidity. Amongst these are the following actions: reducing capital expenditure, reducing marketing spend and delaying or cancelling discretionary spend.

The Group operates in the Food Manufacturing industry, considered an essential during the current pandemic, and whilst uncertainty exists in respect of the potential impact of COVID-19, more meals are being eaten at home than usual due to recent measures set out by HM Government and hence increased demand for the Group's product ranges. If outcomes are unexpectedly significantly worse, the Directors would need to consider what additional mitigating actions were needed. Consequently, the Directors have concluded that to stress test a level of increased severity beyond these scenarios that may create circumstances that represent a material uncertainty and which may cast significant doubt about the Group's ability to continue as a going concern, is not currently reasonable.

The Directors, after reviewing financial forecasts and financing arrangements, consider that the Group has adequate resources at the date of approval of this report. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing its consolidated financial statements.

Notes to the financial statements CONTINUED

2. Accounting policies continued

2.2 Basis of consolidation

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

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

(ii) Associates
Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. Other financial instruments in associates are accounted for under IFRS 9 Financial Instruments. The Group's only associate is Hovis, the investment for which was previously impaired.

2.3 Revenue

Revenue comprises the invoiced value for the sale of goods net of sales rebates, discounts, value added tax and other taxes directly attributable to revenue and after eliminating sales within the Group. Revenue is recognised when it transfers control of products over to the customer. The recognition policy is applicable across all operating segments. Revenue is recognised on the following basis:

(i) Sale of goods
Sales of goods are recognised as revenue when a customer gains control of the goods, which typically coincides with the time when the merchandise is delivered to customers and title passes. Revenue is recognised based on the transaction price specified in the contract, net of the estimated sales rebates and discounts.

(ii) Sales rebates and discounts
Sales related discounts comprise:

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

Sales rebates and discount accruals are established at the time of sale based on management's best estimate of the amounts necessary to meet claims by the Group's customers in respect of these rebates and discounts. Accruals are made for each individual promotion or rebate arrangement and are based on the type and length of promotion and nature of customer agreement. At the time an accrual is made the nature and timing of the promotion is typically known. Accumulated experience used to estimate and provide for rebates and discounts is only recognised to the extent that it is highly probable that a significant reversal will not occur.

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

2.4 Segmental reporting

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

2.5 Share-based payments

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

2.6 Foreign currency translation

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

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

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

2.7 Property, plant and equipment (“PPE”)
Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements CONTINUED

2. Accounting policies continued

2.10 Finance cost and income

Finance cost

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

Finance income

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

2.11 Leases

In the comparative period, assets held under finance leases, where substantially all the risks and rewards of ownership are transferred to the Group, are capitalised and included in property, plant and equipment at the lower of the present value of future minimum lease payments or value in use, as described in IAS 17 Leases. Each asset is depreciated over the shorter of the lease term or its estimated useful life on a straight-line basis. Obligations relating to finance leases, net of finance charges in respect of future periods, are included under borrowings. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

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

Following the adoption of IFRS 16 in the current period, assets held under finance leases, where substantially all the risks and rewards of ownership are transferred to the Group, are capitalised and included in property, plant and equipment at the lower of the present value of future minimum lease payments or value in use. Each asset is depreciated over the shorter of the lease term or its estimated useful life on a straight-line basis. Obligations relating to finance leases, net of finance charges in respect of future periods, are included under borrowings. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

2.12 Inventories

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

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

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

2.13 Taxation

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

Current tax

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

Deferred tax

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

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

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

For the purpose of recognising deferred tax on the pension scheme surplus, withholding tax (at 35%) would apply for any surplus being refunded to the Group at the end of the life of the scheme. Corporation tax (at 19%) would apply for any surplus expected to unwind over the life of the scheme.

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

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

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

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

When assessing whether the recognition of a deferred tax asset can be justified, and if so at what level, the directors take into account the following:

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

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

2.14 Employee benefits

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

Defined benefit plans

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

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

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

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

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

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

To the extent a surplus arises under IAS 19, the Group ensures that it can recognise the associated asset in line with IFRIC 14 with no restrictions.

Defined contribution plans

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

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

2.15 Provisions

Provisions (for example property exit costs) are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources will be required to settle the obligations and a reliable estimate of the amount can be made. Where material, the Group discounts its provisions using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

2.16 Financial instruments

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

Trade and other receivables

Trade and other receivables are initially measured at the transaction price and at the point of recognition an expected credit loss is recognised to reflect the future risk of default. The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligation in full, without recourse by the Group. Trade receivables are subsequently measured at amortised cost less any additional, specific provisions for impairment. A specific provision is made for impairment when there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables. Trade and other receivables are discounted when the time value of money is considered material.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

Notes to the financial statements CONTINUED

2. Accounting policies continued

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

For the purpose of the statement of cash flows, cash and cash equivalents also include bank overdrafts and any drawdown on the Group's revolving credit facility.

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

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

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

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

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

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

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

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

For the purpose of recognising deferred tax on the pension scheme surplus, withholding tax (at 35%) would apply for any surplus being refunded to the Group at the end of the life of the scheme. Corporation tax (at 19%) would apply for any surplus expected to unwind over the life of the scheme.

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

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

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

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

Further disclosures are contained within note 8.

Estimates

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

3.2 Employee benefits

The present value of the Group's defined benefit pension obligations depends on a number of actuarial assumptions. The primary assumptions used include the discount rate applicable to scheme liabilities, the long-term rate of inflation and estimates of the mortality applicable to scheme members. Each of the underlying assumptions is set out in more detail in note 13.

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

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

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

At the reporting date, the property asset class carried an uncertainty clause over the valuation performed by independent valuers of the property funds. This reflects the difficulty in assigning a value to the underlying properties held by the respective funds due to the current economic environment caused by COVID-19.

The inclusion of the 'uncertainty' clause does not invalidate the valuation, nor does it mean that the valuation cannot be relied upon. The declaration has been included in the investment manager's valuation report as a precaution to ensure transparency of the fact that less certainty can be attached to the valuation than would otherwise be the case under normal market conditions.

Management has reviewed the asset values that make up the property asset class, to ensure the values appropriately reflect current market conditions, recognising that there is short term volatility driven by the current market conditions.

3.3 Goodwill

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

The Group has considered the impact of the assumptions used on the calculations and has conducted sensitivity analysis on the value in use calculations of the CGUs carrying values for the purposes of testing goodwill. The assumptions impacted by any uncertainty are revenue and divisional contribution growth, long term growth rates and discount rates. See note 11 for further details.

For further details see note 2.9 and note 12.

3.4 Commercial arrangements

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

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

Judgements

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

3.5 Non-trading items

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

Notes to the financial statements CONTINUED

4. Segmental analysis

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

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

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

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

The segment results for the period ended 28 March 2020 and for the period ended 30 March 2019 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial statements are as follows:

	52 weeks ended 28 March 2020			52 weeks ended 30 March 2019		
	Grocery £m	Sweet Treets £m	Total £m	Grocery £m	Sweet Treets £m	Total £m
Revenue	611.6	235.5	847.1	597.0	227.3	824.3
Divisional contribution	148.2	23.7	171.9	138.3	23.6	161.9
Group and corporate costs			(39.3)			(33.4)
Trading profit			132.6			128.5
Amortisation of intangible assets			(29.4)			(34.4)
Fair value movements on foreign exchange and other derivative contracts			1.7			(1.3)
Net interest on pensions, administrative expenses and past service costs			(4.6)			(1.3)
Non-trading items:[1]						
- GMP equalisation charge			–			(41.5)
- Restructuring costs			(4.1)			(16.8)
- Impairment of intangible assets and goodwill			–			(30.6)
- Other non-trading items			(0.9)			1.9
Operating profit			95.3			4.5
Finance cost			(44.1)			(56.7)
Finance income[2]			2.4			9.5
Profit/(loss) before taxation			53.6			(42.7)
Depreciation[3]	(11.1)	(8.8)	(19.9)	(9.0)	(8.0)	(17.0)

[1] Non-trading items include restructuring costs of £4.1m (2018/19: £16.8m) relating primarily to costs associated with the Strategic review and restructuring of the International segment

[2] Finance income in the prior year includes reversal of the impairment of the Hovis loan note, driven by the receipt of £7.6m from Hovis.

[3] Depreciation in the period ended 28 March 2020 includes £2.6m (2018/19: £nil) of depreciation of IFRS 16 right of use assets.

Revenues in the period ended 28 March 2020, from the Group's four principal customers, which individually represent over 10% of total Group revenue, are £190.6m, £125.9m, £95.2m and £84.8m (2018/2019: £184.8m, £119.6m, £90.2m and £86.2m). These revenues relate to both the Grocery and Sweet Treats reportable segments.

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

Revenue

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
United Kingdom	803.8	770.8
Other Europe	22.0	26.1
Rest of world	21.3	27.4
Total	847.1	824.3

Non-current assets

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
United Kingdom	2,693.9	2,036.2

5. Operating profit

5.1 Analysis of costs by nature

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Employee benefits expense (note 6)	(168.9)	(202.3)
Depreciation of property, plant and equipment (note 10)	(19.9)	(17.0)
Amortisation of intangible assets (note 12)	(29.4)	(34.4)
Operating lease rental expenditure	–	(3.6)
Repairs and maintenance expenditure	(22.6)	(21.3)
Research and development costs	(7.2)	(6.9)
Non-trading items		
– GMP equalisation charge	–	(41.5)
– Restucturing costs	(4.1)	(16.8)
– Other non-trading items	(0.9)	1.9
– Impairment of intangible assets (note 12)	–	(30.6)
Auditor remuneration (note 5.2)	(0.6)	(0.8)

5.2 Auditor's remuneration

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Fees payable to the Group's auditor for the audit of the consolidated and parent company accounts of Premier Foods plc	(0.4)	(0.3)
– The audit of the Group's subsidiaries, pursuant to legislation	(0.1)	(0.2)
Fees payable to the Group's auditor and its associates for other services:		
– Audit related assurance services	(0.1)	(0.1)
– Services relating to corporate finance transactions	–	(0.3)
Total auditor remuneration	(0.6)	(0.9)

The total operating profit charge for auditor remuneration was £0.6m (2018/19: £0.8m).

