Getting Britain cooking again

Premier Foods plc Annual Report for the 53 weeks ended 3 April 2021

Contents

Highlights

Revenue (52 week basis)[1] (£m)

2020/21	£934.2m
2019/20	£847.1m
2018/19	£824.3m
2017/18	£819.2m
2016/17	£790.4m

Trading profit[1] (£m)

2020/21	£148.3m
2019/20	£132.6m
2018/19	£128.5m
2017/18	£123.0m
2016/17	£117.0m

Profit/(loss) before tax (£m)

2020/21	£122.8m
2019/20	£53.6m
2018/19	£(42.7)m
2017/18	£20.9m
2016/17	£12.0m

Net debt[1] (£m)

2020/21	£314.1m
2019/20	£408.1m
2018/19	£469.9m
2017/18	£496.4m
2016/17	£523.2m

Net debt to adjusted EBITDA ratio [1]

2020/21	1.9
2019/20	2.7
2018/19	3.2
2017/18	3.6
2016/17	3.9

Total CO_2 emissions (tCO_2e)

2020/21	59,092
2019/20	62,738
2018/19	66,099

This represents a 43% reduction against our 2008 baseline of 103,102 (tCO_2e) (when we first started to collect emissions data on a like-for like basis and adjusted for site disposals)

Despite the challenges of the last year, our branded growth model has continued to deliver, as consumers have turned to our market leading brands and innovative new products, to expand their culinary repertoires and get cooking again.

+10.3%
Revenue growth (52 week basis) [1]

+23.5%
Adjusted profit before tax growth (52 week basis) [1]

Final dividend of 1.0p
per share proposed; reinstated for the first time in 13 years

1.9x
Net debt/adjusted EBITDA (on a Pre-IFRS 16 basis), the Group's lowest ever leverage [1, 2]

1 Revenue and Trading profit are shown on a 52 week basis for comparison with prior years, Net debt is on a pre-IFRS 16 basis and EBITDA is on an adjusted basis. A definition and reconciliation of non-GAAP measures to reported measure is set out on page 45.

2 Historical Net debt/adjusted EBITDA leverage since public listing in July 2004.

Strategic report

Aah! The nation's favourite.

Our gravy granules help bring families together over home cooked meals and now, both Chicken and Beef flavours, are available with 25% less salt options.

Our strategy

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

Sustainable and profitable growth

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

Cost control and efficiency

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

Cash generation

- Disciplined working capital management.
- Tight focus on Capex.
- 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.

Innovation that meets consumers' needs

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

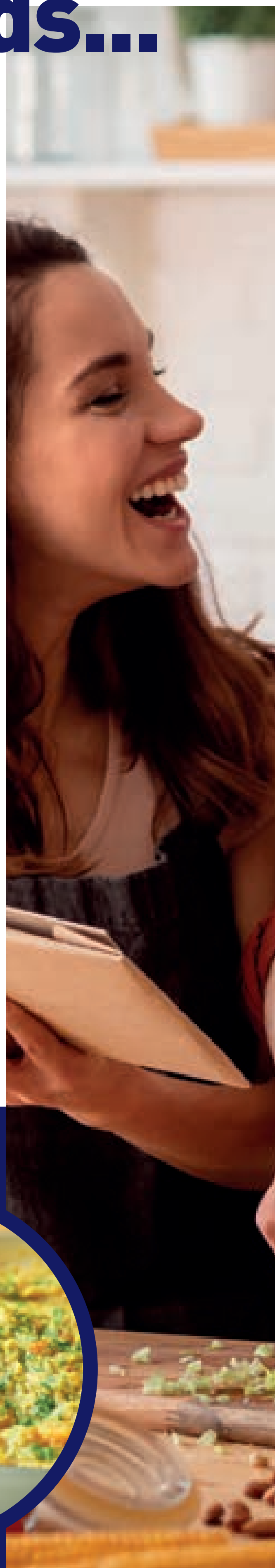
Engaging marketing

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

Strong customer partnerships

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

We have leading brands...



Our brands are leaders in their categories with high household penetration.

Flavourings & Seasonings	1 position	44% share	73% penetration
Quick Meals, Snacks & Soups	1 position	33% share	45% penetration
Ambient Desserts	1 position	37% share	59% penetration
Cooking Sauces & Accompaniments	1 position	16% share	54% penetration
Ambient Cakes	1 position	25% share	65% penetration

Category position and market share: IRI 52 w/e 27 March 2021
Penetration: Kantar Worldpanel 52 w/e 21 March 2021

OXO Meat-Free

OXO stock cubes are packed with big flavours to help transform your meals. Reflecting growing interest in vegetarian and vegan options, we have developed a new Meat-Free Beef stock cube – the first vegan beef stock.

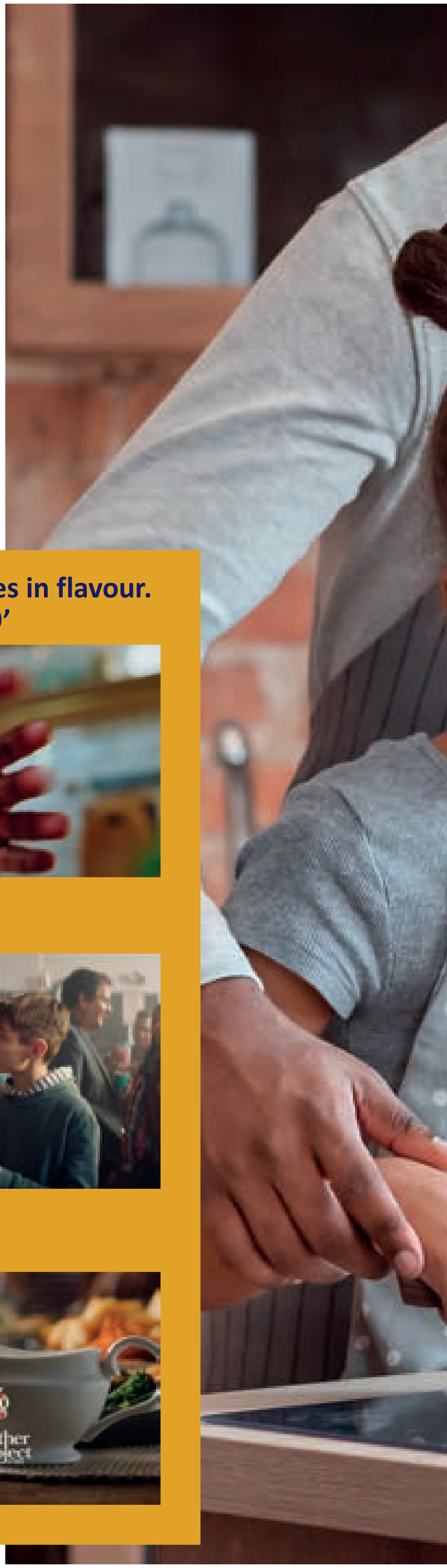
...that innovate to meet consumers' needs...

We launch new products based on consumer trends, with a major focus on health and nutrition.

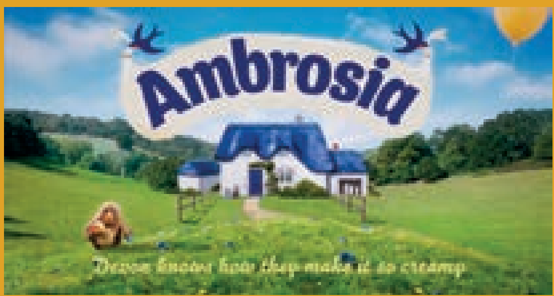
1. Health and nutrition
2. Convenience
3. Snacking and on-the-go
4. Indulgence
5. Packaging sustainability

...which are supported by engaging marketing...

Sustained growth in marketing with two new major campaigns launched in the year, creating emotional connections with consumers.



Ambrosia 'Devon knows'

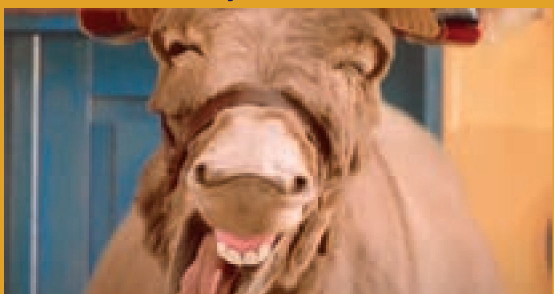


Sharwood's 'Adventures in flavour. Since 1889'

OXO 'Dad's night in'

Mr Kipling 'Little Thief'

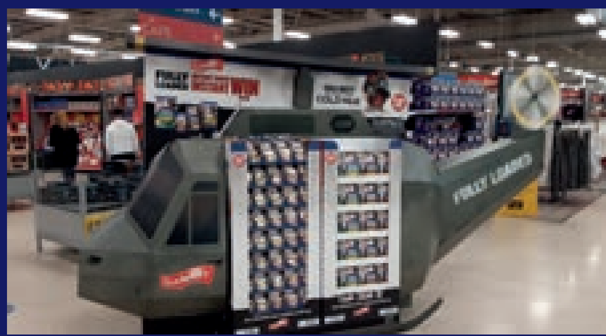
Batchelors 'Tasty'



Bisto 'Spare chair'

...and strong customer partnerships.

Focused on driving mutual category growth and delivering outstanding 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.

We operate primarily in the ambient food sector, which is one of the largest sectors within the total UK grocery market. 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.

Within International we have significant businesses in Ireland and Australia, with established relationships with the major food retailers. Our International business delivered a strong performance in the year and now accounts for nearly 6% of Group revenue.

Strategic partnerships

Nissin

We entered into a co-operation agreement with Nissin Foods Holdings Co., Limited ('Nissin') in 2016, and have launched *Batchelors* Super Noodles in a new pot format using Nissin's leading noodle technology and manufacturing expertise. In addition, we have taken on distribution of Nissin's Soba noodles and brought the Cup Noodle brand to the market. As a result, we have seen market share grow to 7.5% in the Pot Snacks category, with retail sales value up +48.4% in the financial year.

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 partnership covers multiple countries, and has the potential to use the full range of *Cadbury* brands in ambient cake.

Customers

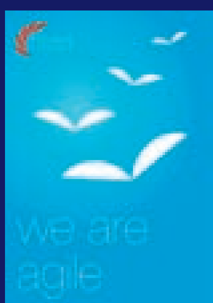
We operate a multi-format, multi-channel approach to serving a broad range of customers, including major UK supermarkets, discounters, e-commerce channels, convenience stores, wholesalers and foodservice operators.

Our values and culture

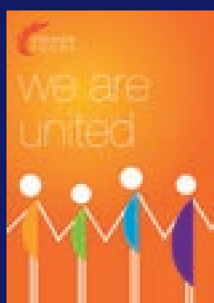
We're committed to creating a truly great place to work. Our shared values give us a common framework for decisions and help guide us in the way we do things and we challenge each other to live them day-by-day.

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

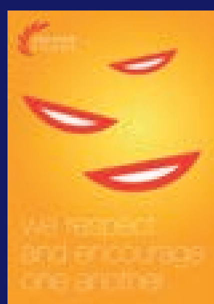
We're creative in what we do and how we do it.



We're energetic and act with pace.



We achieve more when we work together.



We bring out the best in each other.

Our response to Covid-19

The last year has been one of the most challenging in modern history. As a business, our key responsibility has been to ensure the health and well-being of our colleagues. At the same time, we have worked with suppliers to ensure our manufacturing sites remain operational to meet our customers' needs and help keep the nation fed.

Colleague health and safety

The Group's key priority has remained the health and well-being of our colleagues and other stakeholders. As a business, we acted quickly to introduce a wide range of additional health, safety and hygiene protocols at our factories, offices and across our supply chain. These have included enhanced hygiene controls, social distancing, working from home (where possible) and controlled access to manufacturing sites. We have carried out individual risk assessments for all colleagues classed as vulnerable or clinically extremely vulnerable and, should a colleague test positive or be required to self-isolate, we have provided full pay. We have introduced Social Distancing Marshals across our sites and liaised closely with The Department of Health and Social Care on mass testing. There has also been extensive two-way communication with colleagues across the business to provide assurance and to address any areas of concern. The Group believes the measures taken have been highly effective in minimising the number of infections experienced at our sites and enabled the Group's manufacturing and logistics operations to remain fully operational throughout the year.

Continuity of supply

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. The management team has worked hard and been highly successful in maintaining supply at significantly elevated levels of demand, keeping the business fully operational, while at the same time retaining strict social distancing measures to keep site-based colleagues safe. We have continued to work very closely with our suppliers to ensure continued supply of ingredients and, where necessary, identified alternative 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 Executive Leadership Team 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.

Resilient business model

Our branded growth model, which is based on leveraging the strength of our market leading brands, launching insightful new product innovation, supported with emotionally engaging advertising and building strategic retail partnerships – has successfully delivered revenue growth in the UK for the last 15 quarters.

Over the course of the year our business model has demonstrated its resilience, as we sought to counteract the threats presented by the Covid-19 pandemic. Our portfolio of brands with strong category positions has been an important cornerstone, as consumers turned to brands they know and love. With a significant rise in the number of meals eaten at home this year due to government restrictions, households have looked to expand their repertoire of meals and this has resulted in more consumers purchasing the Group's brands (refer to our consumer insight report, The Kitchen Cooking Index, on pages 10 and 11).

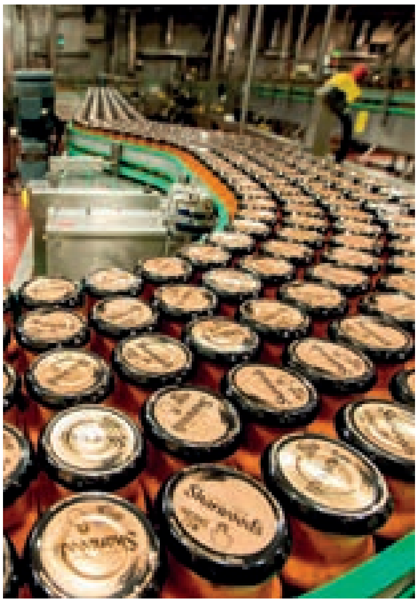
This has been supported with the launch of strong innovation linked to consumer trends and increased marketing spend with six of our brands on TV during the year, including major new media campaigns for both *Ambrosia* and *Sharwood's*. This has also been aided by the resilience of our manufacturing and logistics operations ensuring availability of our product ranges for our retail customers.

A key growth area throughout this period has been the online channel with the major retailers who operate e-commerce platforms. The overall market grew significantly during this period, and the Group's categories have all grown ahead of this, with sales increasing by +104%. The Group has been developing its online capabilities over the last three years, increasing resource in this area to ensure maximum benefits from the growth potential in this channel.

We have also been making progress with our revised International strategy, which we launched last year. Led by a new Head of International, a switch of resource from the UK to the relevant market, and a focus on in-market execution. This has resulted in revenue, at constant currency, growing +23% (on a 52 week basis)[1]. In addition, we have signed a major new distribution agreement with Weston Foods to sell and market *Mr Kipling* in the US.

As a consequence of these factors, we have seen a significant increase in market share across our categories, up 70 bps in the year and a +10.3% increase in revenue to £934.2m (52 week basis)[1].

[1] A definition and reconciliation of non-GAAP measures to reported measure is set out on page 45.



The year when Britain got cooking again

In February 2021, we launched The Kitchen Cooking Index – a consumer report on how the nation has reconnected with cooking over the last year and how the pandemic has impacted how we feel about food and home cooking (the full report is available on our website, www.premierfoods.co.uk).

The research from Kantar and YouGov[1] showed that 73% of us have enjoyed our time spent in the kitchen and this enjoyment is likely to continue over the course of the next year with more than 91% of people saying they intend to do the same amount of cooking, or more, in the year ahead. A big driver of this is the health benefits of cooking at home. 81% of us want to eat more healthily over the coming year and there is a desire for food with big, bold flavour and taste.

On average, one-third of UK households added a dish to their 'go-to' evening meals[2] since the start of the pandemic, which is the biggest increase the industry has seen in five years, with veggie curries, fish and potatoes, and chicken and mash seeing some of the fastest growth. The additional meals at home that 28 million households prepared, didn't turn us all into a nation of gourmet chefs all of a sudden, but we did spend more time enjoying and preparing meals to eat together each week.

The kitchen cupboard has long been the heart of our kitchens, home to many of the staples of British cooking. But over the course of the pandemic, we have seen households reach to the kitchen cupboard even more when preparing their meals – and more so than both the fridge and the freezer[3]. Baking ingredients, herbs and spices, flour and noodles are amongst the most popular ingredients, with the kitchen cupboard firmly establishing itself as the starting point for much of our cooking. People have also used their freezer more than before, with many of us doing so to store batch cooked food and reduce food waste[1].

1. Healthy options

People have increasingly sought to add lighter options such as fish and potatoes, as well as meat-free dishes such as vegetarian curry and vegetarian pasta which are amongst the dishes that have seen the fastest growth since the start of the pandemic[4]. Overall, the trend we have seen over the last few years towards vegan and vegetarian meals also continued to grow, with plant-based (vegan) meals up 46% compared to the previous year, and vegetarian up 25%[5].

2. Taste and flavours

Households have looked to try new things and incorporate different flavours, with taste the top consideration when choosing their evening meal. Chutneys and relishes, world ingredients (such as poppadom and curry pastes), and cooking sauces have all featured more frequently in our evening meals, up by 32%, 23% and 11% respectively[6].

81% want to eat more healthily over the coming year

1 in 3 households have added a dish to their repertoire

84% of our core ranges now include at least one better-for-you product and looking ahead to 2021/22, we will launch a number of new product ranges as part of our healthier choices strategy, including *Loyd Grossman* lasagne sauce with no added sugar.

Our *Sharwood's* sauces offer consumers the opportunity to explore a range of exciting Asian flavours. During the year we launched a new range of 30% less sugar stir fry sauce pouches.

[1] YouGov survey of 2,084 adults, Feb 2021
[2] Kantar, Usage data, Individual weekly repertoires at the evening meal, 36 w/e 29 Nov 2020 vs 52 w/e 22 Mar 2020
[3] Kantar, Usage, servings per person per week, products based on typical location, 52 w/e 29 Nov 2020
[4] Kantar, Usage, evening meals, 36 w/e 29 Nov 20 vs the same period in prior year

3. Hot lunches

With many people working from home, lunch habits changed. More people looked for something a little different and lunches featuring something hot have increased by 52% since before the pandemic, as people took advantage of being at home to use their hob, grill and oven during the working day[7]. So, as well as sandwiches, which remain the most popular choice, we looked for shop bought or pre-packaged soup, instant noodles or rice pots and cooking sauces. We are increasingly also opting for meat-free and plant-based meals to increase our vegetable intake at lunchtime.

52% Increase in hot lunches

Batchelors have launched a new range of American inspired flavours for both Super Noodles and Pasta 'n' Sauce to provide quick and easy meal solutions.

4. Treat dinners

With restaurants closed for much of the last year, people increasingly sought to replicate the eating out experience in the home. Friday and Saturday 'treat dinners' have gone up 25% compared to before the pandemic and 54% have tried their hand at a 'fakeaway' – recreating their favourite takeaway at home. Nearly two-fifths (18%) made a 'fakeaway' on average at least once a month[1].

54% of people have tried their hand at a 'fakeaway'

Our range of *Sharwood's* sides and accompaniments are perfect for consumers looking to create an authentic takeaway moment at home.

[5] Kantar Usage panel, 36 w/e 29th Nov 2020 vs previous year, savoury foods at lunch/evening meal, in home & carried out
[6] Kantar Usage panel, 12 w/e 29 Nov 20 vs. 12 w/e 01 Dec 19
[7] Kantar, Usage, Lunches prepared hot, 4/we 29 Nov 2020

Chairman's statement

This has been an unprecedented year for the country as a whole and also for our business. The Group's performance is a testament to the strength of our people, customer relationships and supply chain and positions us well for the future."

Colin Day
Chairman

This report covers our 2020/21 financial year for the 53 week period which ended on 3 April 2021.

It was a year of significant growth, in which the Company delivered upon its key strategic objectives and transformed the financial footing of the business, making this a very different investment proposition today. It has been marked by the Company's return into the FTSE 250, after an eight-year absence, reflecting the greater stability brought about by a sustained period of outperformance.

Revenue reached £934.2m, an increase of +10.3%, and adjusted profit before tax increased to £115.3m (both on a 52 week basis). Net debt for the Group reduced by £94.0m to £314.1m (pre-IFRS 16).

External climate

The Covid-19 pandemic has changed the landscape in which we all operate. Our food system has been under its greatest stress test for decades and the Group implemented additional safety measures to keep colleagues safe. As the CEO reflects in his statement, our ability to keep food flowing into retailers, demonstrates the resilience of our business and is credit to the strength of our teams across the country.

Managing the implications of a global pandemic, whilst simultaneously exiting the EU, was a complex task not to be underestimated. Through preparedness, attention to detail, rehearsals and adaptability we have successfully minimised any disruption, whilst the teams continue to work through very detailed information to ensure ongoing compliance.

In July 2020, the Government launched its new obesity strategy promoting healthy eating. Health has been a strategic priority for the business for a number of years and we support the underlying intent. I believe the business's product innovation programme is well placed to continue developing new healthier alternatives to meet evolving consumer needs.

Board changes

In May 2020, we announced the appointment of Helen Jones and Tim Elliott as Independent non-executive directors of the Board and members of the Audit, Remuneration and Nomination Committees. Helen has an extensive commercial and general management background in the food, drink and hospitality sector, whilst Tim brings a wealth of investment banking and corporate finance experience. Their combined knowledge and passion for the business has already proved invaluable on the Board.

In January 2021, following a reduction in shareholding by Paulson & Co. Inc ('Paulson'), Orkun Kilic, non-executive director, resigned from the Board and the relationship agreement between Paulson and the Group came to an end. Paulson has been a long-term major shareholder in the business and Orkun played an important role in supporting the Company's progress since joining the Board two years ago. I wish him well for the future.

After three years as a non-executive director, Shinji Honda, stepped down from the Board in March 2021, due to his planned retirement from Nissin Foods Holdings Co., Limited ('Nissin'). I would like to thank Mr Honda for his significant contribution to both the Board and the relationship between Premier Foods and Nissin, which has helped the continued success of our partnership and ongoing strong performance. Yuichiro Kogo, who I had previously met on a number of occasions, succeeded Mr Honda, as Nissin's representative on the Board, and was appointed non-executive director following Mr Honda's retirement. He brought with him a wealth of experience from his role as Head of Business Development at Nissin and from his nine years at Goldman Sachs in Japan.

Although the Company is committed to all forms of diversity, I acknowledge that our recent entry into the FTSE 250 has meant that we have not met the standard set for gender diversity on our Board outlined in the Hampton-Alexander Review. It is a matter of priority for me, and the Board, that we address this as soon as practicable. Further details of the work being done to address diversity across the business can be found on pages 24 and 64.

Financial position

The announced segregated merger of the Group's legacy pension schemes, which completed at the end of June 2020, was positive news both for the Group's pension scheme members and the Company, creating better financial security for its members and the potential for a reduction in future funding requirements for the Group.

On 5 November 2020, the Board sold its 49% interest in Hovis Holdings to Endless LLP for £37.3m. The transaction leaves Hovis commercially well positioned to grow under new ownership and further strengthened the cash position of the Group.

Throughout the year, the business has continued 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. This has led to a significant turnaround this year in the Group's capital structure.

Over the course of 2020/21 the Group has announced four separate redemptions totalling £190m of its Senior Secured Floating Rate Notes, due July 2022. This leaves just £20m outstanding, generating total pro forma interest savings of nearly £10m per annum. Additionally, we received credit ratings upgrades from S&P and Moody's during the year which reflects recognition of the progress we have made in improving our financial position.

In February 2021, following shareholder and Court approval, we completed a restructuring of the Company's reserves. This will provide greater flexibility in how the Company manages its capital resources going forward. In addition, the Group has extended its revolving credit facility with an updated bank group and announced the proposed issue of new £300m Senior Secured Fixed Rate Notes (see page 42 for more information).

The strength of the Group's cash generation underpinned our decision in November 2020 to set a new medium-term target for Net debt/adjusted EBITDA of approximately 1.5x. At the year end, our Net debt/adjusted EBITDA fell below 2.0x for the first time, with Net debt reduced to £314.1m (pre-IFRS 16).

As a consequence of the sustained reduction in Net debt and the strong performance of the Company's business model, I am pleased to confirm that, subject to shareholder approval, the directors have proposed a final dividend of 1.0 pence for the 53 weeks ended 3 April 2021.

Board priorities and shareholder feedback

The Board and management team remain committed to growing a business which reflects evolving consumer trends, is driven by a focused health and sustainability agenda, and creates value for all stakeholders.

Whilst the pandemic has meant I have not been able to meet as many of you in person this year as I would have liked, we have listened to your feedback and questions at every opportunity.

I am pleased to have received and discussed perspectives with a number of shareholders who have recognised the strong progress we have made over the last year. The foundations on which we have delivered this progress will be crucial as we look forward to the next stage in the Group's development.

On behalf of the whole Board, I would like to conclude by thanking all colleagues, suppliers, partners, customers and consumers for their unwavering commitment and resilience during what I know has been a truly extraordinary and unprecedented year for our industry.
As Chairman, I feel confident that we are now moving into a new phase of our development and can look forward to continued growth and new strategic opportunities in the year ahead.

Colin Day
Chairman

19 May 2021

23.5%

Increase in adjusted profit before tax to £115.3m (52 week basis)

+11.9%

Increase in Trading profit to £148.3m (52 week basis)

→ See page 16 for more information on our ESG Strategy

→ See page 64 for more information on Diversity

→ See page 42 for more information on Financing

A definition and reconciliation of non-GAAP measures to reported measures is set out on page 45.

Chief Executive's review

The business is in a much stronger position than at any time in well over a decade and I am delighted that, as a result of this transformation, we are now able to reinstate dividend payments."

Alex Whitehouse
Chief Executive Officer

An unprecedented year

For most of us, the last year will be remembered as the bleakest and most worrying in our recent history; being separated from our friends and family, learning to live our lives in a very different way, and for many, coping with sickness and loss.

In the face of this crisis our business has proven incredibly resilient, with our colleagues demonstrating great resolve in meeting the unprecedented levels of consumer demand for our products, whilst at the same time adopting strict new Covid-safe ways of working.

Throughout the year, we continued to execute our branded growth model strategy which again delivered growth that was ahead of that of our categories, and consequently increased our market share. This strong performance helped generate accelerated free cash flow and along with the sale of our minority share in the Hovis business, facilitated a reduction in Net debt of £94.0m (on a pre-IFRS basis) to 1.9x adjusted EBITDA. As a result, we have set a new medium-term goal of 1.5x Net debt to adjusted EBITDA.

Doing our bit to feed the nation

Nothing has been more important to us this year than people's safety. Throughout the pandemic, we followed three guiding principles; firstly, to protect our colleagues' health and well-being, secondly, to play our part in providing food to the nation during a time of difficulty and finally, to protect our business for the medium term.

The resilience of our business has in part been due to the speed with which we acted to protect our people, operations and supply chain. Access to our factories has been strictly controlled since the start of the pandemic and we have continuously applied a series of strict Covid-safe principles for both site and office working.

At the same time, the attitude of our team members has been remarkable. Colleagues have made mammoth efforts to keep up with the elevated levels of demand. Our ability to continue supplying food to keep the shelves stocked has been enormously aided by our strong supply chain partnerships at one side, and close strategic relationships with our customers at the other.

The pandemic touched so many different parts of our business and our colleagues went to extraordinary lengths to play their part in getting food to the nation's tables. I want to thank each and every one of them for their commitment and dedication.

Importantly, as well as keeping our sites and factories fully operational, we also supported the local communities where we work. Throughout the year, we donated stock to community food banks in partnership with FareShare and provided easy-to-prepare meals and snacks for our incredible NHS workers in 28 hospitals local to our sites.

There have also been countless examples of individuals and teams going above and beyond to support those most in need; from creating PPE for local NHS sites, to donating products to key workers, sourcing specific products for highly vulnerable consumers and even hand sewing tote bags for local nurses.

Driving our branded growth model

As most of us turned our hands to cooking at home rather more often that we are used to, this often meant turning to Premier Foods' well known and well-loved grocery brands to help create those meals. It was encouraging to see people pushing their culinary boundaries, trying new dishes, and learning new recipes. In fact, during the year we saw millions of new households buying our brands as they created those new dishes. As our consumer insight report the 'Kitchen Cooking Index' shows (see pages 10 and 11), people really enjoyed cooking and eating together at home, with 91% claiming to want to continue to do so, at least as much again this year.

The nation's consumption of cake fell during the year as those moments of small celebration with friends and family were few and far between, so in this context I am really pleased with the positive performance of *Mr Kipling*, with sales growing by +9% in a category that declined by 2%.

We came into the year with strong plans behind our brands and despite the challenging macro environment we continued to execute those plans, bringing a number of new products to market and further upweighting marketing investment as the year progressed.

Supporting our brands with emotionally engaging advertising is a key driver of our model and this year we increased that support to cover six of our major brands on TV. This included new advertising for *Ambrosia*, which returned to its roots of 'Devon knows how they make it so creamy' and also for *Sharwood's*, with an advert that takes a contemporary view of Indian cooking.

Innovation is core to our growth model and we continued to develop, and bring to market, new consumer focused products. For a number of years health has been a key strategic priority within our new product development programme and this year was no exception, with a significant number of our new products being healthier options. This included a new range of stir fry sauces from *Sharwood's*, all with lower sugar levels to help in the creation of a healthy meal, and from *Mr Kipling* we launched 30% reduced sugar Viennese Whirls, a consumer favourite now made better for you.

Our International business performed very strongly with revenue growth at constant currency of 23% as we implemented the revised strategy focused on delivering excellent in-store execution of our brands in our focus markets; this being delivered by local teams on the ground. This year we also started to roll out our brand success models into overseas markets, this included a series of new product launches and advertising our brands on TV outside the UK, with *Mr Kipling* and *Bisto* both supported in Ireland and *Mr Kipling* in Australia. During the year we also entered into an agreement with Weston Foods to distribute *Mr Kipling* in the US, as we look to replicate the success we have seen with the brand in Australia.