Notes to the financial statements CONTINUED

6. Employees

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Employee benefits expense		
Wages, salaries and bonuses	(145.5)	(142.4)
GMP and past service cost related to defined benefit pension schemes	–	(37.6)
Social security costs	(12.6)	(12.3)
Termination benefits	(2.2)	(1.2)
Share options granted to directors and employees	(1.3)	(2.1)
Contributions to defined contribution schemes (note 13)	(7.3)	(6.7)
Total	(168.9)	(202.3)

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

	2019/20 Number	2018/19 Number
Average monthly number of people employed		
Management	564	518
Administration	382	403
Production, distribution and other	3,209	3,262
Total	4,155	4,183

Directors' remuneration is disclosed in the audited section of the Directors Remuneration Report on pages 56 to 77, which form part of these consolidated financial statements.

7. Finance income and costs

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Interest payable on bank loans and overdrafts	(7.2)	(6.2)
Interest payable on senior secured notes	(31.0)	(31.7)
Interest payable on revolving facility	(0.2)	(0.8)
Other interest payable[1]	(2.4)	(3.0)
Amortisation of debt issuance costs	(3.3)	(3.7)
	(44.1)	(45.4)
Write off of financing costs[2]	–	(5.7)
Early redemption fee[3]	–	(5.6)
Total finance cost	(44.1)	(56.7)
Interest receivable on bank deposits	2.4	1.9
Other finance income[4]	–	7.6
Total finance income	2.4	9.5
Net finance cost	(41.7)	(47.2)

[1] Included in other interest payable is £1.1m charge (2018/19: £nil) relating to non-cash interest costs arising following the adoption of IFRS 16 and £1.3m charge (2018/19: £3.0m charge) relating to the unwind of the discount on certain of the Group's long term provisions.

[2] Relates to the refinancing of the senior secured fixed rate notes due 2021 and revolving credit facility in the prior period.

[3] Relates to a non-recurring payment arising on the early redemption of the £325m senior secured fixed rate notes due 2021 as part of the refinancing of the Group's debt in the prior period.

[4] Relates to partial reversal of the impairment of the Hovis loan note in the prior period, driven by the receipt of £7.6m from Hovis.

8. Taxation

Current tax

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Current tax		
– Current period	(5.2)	–
Overseas current tax		
– Current period	–	1.1
Deferred tax		
– Current period	(6.3)	6.1
– Prior periods	(0.5)	1.7
– Changes in tax rate	4.9	–
Income tax (charge)/credit	(7.1)	8.9

The applicable rate of corporation tax for the period is 19%. The 2016 Finance Act had a provision to reduce the UK corporation tax rate to 17% from 1 April 2020, however, this was repealed in the Spring budget of 2020. Therefore, the opening deferred tax balances have been restated at 19%, the rate at which they are expected to reverse.

Tax relating to items recorded in other comprehensive income included:

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Corporation tax credit on pension movements	5.2	–
Deferred tax charge on reduction of corporate tax rate	(6.4)	–
Deferred tax credit on losses	–	1.1
Deferred tax charge on pension movements	(160.6)	(10.2)
	(161.8)	(9.1)

The tax charge for the period differs from the standard rate of corporation tax in the United Kingdom of 19.0% (2018/19: 19.0%). The reasons for this are explained below:

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Profit/(loss) before taxation	53.6	(42.7)
Tax (charge)/credit at the domestic income tax rate of 19.0% (2018/19: 19.0%)	(10.2)	8.2
Tax effect of:		
Non-deductible items	(0.6)	(1.3)
Other disallowable items	(0.4)	–
Adjustment due to current period deferred tax being provided at 19.0% (2018/19: 17.0%)	–	(0.8)
Overseas losses not recognised	(0.3)	–
Changes in tax rate	4.9	–
Adjustments to prior periods	(0.5)	1.7
Current tax relating to overseas business	–	1.1
Income tax (charge)/credit	(7.1)	8.9

The adjustments to prior periods of £(0.5)m (2018/19: £1.7m) relates mainly to the adjustment of prior period losses and capital allowances following verifications in submitted returns.

Notes to the financial statements CONTINUED

8. Taxation continued

Deferred tax

Deferred tax is calculated in full on temporary differences using the tax rate appropriate to the jurisdiction in which the asset/(liability) arises and the tax rates that are expected to apply in the periods in which the asset or liability is settled. In all cases this is 19.0% (2018/19: 17.0%).

	2019/20 £m	2018/19 £m
At 31 March 2019 / 1 April 2018	(13.5)	(12.1)
Implementation of IFRS 16	(2.9)	–
Adjusted balance at 31 March 2019 / 1 April 2018	(16.4)	(12.1)
(Charged)/credited to the statement of profit or loss	(1.9)	7.8
Charged to other comprehensive income	(167.0)	(9.1)
Credited/(charged) to equity	0.4	(0.1)
At 28 March 2020 / 30 March 2019	(184.9)	(13.5)

The Group has not recognised 1.9m of deferred tax assets (2018/19: £3.0m not recognised) relating to UK corporation tax losses. In addition, the Group has not recognised a tax asset of £38.8m (2018/19: £34.8m) relating to ACT and £47.5m (2018/19: £41.3m) relating to capital losses. Under current legislation these can generally be carried forward indefinitely.

Deferred tax liabilities	Intangibles £m	Retirement benefit obligation £m	IFRS 16 £m	Other £m	Total £m
At 1 April 2018	(54.2)	(53.8)	–	(0.2)	(108.2)
Current period credit	6.7	1.5	–	–	8.2
Charged to other comprehensive income	–	(10.2)	–	–	(10.2)
Prior period charge					
– To statement of profit or loss	(0.1)	–	–	(0.8)	(0.9)
At 30 March 2019	(47.6)	(62.5)	–	(1.0)	(111.1)
At 31 March 2019	(47.6)	(62.5)	–	(1.0)	(111.1)
Implementation of IFRS 16	–	–	(2.9)	–	(2.9)
Adjusted balance at 31 March 2019	(47.6)	(62.5)	(2.9)	(1.0)	(114.0)
Prior period (charge)/credit					
– To statement of profit or loss	(5.6)	0.6	–	1.0	(4.0)
– To other comprehensive income	–	(8.0)	–	–	(8.0)
Current period credit/(charge)	1.2	(2.3)	–	–	(1.1)
Charged to other comprehensive income	–	(160.6)	–	–	(160.6)
Prior period credit					
– To other comprehensive income	–	0.1	–	–	0.1
At 28 March 2020	(52.0)	(232.7)	(2.9)	–	(287.6)

Deferred tax assets	Accelerated tax depreciation £m	Share based payments £m	Losses £m	Other £m	Total £m
At 1 April 2018	48.3	1.0	42.6	4.2	96.1
Current period credit/(charge)	1.3	–	(1.8)	(1.6)	(2.1)
Credited to other comprehensive income	–	–	1.1	–	1.1
Charged to equity	–	(0.1)	–	–	(0.1)
Prior period credit/(charge)					
– To statement of profit or loss	3.1	–	(0.9)	0.4	2.6
At 30 March 2019	**52.7**	**0.9**	**41.0**	**3.0**	**97.6**
At 31 March 2019	**52.7**	**0.9**	**41.0**	**3.0**	**97.6**
Prior period credit/(charge)					
– To statement of profit or loss	**6.2**	**0.2**	**3.2**	**(0.7)**	**8.9**
– To other comprehensive income	**–**	**–**	**1.6**	**–**	**1.6**
– To equity	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Current period (charge)/credit	**(2.2)**	**(0.2)**	**(0.9)**	**(1.9)**	**(5.2)**
Credited to equity	**–**	**0.7**	**–**	**–**	**0.7**
Charged to other comprehensive income	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Prior period (charge)/credit:					
– To statement of profit or loss	**–**	**(1.3)**	**1.0**	**(0.2)**	**(0.5)**
– To equity	**–**	**(0.2)**	**–**	**–**	**(0.2)**
At 28 March 2020	**56.7**	**0.1**	**45.9**	**–**	**102.7**

Net deferred tax liability	£m
As at 28 March 2020	**(184.9)**
As at 30 March 2019	(13.5)

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

9. Earnings/(loss) per share

Basic earnings/(loss) per share has been calculated by dividing the profit attributable to owners of the parent of £46.5m (2018/19: £33.8m loss) by the weighted average number of ordinary shares of the Company.

Weighted average shares

	2019/20 Number (m)	2018/19 Number (m)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**846.6**	841.5
Effect of dilutive potential ordinary shares:		
– Share options	**7.9**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**854.5**	841.5

Earnings/(loss) per share calculation

	52 weeks ended 28 March 2020			52 weeks ended 30 March 2019		
	Basic	Dilutive effect of share options	Diluted	Basic	Dilutive effect of share options	Diluted
Profit/(loss) after tax (£m)	**46.5**		**46.5**	(33.8)		(33.8)
Weighted average number of shares (m)	**846.6**	**7.9**	**854.5**	841.5	–	841.5
Earnings/(loss) per share (pence)	**5.5**	**(0.1)**	**5.4**	(4.0)	–	(4.0)

Notes to the financial statements CONTINUED

9. Earnings/(loss) per share continued

Dilutive effect of share options

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

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

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

Adjusted earnings per share ("Adjusted EPS")

Adjusted earnings per share is defined as trading profit less net regular interest, less a notional tax charge at 19.0% (2018/19: 19.0%) divided by the weighted average number of ordinary shares of the Company.

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

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

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Trading profit	132.6	128.5
Less net regular interest	(39.3)	(40.5)
Adjusted profit before tax	93.3	88.0
Notional tax at 19.0% (2018/19: 19%)	(17.7)	(16.7)
Adjusted profit after tax	75.6	71.3
Average shares in issue (m)	846.6	841.5
Adjusted EPS (pence)	8.9	8.5
Dilutive effect of share options	(0.1)	–
Dilutive adjusted EPS (pence)	8.8	8.5
Net regular interest		
Net finance cost	(41.7)	(47.2)
Exclude other finance income	–	(7.6)
Exclude write-off of financing costs	–	5.7
Exclude early redemption fee	–	5.6
Exclude other interest payable	2.4	3.0
Net regular interest	(39.3)	(40.5)

10. Property, plant and equipment

	Land and buildings £m	Vehicles, plant and equipment £m	Assets under construction £m	Right of use Assets £m	Total £m
Cost					
At 31 March 2018	105.0	291.8	11.0	–	407.8
Additions	0.2	9.3	8.6	–	18.1
Disposals	(0.6)	(0.2)	–	–	(0.8)
Transferred into use	0.3	8.8	(9.1)	–	0.0
At 30 March 2019	**104.9**	**309.7**	**10.5**	**–**	**425.1**
Balance at 31 March 2019	104.9	309.7	10.5	–	425.1
Adjustment on transition to IFRS 16	–	–	–	14.0	14.0
Additions	0.1	7.5	5.9	0.6	14.1
Disposals	(0.6)	(3.7)	–	(0.4)	(4.7)
Reclassification of cost	(2.4)	2.4	–	–	–
Transferred into use	–	7.1	(7.1)	–	–
At 28 March 2020	**102.0**	**323.0**	**9.3**	**14.2**	**448.5**
Aggregate depreciation and impairment					
At 31 March 2018	(41.4)	(181.2)	–	–	(222.6)
Depreciation charge	(2.7)	(14.3)	–	–	(17.0)
Disposals	0.3	0.2	–	–	0.5
At 30 March 2019	**(43.8)**	**(195.3)**	**–**	**–**	**(239.1)**
Depreciation charge	(2.1)	(15.2)	–	(2.6)	(19.9)
Disposals	0.5	3.4	–	0.4	4.3
Reclassification of depreciation	1.0	(0.6)	–	–	0.4
Impairment charge	–	–	–	(0.2)	(0.2)
At 28 March 2020	**(44.4)**	**(207.7)**	**–**	**(2.4)**	**(254.5)**
Net book value					
At 30 March 2019	61.1	114.4	10.5	–	186.0
At 28 March 2020	**57.6**	**115.3**	**9.3**	**11.8**	**194.0**

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

Included in the right of use asset recognised on transition to IFRS 16 on 31 March 2019 are the following:

	Land and buildings £m	Vehicles, plant and equipment £m	Total £m
Cost			
At 30 March 2019	–	–	–
Adjustment on transition to IFRS 16	10.1	3.9	14.0
Additions	0.3	0.3	0.6
Disposals	(0.1)	(0.3)	(0.4)
At 28 March 2020	**10.3**	**3.9**	**14.2**
Aggregate depreciation and impairment			
At 30 March 2019	–	–	–
Depreciation charge	(1.2)	(1.4)	(2.6)
Disposals	0.1	0.3	0.4
Impairment charge	(0.2)	–	(0.2)
At 28 March 2020	**(1.3)**	**(1.1)**	**(2.4)**
Net book value			
At 30 March 2019	–	–	–
At 28 March 2020	**9.0**	**2.8**	**11.8**

Notes to the financial statements CONTINUED

11. Goodwill

	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Carrying value		
Opening balance	646.0	646.0
Closing balance	**646.0**	646.0

Goodwill is attached to the Group's Grocery CGU. Goodwill impairment testing is performed by CGU, which is the lowest level at which goodwill is monitored for internal reporting purposes.

Key assumptions

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

Cash flow assumptions

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

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

Revenue growth is forecast based on known or forecast customer sales initiatives, including, to the extent agreed, customer business plans or agreements for the next period, current and forecast new product development, promotional and marketing strategy, and specific category or geographical growth. External factors, including the consumer environment, are also taken into account in the more short-term forecasts. The compound annual growth rate over the three-year forecast period is 2.7% (2018/19: 2.2%).

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

Long term growth rate assumptions

For the purposes of impairment testing, the cash flows are extrapolated into perpetuity using growth assumptions relevant for the business sector. The growth rate applied of 1.1% (2018/19: 1.5%) is based on the long term growth in UK GDP as the directors expect food consumption to follow GDP growth. This is not considered to be higher than the average long-term industry growth rate.

Discount rate assumptions

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

The Group has considered the impact of the current economic climate in determining the appropriate discount rate to use in impairment testing. In the current period, the post-tax rate used to discount the forecast cash flows has been determined to be 8.0% (2018/19: 8.5%).

Sensitivity analysis

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

	Reasonably possible change in assumption	Impact on value in use
Revenue growth	Increase/decrease by 2.0%	Increase/decrease by £105.0m/£101.1m
Divisional contribution margin	Increase/decrease by 2.0%	Increase/decrease by £132.7m/£132.7m
Long term growth rate	Increase/decrease by 1.0%	Increase/decrease by £202.8m/£151.6m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £89.4m/£103.3m

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

Goodwill impairment charge

There has been no goodwill impairment charge recognised in 2019/20 (2018/19: £nil).

12. Other intangible assets

	Software £m	Brands/ trademarks/ licences £m	Customer relationships £m	Assets under construction £m	Total £m
Cost					
At 31 March 2018	138.6	693.2	134.8	1.3	967.9
Additions	1.7	–	–	1.3	3.0
Transferred into use	0.7	–	–	(0.7)	–
At 30 March 2019	**141.0**	**693.2**	**134.8**	**1.9**	**970.9**
Additions	**1.6**	**–**	**–**	**3.1**	**4.7**
Disposals	**(0.2)**	**–**	**–**	**–**	**(0.2)**
Transferred into use	**1.7**	**–**	**–**	**(1.7)**	**–**
At 28 March 2020	**144.1**	**693.2**	**134.8**	**3.3**	**975.4**
Accumulated amortisation and impairment					
At 31 March 2018	(108.6)	(296.1)	(134.8)	–	(539.5)
Amortisation charge	(11.4)	(23.0)	–	–	(34.4)
Impairment charge	–	(30.6)	–	–	(30.6)
At 30 March 2019	**(120.0)**	**(349.7)**	**(134.8)**	**–**	**(604.5)**
Disposals	**0.2**	**–**	**–**	**–**	**0.2**
Amortisation charge	**(8.6)**	**(20.8)**	**–**	**–**	**(29.4)**
Reclassification of amortisation	**(0.4)**	**–**	**–**	**–**	**(0.4)**
At 28 March 2020	**(128.8)**	**(370.5)**	**(134.8)**	**–**	**(634.1)**
Net book value					
At 30 March 2019	21.0	343.5	–	1.9	366.4
At 28 March 2020	**15.3**	**322.7**	**–**	**3.3**	**341.3**

All amortisation is recognised within administrative costs.

Included in the assets under construction additions for the period are £1.1m (2018/19: £1.1m) in respect of internal costs.

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

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

	Carrying value at 28 March 2020 £m	Estimated useful life remaining Years
Bisto	101.8	17
Oxo	72.4	27
Batchelors	52.8	17
Mr Kipling	39.5	17
Sharwoods	22.1	17

Intangible assets impairment charge

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

Notes to the financial statements CONTINUED

13. 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
Hillsdown Holdings Limited Pension Scheme [1]

[1] Hillsdown Holdings Limited Pension Scheme has transferred in during the year, this scheme has previously been excluded from the Group's IAS 19 results on the basis of materiality.

(b) The RHM schemes, which comprise:
RHM Pension Scheme
Premier Foods Ireland Pension Scheme

The triennial actuarial valuations of the PFPS, the PGPPS and the RHM pension scheme for 31 March 2019 / 5 April 2019 have been concluded and the Group has signed all implementation documentation. Deficit recovery plans have been agreed with the Trustees of each of the PFPS and PGPPS. The RHM Pension Scheme was in surplus and no deficit contributions are payable. Actuarial valuations for the schemes based in Ireland were completed during the course of 2017 and 2019.

The exchange rates used to translate the overseas euro based schemes are £1.00 = €1.1444 for the average rate during the period, and £1.00 = €1.1128 for the closing position at 28 March 2020.

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

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

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

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

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

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

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

The schemes can limit or hedge their exposure to the yield and inflation risks described above by investing in assets that move in the same direction as the liabilities in the event of a fall in yields, or a rise in inflation. The RHM Pension Scheme has largely hedged its inflation and interest rate exposure to the extent of its funding level. The PFPS and PGPPS have broadly hedged 60% of their respective liabilities.

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

All pension schemes are closed to future accrual.

The disclosures in note 13 represent those schemes that are associated with Premier ("Premier schemes") and those that are associated with ex-RHM companies ("RHM schemes"). These differs to that disclosed on the balance sheet, in which the schemes have been split between those in an asset position and those in a liability position.

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

	At 28 Mar 2020		At 30 Mar 2019	
	Premier schemes	RHM schemes	Premier schemes	RHM schemes
Discount rate	2.50%	2.50%	2.45%	2.45%
Inflation – RPI	2.65%	2.65%	3.25%	3.25%
Inflation – CPI	1.65%	1.65%	2.15%	2.15%
Expected salary increases	n/a	n/a	n/a	n/a
Future pension increases	1.90%	1.90%	2.10%	2.10%

For the smaller overseas schemes, the discount rate used was 1.00% (2018/19: 1.50%) and future pension increases were 0.80% (2018/19: 1.30%).

At 28 March 2020 and 30 March 2019, the discount rate was derived based on a bond yield curve expanded to also include bonds rated AA by one credit agency (and which might for example be rated A or AAA by other agencies).

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

	At 28 Mar 2020		At 30 Mar 2019	
	Premier schemes	RHM schemes	Premier schemes	RHM schemes
Male pensioner, currently aged 65	87.0	85.4	87.4	85.3
Female pensioner, currently aged 65	87.6	86.6	89.3	87.8
Male non-pensioner, currently aged 45	89.2	87.8	88.4	86.1
Female non-pensioner, currently aged 45	90.2	89.3	90.5	88.9

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

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £68.2m/£69.9m
Inflation	Increase/decrease by 0.1%	Increase/decrease by £27.0m/£26.6m
Assumed life expectancy at age 60 (rate of mortality)	Increase/decrease by 1 year	Increase/decrease by £188.9m/£188.5m

The sensitivity information has been derived using projected cash flows for the Schemes valued using the relevant assumptions and membership profile as at 28 March 2020. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

At the reporting date, the property asset class carried an uncertainty clause over the valuation performed by independent valuers of the property funds. This reflects the difficulty in assigning a value to the underlying properties held by the respective funds due to the current economic environment caused by COVID-19.