A transformed business in a strong financial position

The financial position of the business has continued to strengthen, strong cash generation along with the sale of our 49% share in Hovis, reducing Net debt by £94.0m (on a pre-IFRS basis) taking it to 1.9x adjusted EBITDA, the lowest ever[1]. As a result, we were able to repay at par £190m of our Floating Rate Notes (Libor +5%) leading to an annualised saving in interest payments of nearly £10m.

In addition, at the start of the year we entered into a landmark agreement with the trustees of our legacy pension schemes, this provides a more secure funding future for our pensioners as well as the prospect of significantly reduced funding requirements from the Group.

As a consequence, the business is in a much stronger position than at any time in well over a decade and is now a very different business. I am delighted that, as a result of this transformation, and with Net debt now down at 1.9x adjusted EBITDA, we are now able to reinstate dividend payments which, subject to shareholder approval, will commence from 30 July 2021.

In summary

This has been an unprecedented year and I want to reiterate my enormous thanks to our incredible team. Together we have kept each other safe, we have played an important part in feeding the nation and we have repositioned our business for what I believe is going to be a very exciting future. Premier Foods is entering a new chapter, one where the focus is on expanding the business; using our skills in building and growing brands to enter new categories in the UK and to scale up our overseas businesses, whilst exploring opportunities for appropriate bolt-on acquisitions.

Alex Whitehouse
Chief Executive Officer

19 May 2021

-23%

Reduction in Net debt to £314.1m (pre-IFRS 16 basis)

+23%

Increase in International revenue (at constant currency)

→ See page 10 for more information on our consumer insights report, the 'Kitchen Cooking Index'

→ See pages 36 to 45 for more information on our operating and financial review

A definition and reconciliation of non-GAAP measures to reported measures is set out on page 45.

[1] Historical Net debt/adjusted EBITDA leverage since public listing in July 2004.

How we are a responsible business

We are passionate about creating great tasting and affordable food that consumers love to eat, and we are committed to doing this in a way that is both environmentally sustainable and socially responsible. As one of the UK's biggest listed food companies, how we operate matters and we want to make a positive difference to our people, our communities and our planet.

Our Environmental, Social and Governance (ESG) strategy is shaped by the issues most relevant to our business and our stakeholders, with our efforts particularly focused around where we can have a positive impact.

When being a responsible business, we want to work in partnership with all our stakeholders. 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.

We hold ourselves accountable against national ESG targets and commitments. For example, as a founding member of the UK Plastics Pact, as a signatory of Courtauld 2025, and in our commitment to delivering against relevant UN SDGs, we strive to push ourselves to deliver on our ESG strategy and contribute to wider, global change.

Checking-in with our stakeholders

The ESG landscape is rapidly evolving, and it is important our strategy enables us to effectively tackle emerging issues, address trends and meet evolving stakeholder interests. This year, with the support of an independent consultant, we conducted a materiality assessment to identify and rank the ESG issues relevant to our business, industry and stakeholders. This included conducting interviews with our customers, members of our investor community, NGOs, policy experts, and our colleagues, to hear and understand their views on the issues which matter most to them. We will use the results to reflect on our current strategy and ensure we are delivering maximum impact for the business, our stakeholders, our wider community and the planet.

→ Information in this section highlights our approach to the matters set out in section 172(1) of the Companies Act. See pages 61 to 63 for further information on how we are connecting with our stakeholders in the Governance section.

Strengthening our Governance structure

This year, to further embed our ESG strategy across the business and respond to the growing expectations of our stakeholders, we established an ESG Governance Committee. Chaired by our CEO and bringing together members of our Executive Leadership Team (ELT) and subject matter experts within the business, the Committee has full oversight of our ESG strategy and is responsible for setting its direction, and monitoring progress against our key programmes and KPIs. The Committee ensures that ESG is embedded across the organisation and forms an integral part of the overall business strategy. Our cross-functional ESG steering groups (e.g. our Plastics, Ethical Sourcing and Nutrition groups) report into the Committee and are responsible for implementing the strategy and meeting KPIs. Further reflecting the increasing importance of sustainability in its fullest sense across the business and all of its brands, in May 2021, Hannah Collyer was promoted to the newly created role of Director of Corporate Affairs and ESG, sitting on our ELT.

Day-to-day, we have a range of cross-functional colleague networks that are critical to delivering positive change across the business and enabling us to meet our KPIs. For instance, our Green Matters Champions who focus on reducing our use of resources at our factories, our Charity Champions who coordinate fundraising and local community engagement, and our Inclusion and Diversity Ambassadors who promote a culture of inclusivity throughout the business. We passionately believe that everyone in the business has a part to play in delivering success against our ESG strategy.

The next pages (see pages 18 to 33) will cover the work our teams delivered this year in each of our five pillars: Encourage Healthier Choices, Realise People's Potential, Support our Communities, Drive Ethical Sourcing and Reduce our Environmental Footprint.

We're proud of the progress we've made since launching our five-pillar ESG strategy five years ago:

Over 30
innovative better-for-you products

94%
of our total packaging recyclable

100%
cage-free eggs

100%
RSPO certified palm oil

211
apprentices and 81 graduates trained

More than £800,000
raised for our charity partners

42.7%
decrease in CO_2 emissions (against our 2008 baseline)

59%
reduction in water usage (compared to our 2007 baseline)

How we are a responsible business

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.

Our ESG strategy identifies which of the UN Sustainable Development Goals (UN SDGs) we can have an impact on:

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

Reduce our environmental footprint

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

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

Packaging

Building on our UK Plastics Pact commitments, we aim to embed environmentally sustainable packaging across our portfolio, engage with our supply chain to explore more sustainable solutions for our packaging innovation and educate consumers and customers by providing clarity on disposal options to foster a circular economy for plastics:

- 100% of our plastic packaging to be recyclable, reusable or compostable by 2025 and continue eliminating problematic plastic.
- Increase the use of recycled plastic content and help create a market-pull for recycled polymers.
- Clearly and transparently label our products, in compliance with OPRL (On Pack Recycling Labelling) guidelines.

Drive ethical sourcing

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

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).
- Use Sedex risk assessment tools to identify suppliers operating in high-risk environments.
- Drive even higher levels of Health and Safety standards across co-manufacturers, logistics sites and 'onsite' suppliers.
- Maintain high food safety levels and compliance at all of our sites.

Encourage healthier choices

Our KPIs:

Extend our range of healthier choices:

- 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 2021.

Realise people's potential

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.

Inclusion & Diversity (I&D):

- Monitor and report on I&D to understand and remove potential blocks.
- Deliver face-to-face training and ongoing support to all leaders within our business.
- Provide awareness training to all colleagues by the end of 2023.

Caring for our people:

- Embed a culture of risk prevention at all sites with our 'Be Safe' and Total Observation Process (TOP) health and safety programmes.
- Deliver annual Health and Well-being 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 the end of 2022.

Support our communities

Our KPIs:

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

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.

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, and we believe it is important to empower them with knowledge and a variety of healthier options.

Extend our range of healthier choices

We innovate to offer alternative better-for-you and healthier options to our consumers' cupboard favourites.

Over the past year, we have launched two new products in two core ranges which did not already have a better-for-you (BFY) option. This means that 84% of our core ranges offer at least one better-for-you alternative to our consumers, which puts us well on track to achieve our 2025 target of 100%.

In total, we have launched 17 new BFY options this year, including 15 across ranges which already offered a better-for-you alternative, such as *Mr Kipling* 30% sugar reduced Viennese Whirls, *Bisto* Cheese Sauce 25% salt reduced, *Sharwood's* Butter Chicken 30% fat reduced and three variants of *Sharwood's* stir fry sauces 30% sugar reduced. We have therefore increased our number of BFY options by 29% this year.

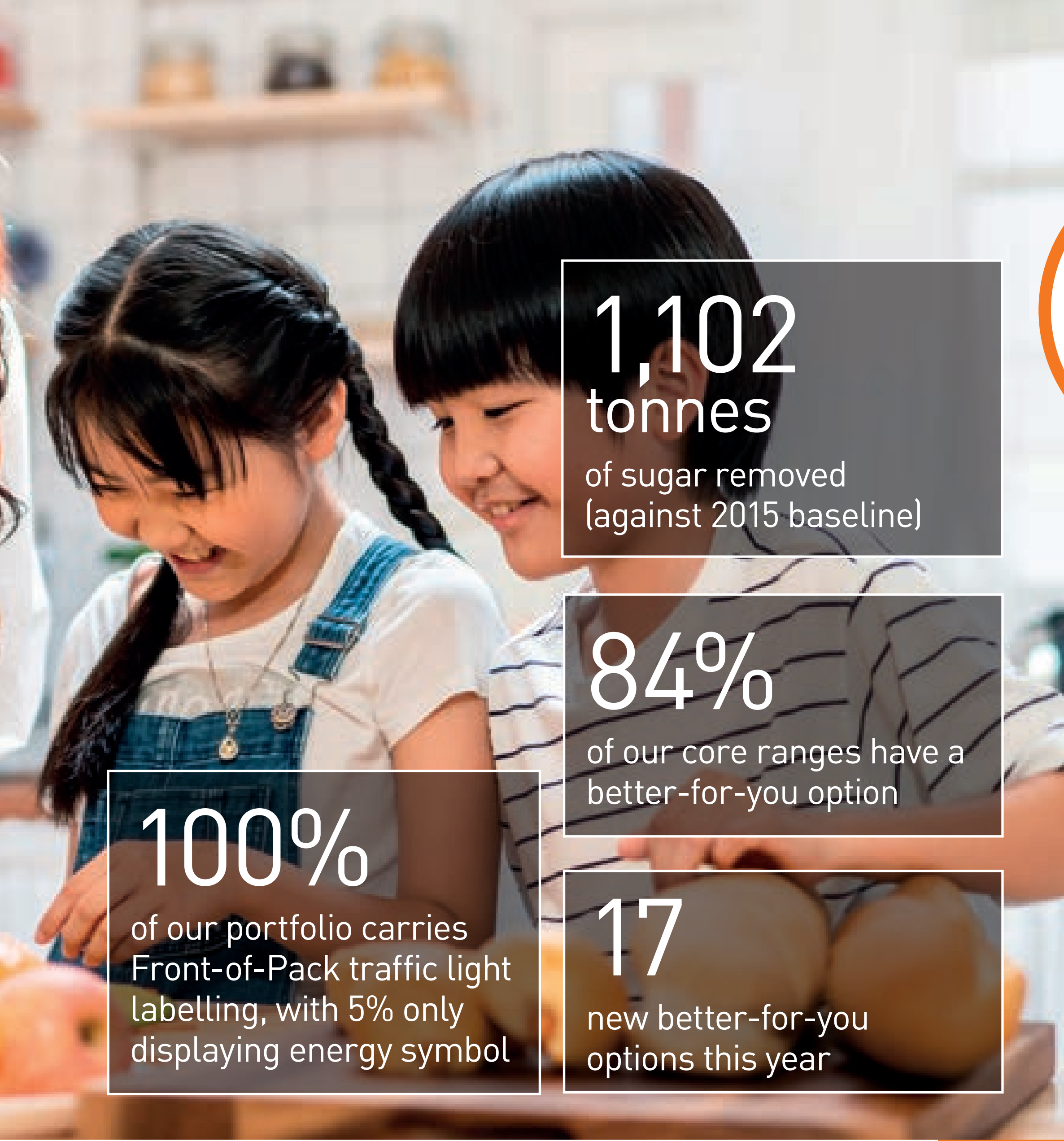
Did you know? Better-for-you variants are defined by having claimable nutrient benefits, for example a 30% or more reduction in sugar, fat or calories, or a 25% or more reduction in salt/sodium. These nutrition claims are carefully regulated: consumers can therefore be confident that by choosing better-for-you options, the products are not only healthier than the original variant, but also healthier than similar alternatives available on the market.

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. This year, we have introduced the *Batchelors* "Filled with Goodness" protein soup range, and *Sharwood's* vegetable side dishes delivering 1 of your 5 a Day.

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 products across all our categories, including by reducing the sugar or salt content. We continue to reformulate many of our products to lower their sugar content and have removed 1,102 tonnes of sugar (compared to our 2015 baseline). For example, in the last four years, we have carried out stealth sugar reduction of between four and 10%, across 14 of our most popular products across our Sweet Treats business without compromising on quality and taste.

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 which are all meeting PHE's 2017 salt targets for their respective categories. Following the publication of the new 2024 salt targets last September, we have now assessed all our categories and products



to understand what further salt reduction is required. We have updated our internal Nutrition Guidelines according to the new targets, which will be reflected in our innovation pipelines as we continue to take salt out of our recipes.

Educate our customers and colleagues on their nutrition choices

We champion transparent nutrition labelling so that consumers can make informed choices about the products they buy. 95% of our UK portfolio carries all five key pieces of nutrition data of the voluntary front-of-pack traffic light labelling – 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).

We continue to work with other stakeholders on collaborative action to drive healthier diets and partner with our customers to promote and highlight our healthier alternatives to nudge our consumers towards those options and encourage behaviour change. This year, we have joined the Consumer Goods Forum's Collaboration for Healthier Lives UK and look forward to playing a meaningful role within this forum which brings together manufacturers and retailers alongside key local stakeholders (including public health authorities, academics, local actors and government figures) to drive change and positively impact consumer health. Collectively, the forum aims to develop a series of structural and behavioural interventions – both in-store and through digital channels – to help our consumers and employees understand, find and choose healthier options.

To encourage our colleagues to make healthier choices, we continue to work with IGD on the Eat Wise, Work Wise programme which we joined in 2019. This programme aims to enhance healthy eating in the workplace by inspiring changes in personal diets. Last year, we had assessed all our sites and planned for the roll-out of healthier menus across all our sites with on-site canteens. This unfortunately had to be postponed due to the pandemic, but we will endeavour to do so by end of 2021.

A healthier version of your favourite takeaway

Last year, 54% of UK consumers surveyed for our Kitchen Cooking Index (see pages 10 and 11) have tried their hand at a 'fakeaway', recreating the eating out dining experience from their own kitchens. With our *Sharwood's* curry sauces, our consumers can enjoy the taste of Indian flavours with a healthier recipe than those from restaurants. Indeed, our research has found that a home-made curry using our reduced fat *Sharwood's* curry sauce has a significantly better nutritional profile than an equivalent takeaway curry. The saturated fat content in a takeaway option is on average three times higher than our *Sharwood's* better-for-you 30% reduced fat Korma sauce, and it contains on average 60% more calories. This year, we have added the 30% reduced fat butter chicken cooking sauce to our portfolio of better-for-you *Sharwood's* sauces – helping our consumers in search of flavour, variety and healthier options!

Realise people's potential

Our mission is to create a winning organisation where our colleagues can thrive. We do this through nurturing and developing talent, promoting an inclusive workplace and supporting physical and mental well-being.

Attracting talents and developing skills

Apprentices and graduates

Our long-running apprentice and graduate programmes provide fantastic career development and simultaneously help us attract new talent and upskill existing colleagues. These programmes also play a critically important role in addressing the skills gap faced by our industry both now and in the future, particularly in Science, Technology, Engineering and Mathematics (STEM) based roles. In a year that has brought unprecedented disruption to our ways of working, we are proud to have not only continued to support colleagues on existing apprentice and graduate programmes, but also to have welcomed many more into the business whilst expanding our programme offering.

At any given time, **around 90 colleagues are on our apprenticeship programmes**, of which around 25% will be new recruits. This year has been no exception, with **an additional 37 colleagues** embarking on an apprenticeship with us, of whom 25 were new joiners, and 12 were existing colleagues looking to develop their career.

As well as continuing to offer apprenticeships across a wide range of business functions and roles - including in Food Operations, Laboratory Science, Packaging Technology, L&D, HR, Sales and Business Administration – in January of this year we launched programmes within R&D and IT for the first time.

RATEMYAPPRENTICESHIP
TOP 100
APPRENTICESHIP
EMPLOYERS
2020 - 2021

Reflecting the positive experience of our apprentices, in 2020 we retained our position within Rate My Apprenticeship's top 100 apprentice employers list for a fourth consecutive year.

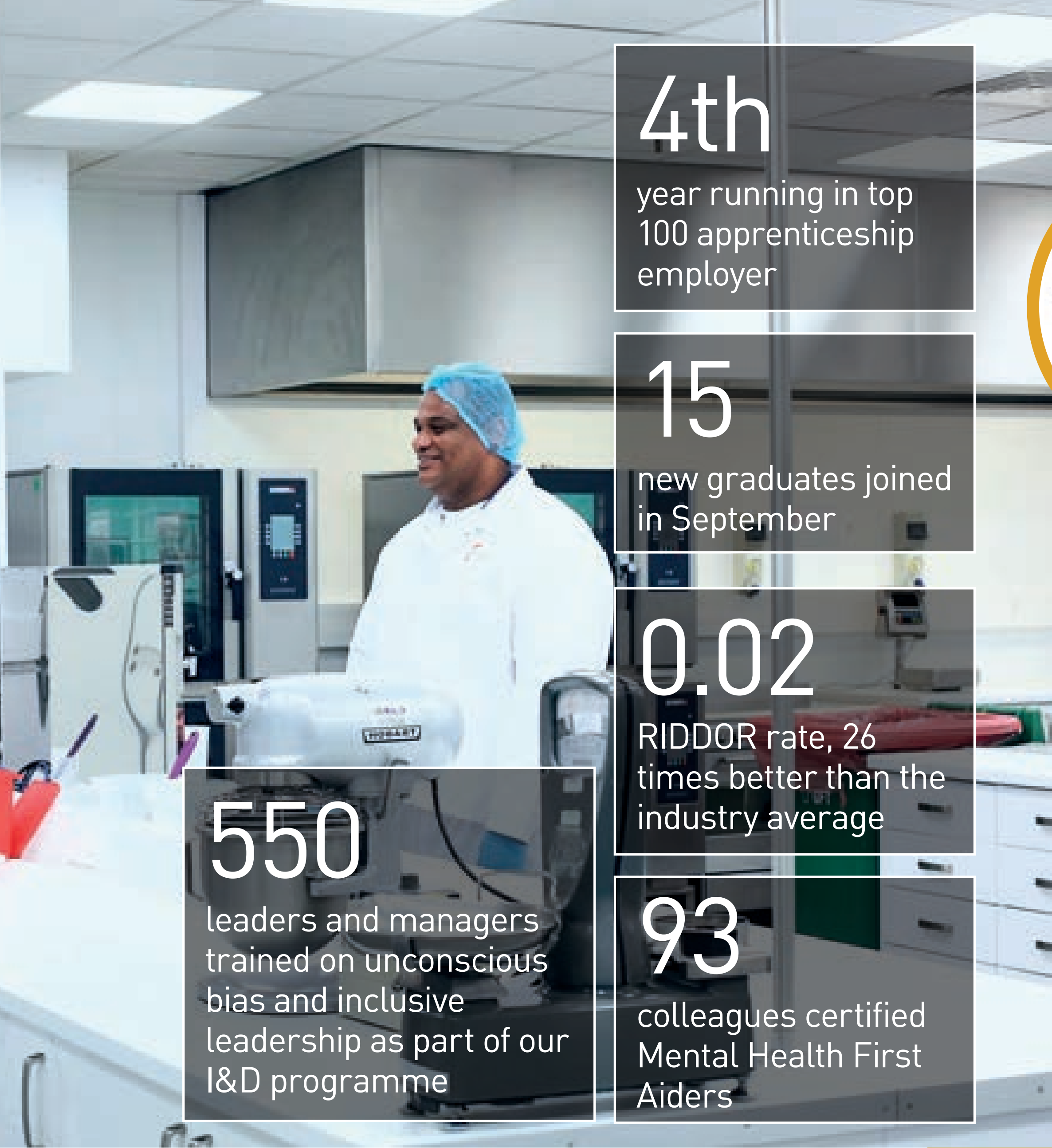
We are proud to have maintained our graduate programme this year and re-created the atmosphere of our graduate selection centre in a digital environment. We then **welcomed 15 new graduates** who have successfully started their first rotation remotely in September.

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.

To support our colleagues working from home during the pandemic, we intensified our digital learning opportunities and continued to invest in self-led learning tools, including LinkedIn Learning for all IT-enabled colleagues. Our colleagues have watched over 42,000 training videos to date, the equivalent of **2,109 hours of learning** or 281 working days.

We are proud to work with the Institute for Grocery and Distribution (IGD) to promote our industry at a national level and the breadth of career opportunities available. This year we've supported their Virtual Work Experience Week programmes with more than 20 colleagues participating – reaching more than 1,000 students.



4th
year running in top 100 apprenticeship employer

15
new graduates joined in September

0.02
RIDDOR rate, 26 times better than the industry average

550
leaders and managers trained on unconscious bias and inclusive leadership as part of our I&D programme

93
colleagues certified Mental Health First Aiders

Learning at Work Week

This year, we actively supported Learning at Work Week, a national campaign that celebrates lifelong learning at work and promotes the development of learning cultures. Using the word 'Learn' as a mnemonic device, we developed a programme for our colleagues focused around five key areas – LinkedIn learning, Educational, Aspiration, Resilience and New techniques – and dedicated a day of the working week to each. Throughout the week we saw a notable uplift of 61% in traffic to our e-learning platforms. Our efforts were recognised by the Open University Business School, who awarded us a Commended status.

“

Joining a company through mainly virtual means was certainly daunting, however, all those involved in the onboarding process ensured that everything ran really smoothly, and we were still able to gain great exposure to multiple areas of the business during our induction process. I am currently working within the Corporate Services Procurement team and have felt extremely welcomed by everyone from the start. Being part of the Graduate scheme has allowed me to have a great balance of learning and development alongside the opportunity and responsibility to progress within my own role, whilst showcasing these new skills. I am really enjoying the scheme so far and I can't wait to see what my future career at Premier Foods will entail."

Lydia McCarthy
Procurement Associate

Inclusion and Diversity (I&D):

We are committed to creating an inclusive culture across our whole organisation, where everyone is welcome and able to thrive. We aim to ensure all existing and potential colleagues are provided with equal opportunity and are respected, valued and encouraged to bring their true authentic selves to work.

This year we've taken significant strides to fulfil our commitment to Inclusion and Diversity (I&D), focusing on four key areas: leadership, education, recruitment and talent management, and data:

Leadership:

Our ELT is a passionate sponsor of our I&D agenda, and this year we appointed a Director of Talent and Culture, as well as a Culture and Engagement Business Partner to provide increased focus and accelerate our progress. We have delivered a programme focused on Unconscious Bias and Inclusive Leadership to over 550 leaders and managers, a first key step to creating the right environment for all colleagues. Next, we plan to roll the training out to all site-based colleagues by 2023. We have also introduced a Reverse Mentoring Programme where senior managers are paired up with a more junior colleague of the opposite sex who fulfils the role of mentor. The programme encourages sponsorship and helps to address the gender imbalance within senior roles across the business.

Education:

We launched **#oktobeme**, a programme dedicated to encouraging colleagues to bring their true, authentic selves to work, supported by a network of I&D Ambassadors from across the business who will help to embed a culture of inclusivity. Colleagues celebrated International Men's Day, International Women's Week, Black History Month, Pride and TransDay of Visibility with inspiring guest speakers.

Recruitment:

After identifying, through data analysis, that the attraction and recruitment stages are key to driving improvements in organisational diversity, we introduced a new software, 'Job Analyser' which assesses our use of language within job adverts and ensures language is not gender biased.

Data:

To drive our I&D agenda forward, and understand the gaps which need acting on, we ran our first voluntary Diversity Data Capture Survey. With a pleasing 52% response rate, the survey will help us understand our diversity landscape enabling us to build bespoke programmes and make better-informed decisions.

Gender pay gap (hourly)	Gender pay gap (bonus)
Mean	Mean
8%	38%
2019: 6%	2019: 25%

Evolution of gender split

	2020/21	%	2019/20	%	2019/18	%
Total	4,474		4,151		4,110	
Female	1,643	36.72	1,504	36.23	1,491	36.28
Male	2,831	63.28	2,647	63.77	2,619	63.72
Graded	559		564		532	
Female	243	43.47	232	41.13	213	40.04
Male	316	56.53	332	58.87	319	59.96

Caring for our People

In a year that has brought unprecedented challenges to everyone, the safety and well-being of our colleagues has never been more important (see our response to Covid-19, page 9).

Health & Safety (H&S)

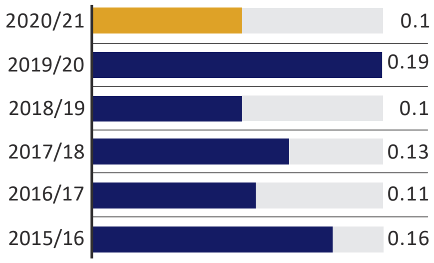
The health and safety of our colleagues, contractors and visitors is of paramount importance to us, and was taken extremely seriously with the challenges faced in 2020.

Our Be Safe programme, which encourages colleagues to identify and discuss both safe and unsafe actions within their workplace, has progressed along with Social Distancing audits, ensuring our high standards are maintained. In the last 12 months, colleagues have identified a total of 6,747 Safe Acts and 3,522 Unsafe Acts (4,487 Safe Acts and 2,824 Unsafe Acts last year). 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 any incident occurs. In the last 12 months, 3,031 potential risks (4,236 last year) were identified, and actions taken to address these across the business.

Our sites also progressed towards achieving ISO 45001 certification (except two sites where audits were delayed to later in 2021).

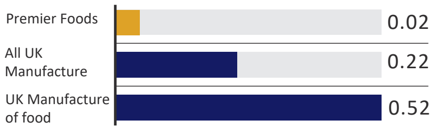
The Board reviews health and safety performance at every scheduled Board meeting, which includes Lost Time Accidents ('LTA'), which represent accidents that result in a colleague having to take time off work; and Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ('RIDDOR') where incidents are reported to the regulatory body. The latter covers accidents resulting in serious injury, over seven days absence from work and dangerous occurrences. The average RIDDOR rate for the UK food manufacturing industry is 0.52 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 0.02, approx. 26 times better than the industry average.**

LTA



* LTA rates include our Knighton site from 2019/20

RIDDOR



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. Building on the results of our 2019 Health Needs Assessment, and the areas our colleagues told us they would welcome support with, this year we've focused our Health and Well-being plans on health checks, healthy eating and weight management, and mental health.

As signatories of the Time to Change Pledge since 2019, we've taken significant steps to improve how we support our colleagues' mental health. This year, all colleagues have been given access to one of our **93 colleagues who are certified Mental Health First Aiders** (MHFAs), and over two thirds of our Line Managers have completed Mental Health Awareness Training (350 out of 495). We had aimed for all Line Managers to have undergone this training, but Covid-19 restrictions at our factories meant delays have been inevitable. We are now working to complete the roll-out and will extend training to all colleagues by April 2022.

Mental Health First Aider

MHFA England

Providing extra support to our colleagues during Covid-19

Considering the pandemic and its impact on societal well-being, this year we took the decision to provide additional resources to help our colleagues look after their mental health. As well as benefitting from continued free access to our Employee Assistance Programme (Lifeworks), and from industry charity GroceryAid, we created dedicated pages on our intranet and employee benefits platform to signpost colleagues to mental health support tools. We also made GP appointments easier to access by enabling colleagues to book virtual check-ins via the Aviva GP and Well-being apps. During Mental Health Week, we organised several events, including a lunch session entitled 'It's ok not to be ok', designed to encourage colleagues to ask for help and speak to their family, friends or colleagues if they felt overwhelmed. The week also included a virtual session with professional rugby players Danny Sculthorpe and Phil Vievers, encouraging everyone to lift the taboo on men's mental health and seek help if needed, with around 300 colleagues attending this virtual event.

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. This year, we have provided additional support to those who need it most in our communities.

Our Corporate Charity partner: Together for Short Lives

With so many traditional approaches to fundraising unavailable to us this year due to the pandemic, our charity champions have had to work especially hard to support this new partnership and motivate colleagues to fundraise in innovative ways. That's why we're incredibly proud to **have raised a fantastic £70,000 to support Together for Short Lives** during these uncertain times, which can fund over 800 community care sessions for children, giving families precious moments together and allowing parents the rare opportunity to just be mum and dad.

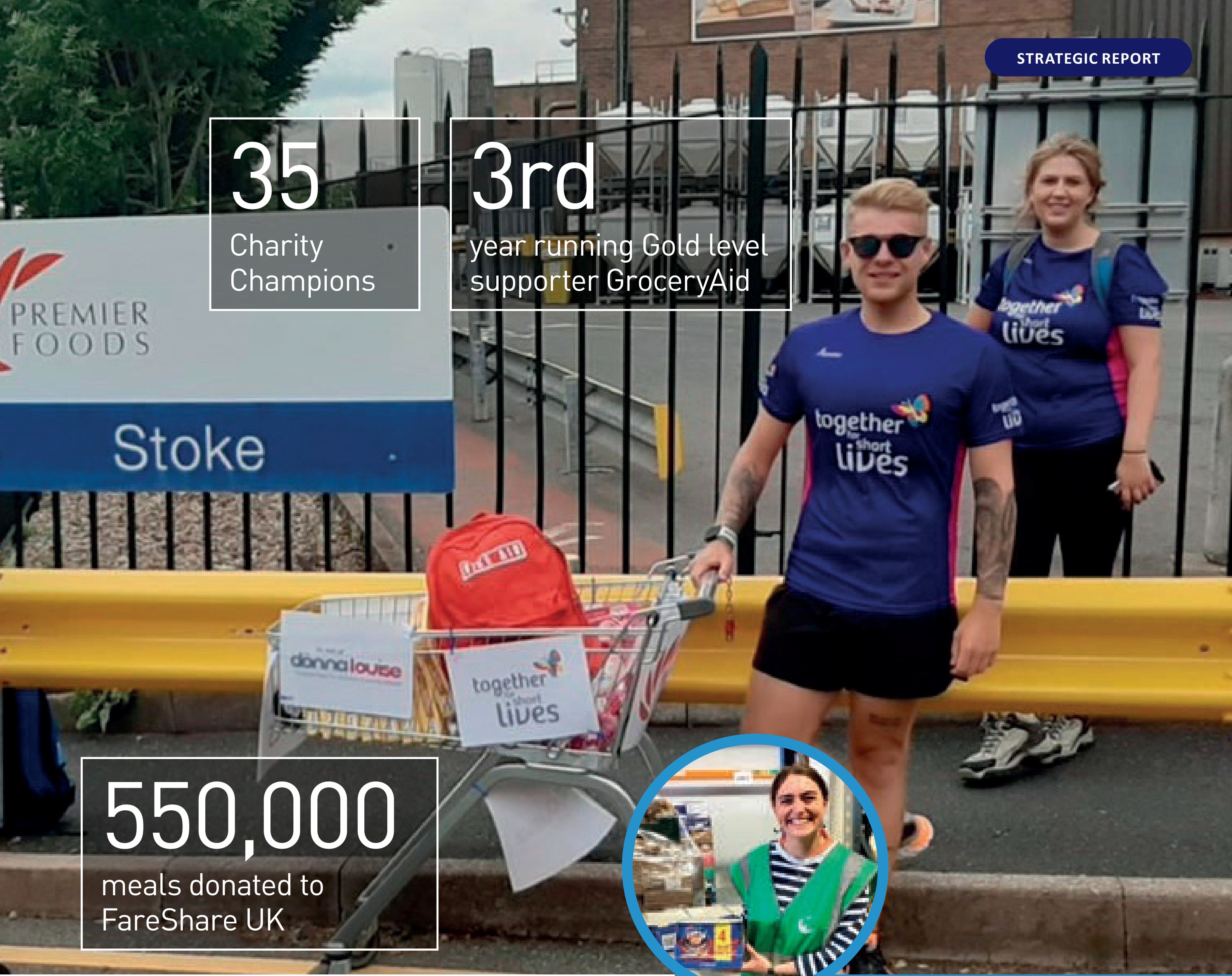
Our dedicated charity champions achieved this through a myriad of new fundraising initiatives including virtual quizzes, step challenges, online raffles and plant growing competitions. In addition, the business took the decision to donate £1,000 to each of the 15 Children's Hospices our sites are partnered with, committed to match-fund key fundraising drives, and donated £1 to the partnership for every colleague survey completed.

Supporting our industry with GroceryAid

Our longstanding partnership with industry charity GroceryAid has proved more important than ever this year: with a 12% increase in colleagues helped, the charity is working hard to provide additional emotional, practical and financial support to industry colleagues in light of the pandemic. We continue to have colleague representation on both its President and Southern Network Committees, providing a great platform from which we can effectively drive awareness of the charity and support services it offers among our own colleagues, and fundraise on its behalf. For example, this year our charity champions organised several virtual fundraising events focused around health and well-being, including Yoga, Pilates and HIIT classes, plus a 5K running challenge. In recognition of our continued momentum in supporting GroceryAid, we are proud to have been **awarded top, gold level supporter status for the third year running**.

Our network of charity champions

Our charity champions are the driving force behind our charity partnerships and community engagement. Each partnered with one of our graduates for the year, they receive additional support to coordinate fundraising activities. We host virtual meetings each month to bring our champions and graduates together in collaborative forums to share updates, hear best practice and debate creative ideas. Once a year we host a full day of immersive training, inspiration and thanks for this group. Our Charity Champions Day was this year hosted virtually for the first time with key representatives from Together for Short Lives. Hearing directly from a partner Children's Hospice, the team learnt about the impact of the pandemic on hospice fundraising but also the positive difference our support makes.



35
Charity Champions

3rd
year running Gold level supporter GroceryAid

550,000
meals donated to FareShare UK

> We have been blown away by the energy and enthusiasm shown by all Premier Foods staff to get behind our partnership and make a difference to the lives of seriously ill children and their families across the UK. We are so grateful for every employee that has contributed to the extraordinary fundraising that has taken place across this challenging year, as well as the kind delivery of vital food packages during the pandemic to our hospices. Thank you so much. Your support means that we can be there for seriously ill children and their families, so that they can make the most of every moment together."

Lucy Crisp
Head of Corporate Partnerships, Together for Short Lives

Going the extra mile to support our communities in the pandemic

One of our three guiding principles during the pandemic (see our response to Covid-19, page 9) was to play our part in providing food to the nation, including those most vulnerable, during this time of difficulty.

- We participated in the Government's vulnerable food parcels scheme.
- We supported 28 hospitals local to our sites by providing more than 200,000 easy to prepare meals and snacks for our incredible NHS workers, with our colleagues at Nissin kindly offering 30,000 pots of noodles.
- We've strengthened our partnership with FareShare, donating the equivalent of 550,000 meals to their network of food banks around the country.

In addition, our amazing colleagues up and down the country came up with great ideas to support their local communities including creating PPE and visors for their local NHS, sourcing out of stock items to make sure those relying on them would not go without, or hand sewing protective masks and tote bags for local nurses. Well done all!

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 with a range of ingredients and finished goods. We therefore have processes and policies in place to embed and promote ethical and sustainable sourcing.

Drive sustainable raw material

We work with around 1,280 active suppliers and our aim is to develop long-term, sustainable partnerships which deliver mutual benefits. 85% of our total third party spend is with UK-based suppliers. Our top 500 suppliers account for 98% of our total spend on the goods and services that we purchase.

Responsible soy

We continue to support and promote the production of sustainable soy through our Round Table on Responsible Soy (RTRS) membership, through which we play our role in promoting zero deforestation and respecting the rights, customs, and culture of different communities and indigenous populations around the globe. Our goal is to ensure that 100% of the soya we buy, both directly and indirectly, meets RTRS standards by 2025. This year, as a first step, we have ensured that 100% of the small amount of soya we buy directly as an ingredient meets RTRS standards. We have also used the Soy Footprint calculator to help drive greater understanding and transparency of soy embedded in our indirect purchases and found that the vast majority is being used within animal feed.

Animal welfare

We continuously advocate for greater awareness of animal welfare issues across our supply chain, and regularly engage with our suppliers to understand their practices and challenges. We seek to improve the lives of farm animals by increasing the visibility and extending the development of good animal welfare practices across our whole supply chain, including within our primary producers and indirect users of animal-derived ingredients. Whilst we were delighted to see this work recognised through a Tier 2 ranking by BBFAW in 2019, we continually seek to improve and so have set ourselves stretching intermediary goals to reach in 2023, and have included animal welfare goals in our Joint Business Plans with suppliers. We have also extended our work to reach the most difficult parts of our supply chain and rolled out our annual animal welfare survey to both our indirect and embedded animal product suppliers, to understand their practices and challenges.

This work was recognised with our BBFAW score improving this year and retaining our Tier 2 ranking providing all our stakeholders with the independent verification and confidence in our commitments and practices.

Drive high ethical and compliance standards across the supply chain

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. We use the Sedex platform and assessment tools to help us analyse and manage risk in our supply chains and to develop a supplier risk-based compliance audit programme,

which drives greater transparency across our supply chains. By the end of the financial year, 88% of our direct suppliers were registered with Sedex, which represents 98% of all annual spend with direct suppliers.

All supplier food safety audits include ethical standards and labour practices, and where concerns are identified, we will carry out a SMETA audit, one of the tools of SEDEX. The SMETA audits enable us to assess the suppliers based on their organisation's standards of labour, health and safety, environment, and business ethics. 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. Due to the unprecedented current situation caused by Covid-19, our auditing plans have been disrupted and we were not able to travel to audit supplier premises. Whilst many of our standard food safety audits have now been completed remotely, we have only been able to complete two out of the four planned SMETA social audits across high-risk suppliers and are hoping to complete the remaining two in the 2021/22 financial year, once restrictions are lifted.

Modern Day slavery

We are committed to tackling all forms of hidden labour exploitation, including slavery and human trafficking and we have ensured that all new members of the Procurement team receive specific training on Modern Day slavery and trafficking as part of their induction. The training utilises both internal and external training resource materials and is tailored to raise awareness of the issues around Modern Day slavery in supply chains and to empower team members to recognise and respond to indicators of human rights abuse within the supply chain.

Responsible palm oil

Did you know? Palm oil is an extremely versatile oil that has many different properties and functions. It is also an incredibly efficient crop, producing more oil per land area than any other equivalent vegetable oil crop. To get the same amount of alternative oils like soybean or coconut oil would require anything between four and 10 times more land, which would shift the deforestation problem to other parts of the world and threaten other habitats and species[1]. This is why we are committed to sourcing only sustainable, Roundtable on Sustainable Palm Oil (RSPO) certified palm oil which protects the environment and the local communities who depend on it for their livelihoods, so that palm oil can continue to play a key role in food security. 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. We are delighted to have maintained 100% RSPO (Roundtable on Sustainable Palm Oil) certified palm oil throughout the year.

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

[1] Source '8 things to know about palm oil', WWF, available at: https://www.wwf.org.uk/updates/8-things-know-about-palm-oil.

Health and Safety (H&S) standards

We take a risk-based approach to assessing and managing health and safety and work closely with our co-manufacturers in order to drive greater standards across our supply chain. This year, we had set a target to conduct eight detailed H&S compliance audits across co-manufacturers and onsite suppliers and to put in place targeted improvement plans if required. Unfortunately, due to Covid-19 restrictions, we have not been able to gain access to relevant vendors, so were unable to complete this task. We will continue to review restrictions linked to Covid-19 and understand when the audits can be rescheduled.

Food safety excellence

The safety and quality of our products is of paramount importance to us. Our internal technical quality compliance team focuses on controls across all of our manufacturing sites to ensure standards are maintained, supporting a range of initiatives, and driving continuous improvement and quality programmes. We operate a Food Safety and Quality Management System based around the British Retail Consortium (BRC) Global Food Standard version 8, with all sites (excluding Charnwood Foods) audited by an independent accreditation body to this standard. This year, adapting to the Covid-19 restrictions, BRC allowed greater flexibility in the audit processes – previously always unannounced, the audits were either unannounced, announced, or the sites saw their certification extended. Our current audit BRC status is rated at B or above, with 88% achieving A, AA, A+ or AA+ ratings.

Reduce our environmental footprint

We are signatories and active members of the FDF 2025 Ambition, the Courtauld 2025 Commitment, Champions 12.3 and WRAP's UK Plastics Pact. Through our industry commitments, which go beyond legislation, we strive to limit our impact on the planet by reducing our CO_2 emissions and water usage, by tackling food waste in our operations and by fostering a circular economy for plastic packaging. We partner with community groups and NGOs, such as The Westcountry Rivers Trust, Company Shop Group and FareShare UK, to deliver a programme of forward-thinking initiatives that deliver meaningful results. With unprecedented levels of production in the last year, we continued to improve our environmental performance across several key metrics.

Climate action

Energy efficiency and CO_2 emissions

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 by 18.8% to 677.5 kWh per tonne of product, down from 832 kWh the year before. All of our manufacturing sites are accredited to ISO 14001 Environmental Management Systems, except Knighton Foods which is working towards the accreditation for next year.

We have continued to reduce our CO_2 emissions, which **this year decreased by a further 5.8%. This equates to a collective 42.7% reduction** against our baseline figure of 103,102 tonnes of CO_2 (taken as year ended 31 December 2008, when we first started to collect emissions data on a like-for-like basis, and adjusted for site disposals). Furthermore, we have ensured that all our sites (but Knighton Foods) are powered by green energy and have purchased Renewable Energy Guarantees of Origin (REGO) certificates to provide us with the transparency and certainty of the origin of the electricity supply reaching our sites. **This means that our CO_2 emissions have in effect decreased by 61.5% against our 2008 baseline**, surpassing our 55% absolute reduction by 2025 target four years early! (see our GHG disclosure on page 85).

Water stress and biodiversity

Having exceeded the 25% industry-wide water reduction target in 2020, we continue to work towards further reductions across our operations and have now achieved an impressive **59% reduction** compared to our 2007 baseline.

Alongside this, we actively support the Courtauld 2025 Water Ambition and continue to play our part to improve the quality and availability of water in key areas of the UK where our ingredients are sourced. We work in partnership with the Tamar Water Stewardship Business Board, joining forces with other local organisations and 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. This collaborative project was recognised by the Institute of Environmental Management and Assessment (IEMA), the largest professional body for environmental practitioners, and shortlisted in the 'Consultancy and Collaboration' and 'Biodiversity Net Gain' categories of the 2020 IEMA Sustainability Impact Awards.

Food waste

We are committed to further monitoring, reporting and reducing our food surplus, moving it higher up the food waste hierarchy, towards elimination and redistribution. We are an active member of WRAP, and founder signatories of the IGD Target, Measure, Act and Champions 12.3 initiatives, both of which mandate transparent disclosure of food waste. We are proud of our eight-year record of sending zero food waste to landfill.

In the 2020 calendar year, we produced nearly 400,000 tonnes of food, an increase of around 63,000 tonnes compared with 2019 on account of unprecedented levels of consumer demand during the Covid-19 pandemic. Our food waste for 2020 was 7,778 tonnes, equating to 1.99% of the total food we produced, an 11.2% reduction from last year. We continued in our efforts to redistribute our surplus stock back up the human food chain, and by strengthening our partnerships with Company Shop Group and FareShare UK to support their mission of tackling food waste and food poverty, **we redistributed 1,380 tonnes of products**. This is three times more than the previous year, far exceeding our 750 tonnes redistribution target.

We have also been actively involved in shaping the behaviours needed to tackle food waste across the supply chain. Firstly, we became part of the first cohort of the Luminary Programme established by Company Shop Group. Our Group Environmental Manager has volunteered to become one of the mentors to this DEFRA-funded programme which combines a mixture of toolkits, activities and support to equip participants with the skills, network and confidence they need to be the driving force for change within their own organisation and throughout the supply chain.

Secondly, we were delighted to become a strategic partner of WRAP's first ever Food Waste Action Week, aimed at raising awareness of the contribution of food waste within homes to climate change. With 70% of food waste happening at home, we used the power of our brands to help consumers reduce food waste and shared a range of easy 'no brainer' leftover recipes using products from our wide portfolio. Our regulatory teams also worked collaboratively with WRAP to develop guidance for other businesses on redistributing surplus stock past their Best Before Dates.

Furthermore, last March, we decided to increase our support to FareShare in order to reach more communities throughout the country, via their network of 25 depots liaising with over 12,000 charities (including food banks and community centres). Since then, we have redistributed more than 240 tonnes of products, which make up the equivalent of more than 550,000 meals. As part of our support to Food Waste Action Week in March, we also encouraged our manufacturing sites colleagues to donate products to support FareShare. In just a few days, our colleagues managed to collect 26 pallets of food (over 10 tonnes) and donated a mix of ambient surplus products and products that our colleagues had provided from their own cupboards.

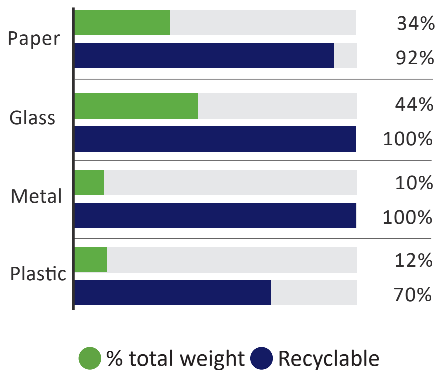
> As more than two million tonnes of good-to-eat surplus food goes to waste each year whilst more than eight million people nationwide struggle to afford to eat, FareShare continues to work tirelessly to tackle both issues and connect this food with the communities who need it most.
>
> We thank Premier Foods for their commitment in helping us to make this happen through surplus ambient food provision and especially their recent support during Food Waste Action Week. The Covid-19 pandemic means there is more pressure than ever to do the right thing with surplus food and ensure it feeds people first. With the brilliant and continued support of partners such as Premier Foods we are closer to our mission of ensuring no good food goes to waste."
>
> Lindsay Boswell,
> CEO, FareShare UK

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. For example, 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. **In total, 94% of our packaging, by weight, is recyclable** (On Pack Recycling Label (OPRL) scheme guidelines).

Packaging split by material



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 by weight. We support a vision for a circular plastics economy, where plastic is valued and kept in the economy, but out of the environment. As

59%
reduction in water usage compared to our 2007 baseline

94%
of our packaging is recyclable

70%
of our plastics packaging is recyclable

11.2%
decrease in food waste per tonne of product

Net CO_2 reduction of
61.5%
against our 2008 baseline after purchasing REGO certificates

5.8%
reduction this year in CO_2 emissions - a 42.7% reduction against our 2008 baseline

1,380 tonnes
of products redistributed, three times more than last year

such, we are a founding member of the UK Plastics Pact and are working with industry, retailers, packaging suppliers, NGOs, Government, local authorities, and waste management organisations to help transform the UK plastics packaging sector by 2025. This collaboration is key to create much-needed alignment across the value chain, and in turn ensure that any change we make to our packaging will be sustainable.

As we progress on our journey to 100% recyclability, we have many projects looking at removing materials which are hard to recycle, such as black plastics, or materials which are not yet accepted by local authorities for recycling. We're making good progress and have this year **achieved 70% recyclability for our plastics packaging**, up from 63% last year and 48% the previous year (based on sales data, figures adjusted to reflect the new OPRL scheme). We have for instance successfully removed 400 tonnes of problematic plastics by switching our *Bisto* Best caps and Soba pot noodles to a detectible plastic, which means they can now be collected, sorted and recycled by most local authorities in the UK. We have also eliminated PVC from our portfolio. For the most challenging materials, such as polystyrene or films and flexibles, we continue engaging with our partners and suppliers to find the right technical solutions which will balance the need to ensure food safety, preserve freshness and taste, prevent food waste, as well as be accepted by the existing UK recycling infrastructure.

We also recognise that key to a circular economy is creating a market for more recycled content and helping consumers to physically recycle material which is recyclable. **Overall, 18% of our plastic packaging across our portfolio now has recycled content** to help create a market-pull for recycled polymers, whilst remaining in compliance with food safety standards. **100% of our UK packaging is compliant with OPRL guidelines** to ensure that our consumers can easily understand how to dispose of our packaging, with 46% currently carrying the updated, simplified guidelines of 'Recycle' and 'Don't Recycle'.

Our flat pack slices, a true example of a circular economy for plastics

As we work towards our UK Plastics Pact targets, we aim to simultaneously increase recyclability and recycled polymer content in our packaging to foster a circular economy for plastics. This year, we have moved our *Mr Kipling*, *Cadbury* and *Plantastic* flat pack slices from non-recyclable plastic (HIPS) to a recyclable plastic (RPET) which represents 250 tonnes of plastics. At the same time, we ensured that the new material was made of recycled polymer, with a minimum of 50% recycled content. Our flat pack slices are a real example of a circular economy – containing both recycled and recyclable plastics!

Key performance indicators (KPIs)

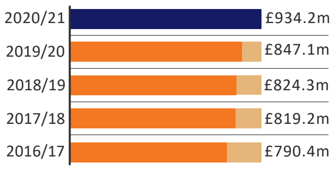
We use a number of performance indicators to monitor financial, operational and responsibility performance

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.

Revenue (52 week basis)[1]

Year-on-year growth in revenue

+10.3%



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.

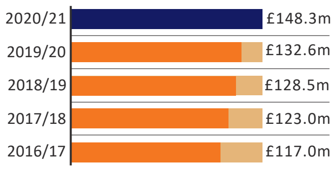
Progress we've made

Revenue (on a 52 week basis) increased by 10.3% in the year to £934.2m. This growth was driven by our branded growth model of delivering new product innovation based on current consumer trends, together with engaging advertising and strategic relationships with our retail partners. The Group also benefitted from increased demand due to restrictions on out of home eating during the year.

Trading profit[1]

Trading profit is defined in the Operating and financial review on page 45.

+11.9%



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.

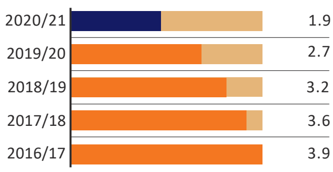
Progress we've made

Trading profit increased by 11.9% in the year. This improvement was driven by our strong branded revenue growth in both business segments.

Net debt to adjusted EBITDA ratio[1]

The ratio measures the Group's overall level of debt. Net debt (on a pre-IFRS 16 basis) and adjusted EBITDA are defined in the Operating and financial review on page 45.

0.8x 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.

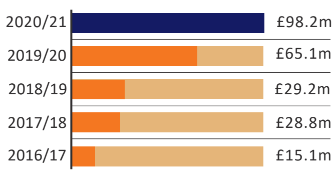
Progress we've made

Net debt reduced by £94.0m from £408.1m in 2019/20 to £314.1m in 2020/21 (on a pre-IFRS 16 basis). As a result of this deleveraging and adjusted EBITDA growth, the ratio of Net debt to adjusted EBITDA reduced from 2.7x to 1.9x.

Free cash flow

Free cash flow is defined in the Operating and financial review on page 45.

+50.8%



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 50.8% in 2020/21 to £98.2m. Cash flow benefitted from the increase in Trading profit, and sale of the Group's investment in Hovis.

Environmental and Health and Safety performance is reported in more detail in the section on 'How we are a responsible business' on pages 16 to 33.

1. Revenue and Trading profit are shown on a 52 week basis and Net debt is shown on a pre-IFRS 16 basis, to aid comparison with prior years. A definition and reconciliation of non-GAAP measures to reported measures is set out on page 45.

Branded market share[2]

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 27 March 2021 and 52 weeks ending 28 March 2020).

+32bps

bps Grocery

+113bps

bps Sweet Treats

Why is this important?

Increasing market share indicates consumer preference for our products.

Progress we've made

Grocery market share increased by +32 basis points, as a result of product innovation and increased marketing investment, as well as an increase in at home consumption during the period.

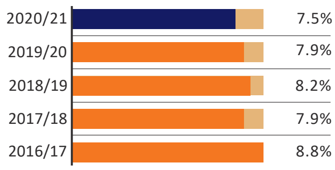
Sweet Treats also grew market share in the year, benefitting from increased sales of *Mr Kipling* reduced sugar slices and the expansion of its premium Signature collection.

2. The prior year comparatives have been updated to reflect adjustments made by IRI following the end of the previous financial year.

SG&A as a % of Group revenue

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

-5.1%



Why is this important?

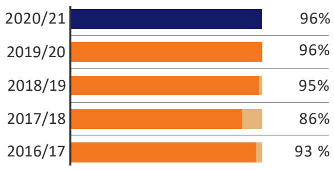
As part of our cost and efficiency strategy we intend to maintain a lean organisational structure, ensuring complexity is kept to a minimum.

Progress we've made

SG&A as a % of revenue has reduced slightly year-on-year and reflects revenue growth ahead of the cost base.

% 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

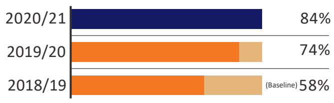
Our overall performance remains stable over the financial period, reflecting the consistent quality of our branded products, with continued focus in the year on the Group's top-selling Grocery and Sweet Treat products to ensure that all test superior to our competitors.

The review covered 61% 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[3]

A better-for-you option is a claimable nutritional benefit such as reduced/no added sugar, reduced/no added salt or wholegrain alternative.

+10.5%



Why is this important?

As a business, we believe we have a responsibility to offer consumers better-for-you options and this also aligns with a key consumer trend for healthier eating. Further information on health and nutrition is set out on pages 20 and 21.

Progress we've made

Over the course of the period, we have launched 17 better-for-you products across our portfolio, including *Bisto*, *Mr Kipling* and *Sharwood's*.

3. 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.

Operating and financial review

Over the course of the financial year we have reduced our leverage to 1.9x adjusted EBITDA, repaid £190m of our Floating Rate Notes, saving approximately £10m in interest costs, and entered into a transformational new pensions agreement."

Duncan Leggett
Chief Financial Officer

Revenue

£m	2020/21 53 week basis	Exclude: Week 53	2020/21 52 week basis	2019/20	2020/21 vs 2019/20 (52 week % change)
Grocery	**702.6**	(9.2)	**693.4**	**611.6**	+13.4%
- Branded	609.3	(7.6)	601.7	514.7	+16.9%
- Non-branded	93.3	(1.6)	91.7	96.9	(5.3%)
Sweet Treats	**244.4**	(3.6)	**240.8**	**235.5**	+2.2%
- Branded	203.2	(3.3)	199.9	190.9	+4.7%
- Non-branded	41.2	(0.3)	40.9	44.6	(8.4%)
Group	**947.0**	(12.8)	**934.2**	**847.1**	+10.3%
- Branded	812.5	(10.9)	801.6	705.6	+13.6%
- Non-branded	134.5	(1.9)	132.6	141.5	(6.3%)

Group revenue for the 53 weeks to 3 April 2021 was £947.0m, an increase of £99.9m compared to the 52 weeks ended 28 March 2020.

On a 52 week basis, Group revenue increased by +10.3% to £934.2m; Branded revenue grew by +13.6% while Non-branded revenue was (6.3%) lower. In the fourth quarter, on a 13 week comparative basis, Group revenue increase by +4.0% to £226.9m and branded revenues increased by +7.0%. In the year, the Group's branded mix advanced by 250 basis points to 85.8% on a 52 week basis.

The Group saw a prolonged period of elevated demand for its product ranges, as consumers were restricted to eating all meals at home due to the closure of hospitality outlets for long periods. The supply chain demonstrated its robustness through meeting these volumes and in doing so, kept product availability high. This, together with continued new product launches and brand investment, resulted in 70 basis points of market share gain in the year. Overall, the Group's consumer base expanded this year, as a result of more people cooking from home, experimenting with new recipes and expanding their repertoire of meals.

Grocery

Grocery revenue for the 53 week financial year was £702.6m, of which £609.3m was branded revenue and £93.3m Non-branded. On a 52 week basis, Grocery revenue increased by 13.4% to £693.4m, led by its branded portfolio which grew by 16.9% to £601.7m. The fourth quarter saw revenues grow by 3.6% to £172.4m with brands up by 6.8%. The grocery portfolio gained 32 basis points of value share in the year, growing faster than a market which increased by 12.3%.

In 2020/21, the Group's Grocery brands benefitted from the Group's innovation strategy and increasing consumer marketing investment behind emotionally engaging advertising. A significant driver of increased volumes in the year was due to consumers eating more meals at home due to pandemic related restrictions on eating out of home; consequently many of the major Grocery brands grew in strong double-digit terms, with *Bisto*, *Oxo*, *Ambrosia*, *Sharwood's, Homepride*, *Paxo* and Nissin all stand out performers. Additionally, the increase in cooking at home, with consumers expanding their repertoire of meals has resulted in a significant increase in household penetration of brands such as *Bisto*, *Oxo*, *Sharwood's* and *Paxo*, which all attracted approximately a million or more new households buying their product ranges.

New product development in the year was led by better for your options such as *Sharwood's* 30% less sugar cooking sauce pouches, 30% less fat Butter Chicken sauces and low-fat Naan breads. *Oxo* launched meat free Beef flavoured stock cubes, suitable for a vegan diet. The Group became the UK's sole distributor for the high quality Cape Herb and Spice range, which highlights the extension of the Group into a new sub-category. Other new products brought to market this year include *Bisto* Southern style gravy, which provides consumers with the opportunity to replicate takeaways at home following the fakeaway trend.

The Group's five largest Grocery brands; *Ambrosia*, *Batchelors*, *Bisto*, *Sharwood's* and *Oxo* received an aggregate 58 weeks of advertising on television during the year. *Ambrosia* and *Sharwood's* both benefitted from advertising for the first time in four and five years respectively, each with new production copy designed to build an emotional engagement with consumers.

The online market grew rapidly in H1 and broadly maintained this elevated level through the second half of the year. The Group's categories have grown ahead of this, with sales increasing by +104%, equating to a market share gain of 128 basis points. The Group has been developing its online capabilities over the last three years, increasing resource in this area to ensure maximum benefits from the growth potential in this channel. This includes ensuring the Group's brands are promoted and displayed using pertinent techniques for the online channel.

Looking ahead to 2021/22, the Grocery business will continue to launch a number of new product ranges as part of its healthier choices strategy. For example, it will be launching a Deliciously Vegan range of *Sharwood's* Indian cooking sauces and 30% less fat *Loyd Grossman* lasagne sauces. Other new product ranges include *Oxo* marinades and rubs, *Bisto* Creamy pepper sauce and Bird's convenient custard pots. The new Cape Herb and Spice range of rubs, chilli tins and seasonings, as described above, will expand to further distribution.

Additionally, the Group is planning to advertise all five of its largest Grocery brands during the course of the next financial year.

Sweet Treats

Sweet Treats revenue was £244.4m in the 53 weeks to 3 April 2021; branded revenue was £203.2m and Non-branded revenues £41.2m. On a 52 week basis, Sweet Treats revenue increased by 2.2% to £240.8m. Branded revenue saw growth of 4.7% in a declining cake market, which reflected fewer celebration occasions, while Non-branded revenue was 8.4% lower. The fourth quarter saw an acceleration in revenue growth, as total revenue in Sweet Treats increased by 5.4% on a 13 week comparable basis. Branded revenue was the driver of this growth, as revenue grew by 7.7%; well ahead of the wider cake market.

Market share of the Group's cake brands grew by 113 basis points in a market which declined by 2.3%, while Household penetration increased by a very strong 193 basis points.

After a muted start to the year, when consumers and customers focused heavily on staple items, both *Mr Kipling* and *Cadbury* cake enjoyed a strong year of revenue growth. *Mr Kipling*, the Group's largest brand, reached revenue of £150m for the first time in its history, benefitting from 25 weeks of TV advertising in the year, increased sales of its reduced sugar slices ranges and expansion of its premium Signature collection. *Cadbury* cake sales were supported by the launch of Crunchie and Fudge cake bars, while the core Mini Rolls delivered robust volumes through the year. The Group maintains its longstanding relationship with *Cadbury* owner, Mondelēz International; its licence for cake and ambient desserts is due to run until 2025.

In the coming months, the Group will be investing in further TV advertising for *Mr Kipling*, while 2021/22 sees the launch of *Mr Kipling* Choc Tarts. Sweet Treats will also benefit from the full year effect of new products launched in the prior year, such as the new *Cadbury* Crunchie and Fudge cake bars and expanded *Mr Kipling* Signature collection.