The inclusion of the 'uncertainty' clause does not invalidate the valuation, nor does it mean that the valuation cannot be relied upon. The declaration has been included in the investment manager's valuation report as a precaution to ensure transparency of the fact that less certainty can be attached to the valuation than would otherwise be the case under normal market conditions.

Management has reviewed the asset values that make up the property asset class, to ensure the values appropriately reflect current market conditions, recognising that there is short term volatility driven by the current market conditions. Using total property fund value as the basis, a sensitivity analysis has been performed as follows:

	Change in assumption	Impact on scheme assets
Property fund value	Increase/decrease by 1%	Increase/decrease by £4.5m/£4.5m

Notes to the financial statements CONTINUED

13. Retirement benefit schemes continued

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

	Premier schemes £m	% of total %	RHM schemes £m	% of total %	Total £m	% of total
Assets with a quoted price in an active market at 28 March 2020:						
Government bonds	–	–	1,758.5	37.1	1,758.5	31.8
Cash	6.9	0.9	25.5	0.5	32.4	0.6
Assets without a quoted price in an active market at 28 March 2020:						
UK equities	0.1	0.0	0.2	0.0	0.3	0.0
Global equities	6.7	0.9	4.5	0.1	11.2	0.2
Government bonds	24.3	3.1	19.8	0.4	44.1	0.8
Corporate bonds	25.3	3.3	–	–	25.3	0.5
UK property	42.4	5.5	331.9	7.0	374.3	6.8
European property	0.8	0.1	70.1	1.5	70.9	1.3
Absolute return products	364.0	46.9	834.2	17.7	1,198.2	21.6
Infrastructure funds	–	–	309.8	6.5	309.8	5.6
Interest rate swaps	–	–	533.1	11.2	533.1	9.7
Inflation swaps	–	–	(46.0)	(1.0)	(46.0)	(0.8)
Private equity	0.6	0.1	509.5	10.7	510.1	9.2
LDI	268.3	34.6	–	–	268.3	4.9
Other	35.3	4.6	394.2	8.3	429.5	7.8
Fair value of scheme assets as at 28 March 2020	774.7	100	4,745.3	100	5,520.0	100
Assets with a quoted price in an active market at 30 March 2019 [1]:						
Government bonds	–	–	1,298.6	30.0	1,298.6	25.8
Cash	8.0	1.1	29.3	0.7	37.3	0.7
Assets without a quoted price in an active market at 30 March 2019 [1]:						
UK equities	0.4	0.1	0.3	0.0	0.7	0.1
Global equities	7.5	1.1	171.3	4.0	178.8	3.5
Government bonds	29.9	4.2	18.0	0.4	47.9	1.0
Corporate bonds	26.9	3.8	–	–	26.9	0.5
UK property	30.9	4.4	362.6	8.4	393.5	7.8
European property	0.4	0.1	42.2	0.9	42.6	0.8
Absolute return products	365.7	51.6	976.3	22.5	1,342.0	26.7
Infrastructure funds	–	–	255.8	5.9	255.8	5.1
Interest rate swaps	–	–	448.8	10.4	448.8	8.9
Inflation swaps	–	–	49.6	1.1	49.6	1.0
Private equity	–	–	446.1	10.3	446.1	8.8
LDI	223.2	31.6	–	–	223.2	4.4
Other	14.2	2.0	234.7	5.4	248.9	4.9
Fair value of scheme assets as at 30 March 2019	707.1	100	4,333.6	100	5,040.7	100

[1] Restated following re-interpretation of the classifications, including the allocation between quoted and unquoted assets.

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

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

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

	At 28 March 2020			At 30 March 2019		
	Premier schemes £m	RHM schemes £m	Total £m	Premier schemes £m	RHM schemes £m	Total £m
Present value of funded obligations	(1,049.6)	(3,240.0)	(4,289.6)	(1,171.8)	(3,495.8)	(4,667.6)
Fair value of plan assets	774.7	4,745.3	5,520.0	707.1	4,333.6	5,040.7
(Deficit)/surplus in schemes	(274.9)	1,505.3	1,230.4	(464.7)	837.8	373.1

The aggregate surplus of £373.1m has increased to a surplus of £1,230.4m in the current period. This increase of 857.3m (2018/19: £56.1m increase) is primarily driven by return on plan assets and change in financial assumptions.

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

	Premier schemes £m	RHM schemes £m	Total £m
Defined benefit obligation at 31 March 2018	(1,116.1)	(3,430.5)	(4,546.6)
Interest cost	(29.1)	(90.3)	(119.4)
Past service cost	(11.1)	(26.5)	(37.6)
Remeasurement losses	(53.9)	(94.6)	(148.5)
Exchange differences	0.8	0.5	1.3
Benefits paid	37.6	145.6	183.2
Defined benefit obligation at 30 March 2019	(1,171.8)	(3,495.8)	(4,667.6)
Recognition of HHL pension scheme	(0.5)	–	(0.5)
Interest cost	(27.8)	(83.3)	(111.1)
Settlement	0.9	36.1	37.0
Remeasurement gain	113.6	157.6	271.2
Exchange differences	(2.0)	(1.3)	(3.3)
Benefits paid	38.0	146.7	184.7
Defined benefit obligation at 28 March 2020	(1,049.6)	(3,240.0)	(4,289.6)

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

	Premier schemes £m	RHM schemes £m	Total £m
Fair value of plan assets at 31 March 2018	679.1	4,184.5	4,863.6
Interest income on plan assets	17.7	110.7	128.4
Remeasurement gains	14.2	187.5	201.7
Administrative costs	(6.5)	(3.8)	(10.3)
Contributions by employer	41.1	0.8	41.9
Exchange differences	(0.9)	(0.5)	(1.4)
Benefits paid	(37.6)	(145.6)	(183.2)
Fair value of plan assets at 30 March 2019	707.1	4,333.6	5,040.7
Recognition of HHL pension scheme	0.5	–	0.5
Interest income on plan assets	16.7	103.7	120.4
Remeasurement gains	49.3	496.2	545.5
Administrative costs	(5.6)	(4.6)	(10.2)
Settlement	(1.0)	(39.7)	(40.7)
Contributions by employer	43.3	1.4	44.7
Exchange differences	2.4	1.4	3.8
Benefits paid	(38.0)	(146.7)	(184.7)
Fair value of plan assets at 28 March 2020	774.7	4,745.3	5,520.0

Notes to the financial statements CONTINUED

13. Retirement benefit schemes continued

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

	Premier schemes £m	RHM schemes £m	Total £m
(Deficit)/surplus in schemes at 31 March 2018	(437.0)	754.0	317.0
Amount recognised in profit or loss	(29.0)	(9.9)	(38.9)
Remeasurements recognised in other comprehensive income	(39.7)	92.9	53.2
Contributions by employer	41.1	0.8	41.9
Exchange differences recognised in other comprehensive income	(0.1)	–	(0.1)
(Deficit)/surplus in schemes at 30 March 2019	**(464.7)**	**837.8**	**373.1**
Amount recognised in profit or loss	**(16.8)**	**12.2**	**(4.6)**
Remeasurements recognised in other comprehensive income	**162.9**	**653.8**	**816.7**
Contributions by employer	**43.3**	**1.4**	**44.7**
Exchange differences recognised in other comprehensive income	**0.4**	**0.1**	**0.5**
(Deficit)/surplus in schemes at 28 March 2020	**(274.9)**	**1,505.3**	**1,230.4**

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

	2019/20			2018/19		
	Premier schemes £m	RHM schemes £m	Total £m	Premier schemes £m	RHM schemes £m	Total £m
Remeasurement gain/(loss) on plan liabilities	**113.6**	**157.6**	**271.2**	(53.9)	(94.6)	(148.5)
Remeasurement gain on plan assets	**49.3**	**496.2**	**545.5**	14.2	187.5	201.7
Net remeasurement gain/(loss) for the period	**162.9**	**653.8**	**816.7**	(39.7)	92.9	53.2

The actual return on plan assets was a £665.9m gain (2018/19: £330.1m gain), which is £545.5m more (2018/19: £201.7m more) than the interest income on plan assets of £120.4m (2018/19: £128.4m).

The remeasurement gain on liabilities of £271.2m (2018/19: £148.5m loss) comprises a gain due to changes in financial assumptions of £184.5m (2018/19: £226.7m loss), a gain due to member experience of £76.5m (2018/19: £9.1m loss) and a gain due to demographic assumptions of £10.2m (2018/19: £87.3m gain).

The net remeasurement gain taken to the consolidated statement of comprehensive income was £816.7m (2018/19: £53.2m gain). This gain was £661.4m (2018/19: £44.1m gain) net of taxation (with tax at 19% for UK schemes, and 12.5% for Irish schemes).

The RHM Pension Scheme Trustee began an enhanced transfer value (ETV) exercise in 2019 for deferred pensioner members who met the eligibility criteria. The impact of ETV payments made before the end of the financial year on the accounting position is reflected in the notes above.

The Group expects to contribute between £4m and £6m annually to its defined benefit plans in relation to expenses and government levies and £35-38m of additional annual contributions to fund the scheme deficits up to 31 March 2021.The RHM Pension Scheme and the PFPS have a combined estimated duration of 17 years at the reporting date.