International

The International business enjoyed a strong year, as it began to reap the benefits of its revised strategy, with revenue at constant currency up 23%[8] compared to the prior year on a 52 week basis. This revamped approach is designed to deliver sustainable profitable growth as evidenced in the UK and is led by a new Head of International. The business has moved to a new organisational structure where locally based market heads have replaced function heads; a switch of resources from the UK to relevant markets. There is now a change of emphasis underpinned by strong focus on in-market execution, which involves ensuring the right products are presented to the shopper at the right price, combined with an optimum promotional strategy. Route to market solutions include using carefully chosen local partners with appropriate capabilities.

Revenue in 2020/21 grew in double digit percentage terms compared to the prior year in each four quarters of the year. In Ireland, all major brands displayed growth, some of which reflected increased at home consumption during the pandemic, in a similar way to the UK. In the second half of the year, Ireland saw the launch of new products such as the *Mr Kipling* Signature range and Soba Noodle pots and TV advertising for *Bisto* and *Mr Kipling*. These activities are the first examples of how the International business is applying the established and proven branded growth model from the UK to its overseas markets. Australia saw a similar approach; *Mr Kipling* aired on Australian TV in the fourth quarter and new product launches included *Sharwood's* low fat cooking sauces and *Mr Kipling* Chocolate & Cherry slices. A new head of market for Australia, now country and not UK based, was appointed in the year alongside a new team with strong local market consumer sector backgrounds.

The USA saw very strong revenue growth in the year which reflected significantly improved in-market execution for *Sharwood's,* achieving 3,000 new distribution points. In the fourth quarter, the Group signed a new agreement with Weston Foods to sell and market *Mr Kipling* cakes in the USA. The first shipments of cake are expected to commence in the first half of 2021/22, which will follow the confirmation of a preferred lead customer.

Non-branded

On a 52 week basis, Grocery Non-branded revenue declined (5.3%) in the year while Sweet Treats revenue fell by (8.4%). Grocery saw an increase in volume and revenue for its retailer brand contracts, but this was more than offset by a fall in revenue for business to business units such as Knighton Foods and Charnwood Foods due to reduced eating out of home throughout the year. In Sweet Treats, the sales decline reflected contract exits for retailer brand cake and lower volumes in the discounter channel; these effects are expected to unwind in the second half of 2021/22.

Operating and financial review continued

Trading profit

£m	2020/21 53 week basis	Exclude: Week 53	2020/21 52 week basis	2019/20	2020/21 vs 2019/20 (52 week % change)
Divisional contribution	**197.9**	(3.0)	**194.9**	**171.9**	+13.4%
- Grocery	174.7	(2.2)	172.5	148.2	+16.4%
- Sweet Treats	23.2	(0.8)	22.4	23.7	(5.5%)
Group & corporate costs	(46.6)	–	(46.6)	(39.3)	(18.6%)
Trading profit	**151.3**	(3.0)	**148.3**	**132.6**	+11.9%

The Group delivered Trading profit of £151.3m in 2020/21. This comprised Divisional contribution of £197.9m less costs of Group & corporate related activity of £46.6m. On a 52 week basis, Trading profit in 2020/21 was £148.3m, an 11.9% increase on the prior year. Divisional contribution grew by +13.4% on the same basis, reflecting strong growth in the Grocery business of +16.4%, partly offset by a reduction in Sweet Treats Divisional contribution of £22.4m which was 5.5% lower.

Grocery benefitted from strong performances across its branded portfolio, as the substantial increase in volumes saw benefits of operational leverage feed through to Divisional contribution. This effect more than offset incremental supply chain costs incurred during the year associated with enhanced hygiene and social distancing measures and temporary labour as a result of the Covid-19 pandemic. Additionally, the Group increased its consumer marketing expenditure with *Ambrosia, Batchelors, Bisto, Sharwood's* and *Oxo* all recipients of television advertising in the year. This reflects one of the key pillars of the Group's branded growth model strategy of delivering emotionally engaging advertising. In the first half of the year, the Group also benefitted from generally lower market rates for media slots and accordingly was able to purchase more television advertising time than expected, however these lower market rates dissipated in the second half.

In Sweet Treats, Divisional contribution was £1.3m lower than the prior year. Divisional contribution was impacted by incremental Covid-19 related costs in a similar way to the Grocery business, although the requirements for additional social distancing measures and increased temporary labour due to higher absence was more evident in Sweet Treats than Grocery. Additionally, with less pronounced volume uplifts in Sweet Treats compared to Grocery, limited operational leverage benefits were offset by these incremental pandemic related costs. Marketing investment for *Mr Kipling* was higher in the year, as the Group's largest brands benefitted from 25 weeks on air of the popular 'Little Thief' television advert.

Group & corporate costs increased by £7.3m in the period to £46.6m. This was largely as a result of higher Group wide management incentive schemes costs, covering a large section of the Group's workforce.

The Group will continue to invest strongly behind its brands in 2021/22 as it did in 2020/21, with six of the Group's largest brands in line to benefit from media advertising. *Mr Kipling* and *Bisto* are planned to benefit from new advertising creative.

As the Group enters this year, it has been closely monitoring movements in commodity markets. The recent increase in some input costs are not unexpected and follow a period of relatively benign input cost inflation. The business has planned for these changes, and will use a range of measures to ensure any impacts are offset.

Operating profit

£m 53 week basis	2020/21	2019/20	Change
Adjusted EBITDA[3]	**170.4**	**152.5**	**17.9**
Depreciation	(19.1)	(19.9)	0.8
Trading profit	**151.3**	**132.6**	**18.7**
Amortisation of intangible assets	(30.4)	(29.4)	(1.0)
Net interest on pensions and administrative expenses	9.7	(4.6)	14.3
Fair value movements on foreign exchange & derivatives	(2.3)	1.7	(4.0)
Non-trading items:			
Restructuring costs	(4.9)	(4.1)	(0.8)
GMP equalisation	(2.9)	–	(2.9)
Other non-trading	(0.5)	(0.9)	0.4
Operating profit before gain on sale of Hovis	**120.0**	**95.3**	**24.7**
Reversal of impairment loss on financial assets	15.7	–	15.7
Profit on disposal of investment in associate	16.9	–	16.9
Operating profit	**152.6**	**95.3**	**57.3**

Operating profit increased by £57.3m, to £152.6m in the year. This growth reflected the Trading profit performance as described above, a positive movement in the net interest on pensions and administrative expenses and the sale of the Group's Hovis investment in the second half of the year.

Amortisation of intangible assets was £30.4m in the year compared to £29.4m in 2019/20. Fair valuation of foreign exchange and derivatives resulted in an adverse movement of £2.3m. Non-trading restructuring costs increased by £0.8m to £4.9m in 2020/21. This increase was due to costs associated with advisory work on the segregated merger pensions agreement announced on 20 April 2020, and the integration of the Knighton Foods business.

The November 2020 Guaranteed Minimum Pensions (GMP) high court judgement ruled that pension scheme trustees are also legally responsible for equalising the GMP for the employees who transferred out of UK defined benefit pension schemes. Accordingly, there is a requirement to revisit historic cash equivalent transfer values that were previously not equalised and make adjustments where necessary and a non-cash charge of £2.9m in the year reflects past service costs associated with this equalisation.

Net interest on pensions and administrative expenses was £9.7m, which includes expenses for operating the Group's pension schemes of £10.7m, offset by a net interest credit of £14.4m. Also included is a credit of £9.3m related to a Wind Up Lumpsum exercise as part of the scheme merger and a charge of £3.3m which reflects settlement costs associated with enhanced transfer value payments made to certain RHM scheme deferred members.

An impairment reversal of £15.7m was recognised in the period in respect of the Hovis loan note previously written off, reflecting the reassessment of the loan note's recoverability. A profit on disposal of £16.9m was recognised as a result of the sale of the Hovis investment.

Finance costs

£m	**2020/21 53 week basis**	Exclude: 53 week	**2020/21 52 week basis**	2019/20
Senior secured notes interest	**25.9**	(0.4)	**25.5**	31.0
Bank debt interest – net	**4.6**	(0.0)	**4.6**	5.0
	30.5	(0.4)	**30.1**	36.0
Amortisation of debt issuance costs	**2.9**	–	**2.9**	3.3
Net regular interest[5]	**33.4**	(0.4)	**33.0**	**39.3**
Write-off of financing costs	**1.3**	–	**–**	–
Discount unwind	**(1.1)**	–	**–**	1.3
Other finance cost	**0.9**	–	**–**	1.1
Other finance income	**(4.7)**	–	**–**	–
Net finance cost	**29.8**	**–**	**–**	**41.7**

[Note: 52 week basis not applied for Write off of financing costs, Discount unwind, Other finance cost and Other finance income]

Net finance cost was £29.8m in the year to the 53 weeks ended 3 April 2021, a decrease of £11.9m compared to 2019/20. Net regular interest was £33.4m in the year and £33.0m on a 52 week basis. This compares to £39.3m in the comparative period. The reduction in net regular interest in the year was primarily due to lower Senior secured notes interest charges, principally due to four partial redemptions of the Group's Floating Rate Notes (FRN) which completed at different points during the year, and are outlined in the table below.

£m	£m
FRN outstanding at 28 March 2020	**210.0**
Part redemptions in 2020/21:	
17 June 2020	(80.0)
1 December 2020	(40.0)
16 February 2021	(40.0)
31 March 2021	(30.0)
FRN outstanding at 3 April 2021	**20.0**

Bank debt interest decreased by £0.4m to £4.6m in the year and amortisation of debt issuance costs were also £0.4m lower. The Revolving Credit Facility (RCF) was undrawn at the year end.

Following the partial redemptions of the FRN during the year, write off of financing fees amounting to £1.3m were incurred in the year. A credit of £1.1m in the year related to a discount unwind associated with properties held by the Group. Other finance income of £4.7m relates to the reversal of the impairment of the interest on the Hovis loan note.

Taxation

£m	**2020/21**	2019/20
Profit/before tax	**122.8**	**53.6**
- Tax charge at rate of 19.0%	**(23.3)**	(10.2)
Tax effect of:		
- Changes in tax rate	**–**	4.9
- Capital gain on disposal of business	**6.6**	–
- Other items	**(0.1)**	(1.8)
Income tax (charge)	**(16.8)**	**(7.1)**
Deferred tax asset	**28.4**	–
Deferred tax liability	**85.8**	184.9

A tax charge in the year of £16.8m compared to £7.1m in the prior year. The current year reflects a charge of £23.3m on profit before tax at the rate of 19% and a capital gain of £6.6m relating to the disposal of the Hovis investment.

At 3 April, deferred tax assets were £28.4m (28 March 2020: nil) while a deferred tax liability of £85.8m is a decrease of £99.1m compared to the prior year position and reflects a reduction in the combined pensions surplus.

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, the Group expects to recommence paying cash tax in low single digit £millions in the medium-term.

Operating and financial review continued

Earnings per share

Statutory earnings per share (£m) 53 week basis	**2020/21**	2019/20	Change
Operating profit	152.6	95.3	+57.3
Net finance cost	(29.8)	(41.7)	+11.9
Profit before taxation	**122.8**	**53.6**	**+69.2**
Taxation	(16.8)	(7.1)	(9.7)
Profit after taxation	106.0	46.5	+59.5
Average shares in issue (millions)	851.4	846.6	+4.8
Basic Earnings per share (pence)	**12.5**	**5.5**	**+7.0**

The Group reported a profit before tax of £122.8m in the year, an increase of £69.2m compared to 2019/20. Profit after tax in the year grew by £59.5m from £46.5m to £106.0m. Basic earnings per share in 2020/21 increased by 7.0p to 12.5p.

Adjusted earnings per share (£m) 52 week comparable basis	**2020/21**	2019/20	Change (%)
Trading profit	148.3	132.6	+11.9%
Less: Net regular interest	(33.0)	(39.3)	+15.9%
Adjusted profit before tax	**115.3**	**93.3**	**+23.5%**
Less: Notional tax (19%)	(21.9)	(17.7)	(23.5%)
Adjusted profit after tax[6]	93.4	75.6	+23.5%
Average shares in issue (millions)	851.3	846.6	0.6%
Adjusted earnings per share (pence)	**11.0**	**8.9**	**+22.8%**

Adjusted profit before tax on a 52 week comparable basis increased by 23.5% in the year to £115.3m, reflecting both Trading profit growth in the period and lower net regular interest costs as described above. Adjusted profit after tax also increased, by 23.5%, to £93.4m in the year after deducting a notional 19.0% tax charge of £21.9m. Based on average shares in issue of 851.3 million shares, adjusted earnings per share for the 52 week comparable basis grew +22.8% to 11.0p.

Hovis

In April 2014, the Group entered into a partnership with The Gores Group LLC in respect of Hovis Holdings Limited ('Hovis'). This partnership, of which the Group held a 49% equity interest, was subsequently written off in 2015/16. On 5 November 2020, the Group completed the sale of its interest in Hovis to Endless LLP. As part of the sale, the group has received a total consideration of £37.3m, of which £16.9m was in respect of equity and £20.4m reflected the settlement of the outstanding loan to associate.

Dividend

The Company last paid a dividend to shareholders in 2008. Over recent years, the Company has made significant progress in delivering against its branded growth model strategy and so in turn, reducing Net debt to a level that would enable the payment of a dividend under the Group's financing arrangements. In February 2021, the Company completed a capital reduction which will provide greater flexibility in how the Company manages its capital resources going forward. Subject to shareholder approval, the directors have proposed a final dividend of 1.0 pence for the 53 weeks ended 3 April 2021 (2019/20: nil), payable on 30 July 2021 to shareholders on the register at the close of business on 2 July 2021. The shares will go ex-dividend on 1 July 2021. Under the dividend matching agreement with the Company's pension schemes, for up to £5 million paid to shareholders as a dividend, a payment of 50 pence for every £1 paid to shareholders is payable to the pension schemes. For any dividend paid between £5m and £10m, there is no matching payment made to the pension schemes and, for any dividend paid above £10m, the 50 pence: £1 matching arrangement, as described above, recommences.

Free cash flow

£m	**2020/21**	2019/20
53 week basis		
Statutory cash flow statement		
Cash generated from operating activities	85.6	85.9
Cash generated from (used in) investing activities	13.8	(18.0)
Cash (used in)/generated from financing activities	(276.2)	82.2
Net (decrease)/increase in cash & cash equivalents	**(176.8)**	**150.1**
Cash, cash equivalents and bank overdrafts at beginning of period	177.9	27.8
Cash, cash equivalents and bank overdrafts at end of period	**1.1**	**177.9**

On a statutory basis, cash generated from operations was £118.2m compared to £121.5m in the comparative period. Cash generated from operating activities was £85.6m after deducting net interest paid of £32.6m. Cash generated from investing activities was £13.8m compared to £18.0m used in the prior year. This reflected proceeds received from the Group's Hovis investment, partly offset by the purchase of tangible and intangible assets of £23.6m. Cash used in financing activities was (£276.2m) in the year versus £82.2m cash generated in the prior year; the difference was due to two main actions. Firstly, the Group repaid a drawdown of £85.0m on its committed revolving credit facility in the first quarter of the year. This followed an earlier prudent decision by the Group at the end of the previous financial year to draw this £85.0m sum, reflecting early stage wider uncertainties associated with the Covid-19 pandemic. Secondly, the Group repaid £190.0m part redemptions of its Senior Secured Floating Rate Notes during the year. Cash and cash equivalents of £1.1m at the year end comprised a bank overdraft of £3.1m and cash and bank deposits of £4.2m

£m	2020/21	2019/20
53 week basis		
Trading profit	151.3	132.6
Depreciation	19.1	19.9
Other non-cash items	3.4	1.7
Interest	(32.6)	(35.6)
Pension contributions	(47.0)	(44.7)
Capital expenditure	(23.6)	(18.0)
Working capital & other	0.6	14.6
Non-trading items	(5.1)	(6.6)
Proceeds from share issue	1.7	1.1
Sale of property, plant & equipment	0.1	0.1
Net proceeds from sale of Hovis investment	30.3	–
Free cash flow[10]	**98.2**	**65.1**

The Group reported an inflow of Free cash in the year of £98.2m compared to £65.1m in the previous year. Trading profit of £151.3m on a 53 week basis was £18.7m ahead of the prior year for the reasons outlined above, while depreciation was slightly lower at £19.1m (2019/20: £19.9m). Other non-cash items of £3.4m was due primarily to share based payments.

Net interest paid of £32.6m was £3.0m lower than the prior year, due to part redemptions of the Group's Senior Secured Floating Rate Notes during the year which attract a coupon of 5.0% above LIBOR. The Group expects interest paid to continue to reduce in 2021/22 as the full year impact of these part redemptions take effect. Additionally, the Group is planning to issue new Senior Secured Fixed Rate Notes which are expected to replace its existing Fixed Rate Notes which currently attract a 6.25% interest rate.

Total pension contributions in the period were £47.0m (2019/20: £44.7m), due to previously agreed planned increases in deficit contribution payments to the Premier Foods pension scheme. Of this, pension deficit contribution payments were £39.1m and administration costs including pension levy costs were £7.9m.

Capital expenditure in the year was £23.6m, in line with expectations and higher than 2019/20. The Group expects to continue investing at least £25m per annum in capital expenditure as it funds growth projects supporting the Group's innovation strategy and cost release projects to deliver efficiency savings. Both these areas of capital investment offer attractive payback returns and accordingly are a key factor in the Group's assessment of capital allocation.

Nissin Soba noodles and Cup Noodle

Nissin's Soba noodles and Cup Noodle brands delivered retail sales value growth of +48.4% in the financial year, as consumers looked to explore authentic new flavours such as Cup Noodle Katsu curry.

Following the completion of the sale of the Group's Hovis investment to Endless LLP, as described above, cash proceeds of £37.3m were received on 5 November 2020. This was partly offset by a £7.0m share of proceeds made to the Group's pension schemes.

A working capital inflow of £0.6m compared to an inflow of £14.6m in the prior year. The prior year position was due to unusually low stock holding levels 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 £5.1m were paid in the year and comprise the final tranche of advisory costs associated with the Group's strategic review and costs relating to restructuring of both the International and Knighton businesses

Net debt and sources of finance

£m	Pre-IFRS 16	Post-IFRS 16
Net debt at 28 March 2020	**408.1**	**429.6**
Free cash inflow in period	(98.2)	(98.2)
Movement in debt issuance costs	4.2	4.2
Movement in lease creditor	–	(2.9)
Net debt at 3 April 2021	**314.1**	**332.7**

Net debt at 3 April 2021 was £332.7m, a reduction of £96.9m compared to the prior year while on a pre-IFRS 16 basis, Net debt was £314.1m, £94.0m lower than the comparative period. Free cash inflow in the period was £98.2m and the movement in debt issuance costs was £4.2m. On a pre-IFRS 16 Leases basis, Net debt / adjusted EBITDA was 1.9x; while on a reported basis, Net debt / adjusted EBITDA was 2.0x.

There were no changes to the Group's committed bank lending facilities in the year. As at 3 April 2021, the Group held cash and bank deposits of £1.1m. At the start of the financial year the Group held in issue £300m Senior Secured Fixed Rate Notes maturing October 2023 and £210m Senior Secured Floating Rate Notes ('FRN') maturing July 2022. With the Group's strong progress in cash generation and debt reduction during the last two years, it redeemed £190m of the original £210m outstanding FRN during 2020/21 at par.

The Group has announced the proposed issue of new five year £300m Senior Secured fixed rate notes due 2026, to refinance its £300m existing Senior Secured fixed rate notes, due to mature October 2023. Pricing of the new £300m Senior Secured fixed rate notes is to be confirmed and the notes are expected to be callable after two years.

The Group has entered into a new revolving credit facility (RCF) with an updated lending group for a period of three years from May 2021 with the option of extending for up to two additional years. This new senior secured RCF is a committed facility of £175m with an interest margin grid in line with the previous RCF. The prevailing coupon on the RCF at the year end was 2.75% plus three month LIBOR, although the facility was undrawn. Undrawn elements of the RCF will continue to attract interest equivalent to 35% of the applicable margin.

It is expected that the Group's outstanding £20m Senior Secured Floating Rate Notes due July 2022 will be repaid as part of this refinancing.

Pensions

Pensions agreement overview

Following an extensive strategic review which 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 agreed and signed legal documentation with the scheme trustees for the merger, which was implemented as planned on 30 June 2020.

A winding up lump sum (WULS) exercise was completed in February 2021. Following the segregated merger, the Group chose to effect a winding up of the Premier Foods Pension Scheme Trustees Limited and the Premier Grocery Products Pension Schemes Trustee Limited which will be completed in 2021.

IAS 19 results and commentary

	3 April 2021			28 March 2020		
IAS 19 Accounting Valuation (£m)	**RHM**	**Premier Foods**	**Combined**	RHM	Premier Foods	Combined
Assets	4,459.4	792.5	5,251.9	4,745.3	774.7	5,520.0
Liabilities	(3,536.9)	(1,175.1)	(4,712.0)	(3,240.0)	(1,049.6)	(4,289.6)
Surplus/(Deficit)	**922.5**	**(382.6)**	**539.9**	**1,505.3**	**(274.9)**	**1,230.4**
Net of deferred tax (19.0%)	747.2	(309.9)	437.3	1,219.3	(222.7)	996.6

The IAS 19 pension schemes valuation reported a surplus for the combined RHM and Premier Foods' pension schemes at 3 April 2021 of £539.9m, £690.5m lower than 28 March 2020. Net of deferred tax, the combined surplus at 3 April 2021 was £437.3m. 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.

Assets in the combined schemes at 3 April 2021 were £268.1m lower at £5,251.9m. RHM scheme assets decreased by £285.9m to £4,459.4m while the Premier Foods' schemes assets increased by £17.8m to £792.5m. The reduction in the RHM scheme assets was due to a drop in the value of government bonds held by the schemes. At the previous year end, UK 30 year Government gilts were at c.0.6%, however during the year, UK government Gilt yields increased. The pension schemes use hedges to reduce the impact of movements in Gilts on the actuarial valuation, so when gilt yields rise, the asset values of these hedges fall.

Liabilities in the combined schemes increased by £422.4m to £4,712.0m as at 3 April 2021 compared to 28 March 2020. The RHM scheme liabilities increased by £296.9m to £3,536.9m in the year and the Premier Foods scheme liabilities increased by £125.5m to £1,175.1m.

New *Ambrosia* Campaign

Ambrosia was back on air in 2020, for the first time in four years, with a new TV campaign 'Devon knows how they make it so creamy', as part of our strategy of increasing investment behind emotionally engaging marketing.

The main driver of the movement in liabilities was due to a decrease in the discount rate used at 28 March 2020 of 2.5%.

Combined pensions schemes (£m)	**3 April 2021**	28 March 2020
Assets		
Equities	14.9	11.5
Government bonds	1,625.4	1,802.6
Corporate bonds	1.0	25.3
Property	467.9	445.2
Absolute return products	1,112.1	1,198.2
Cash	79.8	32.4
Infrastructure funds	321.5	309.8
Swaps	485.4	487.1
Private equity	240.6	510.1
LDI	191.2	268.3
Other	712.1	429.5
Total Assets	5,251.9	5,520.0
Liabilities		
Discount rate	2.00%	2.50%
Inflation rate (RPI/CPI)	3.25%/2.80%	2.65%/1.65%

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

Outlook

The Group goes into 2021/22 in a strong position, having gained a significantly larger consumer base during the past year. The business will continue to employ its successful branded growth model, with further new product launches planned and six of its largest brands due to benefit from TV advertising in 2021/22. It expects to deliver further progress overseas as it applies these strategies in its key international markets.

Initial trading this year is in line with the Group's expectations, reflecting the ongoing strength of its growth strategy, set against a period of strong comparatives. The Board is confident in the delivery of its full year profit expectations, and is set to benefit from substantially lower financing costs. As the Group transitions to the next phase of its evolution, it will look to expand through accessing new categories in the UK and also in selected overseas markets, while exploring bolt-on acquisition opportunities. It continues to target 1.5x Net debt/adjusted EBITDA in the medium term.

Duncan Leggett
Chief Financial Officer

19 May 2021

Operating and financial review continued

Appendices

The Company's results are presented for the 53 weeks ended 3 April 2021 and the comparative period, 52 weeks ended 28 March 2020. All references to the 'quarter', unless otherwise stated, are for the 13 weeks ended 27 March 2021 and the comparative period, 13 weeks ended 28 March 2020.

To aid comparability of results, headline results are provided on a 52 week basis and reconciliations provided to a 53 week basis.

Headline group results for 53 weeks ended 3 April 2021

£m	2020/21 53 week basis	Exclude: Week 53	2020/21 52 week basis	2019/20	2020/21 vs 2019/20 (52 week % change)
Revenue					
Grocery	702.6	(9.2)	693.4	611.6	+13.4%
- Branded	609.3	(7.6)	601.7	514.7	+16.9%
- Non-branded	93.3	(1.6)	91.7	96.9	(5.3%)
Sweet Treats	244.4	(3.6)	240.8	235.5	+2.2%
- Branded	203.2	(3.3)	199.9	190.9	+4.7%
- Non-branded	41.2	(0.3)	40.9	44.6	(8.4%)
Group	947.0	(12.8)	934.2	847.1	+10.3%
- Branded	812.5	(10.9)	801.6	705.6	+13.6%
- Non-branded	134.5	(1.9)	132.6	141.5	(6.3%)
Divisional contribution					
Grocery	174.7	(2.2)	172.5	148.2	+16.4%
Sweet Treats	23.2	(0.8)	22.4	23.7	(5.5%)
Total	197.9	(3.0)	194.9	171.9	+13.4%
Trading profit	151.3	(3.0)	148.3	132.6	+11.9%
Adjusted EBITDA	170.4	(3.3)	167.1	152.5	+9.6%
Adjusted EBITDA (excl IFRS 16)	168.2	(3.3)	164.9	149.9	+10.0%
Net regular interest	(33.4)	0.4	(33.0)	(39.3)	+15.9%
Adjusted profit before tax	117.9	(2.6)	115.3	93.3	+23.5%
Adjusted eps	11.2	(0.2)	11.0	8.9	+22.8%
Net debt	332.7	N/A	N/A	429.6	+22.6%
Net debt (excl IFRS 16)	314.1	N/A	N/A	408.1	+23.1%
Net debt/adjusted EBITDA	2.0x	N/A	N/A	2.8x	–
Net debt/adjusted EBITDA (excl IFRS 16)	1.9x	N/A	N/A	2.7x	–

Quarter 4 Sales – 52 week comparable basis

Q4 Sales (£m)	Grocery	Sweet Treats	Group
Branded	152.1	50.7	202.8
Non-branded	20.3	3.8	24.1
Total	**172.4**	**54.5**	**226.9**
% change			
Branded	+6.8%	+7.7%	+7.0%
Non-branded	(15.3%)	(18.4%)	(15.8%)
Total	**+3.6%**	**+5.4%**	**+4.0%**

Notes and definitions of non-GAAP measures

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

1. 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, reversal of impairment loss on financial assets, profit on disposal of investment in associate, non-trading items (items requiring separate disclosure by virtue of their nature in order that users of the financial statements obtain a clear and consistent view of the Group's underlying trading performance), fair value movements on foreign exchange and other derivative contracts, net interest on pensions and administration expenses and past service costs.
2. Divisional contribution refers to Gross Profit less selling, distribution and marketing expenses directly attributable to the relevant business unit.
3. EBITDA means EBITDA on an adjusted basis and 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 interest payable and other finance income.
6. Adjusted profit after tax is Adjusted profit before tax as defined in (4) above less a notional tax charge of 19.0% (2019/20: 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 851.4 million (52 weeks ended 28 March 2020: 846.6 million). On a 52 week basis for the 52 weeks to 27 March 2021, weighted average number of shares was 851.3 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, which excludes lease liabilities.
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.
13. EBITDA on a rolling 12 month basis.

Additional notes:

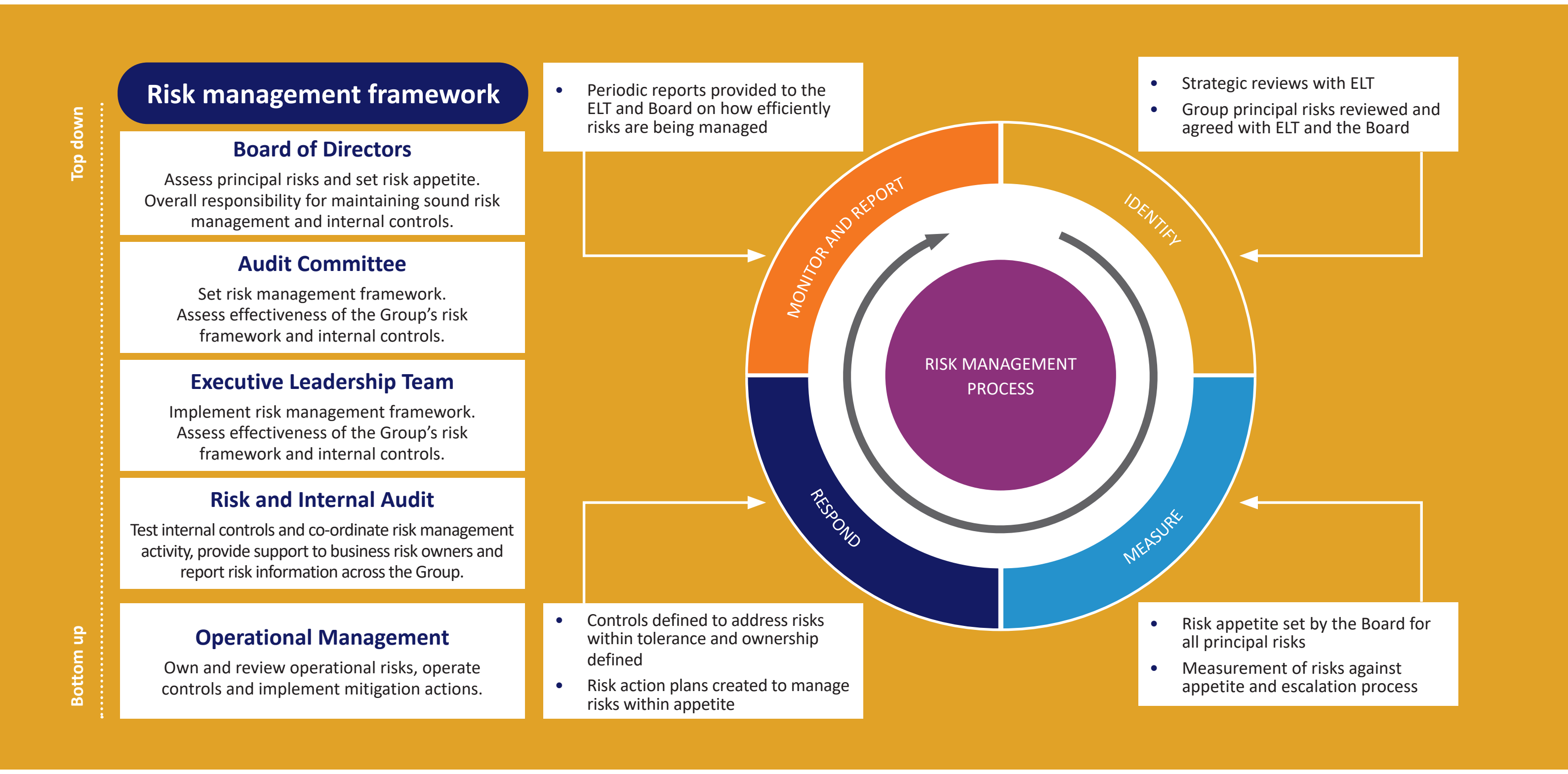
- The directors believe that users of the financial statements are most interested in underlying trading performance and cash generation of the Group. As such intangible asset amortisation and impairment are excluded from Trading profit because they are non-cash items.
- Restructuring costs have been 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 business unit, the results of which are aggregated within the Grocery business unit, are not required to be separately disclosed for reporting purposes.
- Net debt is presented pre-IFRS 16, as targets the Group have previously communicated are on a pre-IFRS 16 basis and this allows for comparability to these targets.

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 53 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 have 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 Covid-19 which impacts a number of our principal risks. The 'Changes since 2019/20' 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/reward trade-off in pursuit of our strategic and commercial objectives. As a food manufacturing company, with many well known brands, the integrity of our business is crucial and cannot be put at risk. Consequently we have a zero tolerance for risks relating to Occupational Health & 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 risk that the anticipated benefits from these investments may not always be fully realised. Our acceptance of risk is subject to ensuring that potential benefits and risks are fully understood and sensible measures to mitigate those risks are established.

Emerging risks

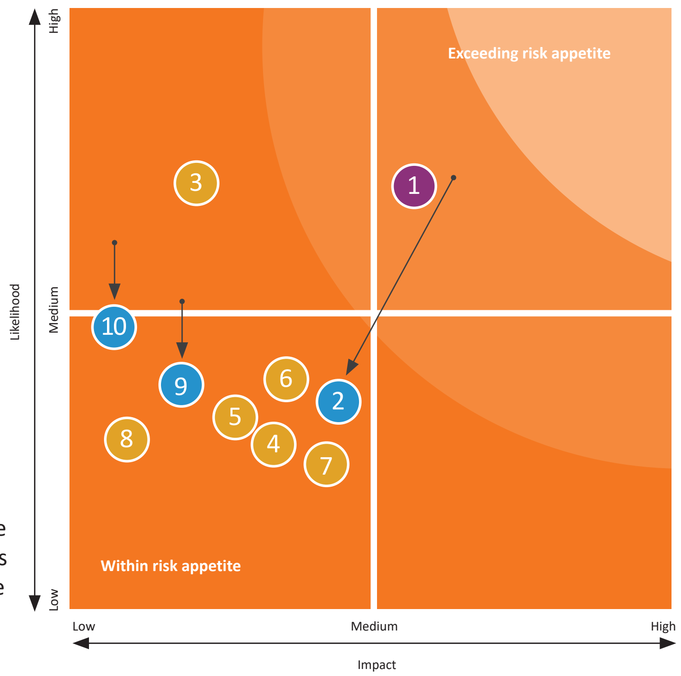
There are two ways in which we have identified our emerging risks in this report. First, for our principal risks, we have noted in the following pages some emerging threats regarding these risks. These uncertainties may relate to future regulatory, economic or political changes. Secondly, we also face 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:

Covid-19

The pandemic and its wider impact dominate the long-term picture, as the risk of a deep recession, customer failures, permanent changes to retailer landscape with online growth escalating, changes to the way (and where) we work, are all set to pose a risk to our performance and success in the next few years.

Climate-related risks

We recognise that climate change poses a number of physical risks (i.e. caused by the increased frequency and severity of extreme weather events) and other related risks (i.e. economic, technological or regulatory challenges related to moving to a greener economy) for our business. We are currently aligning our internal processes with the recommendations of the Taskforce on Climate-related Financial Disclosures ('TCFD') and aim to be fully aligned by 2022.



1. Impact of Government legislation
2. Macroeconomic and geopolitical instability
3. Market & retailer actions
4. Operational integrity
5. Legal compliance
6. Technology
7. Product portfolio
8. HR & employee risk
9. Strategy delivery
10. International expansion

Risk management enables our strategy

Sustainable & profitable revenue growth

Cost control & efficiency

£ Cash generation

Risk trend

Increased

Decreased

Stable/unchanged

New risk

Arrows indicate the change in risk since the prior year

1 Impact of Government legislation

Link to strategy £ Risk trend N

Risk and potential impact

The continued focus on health and obesity may result in a decline in demand for cakes and desserts and/or our share of it, along with the risk of additional complexity and cost as a result of any reformulation efforts. There is a high and ever increasing level of media and government scrutiny on health and obesity, as highlighted in the UK by the proposed introduction of regulation over High Fat Sugar & Sodium (HFSS) products. It is important that we continue to take a leadership position on health issues. The UK Government has also introduced a new tax on non-recyclable plastic packaging as part of the reformed Packaging Producer Responsibility Regulations. The introduction of an escalating tax on plastic packaging and any further legislation may adversely impact the products that the Group manufactures.

How we manage it

- We have a wide range of product offerings, including our 'better-for-you' range, which means we are well placed to take advantage of the consumer's increased demand for healthier products.
- Ongoing evaluation and development of the brand portfolio and innovation pipeline towards healthier options (as previously described in the 'How we are a responsible business' section).
- We work closely with non-government organisations and trade associations in our market to fully participate in the debate and help shape solutions.
- Our Environmental Social Governance ('ESG') Committee is headed by our Group CEO. We have a range of cross-functional steering groups which are responsible for the delivery of our ESG strategy, including our Plastics steering group.
- We continue our efforts 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. 94% of our packaging, by weight, is recyclable.
- We have developed KPIs to drive our progress on ESG forward, including (amongst others) embedding environmentally sustainable packaging across our product portfolio (see our 'How we are a responsible business' section for details).

Changes since 2019/20

- UK Government Obesity Strategy (announced July 2020) which comes into effect in April 2022; the Group has adapted its strategy in order to address the implications of the strategy.
- The UK Government introduced primary legislation (November 2020) to bring in an escalating tax on plastic material which will come into force in April 2022.

Risk management continued

2 Macroeconomic and geopolitical instability

Link to strategy | Risk trend

Risk and potential impact

Our business has been subject to a period of prolonged uncertainty owing to political and ongoing economic developments related to the UK's withdrawal from the EU which presents a material 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 also 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 4. A more detailed assessment of the impact of the UK's withdrawal from the EU and Covid-19 on our business can be found in the 'How we are a responsible business' section.

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 is in place to manage the Group's preparedness for the new trading relationship with the EU.
- We continue to engage with the Department for Environment, Food & Rural Affairs (DEFRA) and the Food & Drink Federation (FDF) on all matters related to Covid-19 and the UK's withdrawal from the EU.
- 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 2019/20

- In advance of the end of the EU exit transition period, we developed a comprehensive set of mitigation plans and made preparations to ensure continuity of supply of our products. With a free trade agreement between the UK and EU now in place, we have not seen any material impact from tariff changes. To date, these new arrangements have not resulted in any major disruption to our supply chain.
- See Risk 4 for additional changes.
- The UK Government's vaccine programme rollout continues at pace and reduces the overall risk outlook.
- As a food manufacturing business our factories remained open and modifications were made to enable social distancing while non-factory employees continue to work from home.

3 Market and retailer actions

Link to strategy | Risk trend

Risk and potential impact

As a primarily UK based company, our sales are concentrated with a relatively small number of major customers who operate in a highly competitive market. Maintaining strong relationships with our existing customers and building relationships with new customers and technology-enabled channels is critical for our brands to be readily available and well presented to our consumers. A failure to do this may impact our ability to obtain competitive pricing and trade terms and/or the availability and presentation of our brands. 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.
- We are investing to build our online presence and capabilities.

Changes since 2019/20

- Covid-19 impacted the timing of our customers' range reviews. We continued to work with all our customers, including through category partnerships and range reviews, to match our product offering to consumer needs particularly with more meals eaten at home.
- We recorded significant growth in branded sales as a result of our close customer partnerships and innovation pipeline.
- Sales through our online channel increased significantly during the year ahead of the broader channel.
- Our reliable supply performance through the pandemic has, in general, strengthened our relationship with retailers and their confidence in our supply chain resilience.
- The revised strategy for the International business has resulted in improved performance and is on track to deliver sustainable growth, see Risk 10.

Link to our strategy

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

Change in gross risk level from prior year

- Increased
- Decreased
- Stable/unchanged
- New Risk

4 Operational integrity

Link to strategy Risk trend

Risk and potential impact

Delivery of our strategy depends on our ability to minimise operational disruption from issues with facilities, factory infrastructure as well as procurement and logistics functions. Supplier failure, market shortage or an adverse event in our supply chain impacts sourcing of our products and the cost of our products is significantly affected by commodity price movements.

How we manage it

- We have a crisis management process in place and business continuity plans are reviewed and refreshed on an ongoing basis.
- Insurance coverage is in place to mitigate against the financial impact of material site issues.
- We consolidated our 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 2019/20

- The Covid-19 pandemic 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 for key ingredients where there were potential interruptions to supply.
- We have seen sustained high levels of demand from consumers and our customers. Our factories have had to increase production levels whilst putting modifications in place to ensure compliance with WHO and UK Government guidelines to keep employees safe.
- We improved our business resilience through various initiatives, including maintaining factory site accessibility, and reviewing the effectiveness of our business continuity plans.
- We maintained high levels of customer service despite the disruptions caused by Covid-19.
- We have an ongoing 3-year programme (in conjunction with our insurers) to move our sites into a ‘Highly Protected Risk’ status.

Risk management continued

5 Legal compliance

Link to strategy Risk trend

Risk and potential impact

Our business is subject to a number of legal and regulatory requirements and must continuously monitor new and emerging legislation (domestic and international) in areas such as Health & Safety, Listing Rules, competition law, intellectual property, food safety, labelling regulations and environmental standards. We are also expected to comply with the recommendations of the Financial Stability Board Taskforce on Climate-Related Financial Disclosures ('TCFD'). Considerations for the effects of climate change (e.g. floods and heatwaves) may restrict investment decisions but may also create new opportunities to invest in assets that may be more sustainable; and develop a portfolio of products that use sustainable packaging. A more detailed overview of the impact of climate change on our business can be found in the 'How we are a responsible business' section.

How we manage it

- As previously described in Risk 1, our ESG Committee oversees various initiatives, including compliance with TCFD recommendations.
- We have leading food industry processes in place to manage Health & Safety and food safety issues (including an ongoing programme of internal and external audits).
- We have dedicated Legal and Regulatory teams in place to monitor laws and regulations to ensure compliance, protect intellectual property and defend against litigation where necessary.
- We work closely with our external advisors and the regulators, government bodies and trade associations regarding current and future legislation which would impact the Group.
- Whistleblowing processes are in place.

Changes since 2019/20

- The UK Government announced (November 2020) that climate risk reporting will become mandatory for large companies and financial institutions and comes into full effect in April 2022.
- Our risk management framework is being developed to accommodate and report on climate risks and appropriate disclosures in line with TCFD recommendations.
- New compliance processes for logging conflicts of interest, gifts and hospitality and customer on-boarding.

6 Technology

Link to strategy Risk trend

Risk and potential impact

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

How we manage it

- To reduce the impact of external cyber-attacks impacting our business we have firewalls and threat detection & response systems in place.
- Disaster recovery plans across the Group are reviewed every year with annual penetration testing also performed.
- Information and IT policies are in place and are regularly reviewed. Internal phishing campaigns are run and followed up with training and guidance.
- Incident response plans are in place, recognising that while this risk can be managed it cannot be eliminated.
- Our cyber-security strategy and actions are regularly monitored by the Audit Committee and the Board
- Cyber insurance policy is in place to insure the Group against potential losses arising from a cyber-security breach.

Changes since 2019/20

- We continue to update our processes and controls as the external environment evolves; this is informed by periodic third party reviews.
- 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 continue work to enhance the security of our factory operational technology environment.

Link to our strategy

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

Change in gross risk level from prior year

- Increased
- Decreased
- Stable/unchanged
- N New Risk

7 Product portfolio

Link to strategy Risk trend

Risk and potential impact

Consumer preferences, tastes and behaviours change over time. As part of this, the consumer's desire for healthier choices and premiumisation are significant trends. Our ability to anticipate these trends, innovate and ensure the relevance of our brands is critical to our competitiveness in the market place and our performance. Furthermore, sales of many of the Company's products can be adversely affected by warm seasonal weather conditions. We may fail to successfully evolve our portfolio to take advantage of growth categories and/or re-invent our core brands to meet consumer needs.

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 2019/20

- The impact of the proposed introduction of HFSS and other regulations is discussed in Risks 1 and 5.
- 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 has resulted in a delay to the launch of some of our new product ranges but this is balanced against increased demand for our core product ranges.

8 HR and employee risk

Link to strategy £ Risk trend

Risk and potential impact

The inability to attract and / or retain capabilities, or develop the skills, critical for business success may hinder our ability to deliver our strategy, business plan and projects. Whilst Covid-19 has actually resulted in a lower level of colleague turnover and a more buoyant labour market, we need to be mindful of the risk that working in sustained periods of extreme business pressure may bring in terms of well-being, productivity and retention.

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 and where appropriate make changes to our offering.

Changes since 2019/20

- Covid-19 has dramatically changed how we work with even tighter health, safety and well-being measures across all manufacturing sites and remote working being introduced for all colleagues based at main office locations, and the introduction of technology to support this.
- Significant increase in the amount and variety of internal communications to reflect the need to keep colleagues up to date with the changing Covid-19 landscape, and provide line managers with support and advice, including guidance on managing colleague mental health.
- Payment of additional ad-hoc bonuses for certain groups of employees recognising their extraordinary contributions in maintaining high levels of business performance.
- Acceleration of Inclusion and Diversity activity, including the #oktobeme programme.

Risk management continued

9 Strategy delivery

Link to strategy Risk trend

Risk and potential impact

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

How we manage it

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

Changes since 2019/20

- 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.
- Our strategy continues to deliver trading profit at the top end of market expectations on the back of consistent growth with Net debt/adjusted EBITDA falling to below 2.0x.
- We are developing a new strategy building on the branded growth model and reflecting the growth investment opportunities that a lower debt level will potentially unlock.

10 International expansion

Link to strategy Risk trend

Risk and potential impact

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

How we manage it

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

Changes since 2019/20

- The International business returned to growth during the year.
- Execution of the revised strategy has continued at pace, as we roll out our proven branded growth model strategy to other markets.
- We recently signed an agreement with Weston Foods to sell and market *Mr Kipling* cakes in the US. The first shipments of cake commenced in the first quarter of 2021/22.

Link to our strategy

- Sustainable & profitable revenue growth
- Cost control & efficiency
- £ Cash generation

Change in gross risk level from prior year

- Increased
- Decreased
- Stable/unchanged
- N New Risk

Task Force on Climate Related Financial Disclosures

Climate-related disclosures

Climate change is the defining issue of our time and the greatest challenge to sustainable development, affecting every country, business and person on the planet. We recognise that future climate change represents physical risk which includes impacts resulting from acute weather events, or chronic risk stemming from longer-term shifts in climate like higher temperatures, prolonged heat waves, floods and droughts. We also acknowledge that the transition risk (regulatory, technology, market, reputation) to move our business to a net zero one, will become greater as the world economy moves to a more sustainable future. We are committed to working towards incorporating the recommendations laid out by the Task Force on Climate-Related Financial Disclosures (TCFD) in full and are aiming to be fully aligned by April 2022.

Governance

Our Executive Leadership Team (ELT) has overall responsibility for climate-related risks and opportunities. Our ESG Governance Committee, which is chaired by the CEO, is accountable for managing the progress of our key sustainability and climate change targets as well as understanding and responding to climate-related risks and opportunities identified through our ongoing climate risk assessment. Updates on our sustainability and climate-related KPIs are provided to the Board on a biannual basis.

Risk management

As a food manufacturer, our business's direct operations and supply chain is exposed to the physical and transition risks and opportunities stemming from climate change. This year we will begin the initial stages of understanding our climate-related risks more thoroughly to financially quantify all the material impacts of climate change to our business. The results of this assessment will be presented to the ESG Governance Committee and reported on in next year's annual report.

Metrics and targets

Further information about our environmental performance can be found in the 'How we are a responsible business' section on pages 31 to 33 and our full GHG emissions data is set out within 'Other statutory information' on page 85. We are in the process of reviewing our carbon reduction targets in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement and limit global warming to well below 2°C.

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 way the Board views the development of the business over the medium term, a period of three years is considered appropriate for business planning and measuring performance. The Board also considered the nature of the Group's activities and the degree to which the business changes and evolves in the relatively short term. The Board considered the Group's profitability, cash flows and key financial ratios over this period and the potential impact that the Principal Risks and Uncertainties set out on pages 46 to 53 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 3 April 2021, £173m 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 climate change, Covid-19 and future regulatory changes in the food industry.

The Board has considered the principal risks or uncertainties and the potential impact of these on the Group's profitability or available cash resources. In assessing the Group's viability, the Board also considered all the severe but plausible scenarios simultaneously materialising 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 30 March 2024.

The strategic report on pages 02 to 53 was approved by the Board on 19 May 2021 and signed on its behalf by:

Alex Whitehouse
Chief Executive Officer

Governance

Governance framework

How our Governance framework supports the delivery of the Group's strategic objectives

Shareholders

Shareholders and other stakeholders

Board

Chairman

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.

Senior Independent Director

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.

Committees

Nomination Committee

Responsible for Board appointments, succession planning and reviewing the structure, size and composition of the Board, ensuring that there is a healthy balance of skills, knowledge, experience and diversity on the Board.

→ Further information can be found on page 64

Company Secretary and Internal Audit

Company Secretary

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.

Executive Leadership Team (ELT)

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 on a weekly basis and members regularly present to the Board.

ESG Governance Committee

→ Further information can be found on page 16

Our governance framework facilitates 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, consumers, 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.

Non-executive Directors ('NEDs')

The 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.

Workforce Engagement NED

The Workforce Engagement NED role is to engage with colleagues across the business to ensure their views and concerns are brought to the Board and taken into account by the directors, particularly when they are making decisions that could affect the workforce.

Chief Executive Officer ('CEO')

The CEO is responsible for the day-to-day management of the Group, working with the Executive Leadership Team to ensure the implementation of the agreed strategy.

Chief Financial Officer ('CFO')

The CFO has responsibility for developing and implementing financial and operational strategies, financial risk, treasury management, investor relations and pensions.

Audit Committee

Monitors the integrity of the Group's external reporting and provides oversight and governance of the Group's internal controls, risk management and the relationship with external auditors.

→ Further information can be found on page 65

Remuneration Committee

Responsible for setting the remuneration policy and individual compensation for the Chairman, executive directors and senior management to ensure that it is aligned with the Group's strategic objectives and culture and also reviews the remuneration of the wider workforce.

→ Further information can be found on page 68

Internal Audit

Internal Audit is responsible for providing the Audit Committee and Board with independent assurance on the Group's control framework and risk management.

→ Further information can be found on page 66

Inclusion and Diversity Steering Group

→ Further information can be found on page 24

Health & Safety Committee

→ Further information can be found on page 25

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 leadership 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 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. Duncan's responsibilities include operational and corporate finance, corporate development, investor relations and pensions. He is a qualified Chartered Accountant.

Richard Hodgson
Senior Independent Director

Appointed to the Board:
January 2015
(appointed SID in 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.

Simon Bentley
Non-executive Director

Appointed to the Board:
February 2019 (appointed Chair of Audit Committee in 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 Chairman of Gingerbread, the leading national charity working with single parent families, and 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 Senior Adviser at Alvarez & Marsal LLP and a non-executive director and Audit Committee chair of CPP Group plc.

Helen Jones
Non-executive Director

Appointed to the Board:
May 2020 (appointed Workforce Engagement NED in September 2020).

A R N I

Skills and experience: Helen Jones 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. Helen is currently non-executive director and Senior Independent Director of Halfords plc and non-executive director and Remuneration Committee Chair of Fuller, Smith & Turner plc and Virgin Wines UK PLC. In addition, Helen is also a member of the Supervisory Board of Directors at Ben & Jerry's.

Yuichiro Kogo
Non-executive Director

Appointed to the Board:
March 2021.

Skills and experience: Yuichiro is Head of Business Development, Deputy General Manager (Corporate Planning Division) of Nissin Foods Holdings Company Limited ("Nissin") and is responsible for devising Nissin's M&A strategy, as well as originating and executing business alliance and investment transactions. Prior to joining Nissin in September 2016, he was Vice President at the Investment Banking Division of Goldman Sachs Japan Co., Ltd. During his 9 years at the firm his key responsibilities included execution of global equity / debt financing, as well as coverage of corporate clients across multiple industry sectors, including technology, steel, and natural resources. Yuichiro received a BA in Economics from Keio University in 2001 and an MBA from the University of Chicago in 2007.

Pam Powell
Non-executive Director

Appointed to the Board:
May 2013 (appointed Chair of the Remuneration Committee in 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.

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.

Committee membership:

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

Board attendance

During the year there were 11 scheduled meetings of the Board, and five meetings of the Audit Committee, four meetings of the Remuneration Committee and two 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 below.

As shareholders will be aware, as a result of the UK Government's guidance on public gatherings at the time due to the Covid-19 pandemic, and the new regulations set out in Schedule 14 of the Corporate Insolvency and Governance Act, only the Chairman and two shareholders, (the minimum necessary quorum), attended the AGM in 2020, which was held by electronic means.

Pam Powell was unable to attend one Audit Committee conference call, due to another business commitment which could not be rescheduled. Tim Elliott and Helen Jones were both appointed as non-executive directors on 15 May 2020 and Yuichiro Kogo was appointed on 25 March 2021.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive directors				
Alex Whitehouse	11/11	–	–	–
Duncan Leggett	11/11	–	–	–
Non-executive directors				
Colin Day	11/11	–	–	2/2
Richard Hodgson	11/11	5/5	4/4	2/2
Simon Bentley	11/11	5/5	4/4	2/2
Tim Elliott[1]	9/9	3/3	3/3	1/1
Helen Jones[1]	9/9	3/3	3/3	1/1
Yuichiro Kogo[2]	1/1	–	–	–
Pam Powell	11/11	4/5	4/4	2/2
Daniel Wosner	11/11	–	–	–
Former directors				
Orkun Kilic[3]	8/8	–	–	–
Shinji Honda[4]	10/10	–	–	–

1. Appointed to the Board on 15 May 2020.
2. Appointed to the Board on 25 March 2021.
3. Resigned as a director on 5 January 2021.
4. Resigned as a director on 25 March 2021.

Governance overview

Chairman's introduction

Dear shareholder

On behalf of the Board, I would like to introduce the Group's corporate governance statement for 2020/21.

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 Inclusion and Diversity. Progress is monitored via Group-wide colleague surveys, site visits by the Board, issues raised in whistleblowing helpline calls, colleague retention levels and with the appointment of Helen Jones as our Workforce Engagement 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 five-year strategic plan in April 2021. Updates are also provided on periodic engagement surveys, regular HR updates and through the work of the Workforce Engagement NED. The Board's effectiveness in monitoring the culture and behaviours throughout the organisation was also considered as part of this year's internal Board evaluation and rated positively.

Workforce Engagement NED

During the year, Helen Jones took over from Pam Powell as the Board's Workforce Engagement NED. The purpose of this role is 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 has established joint consultative committees at each site, known as the Voice Forum. These forums consist of management and representatives from across the site and meet on a regular basis. The Workforce Engagement 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. During the financial year, Helen Jones has attended meetings at a number or sites and the results of these meetings fed back to the Board. This ensured the challenges raised by the additional pressures brought about by the Covid-19 pandemic and the need to adapt to new ways of working were noted. Despite these challenges, morale was good, with colleagues being very positive about Premier Foods, feeling valued, safe and supported. Recent investment in factory infrastructure was recognised. In addition, there was pride expressed in the charity and community work and support undertaken by the Company. The value of the regular briefings through Town Hall meetings was noted.

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).

Following the appointment of Tim Elliott and Helen Jones at the beginning of the financial year, the level of Board independence has been brought into compliance with the Governance Code (see Board independence opposite).

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 Directors' Remuneration report on page 78).

The Company undertakes extensive engagement with colleagues (see page 86) and has a clear and transparent approach to executive director remuneration (see the Directors' Remuneration report on pages 68 to 83). However, over the course of the year, the Company has not formally consulted with the wider workforce on executive remuneration. The Company is reviewing its policy on engagement in this area.

The Board considers it has been in compliance with the requirements of the Governance Code during the financial year, with the exception of the matters highlighted above.

Annual General Meeting (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 and, therefore, it was not possible for shareholders to attend our AGM in 2020, as a consequence of Government guidelines on public gatherings. On the basis of current Government guidelines, we are anticipating that all social distancing rules will have ended by the time of our AGM this year. It is our intention, therefore, to hold our AGM at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London, SE1 2AU on Friday 23 July 2021 at 11.00 am and I look forward to meeting with shareholders then.

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 2021 AGM, we will inform shareholders as soon as we can via our website (www.premierfoods.co.uk). Shareholders should check our website to ensure they have the most up to date information available regarding the AGM.

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

Colin Day
Non-executive Chairman

19 May 2021

Board tenure

The average length of appointment of our NEDs was 2.8 years, as at year end. The breakdown for the full Board can be seen in the following chart.

Board independence

The Governance Code recommends that at least half the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent. 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 as shown in the chart below.

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. Yuichiro Kogo and Daniel Wosner, who represent our two 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 (who held 19.2% of issued share capital as at 3 April 2021) and Oasis (who held 8.9% of issued share capital as at 3 April 2021), each is entitled to nominate an individual for appointment to the Board. For Nissin this is conditional upon them retaining an interest in shares in the Company (representing 15% of issued share capital). A new relationship agreement was signed with Oasis in January 2021. There is no longer a shareholding requirement and the appointment can be terminated by either party giving five business days' notice. A summary of the principal terms of both relationship agreements can be found on the Company's website. During the period to 3 April 2021, 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 on directors' duties, key elements of the Listing Rules, DTRs and Market Abuse Regulation and a governance pack.

Board information

The main source of information is via the Board papers which are 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 report; 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 – completed the review of options to accelerate shareholder return with the approval of a segregated merger of the Group's defined benefit pension schemes.
- Review and approval of the sale of the Group's minority interest in the Hovis business.
- International strategy – monitored the implementation of the revised strategy to return the International business to long-term sustainable growth.
- Review of e-commerce trends within ambient grocery and the Group's online strategy and performance.
- Review of NPD strategy and initiatives.
- Five Year Strategic Plan – detailed review of business plans for the medium-term.
- Knighton – monitored re-integration of the Knighton business into the rest of the Group.
- Ongoing updates from management on implementation of strategy throughout the year.

Governance overview continued

Operational performance

- Trading updates from the UK and International businesses.
- Received regular updates on the impact of the Covid-19 pandemic on the business and key stakeholders and the detailed plans in place to protect colleagues.
- Monthly management accounts.
- Review of the implications of UK exit from the EU and the Group's plans and mitigation.

Financial performance & risk

- Approval of budget, re-forecasts and monthly management accounts.
- Review of medium-term financing and approval of the repayment of £190m of the Group's Floating Rate Notes.
- Review of key risks facing the business.
- Detailed review of cyber security and the Group's strategy to enhance processes and procedures.
- 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.
- Update from the Workforce Engagement NED.
- Review of governance best practice and the Governance Code.

Responsibility & sustainability

- The Board reviewed the Group's approach to Health and Safety, product safety and trends and issues relating to nutrition, modern day slavery, gender pay, Inclusion and Diversity and plastic packaging.

Board allocation of time over the year

(As at 3 April 2021)

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.

2020/21 evaluation

An externally facilitated evaluation was undertaken last year by Lintstock (who have no other connection with the Company). This is the second year of the three-year rolling evaluation process. Questionnaires, were prepared by the Company Secretary, in conjunction with the Chairman, covering a wide range of areas, building on the previous year's external review. The review covered the Board, its Committees and the Chairman, CEO and CFO. The responses were compiled and presented to the Board and Committees for review, and action plans to address areas highlighted by the evaluation for focus over the forthcoming year were approved.

Outcomes

Overall, the responses to the Board and Committee questions were very positive and demonstrated that the Board had strong foundations and is well placed to deal with future challenges. Board composition and Board dynamics, the oversight of culture and understanding of stakeholders were all rated highly. The performance of the Chairman 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 executive management team had performed well over the year and continued to maintain positive relationships with the rest of the Board.

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

- Strategy – approval and implementation of the new five-year strategic plan for the Group;
- Emerging Trends – additional focus to be given to discussing and reviewing potential and emerging trends and ensuring that sufficient resources are applied;
- Diversity – it noted that many initiatives were being taken within the Group to address issues of diversity but there was a recognition that further work was needed to ensure progress was delivered; and
- Wider Workforce (knowledge and understanding) – it was noted that progress had already been made in this area, with the activities led by the Workforce Engagement NED, but this was considered to be another important area for continued focus.