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

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

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

	2019/20 Premier schemes £m	2019/20 RHM schemes £m	2019/20 Total £m	2018/19 Premier schemes £m	2018/19 RHM schemes £m	2018/19 Total £m
Operating profit						
GMP Equalisation	–	–	–	(26.5)	(15.0)	(41.5)
Settlement costs	(0.1)	(3.6)	(3.7)	–	3.9	3.9
Administrative costs	(5.6)	(4.6)	(10.2)	(6.5)	(3.8)	(10.3)
Net interest (cost)/credit	(11.1)	20.4	9.3	(11.4)	20.4	9.0
Total (cost)/credit	(16.8)	12.2	(4.6)	(44.4)	5.5	(38.9)

Defined contribution schemes

A number of companies in the Group operate defined contribution schemes, including provisions to comply with auto enrolment requirements laid down by law. In addition, a number of schemes providing life assurance benefits only are operated. The total expense recognised in the statement of profit or loss of £7.3m (2018/19: £6.7m) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

14. Inventories

	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Raw materials	15.8	16.4
Work in progress	2.5	2.7
Finished goods and goods for resale	49.7	58.7
Total inventories	68.0	77.8

Inventory write-offs in the period amounted to £3.6m (2018/19: £7.7m). The decrease in the current period follows a high level of write-offs related to the implementation issues during the Group's warehousing and distribution consolidation in the prior period.

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

15. Trade and other receivables

	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Trade receivables	67.2	71.2
Trade receivables provided for	(3.2)	(4.8)
Net trade receivables	64.0	66.4
Prepayments	14.2	11.8
Other tax and social security receivable	10.6	10.3
Other receivables	0.3	0.7
Total trade and other receivables	89.1	89.2

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

During 2016, the Group entered into a Receivables Financing Agreement pursuant to which the Group assigns various receivables owed to it in return for funding on a non-recourse basis. Receivables are only eligible for sale if they meet certain criteria. The facility limit is £30 million. As at 28 March 2020, £29 million was drawn (2018/19: £30 million).

Notes to the financial statements CONTINUED

16. Notes to the cash flow statement

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

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Profit/(loss) before taxation	53.6	(42.7)
Net finance cost	41.7	47.2
Operating profit	95.3	4.5
Depreciation of property, plant and equipment	19.9	17.0
Amortisation of intangible assets	29.4	34.4
Loss on disposal of non-current assets	0.4	0.3
Impairment of intangible assets	–	30.6
Fair value movements on foreign exchange and other derivative contracts	(1.7)	1.3
Equity settled employee incentive schemes	1.3	2.1
GMP equalisation and past service cost related to defined benefit pension schemes[1]	–	37.6
Decrease/(increase) in inventories	9.8	(1.4)
Decrease/(increase) in trade and other receivables	0.1	(14.4)
Increase in trade and other payables and provisions	9.5	8.8
Movement in retirement benefit obligations	(42.5)	(40.6)
Cash generated from operations	121.5	80.2

[1] The prior year employee benefit past service costs include the GMP equalisation charge.

Reconciliation of cash and cash equivalents to net borrowings

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Net inflow of cash and cash equivalents	150.1	4.2
Increase in IFRS 16 leases	(21.5)	–
(Increase)/decrease in borrowings	(85.0)	25.0
Other non-cash movements	(3.3)	(2.7)
Decrease in borrowings net of cash	40.3	26.5
Total net borrowings at beginning of period	(469.9)	(496.4)
Total net borrowings at end of period	(429.6)	(469.9)

Analysis of movement in borrowings

	As at 30 Mar 2019 £m	Cash flows £m	Non-cash interest expense £m	Other non-cash movements £m	As at 28 Mar 2020 £m
Cash and bank deposits	27.8	150.1	–	–	177.9
Net cash and cash equivalents	27.8	150.1	–	–	177.9
Borrowings – revolving credit facilities	–	(85.0)	–	–	(85.0)
Borrowings – senior secured notes	(510.0)	–	–	–	(510.0)
Finance lease obligations	–	(3.9)	1.1	(18.7)	(21.5)
Gross borrowings net of cash[1]	(482.2)	61.2	1.1	(18.7)	(438.6)
Debt issuance costs[2]	12.3	–	–	(3.3)	9.0
Total net borrowings[1]	(469.9)	61.2	1.1	(22.0)	(429.6)

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

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

	As at 28 Mar 2020			As at 30 Mar 2019		
	Offset asset	Offset liability	Net offset asset	Offset asset	Offset liability	Net offset asset
Cash, cash equivalents and bank overdrafts	312.8	(134.9)	177.9	158.0	(130.2)	27.8

17. Trade and other payables

	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Trade payables	(154.0)	(149.1)
Commercial accruals	(52.4)	(45.3)
Tax and social security payables	(4.9)	(4.9)
Other payables and accruals	(38.4)	(38.7)
Total trade and other payables	(249.7)	(238.0)

18. Financial instruments

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

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

(a) Market risk

i) Foreign exchange risk

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

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

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

Principal rate of exchange: euro/sterling	52 weeks ended 28 Mar 2020	52 weeks ended 30 Mar 2019
Period ended	1.1128	1.1612
Average	1.1444	1.1334

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

The table below shows the Group's currency exposures as at 28 March 2020 and 30 March 2019 that gave rise to net currency gains and losses recognised in the consolidated statement of profit or loss as a result of monetary assets and liabilities that are not denominated in the functional currency of the subsidiaries involved.

Notes to the financial statements CONTINUED

18. Financial instruments continued

	Functional currency of subsidiaries - Sterling As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Net foreign currency monetary assets:		
– Euro	(3.2)	(3.2)
– US dollar	1.4	3.0
– Other	(0.0)	(0.2)
Total	(1.8)	(0.4)

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

	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Euro	(41.6)	(51.3)
Total	(41.6)	(51.3)

Sensitivities are disclosed below using the following reasonably possible scenarios:

If the US dollar were to weaken against sterling by 20 US dollar cents, with all other variables held constant, profit after tax would decrease by £0.1m (2018/19: £0.1m decrease).

If the US dollar were to strengthen against sterling by 20 US dollar cents, with all other variables held constant, profit after tax would increase by £0.1m (2018/19: £0.1m increase).

If the euro were to weaken against sterling by 10 euro cents, with all other variables held constant, profit after tax would decrease by £2.9m (2018/19: £3.2m decrease).

If the euro were to strengthen against sterling by 10 euro cents, with all other variables held constant, profit after tax would increase by £3.4m (2018/19: £3.8m increase).

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

(ii) Commodity price risk

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

(iii) Interest rate risk

The Group's borrowing facilities comprise senior secured notes and a revolving facility, in sterling. Interest is charged at floating rates plus a margin on the amounts drawn down, and at 35% of the applicable margin for the non-utilised portion of the facility, hence the borrowings are sensitive to changes in interest rates.

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

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

(b) Credit risk

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

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

At 28 March 2020, trade and other receivables of £7.4m (2018/19: £10.2m) were past due but not impaired. These relate to customers with whom there is no history of default.

The ageing of trade and other receivables was as follows:

	Fully performing £m	Past due 1–30 days £m	31–60 days £m	61–90 days £m	91-120 days £m	120+ days £m	Total £m
Trade and other receivables							
As at 28 March 2020	**56.9**	**2.7**	**1.2**	**1.2**	**0.7**	**1.6**	**64.3**
As at 30 March 2019	56.9	4.1	1.3	0.8	1.0	3.0	67.1

At 28 March 2020, trade and other receivables of £3.2m (2018/19: £4.8m) were determined to be specifically impaired and provided for. The total includes receivables from customers which are considered to be experiencing difficult economic situations.

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

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

	2019/20 £m	2018/19 £m
As at 31 March 2019 / 1 April 2018	**4.8**	4.4
Receivables written off during the period as uncollectable	**(2.7)**	(2.2)
Provision for receivables impairment raised	**1.1**	2.6
As at 28 March 2020 / 30 March 2019	**3.2**	4.8

(c) Liquidity risk

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

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

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

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

	Within 1 year £m	1 and 2 years £m	2 and 3 years £m	3 and 4 years £m	4 and 5 years £m	Over 5 years £m	Total £m
At 28 March 2020							
Trade and other payables	**(244.8)**	**–**	**–**	**–**	**–**	**–**	**(244.8)**
Senior secured notes - fixed	**–**	**–**	**–**	**(300.0)**	**–**	**–**	**(300.0)**
Senior secured notes - floating	**–**	**–**	**(210.0)**	**–**	**–**	**–**	**(210.0)**
Secured senior credit facility – revolving	**(85.0)**	**–**	**–**	**–**	**–**	**–**	**(85.0)**
Finance lease obligations	**(2.5)**	**(2.2)**	**(2.0)**	**(1.9)**	**(1.9)**	**(11.0)**	**(21.5)**
At 30 March 2019							
Trade and other payables	(233.1)	–	–	–	–	–	(233.1)
Senior secured notes - fixed	–	–	–	–	(300.0)	–	(300.0)
Senior secured notes - floating	–	–	–	(210.0)	–	–	(210.0)

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

At 28 March 2020 the Group had £76.6m (2018/19: £161.6m) of facilities not drawn, expiring between two to three years (2018/19: three to four years). This excludes £15.0m of facilities carved out of the revolving credit facility.

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

Notes to the financial statements CONTINUED

18. Financial instruments continued

The following table analyses the contractual undiscounted cash flows of interest on the floating rate debt to maturity (based on the last fixed rate reset of 0.6678% (2018/19: 0.9279%) plus applicable margin).