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. It was also noted that the Chairman had no other significant external commitments and was able to dedicate sufficient time to the role.

Connecting with our stakeholders

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

Further details on how the Board has considered the interests of stakeholders, when making key decisions over the course of the financial period, can be seen in the Group's response to the Covid-19 pandemic.

The Group's response to the Covid-19 pandemic

Robust measures were put in place to deal with the threats posed by Covid-19 and the Board has regularly monitored the impact on the Company and its key stakeholders. At the start of the pandemic the Group established a Covid-19 Crisis Management Team, headed by the CEO, and frequent updates have been provided to the Board.

Health and well-being

The Group's key priority has remained the health and well-being of our colleagues and other stakeholders. A wide range of stringent health, safety and hygiene protocols have been adopted in our factories, offices and across our supply chain. These were initiated in early March 2020, with an emphasis on enhanced hygiene controls, social distancing, working from home (where possible) and controlled access to manufacturing sites. We have carried out individual risk assessments for all colleagues classed as vulnerable or clinically extremely vulnerable to ensure the most appropriate Covid-19 control measures for those colleagues. Should a colleague test positive or be required to self-isolate we have provided full pay. We introduced Social Distancing Marshals across sites in the Autumn, have liaised closely with The Department of Health and Social Care on mass testing, taken part in a mass testing pilot scheme at one of our sites plus internal pilots at two other sites. In total, we carried out over 8,500 lateral flow tests or PCR tests on colleagues over an eight week period in Q4 to inform our approach to mass testing going forward. The Group believes these measures have been highly effective in minimising the number of infections experienced at our sites. There has also been extensive two-way communication with colleagues across the business to provide assurance and to address any areas of concern. This includes 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.

Continuity of supply

The Group takes its responsibilities as a major UK food manufacturer seriously and the Board recognised the importance of supplying food to the nation at a time of need. The management team has worked incredibly hard and been highly successful in maintaining supply at significantly elevated level of demand, keeping the business fully operational while, at the same time, retaining strict distancing measures to keep site-based colleagues safe. We have continued to work very closely with our suppliers to ensure continued supply of ingredients and, where necessary, identify alternative 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.

Protecting the business

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. Management have also worked hard to ensure that the business is well positioned once the impact of the pandemic ends, with continued focus on the Group's core branded growth model strategy, with the launch of a series of new products with increased marketing support. The Group chose not to furlough any colleagues or make any redundancies and did not take financial support from the Government in respect of the pandemic.

Supporting our communities

At the same time as keeping our sites and factories running, the business has also supported the local communities where we operate. Throughout the pandemic, we have strengthened our partnership with FareShare, the UK's national network of charitable food redistributors, donating the equivalent of 550,000 meals to their network of foodbanks and, our partners at Nissin, have donated 30,000 pots of noodles. In addition, we have also provided 200,000 easy to prepare meals and snacks for NHS workers in 28 hospitals local to our sites.

Governance overview continued

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 Group's response to Covid-19 is set out on page 61.

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, 85% 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 and development opportunities • Health and well-being • Inclusion and Diversity • 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 focused on driving mutual category growth. 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 Engagement NED and we have introduced 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 – page 20.	→ Realise people's potential – page 22. → Workforce Engagement NED – page 58.	→ Drive ethical sourcing – page 28.

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 & well-being issues.	The Group's banks, bond holders and lending group provide essential financing that supports the long-term viability of the Group. The Group also has a large segregated pension scheme, 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 • Deleveraging 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 ESG governance structure and the performance of the five pillars of the ESG strategy.	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. During the year the Group has continued to reduce Net debt and, in May 2021, the Group extended its revolving credit facility to 2024 with a refreshed banking group and launched an offer of new Senior Secured Fixed Rate Notes. The CFO maintains a regular dialogue via attendance at Trustee and Investment Committee meetings and regularly reports on the Group's trading performance. As part of the Group's strategic review, over the course of the year, a segregated merger has been put in place 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. The Chairman and CEO meet regularly with shareholders to discuss strategic and governance matters. The Chair of the Remuneration Committee also engages with shareholders in connection with remuneration matters. Board members also have the opportunity to meet with private shareholders at the Company's AGM.
→ Support our communities – page 26. → Reduce our environmental footprint – page 31.	→ How we are a responsible business – page 16.	→ Net debt and free cash flow KPIs - page 34. → Further details of the refinancing – page 42.	→ Engagement with shareholders – page 70.

Nomination Committee report

Dear shareholder

On behalf of your Board, I would like to present the Nomination Committee report for the period ended 3 April 2021. 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 56 and 57.

Succession management

The Board reviews the Group's Talent and Succession process on an annual basis. This covers all management colleagues to identify, monitor and develop talent within the Group. Senior leadership was reviewed in detail including members of the ELT and their direct reports. It was noted 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, including the current CEO and CFO, the majority of ELT positions and all Factory General Managers. Colleagues see this as positive, helping not only in attracting talent externally, but also with internal retention. We are rolling out a new Leadership programme in 2021, for our most senior leaders in the business (circa 80 colleagues), to make sure they are equipped for the changing future in which leaders will need to operate, which will include how to lead and manage diverse teams. 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.

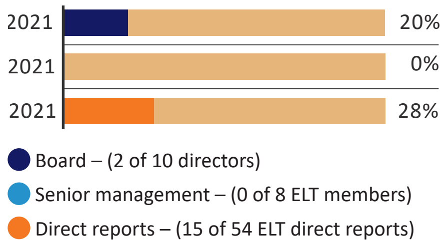
However, following our entry into the FTSE 250 in September 2020, we have not yet met the standard set for gender diversity on our Board outlined in the Hampton-Alexander Review. It is a matter of priority for me, and the Board, that we address this as soon as practicable. Whilst there were no female members of the executive team at year end, Hannah Collyer was appointed to the ELT in May 2021, as Corporate Affairs and ESG Director. In addition, within the wider management population (circa 550 colleagues) the gender split is more balanced at 43:57 (female to male) as at year-end. We are, therefore, focusing attention on ensuring appropriate retention and development opportunities are in place to ensure that we have a more diverse pipeline when it comes to succession planning for the most senior roles.

The Board and Nomination Committee have reviewed the Group's approach to diversity (including both gender and ethnicity) within senior management and across the whole business on a number of occasions, and we are pleased to note that this has become an area of significant focus over the last couple of years. The Group is committed to creating an inclusive culture across the whole organisation and to create a safe work environment that promotes inclusion, dignity and respect for all. Over the course of the year, a number of significant steps have been taken to deliver this with a newly appointed Director of Talent and Culture and a Culture and Engagement Business Partner to accelerate the rollout of the diversity agenda. We have developed and launched a Reverse Mentoring Programme to address the gender imbalance within senior roles across the business. In addition, we regularly look at how we attract colleagues to the business to make sure our practices attract as diverse a talent pool as possible, and in 2021 we are implementing a line manager 'diversity in recruitment' training module.

The Group also undertook its first diversity data capture exercise in August 2020 (covering a wide range of areas including gender, ethnicity, sexual orientation, religion and disability), to aid in understanding the make-up of our business and establish a base point for monitoring progress. This was a voluntary survey and we were pleased to receive a 52% response rate.

Further information on our approach to inclusion and diversity across the business is set out in the section on 'How we are a responsible business' on page 24.

Gender diversity



(Female:male, as at 3 April 2021)

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 2021 AGM.

Colin Day
Nomination Committee Chair

19 May 2021

Audit Committee report

Dear shareholder

On behalf of your Board, I am pleased to present the Audit Committee report for the period ended 3 April 2021. 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 56 and 57. In addition to the Committee members, the CEO, CFO, Chairman, Director of Financial Control, Head of Internal Audit & Risk 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 preparation for the UK exit from the EU, 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;
- Received updates on changes to governance and financial reporting, including TCFD;
- Conducted a bi-annual review of key risks facing the business and assessed the Group's mitigation plans;
- Reviewed and the Group's policy on Auditor Independence and Non-Audit Services;
- Reviewed the processes and procedure in place for Anti-Bribery and Corruption and approved the Group's policy;
- Reviewed the Group's IT systems and controls, cyber security and business continuity management;
- Reviewed calls received from the whistleblowing helpline and management's response to them; and
- Reviewed a proposal to restructure the distributable reserves of the Group, in order to provide greater flexibility in how the Group manages its capital resources going forward.

Committee evaluation

As part of the internal Board evaluation exercise conducted during the year (see page 60 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. The Group's policy on Auditor Independence and Non-Audit Services 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. Non-audit fees for the period amounted to £64,500 (2019/20: £84,000) representing 9% of the audit fee. Following the year end, KPMG were engaged to perform assurance work relating to the proposed issue of new 5 year Senior Secured Fixed Rate Notes in May 2021. The fees for this work will be approximately £130,000 and will be reported in non-audit fees for 2021/22. The Committee is mindful of guidelines in respect of non-audit services and the potential threat to auditor independence. The Committee assessed that, in each case, the nature of the work would be best performed by KPMG due to their knowledge of the business, the timescale required for completing the assignments and the overall cost in undertaking the work. In addition, KPMG consulted their own internal Audit Quality and Risk Management team prior to agreeing the engagements. KPMG's procedures for ensuring compliance with quality control standards, maintaining independence, integrity and objectivity were also reviewed and no matters were identified which might impair the auditor's independence and objectivity.

External auditor effectiveness

Over the course of the year, the Committee has continued to review the effectiveness and independence of the auditor and assessed the effectiveness of the external audit process by reference to the scope of the audit work undertaken, presentations to the Committee, feedback from management involved in the audit process and separate review meetings held without management. Following this assessment, the Committee has recommended to the Board that KPMG be reappointed at the AGM in 2021 (the Board's recommendation is set out on page 87).

Risk management

Details of our risk management process are set out in the risk management section on pages 46 to 53.

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, the preparation of the Group's consolidated financial statements, 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

The internal audit function carries out work across the Group, providing independent assurance and advice to help the Group identify and mitigate any potential control weaknesses. Both the internal audit and risk management functions have a role in identifying emerging risks that may threaten achievement of the Group's strategic priorities.

Prior to the start of the new financial year, the Committee reviewed and agreed the internal audit plan for the upcoming year. The Committee also reviewed those plans again during the year in light of Covid-19. The internal audit plan is risk based and takes an independent view of what internal audit considers to be the highest known and emerging risks and strategic priorities facing the business. The planned audits will assess the adequacy and effectiveness of the internal control environment, identifying weaknesses and ensuring these are addressed within agreed timelines.

The internal audit function provides internal audit reports detailing significant audit findings, progress of and any changes to the internal audit plan and updates on agreed management actions to rectify control weaknesses. Where appropriate, additional information is provided where either the Committee has requested it, or the Head of Internal Audit & Risk feels it pertinent. Annually, the Head of Internal Audit & Risk will give an assessment of the overall control environment.

The internal audit function had to change direction and focus in light of the Covid-19 pandemic and imposed working restrictions. As national lockdowns were imposed, the team took a risk-based approach to the rest of the year, redeploying some of the internal audit resource into the business to provide operational support while the rest of the team established new ways of working. A number of high risk audits were conducted remotely and others were deferred to 2021/22, where appropriate. The 2021/22 audit plan has considered all existing and emerging risks and what was deferred from 2020/21, incorporating both elements where appropriate. The ability to execute the 2021/22 internal audit plan, in the context of continued lockdown and social distancing restrictions, has also been considered.

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

Governance and oversight – Corporate Governance framework and anti-bribery and corruption procedures.

Business and operations – Procurement vendor management and controls over material suppliers, and transport and warehousing cost control.

Finance, HR & admin – General ledger, Accounts receivable and Account payable controls, Treasury management and Group property.

Information Technology – User access profile controls.

Assurance and Advisory – Financial authority limits and UK-EU Exit readiness of Data Centre cloud migration.

In addition, the Chair of the Audit Committee held a number of meetings with the Head of Internal Audit & Risk. 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 87.

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 110.

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. Further information is set out in notes 11 and 12 on pages 120 and 121.

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. With effect from 30th June 2020, the Premier Foods Pension Scheme (PFPS) and Premier Grocery Products Pension Scheme (PGPPS) were merged on a segregated basis with the RHM Pension Scheme. The transfer of assets and liabilities to new sections of the RHM Pension Scheme for both the PFPS and PGPPS has been completed. 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 3 April 2021 the RHM Pension Scheme reported a surplus of £922.5m and the Premier Schemes reported a deficit of £382.6m (2019/20: RHM Pension Scheme surplus of £1,505.3m; Premier Schemes deficit of £274.9m), the year on year reduction 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 and also the methodologies for calculating the net settlement credit. The financial assumptions were based on the same methodology as last year, with the exception of the inflation assumptions which were updated in line with market practice. Further information is set out in note 13 on pages 122 to 127.

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 and upcoming UK regulations impacting the food industry. 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 53) and the going concern statement (set out on page 104) could be supported.

Simon Bentley
Audit Committee Chair

19 May 2021

Directors' Remuneration report

Annual Statement

Dear shareholder

On behalf of the Board I am pleased to present the Directors' Remuneration report for the 53 week period ended 3 April 2021.

Covid-19

2020/21 has created both opportunities and challenges for Premier Foods. The health and well-being of our colleagues has remained the top priority for the business, whilst meeting the elevated level of demand from customers. I would like to thank management for their strong leadership throughout the period, in meeting this dual challenge.

Throughout the period management has ensured colleague safety remained a priority. Robust measures were put in place and these have been closely monitored and adapted over the year in response to developments (further details can be found on page 61). There has been a strong engagement and communication plan and close collaboration with colleagues across the business.

A bonus and additional holiday entitlement were awarded to all site-based colleagues, in recognition of the significant work required to adapt to new operating measures and to respond to increased levels of customer and consumer demand. An additional one-off bonus was also paid to all colleagues who are not members of the management bonus scheme, in April 2021, to recognise the extraordinary efforts of colleagues over the last 12 months.

Furthermore, the Group chose not to furlough any colleagues or make any redundancies and did not take financial support from the Government in respect of the pandemic.

Overview of performance

The Group delivered a very strong set of results for the year, with Revenue up +10.3% (52 week basis), Trading profit up +11.9% (52 week basis) and Net debt reduced to £314.1m (on a pre-IFRS 16 basis).

It was noted that the management team has worked incredibly hard, and been highly successful in maintaining supply at a significantly elevated level of demand, keeping the business fully operational while implementing a raft of new and additional measures, including social distancing, enhanced PPE, changes to working practices, and remote working where practical, across our sites, to ensure the safety and well-being of our colleagues was given the highest priority. Further progress was made in executing the Group's branded growth strategy, with the launch of a series of new products with increased marketing support. The Group has also worked closely with major customers to meet the elevated levels of consumer demand and this, together with excellent execution both in-store and online, resulted in market share growth in both volume and value terms across many of the Group's categories. The revised strategy for the International business made good progress in the year with revenue up by +23% (at constant currency) and cost saving initiatives and margin enhancement programmes delivered substantial savings. Over the period, the Group has reduced Net debt by £94.0m (on a pre-IFRS 16 basis) and also repaid £190m of its Floating Rate Notes which has reduced interest payments by approximately £10m per annum.

This performance has led to improved sentiment towards the Group and its prospects which has resulted in the share price rising from 24.0 pence to 94.6 pence in the period. In addition, a significant re-structuring of reserves has taken place within the Group, including a capital reduction of the Company, in order to provide greater flexibility in how the Group manages its capital resources. The directors have proposed a final dividend of 1.0pence per share for the financial period, subject to shareholder approval, representing the first dividend proposed by the Company since 2008.

Annual Bonus performance outcome for 2020/21

As a result of the strong trading performance and reduction in Net debt, both of the stretching financial targets were exceeded. The Committee also assessed the non-financial targets, which were based on strategic, operational and ESG objectives, and following strong performance against the stretching objectives set, it was determined that these had been substantially achieved.

In assessing the annual bonus outcome, the Committee undertook a review of each director's individual performance, the overall performance of the business and also the experiences of key stakeholders including shareholders, employees, suppliers and customers. This resulted in the Committee awarding a maximum bonus award to Alex Whitehouse (£625,000, representing 125% of salary) and a bonus of 96.25% of maximum to Duncan Leggett (£298,375, representing 96.25% of salary). Full details of the targets and performance over the period are provided on pages 73 and 74.

One-third of the annual bonus payment 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 74.

LTIP

The Committee assessed the performance conditions for the 2018 LTIP award. The maximum targets relating to relative TSR and adjusted EPS were both exceeded, meaning that both elements of the award will vest in full on 8 August 2021. Full details of the targets and performance over the period are provided on page 75.

In assessing the annual bonus and LTIP outcomes, the Committee undertook an assessment 'in the round', to ensure that the outcomes are a fair reflection of overall Company performance and aligned with the experience of other stakeholders. As part of this, the Committee was pleased to note that the Group chose not to furlough any colleagues or make any redundancies and did not take financial support from the government in respect of the pandemic. The success of the business over the last year has been shared with colleagues, as set out earlier, and has resulted in a significant increase in the share price and creation of shareholder value. Taking all of the above into account, alongside the wider performance context detailed elsewhere in the annual report, the Committee considered that the annual bonus and LTIP outcomes are a fair reflection of Company and individual performance in the year. As such, the Committee has not exercised its discretion to adjust awards.

Executive Directors' Salary

Both Alex Whitehouse (CEO) and Duncan Leggett (CFO) were appointed in 2019. As set out in last year's Directors' Remuneration report, they were both appointed on salaries significantly below their predecessors and the Committee aims to increase their salaries over the two years from their appointment to a level at, or near, the FTSE 250 lower quartile, which the Committee feels is appropriate given the Company's market capitalisation and also its level of turnover, enterprise value and complexity.

The Committee agreed to increase Mr Whitehouse's salary to £500,000 with effect from 30 August 2020 and to increase Mr Leggett's salary to £310,000 with effect from 10 December 2020 (reflecting the anniversary of their appointments). When considering the salary increases the Committee assessed the performance of the directors (as highlighted in the performance outcome for 2020/21 above) and agreed that both had performed strongly in their roles and that the increases were therefore appropriate. The Committee also took into consideration the overall performance of the business during the year and the experiences of other stakeholders. The CEO's salary is now positioned around the FTSE 250 lower quartile. However, the CFO's salary remains below the FTSE 250 lower quartile and, therefore, a second above average increase in salary is anticipated in 2021/22, subject to performance. It should also be noted that both salaries are currently at levels well below those of their predecessors (CEO: c. -29% and CFO: c. -27%).

Executive director	**Salary as at 3 April 2021**	Change	Salary as at 28 March 2020
Alex Whitehouse	**£500,000**	+5.3%	£475,000
Duncan Leggett	**£310,000**	+12.7%	£275,000

Arrangements for 2021/22

A new remuneration policy was approved by shareholders in August 2020, with over 96% of votes received in favour, and we would like to thank shareholders for their strong support. The Committee considers that the new Remuneration Policy operated as anticipated over the financial period and no changes are proposed to the policy for 2021/22.

During the year, a tender exercise was undertaken and Deloitte were appointed to advise the Committee. As part of their induction they carried out a review of arrangements with stakeholders and this concluded that the overall remuneration strategy worked well, drove the right behaviours and supported the implementation of the Group's strategy.

For 2021/22, no changes are proposed to the performance measures. The Committee has reviewed the targets for the annual bonus and LTIP. It was noted that there were challenges in setting targets due to the continued uncertainty of the impact of Covid-19 and the potential for demand for the Group's products to reduce with the resumption of out of home eating. The Committee believes that the targets agreed are challenging and set at levels that will reward very good performance. They are also considered to be aligned with the Group's strategic priorities and further details of the measures for 2021/22 are provided on page 82.

Relationship between ESG matters and remuneration arrangements

The Committee is aware of the increasing importance of ESG matters for both the Group and its stakeholders. An element of ESG was included in the executive directors' annual bonus goals for 2020/21, and the weighting of this element has been increased in the CEO's annual bonus goals for 2021/22. During the year a new ESG Committee was established with the CEO appointed as its Chair. In addition, as part of the Committee's overall review of the Group's remuneration strategy, it ensures that arrangements do not encourage behaviour which is not aligned with the Group's ESG strategy. Further information regarding the Group's approach to ESG is set out in the section 'How we are a responsible business' on pages 16 to 33.

Wider workforce

During the year Helen Jones was appointed as our Workforce Engagement NED. The Company has established employee forums at all sites across the Group and Helen has joined a number of meetings at both manufacturing and office sites, to listen to the views and concerns of colleagues. These have been reported to, and discussed by, the Board and the Committee.

During the year, the Committee also reviewed information on broader workforce pay policies and practices which provided important context for the decisions on executive pay taken during the year. The pension levels for the executive directors are aligned with that available to the majority of the workforce. The operation of the annual bonus scheme is consistent for all participants, and any financial measures are aligned with the overall Group targets. The executive directors have other additional constraints on their remuneration package which are not applicable to the wider management population, such as bonus deferral and the LTIP holding period.

As well as the two bonus payments and additional holiday entitlement that was awarded to the wider workforce, we also operate an all-employee Sharesave Plan which allows all colleagues to share in the success of the Group. The colleague participation rate in this scheme is currently 27%.

I look forward to receiving your support for the Annual Report on Remuneration at the 2021 AGM.

On behalf of the Board
19 May 2021

Pam Powell
Remuneration Committee Chair

Overall approach to remuneration

At Premier Foods, the remuneration policy is designed to attract, retain and motivate a high calibre management team. Focus is placed on driving exceptional performance and creating shareholder value in a sustainable way, as well as aligning the interests of the executive directors with key stakeholders.

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 Corporate 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 interests of both shareholders and key stakeholders, including employees. The Committee is committed to being transparent in respect of 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. Recent engagement has included discussion to understand shareholder views on the continued strategic focus on Net debt and whether it remained an appropriate bonus goal following the continued deleveraging of the business. The Committee concluded that it was appropriate to use Net debt as a measure for 2021/22, but consideration would be given to introducing an alternative financial measure for subsequent years.

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

The Committee believes the current arrangements 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 between fixed and variable remuneration.

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 annual bonus and LTIP. The Committee updated the malus and clawback provisions in line with current best practice expectations in the 2019/20 financial year. This included introducing additional trigger events in the event of corporate failure and/or material damage to the Company's business or reputation. The LTIP rules have also 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.

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 in the Remuneration Policy approved by shareholders at the 2020 AGM. 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

The Committee seeks to ensure that targets for the 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.

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

- the overall performance of the business;
- the experience of key stakeholders including shareholders, employees, suppliers and customers;
- 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.

Summary of the Directors' Remuneration Policy

The current Directors' Remuneration Policy was approved by shareholders at the AGM on 12 August 2020 (with 96.65% of shares voted being in favour). The following table presents a summary of the key elements of the current Directors' Remuneration Policy and how it will be implemented in 2021/22. The full policy is available in the 2019/2020 annual report which can be found on the Group's website.

Current elements of remuneration and Operation	How we plan to implement the Policy in 2021/22
Base salary	
Set at levels to attract and retain talented individuals with 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. Normally reviewed annually (currently with effect from 1 July) in conjunction with those of the wider workforce.	As of 3 April 2021, salaries are as follows: • CEO – £500,000 • CFO – £310,000 As set out in last year's Remuneration Report, both CEO and CFO were appointed on salaries significantly below their predecessors and the Committee aims to increase their salaries over the two years from their appointment to a level at, or near, the FTSE 250 lower quartile. Following an increase during the year, the CEO's salary is now positioned at around the lower quartile of the FTSE 250. The CFO's salary remains below the FTSE 250 lower quartile and therefore an above-average increase is anticipated in 2021/22, subject to performance.
Benefits	
Benefits include: cash allowance in lieu of company car; fully expensed fuel; private health insurance; life insurance; permanent incapacity benefit; professional memberships; and other ancillary benefits, including relocation expenses (as required).	No change.
Pension	
Pension contributions or a salary supplement of 7.5% of base pay up to an earnings cap, in line with that offered to the majority of the workforce.	No change.
Annual bonus	
Designed to incentivise delivery of annual financial and operational goals and directly linked to delivery of the Group's strategy. Maximum opportunity: • CEO – 125% of salary • CFO – 100% of salary One-third of earned bonus is deferred into shares for three years. Awards are subject to malus and clawback provisions.	Maximum opportunity (no change): • CEO – 125% of salary • CFO – 100% of salary Awards will be subject to the following performance measures: • Trading profit (50% weighting); • Net debt (20% weighting); • Strategic objectives (20% weighting for the CEO and 15% for the CFO); • Operational objectives (10% weighting for the CFO only); and • ESG objectives (10% weighting for the CEO; 5% weighting for the CFO). Awards will also be subject to a Trading profit underpin.
Long-Term Incentive Plan	
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. Maximum opportunity of 150% of salary. Awards are subject to a three-year performance period, followed by a two-year holding period. The proportion of awards which will vest for threshold performance is 20%. Awards are subject to malus and clawback provisions.	2021/22 LTIP award levels (no change): • CEO – 150% of salary • CFO – 100% of salary Awards will continue to be subject to the following performance measures: • Relative TSR (two-thirds weighting); and • Adjusted EPS (one-third weighting).
Shareholding guidelines	
Shareholding guideline of 200% of salary. Executive directors are expected to retain 50% of shares from vested awards under the DBP and LTIP until they reach the guideline.	The current shareholdings reflect the fact that both the CEO and CFO are relatively new to their roles: • CEO – 61% of salary • CFO – 22% of salary

Directors' Remuneration report continued

Annual Report on Remuneration

An advisory vote on this Annual Report on Remuneration will be put to shareholders at the 2021 AGM. The Committee believes that the Remuneration Policy operated as intended in the year.

Single figure table for total remuneration (audited)

Single figure for the total remuneration received by each executive director for the 53 weeks ended 3 April 2021 (2020/21) and the 52 weeks ended 28 March 2020 (2019/20).

	Alex Whitehouse		Duncan Leggett	
	2020/21 £'000	2019/20[1] £'000	**2020/21 £'000**	2019/20[1] £'000
Salary	**492**	277	**289**	85
Taxable benefits[2]	**31**	19	**21**	6
Pension	**13**	7	**13**	4
Total fixed remuneration	**536**	303	**323**	95
Annual Bonus[3]	**625**	284	**298**	70
Share based awards[4]	**745**	155	**–**	37
Total variable remuneration	**1,370**	439	**298**	107
Single figure for total remuneration	**1,906**	742	**621**	202

1 Alex Whitehouse was appointed CEO on 30 August 2019 and Duncan Leggett was appointed CFO on 10 December 2019.

2 Benefits for Alex Whitehouse and Duncan Leggett in the year included provision of car allowance, private fuel, private medical insurance and professional membership. Both directors were granted an award over 7,351 shares under the all employee Sharesave plan on 15 December 2020. An amount of £1,755 has been included within benefits, which represents the 20% discount to the share price immediately prior to the offer (see the executive share awards table on page 77 for more information).

3 One-third of the Annual Bonus will be deferred into shares for three years which are awarded under the terms of the DBP.

4 The figures for share based payments for 2020/21 represent an estimate of the value of the 2018 LTIP award, which will vest in full in August 2021, based on the three-month average price to 3 April 2021 of 96.42p. The share price at the date of grant was 41.2p. 57% of the award is attributable to share price appreciation and no discretion has been exercised in relation to this. The figures for 2019/20 have been adjusted, in line with statutory reporting requirements, following last year's report to show the actual value upon vesting of the award on 24 June 2020, based on a share price of 68.5p.

Base salary and fees (audited)

The Committee sets base salary by reference to the size and complexity of the business based on factors such as market capitalisation, revenue, market share, and total enterprise value.

Alex Whitehouse was appointed CEO on 30 August 2019 with a salary of £475,000 and Duncan Leggett was appointed CFO on 10 December 2019 with a salary of £275,000. As advised at the time of their appointments, 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 is appropriate given the Company's market capitalisation and also its level of turnover, market value and complexity.

On 1 July 2020, Mr Whitehouse and Mr Leggett received salary increases of 2.5 % in line with all colleagues not involved in collective bargaining. Following a review of performance for the CEO and CFO since taking on their roles (see the Committee Chair's Annual Statement), the Committee agreed to increase Mr Whitehouse's salary to £500,000 with effect from 30 August 2020 and to increase Mr Leggett's salary to £310,000 with effect from 10 December 2020. The CEO's salary is now positioned around the FTSE 250 lower quartile. However, the CFO's salary remains below the FTSE 250 lower quartile and therefore a second above average increase in salary is anticipated in 2021/22, subject to performance. It should also be noted that both salaries are currently at levels well below those of their predecessors (CEO: circa -29% and CFO: circa -27%).

Executive director	**Salary as at 3 April 2021**	Change	Salary as at 28 March 2020
Alex Whitehouse	**£500,000**	+5.3%	£475,000
Duncan Leggett	**£310,000**	+12.7%	£275,000

Benefits

Benefits provided for the period related to the provision of car allowance, private fuel, private medical insurance and professional membership.

Pension

Under the Company's Remuneration Policy, pension entitlements for executive directors are 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 (£170,400 for the 2020/21 tax year). Executive directors have the right to participate in the Group's defined contribution ('DC') pension plan, with any contribution above their annual allowance paid as cash. During the year, Mr Whitehouse and Mr Leggett both participated in the Group's DC pension plan.

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	4	9
Duncan Leggett	4	9

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 2020/21

In line with the Remuneration Policy, for 2020/21, the CEO and CFO had maximum bonus opportunities of 125% of salary and 100% of salary, respectively. Performance was measured against targets relating to trading profit (50% weighting), Net debt (25% weighting), strategic leadership (15% weighting), operational leadership (5% weighting) and ESG (5% weighting).

The Committee undertook a full and detailed review of the performance of each executive director against their financial and non-financial targets, including a 'performance in the round' assessment which is set out below and in the Committee Chair's Annual Statement.

As stated earlier in this annual report, the Group delivered a very strong set of results in 2020/21. Trading profit grew to £148.3m (52 week basis), representing like-for-like growth of +11.9%, driven by market share growth in both volume and value terms. Net debt decreased to £314.1m, as a result of increased Trading profit and cash flow, cost saving initiatives and the repayment of £190m of Floating Rate Notes.