	Within 1 year £m	1 and 2 years £m	2 and 3 years £m	3 and 4 years £m	4 and 5 years £m	Over 5 years £m	Total £m
At 28 March 2020	**13.6**	**12.0**	**4.0**	**0.0**	**–**	**–**	**29.6**
At 30 March 2019	13.3	13.3	13.3	4.8	–	–	44.7

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

	Within 1 year £m	1 and 2 years £m	2 and 3 years £m	3 and 4 years £m	4 and 5 years £m	Over 5 years £m	Total £m
At 28 March 2020							
Forward foreign exchange contracts:							
– Outflow	**(41.6)**	**–**	**–**	**–**	**–**	**–**	**(41.6)**
– Inflow	**42.5**	**–**	**–**	**–**	**–**	**–**	**42.5**
Commodities:							
– Outflow	**(1.5)**	**(1.6)**	**–**	**–**	**–**	**–**	**(3.1)**
Total derivative financial instruments	**(0.6)**	**(1.6)**	**–**	**–**	**–**	**–**	**(2.2)**
At 30 March 2019							
Forward foreign exchange contracts:							
– Outflow	(51.2)	–	–	–	–	–	(51.2)
– Inflow	49.7	–	–	–	–	–	49.7
Commodities:							
– Outflow	(1.9)	–	–	–	–	–	(1.9)
Total derivative financial instruments	(3.4)	–	–	–	–	–	(3.4)

(d) Fair value

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

	As at 28 Mar 2020		As at 30 Mar 2019	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets not measured at fair value:				
Cash and cash equivalents	177.9	177.9	27.8	27.8
Financial assets at amortised cost:				
Trade and other receivables	61.4	61.4	62.5	62.5
Financial assets at fair value through profit or loss:				
Trade and other receivables	2.9	2.8	4.6	4.5
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	0.9	0.9	(1.5)	(1.5)
– Commodity and energy derivatives	(0.8)	(0.8)	(0.1)	(0.1)
Financial liabilities at amortised cost:				
Trade and other payables	(244.8)	(244.8)	(233.1)	(233.1)
Senior secured notes	(510.0)	(459.4)	(510.0)	(515.0)
Senior secured credit facility – revolving	(85.0)	(85.0)	–	–
Finance lease obligations	(21.5)	(21.5)	–	–

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 28 Mar 2020		As at 30 Mar 2019	
	Level 1 £m	Level 2 £m	Level 1 £m	Level 2 £m
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	–	0.9	–	(1.5)
– Commodity and energy derivatives	–	(0.8)	–	(0.1)
Other financial liabilities				
Financial liabilities at amortised cost:				
Senior secured notes	(459.4)	–	(515.0)	–

Notes to the financial statements CONTINUED

18. Financial instruments continued

Fair value estimation

Derivatives

Forward exchange contracts are marked to market using prevailing market prices. Hedge accounting has not been applied to forward contracts and as a result the movement in the fair value of £2.4m has been credited to the statement of profit or loss in the period (2018/19: £1.1m charge).

Commodity derivatives are marked to market using prevailing prices and are also not designated for hedge accounting. As a result, the fair value movement of £0.7m has been charged to the statement of profit or loss (2018/19: £0.2m charge).

Short and long-term borrowings, loan notes and interest payable

Fair value is calculated based on discounted expected future principal and interest rate cash flows. The fair value of the floating rate debt approximates the carrying value above.

Trade and other receivables/payables

The carrying value of receivables/payables with a remaining life of less than one year is deemed to reflect the fair value given their short maturity. The fair values of non-current receivables/payables are also considered to be the same as the carrying value due to the size and nature of the balances involved.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, or sell assets to reduce debt.

The directors do not recommend the payment of a dividend for the period ended 28 March 2020 (2018/19: £nil).

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The gearing ratios at the balance sheet date were as follows:

	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Total borrowings	(607.5)	(497.7)
Less cash and bank deposits	177.9	27.8
Net debt	(429.6)	(469.9)
Total equity	(1,680.0)	(962.8)
Total capital	(2,109.6)	(1,432.7)
Gearing ratio	20%	33%

Gearing is lower year on year due to a lower debt level and a higher pension surplus.

Under the Group's financing arrangement, the Group is required to meet two covenant tests which are calculated and tested on a 12-month rolling basis at the half year and full year, each year. The Group has complied with these tests at 28 September 2019 and 28 March 2020.

(f) Financial compliance risk

Risk

The Group continues to operate with a high level of net debt of £429.6m (2018/19: £469.9m) and is subject to operating within banking covenants set out in its refinancing agreement agreed with its banking syndicate, which include net debt/EBITDA and EBITDA/interest covenant tests. In the event these covenants are not met then the Group would be in breach of its financing agreement and, as would be the case in any covenant breach, the banking syndicate could withdraw their funding to the Group. The banking covenants relate to the Group's revolving credit facility, which was drawn at 28 March 2020 by £85.0m (2018/19: undrawn).

In addition to covenant compliance the Group must ensure that it manages its liquidity such that it has sufficient funds to meet its obligations as they fall due.

It also supports three defined benefit pension schemes in the UK; two of the three schemes have significant technical funding deficits which could have an adverse impact on the financial condition of the Group.

Mitigation
The Group has financing arrangements which provide funding until between 2022 and 2023.

The Group reviews its performance on an ongoing basis and formally tests and reports on covenant compliance to the Group's banking syndicate at each reporting date. In the event of a forecast covenant breach the Group would seek a covenant waiver or amendment from its banking syndicate.

The Group manages liquidity risk through the Group Finance function. Cash flow forecasts are prepared and reviewed on a weekly basis, normally covering a period of three months. In addition, cash flow forecasts are prepared as part of the Group's overall budgeting and forecasting processes and performance is monitored against this each month.

The Group announced a transformational agreement with its pension schemes, which could lead to a vastly improved funding position of these schemes. This is expected to be implemented by 30 June 2020. Please refer to note 27 for further information.

The Group continues to monitor the pension risks closely, working with the trustees to ensure a collaborative approach.

19. Bank and other borrowings

	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Current:		
IFRS 16 lease liability	(2.5)	–
Secured senior credit facility – revolving	(85.0)	–
Total borrowings due within one year	(87.5)	–
Non-current:		
IFRS 16 lease liability	(19.0)	–
	(19.0)	–
Transaction costs	4.2	5.8
	4.2	5.8
Senior secured notes	(510.0)	(510.0)
Transaction costs	4.8	6.5
	(505.2)	(503.5)
Total borrowings due after more than one year	(520.0)	(497.7)
Total bank and other borrowings	(607.5)	(497.7)

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

The covenant package attached to the revolving credit facility is:

	Net debt / EBITDA[1]	Net debt / Interest[1]
2020/21 FY	4.25x	2.85x
2021/22 FY	4.00x	2.90x

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

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

Notes to the financial statements CONTINUED

20. Provisions for liabilities and charges

Property provisions primarily relate to provisions for dilapidations against leasehold properties and environmental liabilities. Other provisions primarily relate to insurance and legal matters and provisions for restructuring costs. These provisions have been discounted at rates between 0.12% and 0.77% (2018/19: 0.69% and 1.55%). The unwinding of the discount is charged or credited to the statement of profit or loss under finance cost.

	Property £m	Other £m	Total £m
At 31 March 2018	(32.1)	(11.5)	(43.6)
Utilised during the period	2.4	1.0	3.4
Additional charge in the period	–	(2.6)	(2.6)
Unwind of discount	(3.0)	–	(3.0)
Released during the period	0.9	2.8	3.7
At 30 March 2019	(31.8)	(10.3)	(42.1)
Utilised during the period	0.2	2.9	3.1
Additional charge in the period	(0.2)	(1.5)	(1.7)
Unwind of discount	(1.4)	(0.0)	(1.4)
Released during the period	0.7	0.9	1.6
Release under IFRS 16[1]	24.5	–	24.5
At 28 March 2020	(8.0)	(8.0)	(16.0)

[1] The adoption of IFRS 16 in the period involved the release to opening profit and loss reserve of the Group's long term property provisions.

Ageing of total provisions:	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Within one year	(6.4)	(9.7)
Between 2 and 5 years	(1.8)	(5.0)
After 5 years	(7.8)	(27.4)
Total	(16.0)	(42.1)

21. Other liabilities

Ageing of total provisions:	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Deferred income	(7.4)	(8.4)
Other accruals	(1.3)	(2.2)
Other liabilities	(8.7)	(10.6)

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

22. Reserves and share capital

Share premium

The share premium reserve comprises the premium paid over the nominal value of shares for shares issued.

Merger reserve

The merger reserve comprises the non-statutory premium arising on shares issued as consideration for acquisition of subsidiaries where merger relief applies, less subsequent realised losses relating to those acquisitions.

Other reserves

Other reserves comprise the hedging reserve, which represents the effective portion of the gains or losses on derivative financial instruments that have historically been designated as hedges.

Profit and loss reserve

The profit and loss reserve represents the cumulative profit or loss and the own shares reserve which represents the cost of shares in Premier Foods plc, purchased in the market and held by the Employee Benefit Trust on behalf of the Company in order to satisfy options and awards under the Company's incentive schemes. 81,714 shares in Premier Foods plc were held by the Employee Benefit Trust at 28 March 2020, with a market value of £0.0m (2018/19: 381,850 shares with a market value of £0.1m).

Share capital

	Number of shares	Ordinary shares @ nominal value (£0.10/share) £m	Share premium £m	Total £m
At 31 March 2018	840,622,217	84.1	1,407.6	1,491.7
Shares issued under share schemes	4,306,470	0.4	1.0	1.4
At 30 March 2019	**844,928,687**	**84.5**	**1,408.6**	**1,493.1**
Shares issued under share schemes	**3,280,793**	**0.3**	**0.8**	**1.1**
At 28 March 2020	**848,209,480**	**84.8**	**1,409.4**	**1,494.2**

Share award schemes

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

1. A Long-Term Incentive Plan ("LTIP") for executive directors and senior managers, approved by shareholders in 2011. The LTIP is comprised of performance shares whereby participants have the right to subscribe for ordinary shares at nil cost. These awards are equity-settled and have a maximum term of three years. The vesting of the 2016, 2017 and 2018 Performance Share awards are conditional on achievement of a combination of absolute adjusted earnings per share targets and relative TSR targets.
2. A Restricted Stock Plan ("RSP") which provides specific ad hoc share awards to managers. Awards are normally subject only to continued employment and may be equity-settled or cash-settled and normally have a retention term of two to three years for senior management.
3. A Share Incentive Plan ("SIP") for all employees. An award of free shares was made to all employees in 2014 by the Company under this HMRC tax-advantaged plan. Free shares are held by a trustee for a minimum of three years. Subject to continuing employment, participants may elect to remove shares from the trust after this three year holding period, however, there are tax and National Insurance advantages for the employee should the shares be left in the trust for over five years. No further awards under this plan are currently anticipated.
4. A Deferred Bonus Plan ("DBP"). One third of any annual bonus payment awarded to executive directors is made in the form of shares. These shares are awarded under the terms of the DBP which was approved by shareholders in July 2017. Awards will normally be made within six weeks following the announcement of the Group's full year results in the form of nil cost options. The awards will normally vest on the third anniversary of grant and, if awarded in the form of nil cost options, will then be exercisable up until the tenth anniversary of grant.

Share option schemes

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

1. A Savings Related Share Option Scheme ("Sharesave Plan") for all employees. The employees involved in this HMRC tax advantaged save as you earn scheme have the right to subscribe for up to 10.1 million ordinary shares. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below. These options are equity-settled, have a maximum term of 3.5 years and generally vest only if employees remain in employment to the vesting date.

Further details of the share award and share options schemes can be found in the Directors' Remuneration report.

Details of share award and option schemes

Details of the share awards of the Premier Foods plc LTIP (Performance share award) are as follows:

Premier Foods plc LTIP (Performance share award)

	2019/20 Awards	2018/19 Awards
Outstanding at the beginning of the period	**24,510,476**	29,699,520
Granted during the period	**5,167,304**	7,640,497
Forfeited during the period	**(8,435,844)**	(12,829,541)
Outstanding at the end of the period	**21,241,936**	24,510,476
Exercisable at the end of the period	**–**	5,141,727

The awards outstanding at 28 March 2020 had a weighted average remaining contractual life of 1.1 years (2018/19: 0.9 years). The weighted average fair value of awards granted during the period was nil pence per award.

Notes to the financial statements CONTINUED

22. Reserves and share capital continued

Details of the share awards of the Premier Foods plc Restricted Stock Plan are as follows:

Premier Foods plc Restricted Stock Plan

	2019/20 Awards	2018/19 Awards
Outstanding at the beginning of the period	373,705	373,705
Exercised during the period	(305,163)	–
Outstanding at the end of the period	68,542	373,705
Exercisable at the end of the period	68,542	373,705

The awards outstanding at 28 March 2020 had a weighted average remaining contractual life of nil years (2018/19: nil years). The weighted average fair value of awards granted during the period was nil pence per award.

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

Premier Foods plc Deferred Bonus Plan

	2019/20 Awards	2018/19 Awards
Outstanding at the beginning of the period	423,856	–
Granted during the period	219,832	423,856
Outstanding at the end of the period	643,688	423,856
Exercisable at the end of the period	–	–

The awards outstanding at 28 March 2020 had a weighted average remaining contractual life of 1.6 years (2018/19: 1.4 years). The weighted average fair value of awards granted during the period was nil pence per award.

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

Premier Foods plc Share Incentive Plan

	2019/20 Awards	2018/19 Awards
Outstanding at the beginning of the period	1,169,732	1,266,500
Exercised during the period	(213,453)	(76,693)
Transferred out during the period	(23,978)	(19,075)
Forfeited during the period	500	(1,000)
Outstanding at the end of the period	932,801	1,169,732
Exercisable at the end of the period	–	–

The awards outstanding at 28 March 2019 had a weighted average remaining contractual life of nil years (2018/19: nil years). The weighted average fair value of awards granted during the period was nil pence per award.

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

Premier Foods plc Sharesave Plan

	2019/20		2018/19	
	Options	Weighted average exercise price (p)	Options	Weighted average exercise price (p)
Outstanding at the beginning of the period	16,103,887	32	17,835,628	33
Exercised during the period	(3,280,793)	33	(4,306,470)	32
Granted during the period	6,297,698	29	5,022,240	30
Forfeited/lapsed during the period	(2,733,295)	32	(2,447,511)	33
Outstanding at the end of the period	16,387,497	31	16,103,887	32
Exercisable at the end of the period	2,327,362	35	2,673,154	32

During the period 6.3 million (2018/19: 5.0 million) options were granted under the Sharesave Plan, with a weighted average exercise price at the date of exercise of 29 pence per ordinary share (2018/19: 30 pence).

The options outstanding at 28 March 2020 had a weighted average exercise price of 31 pence (2018/19: 32 pence), and a weighted average remaining contractual life of 1.7 years (2018/19: 1.6 years).

In 2019/20, the Group recognised an expense of £1.3m (2018/19: £2.1m), related to all equity-settled share-based payment transactions.

A summary of the range of exercise price and weighted average remaining contractual life is shown below:

Weighted average remaining life and exercise prices

	As at 28 Mar 2020			As at 30 Mar 2019		
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (p)	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (p)
At 10 pence	22,886,967	1.1	10	26,477,769	0.8	10
£0.10 to £9.90	16,387,497	1.6	31	16,103,887	1.6	32
Total	39,274,464	1.3	19	42,581,656	1.1	18

Valuation method

The Group uses the Black-Scholes model to determine the fair value of share options at grant dates. Fair values determined from the model use assumptions that are revised for each share-based payment arrangement.

The expected Premier Foods plc share price volatility was determined using an average for food producers as at the date of grant. The risk-free rate has been determined from market yield curves for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant.

23. Capital commitments

The Group has capital expenditure on property, plant and equipment contracted for at the end of the reporting period but not yet incurred at 28 March 2020 of £6.7m (2018/19: £5.4m).

24. Contingencies

There were no material contingent liabilities at 28 March 2020 (2018/19: none).

25. Related party transactions

The following transactions were carried out with related parties:

a) Key management compensation

Key management personnel of the Group are considered to be the executive and non-executive directors and the Executive Leadership Team. Details of their remuneration are set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures". Further information about the remuneration of individual directors is provided in the audited section of the Directors' Remuneration Report on pages 56 to 77.

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Short term employee benefits	3.8	4.2
Termination benefits	1.2	0.9
Share-based payments	1.0	1.3
Total	6.0	6.4

(b) Other related parties

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

As at 28 March 2020 the following are also considered to be related parties under the Listing Rules due to their shareholdings exceeding 10% of the Group's total issued share capital:

- Nissin Foods Holdings Co., Ltd. ("Nissin") is considered to be a related party to the Group by virtue of its 19.39% (2018/19: 19.47%) equity shareholding in Premier Foods plc and of its power to appoint a member to the Board of directors.
- Oasis Management Company Ltd ("Oasis") is considered to be a related party to the Group by virtue of its 11.94% (2018/19: 11.99%) equity shareholding in Premier Foods plc and of its power to appoint a member to the Board of directors.
- Paulson Investment Company LLC, ("Paulson") is considered to be a related party to the Group by virtue of its 11.93% (2018/19: 11.98%) equity shareholding in Premier Foods plc and of its power to appoint a member to the Board of directors.

Notes to the financial statements CONTINUED

25. Related party transactions continued

	52 weeks ended 28 Mar 2020 £m	52 weeks ended 30 Mar 2019 £m
Sale of goods:		
– Hovis	–	0.3
Sale of services:		
– Hovis	0.7	0.7
Total sales	0.7	1.0
Purchase of goods:		
– Hovis	0.0	6.3
– Nissin	12.2	10.3
Purchase of services:		
– Nissin	0.2	0.2
Total purchases	12.4	16.8

As at 28 March 2020 the Group had outstanding balances with Hovis. Total trade receivables was £0.3m (2018/19: £0.9m) and total trade payables was £0.2m (2018/19: £0.6m).

26. Investments

In accordance with Section 409 of the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015, a full list of subsidiary undertakings, associate undertakings and joint operations (showing the country of incorporation, registered address and effective percentage of equity shares held) as at 28 March 2020 is disclosed below.

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

Company	% Held by Parent Company of the Group	% held by Group companies, if different	Share Class	Country	Registered Address
Hovis Holdings Limited	0%	49%	£0.01 Ordinary shares		
Hovis Limited	0%	49%	£0.01 Ordinary shares		
00241018 Limited*	0%	100%	£1.00 Ordinary shares		
DFL Oldco Limited*	0%	100%	£1.00 Ordinary shares		
F.M.C. (Meat) Limited*	0%	100%	£0.25 Ordinary shares		
Haywards Foods Limited*	0%	100%	£1.00 Ordinary shares		
RLP Old Co Limited*	0%	100%	£1.00 Ordinary shares		
Vic Hallam Holdings Limited*	0%	100%	£1.00 Ordinary shares		
W & J B Eastwood Limited*	0%	100%	£0.25 Ordinary shares		
The Specialist Soup Company Limited*	0%	100%	£1.00 Ordinary shares		
Family Loaf Bakery Limited (The)*					
James Robertson & Sons Limited*					
Manor Bakeries Limited*					
Tiffany *Sharwood's* Frozen Foods Limited*					
Winsford Bacon Company Limited*					
Citadel Insurance Company Limited	0%	100%	£1.00 Ordinary Shares	Isle of Man	Ioma House Hope Street Douglas Isle of Man IM1 1AP
Daltonmoor Limited* Arkway Limited*	0%	100%	£1.00 Ordinary shares	England & Wales	2 Woolgate Court St Benedicts Street Norwich Norfolk NR2 4AP
Diamond Foods Lebensmittelhandel GmbH	0%	100%	€0.5113 Ordinary shares	Germany	Cecilienallee 6 Dusseldorf 40474 Germany
Premier Brands Limited*	0%	100%	£1.00 Ordinary shares	Scotland	Summit House 4-5 Mitchell Street Edinburgh Scotland EH6 7BD
Premier Foods, Inc.	0%	100%	USD$0.01 Common Stock shares	United States	The Corporation Trust Company Corporation Trust Centre 1209 Orange Street DE 19801, USA
Premier Foods ROI Limited Premier Foods Ireland Manufacturing Limited	0%	100%	€1.00 Ordinary shares €1.26 Ordinary shares	Ireland	25-28 North Wall Quay Dublin 1 Ireland

*Dormant entities

27. Subsequent events

On 20 April 2020 the Group announced a transformational agreement with its pensions schemes and that it had concluded its strategic review announced on 27 February 2019. The Group announced a segregated merger of the RHM, PF and PGP pension schemes, which will place them under one Trust. The key benefit of this agreement is that once the RHM pension scheme executes a buyout, any surplus would then be able to be passed to the remaining schemes in deficit, and so would result in an improved funding position of these schemes. As such, this agreement represents a more secure future for the Group's pension scheme members and has the potential to significantly reduce future funding requirements for the Group. The Group has signed all implementation documentation and the merger will take place on 30 June 2020.