The tables below set out performance compared to the financial and non-financial targets set at the start of the year.

Alex Whitehouse (audited)

	Annual bonus 2020/21				
Performance measure	**Target**	**Stretch**	**Performance outcome**	**Weighting**	**Performance (% of max bonus)**
Financial targets (subject to a Trading profit underpin of £132.0m)					
Trading profit	£136.0m	£140.0m	£148.3m[1]	50.0%	50.0%
Net debt	£392.1m	£382.1m	£314.1m	25.0%	25.0%
				75.0%	75.0%

Performance measure	**Performance outcome**	**Weighting**	**Performance (% of max bonus)**
Non-financial targets (subject to a Trading profit underpin of £132.0m)			
Strategic leadership	Implementation of revised International strategy and structure resulting in significant improvement in International performance (with revenue at constant currency up +23% in the year) and signing of new US distribution agreement with Weston Foods. Integration of Knighton business into the Group completed with cost savings ahead of budget.	15.0%	15.0%
Operational leadership	Continued focus on the Health & Safety agenda with a further improvement in LTA scores. Sponsorship of Group Risk Management programme to improve the processes for management review and implementation of recommendations. Introduction of Group-wide Covid-19 colleague surveys and completion of actions identified.	5.0%	5.0%
Environment, Social and Governance (ESG)	Appointed chair of new ESG Committee, approved governance structure and conducted materiality assessment with stakeholders to identify strategic priorities. Over the course of the year the Group has also enhanced the nutritional profile of its existing core range and 84% of core ranges now include a 'better-for-you' option.	5.0%	5.0%
		25.0%	25.0%
	Final outcome	100.0%	100.0%

1 Trading profit performance for the annual bonus has been assessed on a 52 week basis.

Directors' Remuneration report continued

Duncan Leggett (audited)

	Annual bonus 2020/21				
Performance measure	**Target**	**Stretch**	**Performance outcome**	**Weighting**	**Performance (% of max bonus)**
Financial targets (subject to a Trading profit underpin of £132.0m)					
Trading profit	£136.0m	£140.0m	£148.3m[1]	50.0%	50.0%
Net debt	£392.1m	£382.1m	£314.1m	25.0%	25.0%
				75.0%	75.0%

Performance measure	Performance outcome	Weighting	Performance (% of max bonus)
Non-financial targets (subject to a Trading profit underpin of £132.0m)			
Strategic leadership	Integration of Knighton business into the Group completed with cost savings ahead of budget. Completion of segregated pension merger in line with agreed timescales and financial parameters. Implementation of bond repayment initiative delivering approximately £10m in annual interest payments.	15.0%	11.25%
Operational leadership	Implementation of cost savings project with savings ahead of plan. Implementation of project to improve cash collection within accounts receivable and enhance working capital in line with budget.	5.0%	5.0%
Environment, Social and Governance (ESG)	Improved governance around financial controls to enhance the risk management process and reduce control observations from the Group audit report.	5.0%	5.0%
		25.0%	21.25%
	Final outcome	100.0%	96.25%

1 Trading profit performance for the annual bonus has been assessed on a 52 week basis.

The Committee considered the formulaic outcomes of the annual bonus assessment in the context of the current external environment, wider company and individual performance, the shareholder experience, the customer experience and the treatment of colleagues throughout the rest of the Group.

In addition to the operational highlights set out above, in 2020/21, Premier Foods has created over £600m of shareholder value, and delivered a shareholder return of over 285% during the period, outperforming the FTSE All Share index (circa 30% return). Furthermore, management worked incredibly hard throughout the year to ensure that colleague safety and well-being remained a priority. The Group chose not to furlough any colleagues or make any redundancies and no money was taken from the government in respect of the pandemic.

The Committee believes that the executive directors responded both decisively and effectively to the challenges of the pandemic, enabling the Group to perform successfully during 2020/21. In light of the Group's excellent financial performance, the strategic progress, and focus on the well-being of employees, the Committee concluded that the formulaic outcomes of the annual bonus assessment were justified, and no discretion was required to be applied.

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 25 June 2020 based on a share price of 68.5p are set out below:

	2019/20 Annual bonus	Bonus deferral (one-third)	Shares awarded	Deferral period
Alex Whitehouse	**£284,112**	£94,704	138,254	25.06.20 – 25.06.23
Duncan Leggett	**£70,464**	£23,488	34,289	25.06.20 – 25.06.23

Long-Term Incentive Plan (LTIP)

Performance assessment for the 2018 LTIP award

The performance conditions for the 2018 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 2021 and concluded that both the relative TSR target and the adjusted EPS target had been fully achieved, which will result in full vesting of the LTIP award in August 2021. The TSR of Premier Foods over the three-year performance period was 151%, representing significant shareholder value creation and was significantly above the upper quartile TSR in the comparator group of circa 39%. The Committee considered that the vesting reflected the underlying performance of the business and was appropriate.

		Targets			Outcome		No. of shares to vest
Performance measure	Weighting	Below threshold	Threshold	Stretch	Actual performance	Payout	Alex Whitehouse
Relative TSR[1]	2/3	< Median	Median	Upper quartile	Upper quartile	100%	772,538
Adjusted EPS[2]	1/3	< 8.4p	8.4p	9.8p	9.8p	100%	
% 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 2017/18 base year adjusted EPS was 7.6p.

3 Straight-line vesting between threshold and stretch.

Scheme interests awarded during the financial year (audited)

LTIP award for 2020/21

Details of the LTIP award granted on 25 June 2020 are set out below.

	Basis of award	Face 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

* Determined based on the closing middle market quotation (MMQ) on 24 June 2020 of 68.5p.

		Targets			
Performance measure	Weighting	Below threshold	Threshold	Target	Stretch
Relative TSR[1]	2/3	< Median	Median	N/A	Upper quartile
Adjusted EPS[2]	1/3	< 11.4p	11.4p	12.0p	12.4p
% of relevant portion of award vesting[3]		0%	20%	50%	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 12.0p (at which 50% vests) with straight-line vesting between threshold and target and between target and stretch.

When the Committee initially set the 2020/21 EPS targets, the corporation tax rate was expected to be reduced from 19% to 17% for the 2023 financial year and the EPS targets were set based on this lower tax rate. Since then, the planned reduction in tax rate has been repealed and the 19% corporation tax rate will now remain in place. The Group currently retains brought forward losses which it can utilise to offset against future tax liabilities and therefore tax is currently a non-cash item at Premier Foods. Given that that our tax charge is notional for the purposes of calculating EPS, the Committee has restated the EPS targets to reflect this tax rate change. The impact of this is 0.29p at target and the revised targets are set out in the table above. Given there is no additional tax cost for shareholders, the Committee believes that this is the right decision to continue to ensure that our executive directors make decisions which are aligned with our strategic objectives and are in the best long-term interest of our shareholders.

The Committee considers that these targets are very stretching and represent significant value creation for shareholders. The Committee retains discretion to override the formulaic outcomes 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.

Pro rata LTIP awards in respect of 2019/20

As set out in last year's report, on the appointment of Alex Whitehouse as CEO and Duncan Leggett as acting CFO, the two executive directors were each entitled to receive a pro rata award under the LTIP in respect of the 2019/20 financial period. This would ordinarily have been made immediately following appointment, however, members of the Board were in a prohibited dealing period, so the actual granting of the awards was significantly delayed. The additional awards reflect their entitlement to shares as if the award had been made as originally intended. To ensure consistency with the original 2019/20 LTIP award, the same performance conditions, performance period and share price will apply. The vesting date will be three years from the date of grant and a two-year post vesting holding period will apply.

	Basis of award	Max value on award date*	Performance period
Alex Whitehouse	Pro rata 150%	£157,777	01.04.19 – 31.03.22
Duncan Leggett	Pro rata 100%	£152,849	01.04.19 – 31.03.22

* Determined based on average MMQ for the five days ending on 6 June 2019 of 35.12p.

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

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

Dilution limits

Awards under certain executive and all-employee share plans may be satisfied using either newly issued shares or shares purchased in the market and held in the Group's Employee Benefit Trust (which held 1,230,629 shares as at 3 April 2021). 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 4.0%.

Statement of directors' shareholding and share interests (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) 2020/21

	Shares owned as at 3 April 2021	Shares owned as at 28 March 2020	Extent to which share ownership guidelines met[1]	DBP Awards	LTIP Awards (vested)	LTIP Awards (unvested)	Sharesave Awards	Total
Alex Whitehouse	444,518	336,692	61%	138,254	225,852	3,162,274	24,567	3,995,465
Duncan Leggett	98,771	60,407	22%	34,289	53,833	836,679	24,567	1,048,139

1. The Shareholding guidelines require executive directors to hold 200% of their salary in shares, the percentage stated includes the post-tax value of awards held under the Deferred Bonus plans and vested LTIP awards. Mr Whitehouse was appointed CEO on 30 August 2019 and Mr Leggett was appointed CFO on 10 December 2019.

Executive share awards (audited)

	Date of grant	Balance as at 28 March 2020	Awarded in the year	Exercised in the year	Vested in year	Lapsed in the year	**Balance as at 3 April 2021**	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[1]	13.06.17	677,557	–	–	225,852	451,705	**225,852**	–	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
	25.06.20	–	1,040,145	–	–	–	**1,040,145**	–	65.00	–	25.06.23	24.06.27
	24.09.20	–	449,250	–	–	–	**449,250**	–	89.00	–	24.09.23	23.09.27
DBP	25.06.20	–	138,254	–	–	–	**138,254**	–	89.00	–	25.06.23	25.06.30
Sharesave Plan[2]	20.12.16	7,826	–	7,826	–	–	**–**	34.50	44.00	68.50	01.02.20	31.07.20
	17.12.18	8,160	–	–	–	–	**8,160**	30.00	33.00	–	01.02.22	31.07.22
	16.12.19	8,876	–	–	–	–	**8,876**	29.20	37.20	–	01.02.23	31.07.23
	15.12.20	–	7,531	–	–	–	**7,531**	71.70	95.00	–	01.02.24	31.07.24
			1,635,180	7,826	225,852	451,705	**3,550,947**					
Duncan Leggett												
LTIP[1]	13.06.17	161,500	–	–	53,833	107,667	**53,833**	–	40.50	–	13.06.20	12.06.24
	25.06.20	–	401,459	–	–	–	**401,459**	–	65.00	–	25.06.23	24.06.27
	24.09.20	–	435,220	–	–	–	**435,220**	–	89.00	–	24.09.23	23.09.27
DBP	25.06.20	–	34,289	–	–	–	**34,289**	–	89.00	–	25.06.23	25.06.30
Sharesave Plan[2]	20.12.16	7,826	–	7,826	–	–	**–**	34.50	44.00	68.50	01.02.20	31.07.20
	17.12.18	8,160	–	–	–	–	**8,160**	30.00	33.00	–	01.02.22	31.07.22
	16.12.19	8,876	–	–	–	–	**8,876**	29.20	37.20	–	01.02.23	31.07.23
	15.12.20	–	7,531	–	–	–	**7,531**	71.70	95.00	–	01.02.24	31.07.24
			878,499	7,826	53,833	107,667	**949,368**					

1. The Remuneration Committee has determined that the TSR and EPS elements of the 2018 LTIP will vest in full in August 2021 (see page 75 for more information).
2. Executive directors are eligible to participate in the Group’s Sharesave Plan on the same basis as all other eligible employees. Mr Whitehouse and Mr Leggett were granted an award over 7,351 shares under the all employee Sharesave plan on 15 December 2020. An amount of £1,755 has been included within taxable benefits which represents the 20% discount to the share price immediately prior to the offer.

Share ownership guidelines, vesting and retention periods

To align executive directors' interests with those of shareholders, the 2020 Remuneration Policy increased the multiple of salary that the executives must hold in shares from 100% of salary to 200% of salary (valued at year end). The Committee will review progress against the requirements, noting that 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 the target is reached. 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 LTIP. 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.

	Y1	Y2	Y3	Y4	Y5
Annual bonus (DBP)	■	□	□	□	
LTIP	■	■	■	□	□

■ Performance period

□ Retention period

Post-employment shareholding guideline

As set out in last year's Directors' Remuneration Report, 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, in the case of a 'good leaver' 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, 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 the last year of employment, this means the executive director would 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 shareholding guideline. 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 fast-changing FMCG environment. This will be reviewed by the Committee as part of its next Remuneration Policy review.

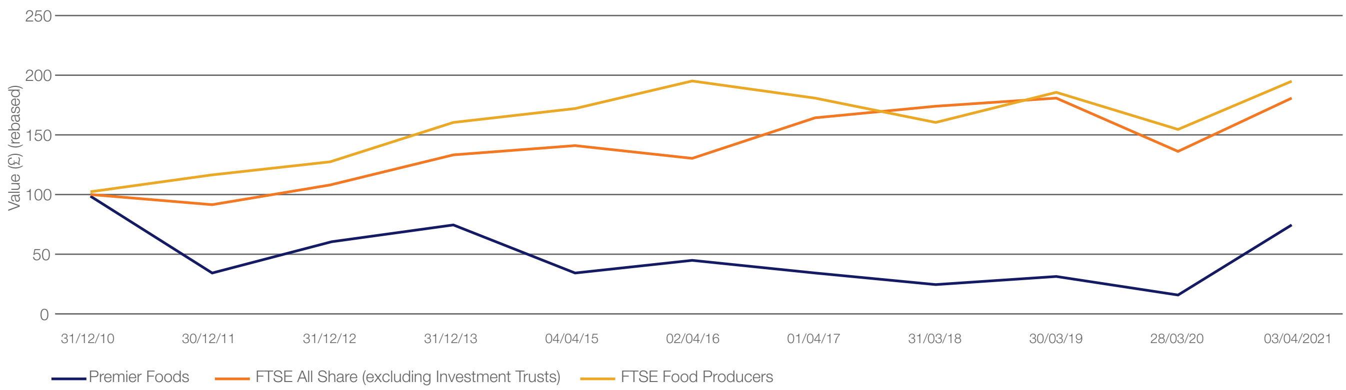
Share ownership for the wider Group

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 27% of colleagues.

Total shareholder return

The market price of a share in the Company on 1 April 2021 (the last trading day before the end of the financial period) was 94.6 pence; the range during the financial period was 23.55 pence to 110.8 pence.

This graph shows the value, by 3 April 2021, of £100 invested in Premier Foods plc on 31 December 2010, 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, given the Group's position as a FTSE 250 Food Producer. The other points plotted are the values at intervening financial year-ends.



Source: FactSet

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 previous 10 financial periods.

Year	CEO	Single figure for total remuneration	Annual bonus as a % of maximum	LTIP vesting as a % of maximum
2020/21	Alex Whitehouse	£1,904,893	100%	100%
2019/20	Alex Whitehouse[1]	£742,575	81.5%	33.3%
2019/20	Alastair Murray[1]	£683,776	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%	–
2013	Michael Clarke	£1,122,795	–	–
2012	Michael Clarke	£1,699,575	66.0%	–
2011	Michael Clarke	£2,277,070	–	–
2011	Robert Schofield	£895,485	–	–

1. Mr Whitehouse was appointed as CEO on 30 August 2020 and Mr Murray stepped down as Acting CEO and Chief Financial Officer. The figures for 2019/20 has been adjusted, in line with statutory reporting requirements, to show the actual value upon vesting of the LTIP award on 24 June 2020. Full details of the single figure for total remuneration are set out on page 72.

Percentage change in remuneration of directors and employees

For the purpose of this table, remuneration is defined as salary, benefits and annual bonus. Where directors have been appointed part way through the last financial year, a comparative figure has been calculated using an annualised figure for 2019/20. Tim Elliott and Helen Jones were appointed directors in May 2020 and Yuichiro Kogo and Daniel Wosner do not receive a fee. The directors are the only employees of the Company, so the average pay of the wider Group has also been included for the purposes of comparison.

	Base salary % Change 2020/21	Benefits % Change 2020/21	Annual bonus % Change 2020/21
Executive directors			
Alex Whitehouse	**+5.3%**	**-5.7%**	**+61.4%**
Duncan Leggett	**+12.7%**	**+4.5%**	**+33.1%**
Non-executive directors			
Colin Day	**0%**	**–**	**–**
Richard Hodgson	**0%**	**–**	**–**
Simon Bentley	**0%**	**–**	**–**
Tim Elliott	**–**	**–**	**–**
Helen Jones	**–**	**–**	**–**
Yuichiro Kogo	**–**	**–**	**–**
Pam Powell	**0%**	**–**	**–**
Daniel Wosner	**–**	**–**	**–**
All Group employees	**+5.6%**	**–**	**+49.3%**

Senior management and the wider workforce

The remit of the Committee includes the oversight of remuneration for senior management (who are defined as the Group's Executive Leadership Team) as well as reviewing workforce remuneration and related policies, and the alignment of incentives and rewards with culture. Remuneration for executive directors is set within the 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 size 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, which 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 the annual bonus plan for the general management population. Financial objectives for executive directors and the management population are aligned and strategic objectives are cascaded down the management structure. In 2018/19, the Committee approved changes to the management scheme to make it more competitive and to help 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.

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.

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 relevant 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 overall accountability, responsibilities, skill and experience required for the role.

The CEO's pay 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.

Year	Method	25th percentile	Median	Pay ratio 75th percentile
2020/21	B	77:1	57:1	46:1
2019/20	A	60:1	49:1	35:1
2020/21	Base salary	£24,600	£24,126	£40,000
2020/21	Total pay and benefits	£24,600	£33,309	£41,535

The CEO single figure for total remuneration was £1,904,893 (2019/20: £1,426,350), as set out on page 72 of this report. The single figure (and associated percentile ratios) for 2019/20 have been adjusted, in line with statutory reporting requirements, to show the actual value upon vesting of the LTIP award on 24 June 2020. The main reason for the change in ratios from last year is the increase in variable pay received by the CEO in terms of annual bonus and share-based payments. The Committee confirms that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

For 2020/21 (and for future years) we have calculated the ratio in line with the reporting regulations using method B, which uses the most recent hourly rate gender pay gap information for all UK employees of the Company to identify three UK employees as the best equivalents. This uses data which is already reported externally as part of the Group's gender pay gap reporting. Due to the fact that we have a significant number of part-time employees and a range of different weekly working hours and shift allowances at various sites, the calculation of comparable full-time equivalents under method A was considered particularly complex. Last year's data was compared against the results that would have been achieved if method B had been selected, to confirm the outcomes would not have been materially different. The results for this year were also checked against colleagues pay at either side of the data points selected, to ensure the results were representative and the figures provided are considered to be reflective of pay at the relevant sites where the colleagues are based.

The workforce comparison is based on:

1. Payroll data as at 5 April 2020 for all colleagues, including part time colleagues and the CEO but excluding non-executive directors.
2. Total pay comprises salary and taxable benefits (including shift allowance, overtime, car allowance and performance related pay). Employers' pension contributions are not included in the data under the requirements of the gender pay gap reporting but have been included in the total pay and benefits figures for the three colleagues listed in the table above for comparative purposes.

Gender pay gap reporting

Details of gender pay gap reporting is provided on page 24.

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

There were no payments for loss of office in the year (2019/20: £989,112) and no other payments were made to former directors.

Relative importance of spend on pay

The following table sets out the amounts and percentage change in total employee costs. The figure for 2020/21 includes a GMP equalisation charge of £2.9m. The Company has recommended the payment of final dividend for the financial period. This is the first dividend to be proposed since 2008, so free cash flow and Net debt (on a pre-IFRS 16 basis) have 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 34).

	2020/21	2019/20	Increase / Decrease
Total employee costs	**£182.5m**	£168.9m	+8.1%
Free cash flow	**£98.2m**	£65.1m	+50.8%
Net debt	**£314.1m**	£408.1m	-23.1%

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. No change has been made to the basic NED fee since 2009.

Non-executive directors (audited)

Single figure for the total remuneration received by each non-executive director for the financial periods ended 3 April 2021 and 28 March 2020.

Director	Basic fee	Committee Chair fee	SID fee	Total fees 2020/21	Total fees 2019/20
Colin Day[1]	215,000	–	–	**215,000**	126,231
Richard Hodgson	57,000	–	10,000	**67,000**	65,406
Simon Bentley	57,000	13,000	–	**70,000**	70,000
Tim Elliott[1]	49,988	–	–	**49,988**	–
Helen Jones[1]	49,988	–	–	**49,988**	–
Yuichiro Kogo[1,2]	–	–	–	**–**	–
Pam Powell	57,000	10,500	–	**67,500**	65,826
Daniel Wosner[2]	–	–	–	**–**	–
Former directors					
Shinji Honda[1,2]	–	–	–	**–**	–
Orkun Kilic[1,2]	–	–	–	**–**	–

1. Mrs Jones and Mr Elliott were appointed as directors on 15 May 2020, Mr Kogo was appointed as a director in place of Mr Honda, who retired as a director on 25 March 2021. Mr Kilic retired as a director on 5 January 2021.
2. Messrs Kogo, Honda, Wosner and Kilic were all appointed pursuant to relationship agreements with our major shareholders and did not receive a fee for their roles as non-executive directors.

Non-executive directors' fees

The fees of our non-executive directors (NEDs) are set out below. A review of non-executive directors' fees was last undertaken by the Board in March 2020 and no increase to fees was recommended.

	3 April 2021	Change	28 March 2020
Chairman fee	**£215,000**	–	£215,000
Basic NED fee	**£57,000**	–	£57,000
Additional remuneration:			
Audit Committee Chair fee	**£13,000**	–	£13,000
Remuneration Committee Chair 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 Kogo and Mr Wosner are governed by the terms of the relationship agreements between the Company and Nissin 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
Richard Hodgson	6 January 2015	AGM 2023	3 months
Simon Bentley	27 February 2019	AGM 2021	3 months
Tim Elliott	15 May 2020	AGM 2023	3 months
Helen Jones	15 May 2020	AGM 2023	3 months
Yuichiro Kogo	25 March 2021	–	–
Pam Powell	7 May 2013	AGM 2022	3 months
Daniel Wosner	27 February 2019	–	–

Non-executive directors' interests in shares (audited)

NED	Ordinary shares owned as at 3 April 2021	Ordinary shares owned as at 28 March 2020
Colin Day	**200,000**	–
Richard Hodgson	**–**	–
Simon Bentley	**–**	–
Tim Elliott	**10,000**	N/A
Helen Jones	**–**	N/A
Yuichiro Kogo[1]	**–**	–
Pam Powell	**160,366**	160,366
Daniel Wosner[1]	**72,850**	72,850
Former directors		
Shinji Honda[1,2]	**–**	–
Orkun Kilic[1,2]	**–**	–

1. Messrs Kogo, Honda, Kilic and Wosner are shareholder representative directors appointed pursuant to relationship agreements with three of our largest shareholders.
2. Mr Kilic retired as a director on 5 January 2021 and Mr Honda retired as a director on 25 March 2021.

Statement of implementation of remuneration policy in 2021/22

Base salary and fees

The table below shows the base salaries of the executive directors as of 3 April 2021. As noted previously, the CEO's salary is now positioned around the lower quartile of the FTSE 250. However, the CFO's salary remains below the FTSE 250 lower quartile and therefore a second above average increase is anticipated in 2021/22, subject to performance.

Executive director	Salary as at 3 April 2021
Alex Whitehouse	**£500,000**
Duncan Leggett	**£310,000**

Benefits

Benefits for 2021/22 will be in line with the approved Remuneration Policy.

Pension

Pension entitlements for 2021/22 will be in line with the approved Remuneration Policy and on the same basis as all other UK employees. Executive directors will receive a contribution of 7.5% of basic pay up to an earnings cap (£172,800 for the 2021/22 tax year).

Annual bonus measures for 2021/22

The Committee agreed that, for 2021/22, the financial targets would represent 70% of the total bonus opportunity. The performance measures will be 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 34). The Committee agreed that it was appropriate to maintain focus on Net debt reduction during the next financial year but will consider replacing this with an alternative financial goal for future years. Non-financial objectives will be focused on strategic and operational opportunities to drive sales, generate cost savings and improve free cash flow. In addition, the weighting of ESG measures for the CEO has been increased, reflecting management's increased focus in this area. The Board considers the financial targets and 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.

One-third of any annual bonus awarded in respect of the 2021/22 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	20%	20%
	70%	70%
Non-financial objectives (subject to a Trading profit underpin)		
Strategic	20%	20%
Operational	–	5%
Environmental, Social and Governance	10%	5%
	100%	100%

LTIP award for 2021/22

For the 2021/22 award, the Committee proposes to use the same measures as the 2020/21 LTIP award, i.e. relative TSR (2/3rds) and adjusted EPS (1/3rd), 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.

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), which is considered an appropriate index to use as it includes a wide range of companies, including the members of the FTSE 250 Index.

The adjusted EPS target is 11.1p, with a range of 10.6p at threshold to 11.6p at maximum. In setting these targets, the Committee took into account the financial plan and potential longer-term impact of Covid-19, the change in corporation tax rate to 25% and analyst consensus forecasts. The Committee has set stretching targets for the three-year performance period, with targets set to ensure that participants are motivated to deliver shareholder value without excessive risk-taking. In line with its usual approach, the Committee will review performance in the round to ensure that final vesting outcomes reflect the broader business and individual context in the period.

	Basis of award	Face value on award date	Performance period
Alex Whitehouse	150%	£750,000	01.04.21 – 31.03.24
Duncan Leggett	100%	£310,000	01.04.21 – 31.03.24

		Targets			
Performance measure	**Weighting**	**Below threshold**	**Threshold**	**Target**	**Stretch**
Relative TSR[1]	2/3	< Median	Median	N/A	Upper quartile
Adjusted EPS	1/3	< 10.6p	10.6p	11.1p	11.6p
% of relevant portion of award vesting[2]		0%	20%	50%	100%

1. Measured against the constituents of the FTSE All Share Index (excluding investment trusts) around the start of the period.
2. Target EPS of 11.1p (at which 50% vests) with straight-line vesting between threshold and target and between target and stretch.

The Committee

Details of the Committee members and meeting attendance are set out on pages 56 and 57. 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. Throughout the financial period, all members of the Committee have been independent. In addition, the Chairman, CEO, HR Director and the remuneration advisers attended Committee meetings 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

During the year, Aon plc notified the Committee that it would no longer be providing remuneration advice outside of the financial services industry and, as a result, Alvarez & Marsal LLP ('A&M') was engaged to provide advice to the Committee whilst a tender exercise was undertaken. Following a comprehensive tender exercise, it was decided to appoint Deloitte LLP ('Deloitte') as advisers to the Committee with effect from January 2021. Neither A&M or Deloitte have any other connection with the Group or its Directors which are considered to impair their independence. Tim Elliott is an adviser to A&M, and whilst the Committee did not consider that this impacted his independence, he elected to recuse himself from the tender selection process. Deloitte is a founding member of the Remuneration Consultants Group and, as such, adheres to its Code of Conduct. The Committee is satisfied that the advice received from Deloitte is objective and independent. During the financial period, Deloitte received fees of £27,100 (2019/20: £Nil), A&M received fees of £18,102 (2019/20: £Nil) and Aon received fees of £29,878 (2019/20: £67,985) in respect of their advice to the Committee.

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, 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 also 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 a tender exercise and appointed a new firm of advisers to the Committee;
- Reviewed the impact of Covid-19 on performance and remuneration outcomes;
- Reviewed and discussed developments in best practice in order to keep the Committee up to date with current market practice;
- Together with the Board, received regular updates on the remuneration arrangements for the wider workforce;
- Reviewed the voting results for the 2020 Directors' Remuneration Report and 2020 Remuneration Policy;
- Reviewed the 2020/21 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 2021/22 annual bonus, ensuring they were aligned with the strategic objectives of the Group;
- Granted the 2020 awards under the Company's all-employee plans and monitored colleague participation; and
- Granted the 2020 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 2021, ensuring they are aligned with the strategic objectives of the Group.

Committee evaluation

As part of the internal Board evaluation exercise conducted during the year (see page 60 for more information), a review of the Committee's 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. Executives 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 12 August 2020 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 2019/20	% of votes cast	Approval of the current Directors' Remuneration Policy	% of votes cast
Date of AGM	12 August 2020		12 August 2020	
Votes for	587,453,313	99.64%	569,672,002	96.65%
Votes against	2,137,099	0.36%	19,748,413	3.35%
Total votes cast	589,590,412	100%	589,420,415	100%
Votes withheld	59,815		229,811	

The Directors' Remuneration Report was approved by the Board on 19 May 2021 and signed on its behalf by:

Pam Powell
Remuneration Committee Chair

Other statutory information

Directors' report

The directors' report consists of pages 02 to 87 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 £122.8m (2019/20: profit of £53.6m). The Company has not paid a dividend since 2008. Over the last few years, the Company has made significant progress in deleveraging the business and reducing Net debt to a level that would enable the payment of a dividend to be permitted under the Group's financing arrangements (see our Strategy on page 03). In February 2021, the Company also completed a capital reduction which will provide greater flexibility in how the Company manages its capital resources going forward. Subject to shareholder approval, the directors have proposed a final dividend of 1.0 pence for the financial period ended 3 April 2021 (2019/20: nil), payable on 30 July 2021 to shareholders on the register at the close of business on 2 July 2021.

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 £13.2m (2019/20: £11.9m).

Share capital information

The Company's issued share capital as at 3 April 2021 comprised 855,126,805 ordinary shares of 10p each. During the period 4,417,325 ordinary shares were allotted to satisfy the vesting of awards made under the all-employee Sharesave Plan and 2,500,000 were allotted to satisfy the vesting of awards made under the LTIP, details of the movements can be found in note 22 on page 140. 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 2020 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 2021 AGM. A similar authority will be sought from shareholders at the 2021 AGM. The Company does not currently have authority to purchase its own shares and no such authority is being sought at the 2021 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.

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 18 May 2021, 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	19.24
Oasis Management Company Ltd[3]	76,379,841	8.93
JPMorgan Chase & Co.[3]	44,559,230	5.21
Kempen Capital Management N.V.	42,810,000	5.01

1. Number of shares held at date of notification.
2. Per cent of share capital as at 3 April 2021.
3. Held in the form of shares and as a total return swap.