On 17 June 2020, the Group redeemed £80m of its £210m floating rate senior secured note which is listed on the Irish GEM Stock Exchange. At the time of reporting, the Group had also repaid the £85m drawn on the revolving credit facility at 28 March 2020.

As at the time of reporting, the developing and uncertain situation in respect of the COVID-19 pandemic continues to be closely monitored.

Balance sheet

The following statements reflect the financial position of the Company, Premier Foods plc as at 28 March 2020 and 30 March 2019. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the UK Companies Act 2006. The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a Company profit and loss account.

	Note	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Non-current assets			
Investments in Group undertakings	3	15.0	14.2
Current assets			
Receivables	4	1,322.5	1,314.6
Deferred tax assets	6	0.1	2.2
Cash at bank and in hand		4.6	3.5
Total assets		1,342.2	1,334.5
Payables: amounts falling due within one year	5	(314.6)	(319.2)
Net current assets		1,012.6	1,001.1
Total assets less current liabilities		1,027.6	1,015.3
Equity			
Called up share capital	7	84.8	84.5
Share premium account		1,409.4	1,408.6
Profit and loss account		(466.6)	(477.8)
Total shareholders' funds		1,027.6	1,015.3

The notes on pages 138 to 140 form an integral part of the financial statements.

The financial statements on pages 136 to 137 were approved by the Board of directors on 24 June 2020 and signed on its behalf by:

Alex Whitehouse
Chief Executive Officer

Duncan Leggett
Chief Financial Officer

Statement of changes in equity

	Called up share capital £m	Share premium account £m	Profit and loss account £m	Total £m
At 31 March 2018	84.1	1,407.6	(495.3)	996.4
Profit for the period	–	–	15.4	15.4
Share-based payments	–	–	2.1	2.1
Shares issued	0.4	1.0	–	1.4
At 30 March 2019	**84.5**	**1,408.6**	**(477.8)**	**1,015.3**
Profit for the period	**–**	**–**	**9.9**	**9.9**
Share-based payments	**–**	**–**	**1.3**	**1.3**
Shares issued	**0.3**	**0.8**	**–**	**1.1**
At 28 March 2020	**84.8**	**1,409.4**	**(466.6)**	**1,027.6**

The notes on pages 138 to 140 form an integral part of the financial statements.

Notes to the Company financial statements

1. Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and where advantage of certain disclosure exemptions available under FRS 101 have been taken, as the Group financial statements contains equivalent disclosures. Disclosure exemptions are as follows:

- Cash flow statements and related notes;
- Presentation of comparative period reconciliations;
- Share based payments;
- Financial instruments and capital management;
- Standards not yet effective; and
- Disclosures in respect of compensation of key management personnel.

The profit for the period of £9.9m (2018/19: £15.4m profit) is recorded in the accounts of Premier Foods plc.

The Company has ensured that its assets and liabilities are measured in compliance with FRS 101. The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

The directors consider that the accounting policies set out below are the most appropriate and have been consistently applied.

The Company is exempt as permitted under Financial Reporting Standard 101 from disclosing related party transactions with entities that are wholly owned subsidiaries of the Premier Foods plc Group.

Investments

Investments are stated at cost less any provision for impairment in their value.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Receivables

Receivables comprise intercompany loans. The Company uses the expected loss model to review the recoverability of receivables and measure the loss allowance required. The Company measures loss allowances for receivables at an amount equal to lifetime expected credit losses. In determining credit risk, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and forward looking information.

Cash and cash equivalents

Short-term cash deposits, which can be called on demand without any material penalty, are included within cash balances in the balance sheet.

Share based payments

The Company operates a number of equity-settled share-based compensation plans. The fair value of employee share option plans is calculated using an option valuation model, taking into account the terms and conditions upon which the awards were granted. In accordance with International Financial Reporting Standard 2, Share-Based Payment ("IFRS 2"), the resulting expense is charged to the profit and loss account over the vesting period of the options for employees employed by the Parent Company, or treated as an investment in subsidiaries in respect of employees employed by the subsidiaries where the expense is recharged. The value of the charge is adjusted to reflect expected and actual levels of options vesting.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards/options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of share awards/options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of share awards/options that are expected to vest and recognises the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

Dividends

Dividend distributions to the Company shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders, and for interim dividends in the period in which they are paid.

Financial guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2. Operating profit

Audit fees in respect of the Company are £nil (2018/19: £nil). Note 5.2 of the Group consolidated financial statements provides details of the remuneration of the Company's auditors on a Group basis.

At 28 March 2020, the Company had two employees (2018/19: one). Directors' emolument disclosures are provided in the Single Figure Table on page 68 of this annual report.

3. Investments in Group undertakings

	2019/20 £m	2018/19 £m
Cost		
At 31 March 2019 / 1 April 2018	1,773.5	1,772.1
Additions	0.8	1.4
At 28 March 2020 / 30 March 2019	1,774.3	1,773.5
Accumulated impairment		
At 31 March 2019 / 1 April 2018	(1,759.3)	(1,759.3)
At 28 March 2020 / 30 March 2019	(1,759.3)	(1,759.3)
NBV at 28 March 2020 / 30 March 2019	15.0	14.2

In 2019/20 a capital contribution of £0.8m (2018/19: £1.4m) was given in the form of share incentive awards to employees of subsidiary companies which were reflected as an increase in investments. Refer to note 26 in the Group financial statements for a full list of the undertakings.

4. Receivables

	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Amounts owed by Group undertakings	1,325.8	1,314.6
Receivables provided for	(3.3)	-
Total receivables	1,322.5	1,314.6

Amounts owed by Group undertakings are unsecured, have no fixed date of repayment and are not subject to interest rate risk as they are interest free, with the exception of £431.7m (2018/19: £414.5m) which attracted interest at a rate of LIBOR plus 3.5% (2018/19: LIBOR plus 4.0%). The Group are performing a review and expect the receivable to be settled in the next 12 months. Carrying value approximates fair value.

5. Payables: amounts falling due within one year

	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Amounts owed to Group undertakings	(314.6)	(319.2)

With effect from 3 April 2016, the losses surrendered as Group Relief between UK members of the Group have been surrendered for no consideration.

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment, are repayable on demand and are not subject to interest rate risk as they are interest free, with the exception of £33.8m (2018/19: £32.6m) which attracted interest at a rate of LIBOR plus 3.5% (2018/9: LIBOR plus 4.0%). Carrying value approximates fair value.

Notes to the Company financial statements CONTINUED

6. Deferred Tax

	2019/20 £m	2018/19 £m
At 31 March 2019 / 1 April 2018	2.2	2.2
Charged to the statement of profit and loss	(2.1)	–
At 28 March 2020 / 30 March 2019	**0.1**	2.2

The deferred tax asset relates to share-based payments.

7. Called up share capital and other reserves

a) Called up share capital

	As at 28 Mar 2020 £m	As at 30 Mar 2019 £m
Issued and fully paid		
848,209,480 (2018/19: 844,928,687) ordinary shares of 10 pence each	84.8	84.5

b) Share-based payments

The costs reflect the Company's share option schemes in operation. Further details are available in note 22 of the Group's consolidated financial statements.

The charge relating to employees of the Company amounted to £0.6m (2018/19: £0.8m). Further details of these schemes can be found in the Directors Remuneration report on page 56 to 77.

8. Contingencies and guarantees

Premier Foods plc has provided guarantees to third parties in respect of borrowings of certain subsidiary undertakings. The maximum amount guaranteed at 28 March 2020 is £0.7bn (2018/19: £0.7bn).

9. Subsequent events

On 20 April 2020 the Group announced a transformational agreement with its pensions schemes and that it had concluded its strategic review announced on 27 February 2019. The Group announced a segregated merger of the RHM, PF and PGP pension schemes, which will place them under one Trust. The key benefit of this agreement is that once the RHM pension scheme executes a buyout, any surplus would then be able to be passed to the remaining schemes in deficit, and so would result in an improved funding position of these schemes. As such, this agreement represents a more secure future for the Group's pension scheme members and has the potential to significantly reduce future funding requirements for the Group. The Group has signed all implementation documentation and the merger will take place on 30 June 2020.

On 17 June 2020, the Group redeemed £80m of its £210m floating rate senior secured note which is listed on the Irish GEM Stock Exchange. At the time of reporting, the Group had also repaid the £85m drawn on the revolving credit facility at 28 March 2020.

As at the time of reporting, the developing and uncertain situation in respect of the COVID-19 pandemic continues to be closely monitored.

Additional information

Shareholder enquiries
The Company's Register of Members is maintained by our registrar, Equiniti. Shareholders with queries relating to their shareholding should contact Equiniti directly using the details given below:

Equiniti, Aspect House, Spencer Road, Lancing BN99 6DA.

Telephone – 0371 384 2030 (or +44 121 415 7047 if calling from outside the UK). Calls to this number are charged at a national rate. Lines are open 8.30 am to 5.30 pm Monday to Friday, excluding UK public holidays.

Or visit Equiniti's Shareview website: www.shareview.co.uk

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Joint corporate brokers
Jefferies International
100 Bishopsgate
London EC2N 4JL

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Financial PR advisers
Headland
Cannon Green
27 Bush Lane
London EC4R 0AA

Trade marks
The Company's trade marks are shown in italics throughout this annual report. The Company has an exclusive worldwide licence to use the *Loyd Grossman* name on certain products. The Company has an exclusive licence to use the *Cadbury* trade mark in the UK (and a non-exclusive licence for use in other specified territories) on a variety of ambient cake products. *Cadbury* is a trade mark of the Mondelēz International Group.

Cautionary Statement
The purpose of this annual report is to provide information to shareholders of Premier Foods plc ('the Company'). The Company, its directors, employees and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. It contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of the Company. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this annual report should be construed as a profit forecast.

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