Branches

Certain of the Group's activities are operated through overseas branches which are established in a number of countries and subject to the laws and regulations of those jurisdictions.

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 Kogo and Wosner are subject to the terms of shareholder relationship agreements (see Conflicts of interest on page 59).

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 2019 to 31 March 2021.

With effect from 1 April 2020 we moved eight of our nine manufacturing sites onto a zero carbon electricity tariff, enabled by the purchasing of REGO's (Renewable Energy Guarantees of Origin, see https://www.ofgem.gov.uk/environmental-programmes/rego/about-rego-scheme). Following a detailed selection process we chose Scottish Power as our provider, as they have divested all of their fossil fuel generation and only generate electricity from zero carbon wind and solar sources, meaning profits are only invested into more renewables.

For clarity we have declared the gross location based (not including REGO's) and net market based (zero carbon electricity) emissions below. Because of this change to a zero carbon tariff, in comparison with 2019/20, we have reduced our overall GHG market based emissions by 46.98% in 2020/21.

GHG emissions	**2020/21**	2019/20	Percentage change
Total UK energy use (kWh's)	**255,902,606**	277,141,174	-7.66%
Scope 1 Direct emissions from sites (tCO_2e)	**38,435.59**	40,277.57	-4.57%
Scope 2 Electricity indirect emissions (tCO_2e) gross location based	**20,656.61**	22,460.83	-8.03%
Scope 2 Electricity indirect emissions (tCO_2e) net market based (zero carbon electricity tariff via REGO's)	**1,217.26**	22,460.83	-94.58%
Total annual emissions (tCO_2e) gross location based	**59,092.20**	62,738.40	-5.81%
Total annual net emissions (tCO_2e) net market based (zero carbon electricity tariff via REGO's)	**39,652.85**	62,738.40	-36.80%
Production output (tonnes)	**379,451.00**	318,304.89	+19.21%
Overall Intensity ($kgCO_2e$ per tonne of product) gross location based	**155.73**	197.10	-20.99%
Overall Intensity ($kgCO_2e$ per tonne of product) net market based (zero carbon electricity tariff via REGO's)	**104.50**	197.10	-46.98%

Principal energy efficiency measures taken in 2020/21

The main changes implemented in the last 12 months are building upon the findings of the Energy Savings Opportunities Scheme report from 2019. LED lighting continues to be rolled out across our sites, with our largest site Carlton nearing completion of the replacement of all production hall lighting. The offices at Carlton have also been consolidated into one floor, meaning that less heating is needed as the top two floors are now unoccupied. An investment grade energy audit has been carried out at the Carlton site and the findings will begin to be implemented in the coming year.

Methodology

Premier Foods' GHG emissions were assessed and calculated using internal data and emission factors from Defra's Conversion Factors for Company Reporting 2020 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% 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.

In addition, the Group planted 14,000 trees in the UK during 2020/21, whilst this will remove approximately 3,500 tonnes of CO_2 from the atmosphere as they grow, the impact of this has not been included in the figures reported.

Other statutory information continued

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 have been 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;
- Updates on the Management bonus scheme and pay arrangements for colleagues across the business; 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:

- How we are a responsible business: pages 16 to 33.
- Workforce Engagement NED: page 58.
- Engaging with our stakeholders and Section 172(1) statement: pages 61 to 63.

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 'Lunch and Learn' events.

Employment of people with disabilities

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

Anti-corruption and anti-bribery

The Group has in place an Anti-Corruption and Bribery 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, together with formal training. 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. The current Anti-Corruption and Bribery Policy was approved by the Audit Committee in March 2021 and a summary is available on the Group's website.

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 103. The Company's viability statement, where the directors confirm that 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 three-year period to 30 March 2024, is set out on page 53.

Related parties

Details on related parties can be found in note 25 on page 141.

Subsequent events

Details relating to subsequent events can be found in note 27 on page 144.

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 accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. In addition, the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU").

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 the Group's 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, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("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 strategic and 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 2021 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 19 May 2021 and signed on its behalf by:

Simon Rose
General Counsel & Company Secretary

companysecretary@premierfoods.co.uk

Financial statements

Mr Kipling 30% reduced sugar Viennese Whirls

As part of our commitment to provide consumers with healthier food choices, we've launched a range of better-for-you options, including our new *Mr Kipling* 30% reduced sugar Viennese Whirls.

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") for the 53 week period ended 3 April 2021 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 3 April 2021 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 to the extent applicable.

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 6 financial years ended 3 April 2021. 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 (2019/2020: £4.5m) 0.48% (2019/2020: 0.53%) of Group revenue
Coverage	96% (2019/2020: 96%) of Group revenue

Key audit matters		vs 2019/2020
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	◀▶
New risks (Company only)	Recoverability of parent company's investment in subsidiaries	▲

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

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below the key audit matters, in decreasing order of audit significance, 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	Response
Valuation of pension scheme assets for which a quoted price is not available Refer to pages 65 to 67 (Audit Committee Report), page 110 (accounting policy) and page 122 to 127 (financial disclosures).	**Subjective valuation** The Group’s RHM Pension Scheme holds material assets for which quoted prices are not available. The valuation of these assets can have a significant impact on the surplus in the scheme. Valuations are prepared based on the most recent information available and are adjusted where appropriate. There is increased estimation uncertainty associated with the valuation of these assets as the valuations may precede the year-end, and significant judgement is required to evaluate market indices used by directors to estimate the adjustments needed to these asset valuations. As a result, we determined that the valuation of these assets is subject to 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 credentials of external fund managers and custodians:** 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:** Compared the asset values recognised by the Group to confirmations obtained directly from fund managers and custodians. • **Benchmarking assumptions:** performed an independent assessment of the movement in market indices used by directors to estimate if adjustments were required to be made to asset valuations that had a valuation date preceding the year-end; • **Assessing transparency:** Considered the adequacy of the Group’s disclosures relating to the valuation of scheme assets for which a quoted price is not available. We performed the tests above rather than seeking to rely on any of the Group’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above. **Our results** The results of our testing were satisfactory, and we found the valuation of scheme assets for which a quoted price is not available to be acceptable (2019/2020: acceptable).

	The risk	Response
Valuation of defined benefit pension obligation **Defined benefit pension obligation** **(£4,712m; 2019/2020: £(4,289.6m))** Refer to pages 65 to 67 (Audit Committee Report), page 110 (accounting policy) and pages 122 to 127 (financial disclosures).	**Subjective valuation** Small changes in the assumptions used to value 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. The financial statements (note 13 (b)) disclose the sensitivities estimated by the Group in respect of these assumptions.	**Our procedures included:** • **Assessing external actuary's credentials:** critically assessing the qualifications, objectivity and competence of the Group's external actuaries to determine if they have the knowledge and experience required to perform the valuation of the defined benefit pension schemes; • **Our actuarial expertise:** using our own actuarial specialists in evaluating and challenging the assumptions on mortality rates, forecast future inflation rates, and discount rates applied to estimate the present value of the future obligations of the defined benefit pension schemes; • **Benchmarking assumptions:** benchmarking the assumptions applied in the valuation of the defined benefit pension obligations against market data and peers; • **Assessing transparency:** Considered the adequacy of the Group's disclosures relating to the sensitivity of the obligation to these assumptions. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above. **Our results** The results of our testing were satisfactory, and we found the valuation of defined benefit obligation to be acceptable (2019/2020: acceptable).

	The risk	Response
Revenue recognition subject to commercial arrangements **Commercial accruals (£(75.5m); 2019/2020: £(52.4m))** Refer to pages 65 to 67 (Audit Committee Report), page 110 (accounting policy) and page 129 (financial disclosures).	**Subjective estimate** The Group regularly enters into commercial arrangements with its customers to offer product promotions and discounts. Revenue is measured net of outflows in relation to these arrangements. Due to the variability in the nature 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. Certain arrangements are subject to a higher degree of estimation uncertainty as they span the year-end and require the directors to estimate the liability related to in year promotional activity which remains unsettled at year-end. The most significant source of uncertainty arises from estimating the sales volumes attributable to each arrangement, or estimating the final expected settlement, which could vary based on subsequent commercial negotiations. The impact of COVID-19 on the Group has increased the risk of fraud and management bias. Higher than average revenue growth has meant that that the Group has exceeded its targets and this could create an incentive to defer revenues into the next financial year by overstating commercial accruals.	**Our procedures included:** **Accounting policies:** we critically assessed the appropriateness of the Group's accounting policies relating to commercial arrangements against the relevant accounting standards. **Historical comparisons:** We evaluated the accuracy of the Group's more judgemental commercial accruals by comparing those recognised in the prior year to the actual amount invoiced and settled with customers. **Test of detail:** We focused our detailed testing on commercial accruals we considered to be more judgemental or potentially subject to management bias and fraud. For a sample of these commercial accruals we: • Recalculated selected accruals based on the terms of the arrangement, including relevant incentive or promotion rates and sales subject to the commercial arrangement in order to assess the accuracy of the accrual; • Agreed key inputs and assumptions to relevant documentation, such as post year-end settlements, customer agreements and customer sales data; and • Assessed whether the key assumptions were consistent with external and internal data points and the Group's historical experience for these promotions. In addition to the procedures above we: • Visited a selection of customer stores before the period end, identifying product promotions and assessing whether those promotions were appropriately accrued for at year-end; • inspected credit notes issued after 3 April 2021 to assess the completeness of accruals recorded at year-end; and • Obtained supporting documentation for manual journals recorded to revenue to assess the appropriateness of the journals. **Assessing transparency:** Considered the adequacy of the Group's disclosures relating to the significant accounting policies, estimates and judgments in respect of volume rebates and discounts. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above. **Our results** The results of our testing were satisfactory, and we found revenue relating to commercial arrangements to be acceptable (2019/2020: acceptable).

	The risk	Response
Recoverability of parent company's investment in subsidiaries **(£1,112.5m 2019/20: £15m)** Refer to page 147 (accounting policy) and pages 148 to 149 (financial disclosures).	**Forecast-based valuation** The carrying value of the parent company's investment in its subsidiary increased significantly in the period, following a Group reorganisation in the year, and it now represents 97% (2019/2020: 0%) of the Company's total assets. The carrying amounts of the company's investment is significant and at risk of irrecoverability as it is dependent on the Group's ability to achieve increases in profitability in line with its strategic plans. The estimated recoverable amount of this investment is subjective due to the inherent uncertainty involved in forecasting and discounting these future cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the cost of investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** • **Benchmarking assumptions:** Challenged, with the assistance of our valuation specialists, the assumptions used in the valuation model, in particular those relating to i) revenue and profit, ii) long term growth rates; and iii) the discount rates used, by comparing these with externally derived data and our understanding of the Group and sector performance; • **Sensitivity analysis:** Performed sensitivities on the key assumptions noted above; • **Historical comparisons:** Assessed the reasonableness of the forecasts by considering the historical accuracy of the previous forecasts; and • **Assessing transparency:** Assessed the adequacy of the parent company's disclosures in respect of the investment in subsidiaries. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results:** We found the company's conclusion that there is no impairment of its investments in subsidiaries to be acceptable.

In the prior year, we reported key audit matters in respect of Group's going concern and recoverability of goodwill, given the unprecedented levels of uncertainty at the early stages of the COVID-19 pandemic, and its potential impact on the group's future liquidity and financial performance. Following Group's strong financial performance and resilience to the effects of COVID-19, we have not assessed these areas as the most significant risks in our current year audit. We continue to perform procedures over key assumptions supporting the Group's conclusions over going concern and the recoverability of goodwill, however, these areas have not been separately identified in our report this year.

In the prior year, we also reported a key audit matter in respect of recoverability of the parent company's receivables with group undertakings. Following a group reorganisation in the year, these balances have been extinguished and therefore this matter is not separately identified in our report this year. Instead, we now include a key audit matter in respect of recoverability of the parent company's investment in subsidiaries.

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 (2019/2020: £4.5m), determined with reference to a benchmark of Group revenue of £947m (2019/2020: £847.1m) of which it represents 0.48% (2019/2020: 0.53%).

We used a benchmark of Group revenue which we consider to be appropriate as it is a key measure of the performance of the Group and appropriately reflects the size of the business. We have also given consideration to profit metrics such as trading profit and normalised profit before tax and our materiality is reasonable by reference to those metrics.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold of performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Materiality for the parent company financial statements as a whole was set at £1.2m (2019/2020: £1.2m), determined with reference to a benchmark of company total assets, of which it represents 0.1% (2019/2020: 0.09%).

Performance materiality for the Group and the parent company was set at 75% (2019/2020: 75%) of materiality for the financial statements, which equates to £3.3m (2019/2020: £3.3m) for the Group and £0.9m (2019/2020: £0.9m) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected misstatements exceeding £0.22m (2019/2020: £0.22m) and any other identified misstatements that warranted reporting on qualitative grounds.

Scoping

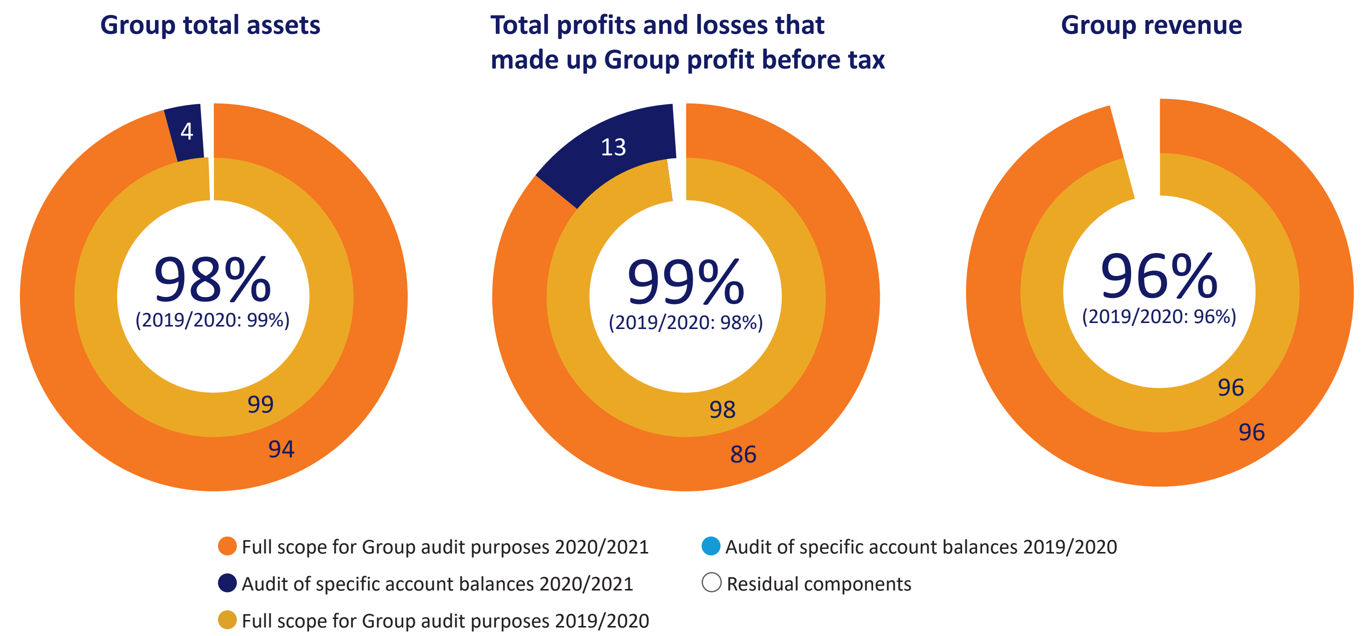
Of the Group's 33 (2019/2020: 33) reporting components, we subjected 3 (2019/2020: 5) to full scope audits for group purposes and 2 (2019/2020: 0) to audits of specified account balances and specific risk focused audit procedures focused on borrowings and cash.

The latter were not individually financially significant enough to require a full scope audit for group purposes but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated below.

The remaining 4% (2019/2020: 4%) of total group revenue, 1% (2019/2020: 2%) of group profit before tax and 2% (2019/2020: 1%) of total group assets is represented by 28 (2019/2020: 28) of reporting components, none of which individually represented more than 2% (2019/2020: 2%) of any of total group revenue, group profit before tax or total group assets. For these 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 (2019/2020: £1.2m to £4.2m), having regard to the mix of size and risk profile of the Group across the components. All full scope and audit of account balance components are managed from the central locations in the UK and the work on all components, including the audit of the parent company, was performed by the Group team.



4 Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company'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").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period were the impact of a temporary loss of production capability due to Covid-19 outbreaks in the manufacturing facilities or related labour shortages, as well as the effect of upcoming UK regulations impacting the food industry and consumer preferences that may have an adverse impact on the demand for certain product groups.

We also considered less predictable but realistic second order impacts, such as impact of climate change on the demand for certain Group's products, as well as a large scale cyber breach leading to service interruption, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity or debt covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

Our procedures also included:

- Critically assessing assumptions in the Directors' base and downside scenarios, particularly in relation to forecasted revenues and costs including the impact of manufacturing interruptions and other factors described above, and their impact on forecast liquidity and covenant compliance, by reference to our understanding of the entity's plans based on approved budgets, as well as our knowledge of the entity and the sector in which it operates; and
- Considering whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 2 to be acceptable; and
- the related statement under the Listing Rules set out on page 104 is materially consistent with the financial statements and our audit knowledge.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Directors, Audit Committee, internal audit, legal counsel and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board and all relevant committee meeting minutes;
- Considering remuneration incentive schemes and performance targets for management and directors, including the including the annual performance bonus and LTIP for the executive directors, which is dependent on a number of key metrics, some of which are non-GAAP measures such as trading profit and adjusted EPS; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account the nature of certain commercial arrangements, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition relating to estimates and judgements management apply in estimating commercial accruals outstanding at period end, as well as the risk that management may be in a position to make inappropriate accounting entries.

Further detail in respect of revenue commercial arrangements is set out in the key audit matter disclosures in section 2 of this report

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted to unusual accounts, manual journals posted to revenue, and those with missing user identification; and
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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), distributable profits legislation, and taxation legislation 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 license 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 manufacture products), competition law, food safety (relating to manufactured products), 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. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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 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 fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 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 emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 53 is that they have carried out a robust assessment of the emerging and 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 how emerging risks are identified, 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.

We are also required to review the Viability statement set out on page 53 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

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

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- 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;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect

7 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.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 87, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or 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 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.

9 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 and the terms of our engagement by the Company. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company, 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.

Zulfikar Walji (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London E14 5GL

19 May 2021

Consolidated statement of profit or loss

	Note	53 weeks ended 3 April 2021 £m	52 weeks ended 28 Mar 2020 £m
Revenue	4	**947.0**	847.1
Cost of sales		**(611.7)**	(549.6)
Gross profit		**335.3**	297.5
Selling, marketing and distribution costs		**(137.4)**	(125.6)
Administrative costs		**(77.9)**	(76.6)
Reversal of impairment losses on financial assets		**15.7**	–
Profit on disposal of investment in associate		**16.9**	–
Operating profit	4, 5	**152.6**	95.3
Finance cost	7	**(36.2)**	(44.1)
Finance income	7	**6.4**	2.4
Profit before taxation		**122.8**	53.6
Taxation charge	8	**(16.8)**	(7.1)
Profit for the period attributable to owners of the parent		**106.0**	46.5
Basic earnings per share			
From profit for the period (pence)	9	**12.5**	5.5
Diluted earnings per share			
From profit for the period (pence)	9	**12.2**	5.4
Adjusted earnings per share[1]			
From adjusted profit for the period (pence)	9	**11.2**	8.9

[1] Adjusted earnings per share is defined as trading profit less net regular interest, less a notional tax charge at 19.0% (2019/20: 19.0%) divided by the weighted average number of ordinary shares of the Company.

The notes on pages 103 to 144 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

	Note	53 weeks ended 3 April 2021 £m	52 weeks ended 28 Mar 2020 £m
Profit for the period		**106.0**	46.5
Other comprehensive income, net of tax			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit schemes	13	**(750.3)**	816.7
Deferred tax credit/(charge)	8	**132.9**	(167.0)
Current tax credit	8	**9.2**	5.2
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation		**(1.0)**	0.3
Other comprehensive income, net of tax		**(609.2)**	655.2
Total comprehensive income attributable to owners of the parent		**(503.2)**	701.7

The notes on pages 103 to 144 form an integral part of the consolidated financial statements.

Consolidated balance sheet

	Note	As at 3 April 2021 £m	As at 28 Mar 2020 £m
ASSETS:			
Non-current assets			
Property, plant and equipment	10	**192.1**	194.0
Goodwill	11	**646.0**	646.0
Other intangible assets	12	**317.2**	341.3
Deferred tax assets	8	**28.4**	–
Net retirement benefit assets	13	**934.7**	1,512.6
		2,118.4	2,693.9
Current assets			
Stocks	14	**68.8**	68.0
Trade and other receivables	15	**83.4**	89.1
Cash and cash equivalents	16	**4.2**	177.9
Derivative financial instruments	18	**0.1**	0.9
		156.5	335.9
Total assets		**2,274.9**	3,029.8
LIABILITIES:			
Current liabilities			
Trade and other payables	17	**(249.8)**	(249.7)
Financial liabilities			
– short term borrowings	19	**(3.1)**	(85.0)
– derivative financial instruments	18	**(2.3)**	(0.8)
Lease liabilities	19	**(2.3)**	(2.5)
Provisions for liabilities and charges	20	**(6.2)**	(6.4)
		(263.7)	(344.4)
Non-current liabilities			
Long term borrowings	19	**(315.2)**	(501.0)
Lease liabilities	19	**(16.3)**	(19.0)
Net retirement benefit obligations	13	**(394.8)**	(282.2)
Provisions for liabilities and charges	20	**(8.4)**	(9.6)
Deferred tax liabilities	8	**(85.8)**	(184.9)
Other liabilities	21	**(7.1)**	(8.7)
		(827.6)	(1,005.4)
Total liabilities		**(1,091.3)**	(1,349.8)
Net assets		**1,183.6**	1,680.0
EQUITY:			
Capital and reserves			
Share capital	22	**85.5**	84.8
Share premium	22	**0.6**	1,409.4
Merger reserve	22	**351.7**	351.7
Other reserves	22	**(9.3)**	(9.3)
Profit and loss reserve	22	**755.1**	(156.6)
Total equity		**1,183.6**	1,680.0

The notes on pages 103 to 144 form an integral part of the consolidated financial statements.

The financial statements on pages 98 to 144 were approved by the Board of directors on 19 May 2021 and signed on its behalf by:

Alex Whitehouse
Chief Executive Officer

Duncan Leggett
Chief Financial Officer

Consolidated statement of cash flows

	Note	53 weeks ended 3 April 2021 £m	52 weeks ended 28 Mar 2020 £m
Cash generated from operations	16	**118.2**	121.5
Interest paid		**(34.1)**	(38.0)
Interest received		**1.5**	2.4
Cash generated from operating activities		**85.6**	85.9
Proceeds from repayment of loan notes to associate		**15.7**	–
Net proceeds from sale of investment in associate		**16.9**	–
Interest received on loan notes to associate		**4.7**	–
Purchases of property, plant and equipment		**(18.0)**	(12.8)
Purchases of intangible assets		**(5.6)**	(5.3)
Sale of property, plant and equipment		**0.1**	0.1
Cash generated from/(used in) investing activities		**13.8**	(18.0)
Repayment of borrowings		**(275.0)**	–
Proceeds from borrowings		**–**	85.0
Payment of lease liabilities		**(2.7)**	(3.9)
Purchase of shares to satisfy share awards		**(0.2)**	–
Proceeds from share issue		**1.7**	1.1
Cash (used in)/generated from financing activities		**(276.2)**	82.2
Net (decrease)/increase in cash and cash equivalents		**(176.8)**	150.1
Cash, cash equivalents and bank overdrafts at beginning of period		**177.9**	27.8
Cash, cash equivalents and bank overdrafts at end of period[1]	16	**1.1**	177.9

[1] Cash and cash equivalents of £1.1m includes bank overdraft of £3.1m and cash and bank deposits of £4.2m. See note 16 and 18 for more details.

The notes on pages 103 to 144 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 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
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	8	–	–	–	–	0.5	0.5
Other deferred tax movements	8	–	–	–	–	(0.1)	(0.1)
At 28 March 2020		**84.8**	**1,409.4**	**351.7**	**(9.3)**	**(156.6)**	**1,680.0**
At 29 March 2020		**84.8**	**1,409.4**	**351.7**	**(9.3)**	**(156.6)**	**1,680.0**
Profit for the period		**–**	**–**	**–**	**–**	**106.0**	**106.0**
Remeasurements of defined benefit schemes	13	**–**	**–**	**–**	**–**	**(750.3)**	**(750.3)**
Deferred tax credit	8	**–**	**–**	**–**	**–**	**132.9**	**132.9**
Current tax credit	8					**9.2**	**9.2**
Exchange differences on translation		**–**	**–**	**–**	**–**	**(1.0)**	**(1.0)**
Other comprehensive income		**–**	**–**	**–**	**–**	**(609.2)**	**(609.2)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(503.2)**	**(503.2)**
Shares issued		**0.7**	**1.0**	**–**	**–**	**–**	**1.7**
Capital reduction[1]			**(1,409.8)**			**1,409.8**	**–**
Share-based payments	22	**–**	**–**	**–**	**–**	**3.1**	**3.1**
Purchase of shares to satisfy share awards	22	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Deferred tax movements on share-based payments	8	**–**	**–**	**–**	**–**	**2.2**	**2.2**
At 3 April 2021		**85.5**	**0.6**	**351.7**	**(9.3)**	**755.1**	**1,183.6**

[1] Following shareholder approval at a General Meeting held on 11 January 2021 and a hearing in the High Court of Justice, Business and Property Courts of England and Wales on 9 February 2021, an order was given confirming the cancellation of the entire amount standing to the credit of the Company's share premium account, which amounted to £1,409.8m ('Capital Reduction'). The order was produced to the Registrar of Companies and was registered on 10 February 2021, making the Reduction of Capital effective.

The notes on pages 103 to 144 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, domiciled and registered in England and Wales, the registered number 5160050, with its registered address 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 19 May 2021.

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

These Group financial statements were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Amounts are presented to the nearest £0.1m.

The statutory accounting period is the 53 weeks from 29 March 2020 to 3 April 2021 and comparative results are for the 52 weeks from 31 March 2019 to 28 March 2020. All references to the 'period', unless otherwise stated, are for the 53 weeks ended 3 April 2021 and the comparative period, 52 weeks ended 28 March 2020.

The preparation of financial statements in conformity with adopted IFRS requires the use of certain significant 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 2020:

International Financial Reporting Standards

Amendments to IFRS 3	*Business Combinations*
Amendments to IFRS 16	*Leases Covid 19-Related Rent Concessions*

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 2021:

International Financial Reporting Standards

Amendments to IFRS 4	*Insurance Contracts*
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4, and IFRS 16	*Interest Rate Benchmark Reform*

The following standards and amendments to published standards, effective for periods on or after 1 January 2021, have not been early adopted by the Group:

International Financial Reporting Standards

IFRS 17	*Insurance Contracts*
Amendments to IAS 1	*Presentation of Financial Statements*
Amendments to IFRS 3	*Business Combinations*
Amendments to IAS 16	*Property, Plant and Equipment*
Amendments to IAS 37	*Provisions, Contingent Liabilities and Contingent Assets*
Amendments to IAS 8	*Accounting policies, Changes in Accounting Estimates and Errors*
Amendments to IFRS 16	*Leases*
Amendments to IAS 12	*Income Taxes*

2. Accounting policies continued

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 27. 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 26 September 2020 and 3 April 2021.

Having undertaken a robust assessment of the Group's forecasts with specific consideration to the trading performance of the Group, cashflows and covenant compliance in the context of the current Covid-19 pandemic, the directors have a reasonable expectation that the Group is able to operate within the level of its current facilities, meet the required covenant tests and has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. The Group and Company therefore continues to adopt the going concern basis in preparing its financial information for the reasons set out below:

At 3 April 2021, the Group had total assets less current liabilities of £2,011.2m and net assets of £1,183.6m. Liquidity as at that date was £177m, made up of cash and cash equivalents, and undrawn committed credit facilities of £173m expiring in December 2022. At the time of the approval of these financial statements, the cash and liquidity position of the group has not changed significantly. The revolving credit facility was refinanced in May 2021, the new facility is for £175m and expires in May 2024 with the option of extending for up to two additional years. Further details of the refinancing are included in note 27.

The Group operates in the Food Manufacturing industry, considered as essential during the current pandemic, and whilst uncertainty exists in respect of the potential future impact of Covid-19, HM Government restrictions when necessary to be put in place, mean more meals are eaten at home and hence increased demand for the Group's product ranges. The Group's first priority remains the health and wellbeing of its colleagues, customers and other stakeholders and to date the Group has experienced no net financial adverse impact of the Covid-19 pandemic with elevated levels of demand seen.

The directors have rigorously reviewed the situation relating to Covid-19 and have modelled a series of 'downside case' scenarios impacting future financial performance, cash flows and covenant compliance, that cover a period of at least 12 months from the date of approval of the financial statements. These downside cases represent severe but plausible scenarios and include assumptions relating to estimation of the impact of the closure of all manufacturing sites due to colleague absence as opposed to Government imposed guidelines. The directors believe that the risk of enforced site closures is low and have implemented additional health and safety measures in all factories to minimise the risk of a major supply disruption, to date there have been no manufacturing site closures. The directors have also considered upcoming UK regulations impacting the food industry and consumer preferences that may have an adverse impact on the demand for certain product groups.

Whilst these downside scenarios are severe but plausible, each is considered by the directors to be prudent, having an adverse impact on revenue, margin and cash flow. The directors, in response, identified mitigating actions within their control, 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 directors have assumed no significant structural changes to the business will be needed in any of the scenarios modelled.

The directors, after reviewing financial forecasts and financing arrangements, consider that the Group and Company has adequate resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, the directors are satisfied that it is appropriate to adopt the going concern basis in preparing its financial statements.

2.2 Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of Premier Foods plc and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed to or has rights to variable returns from involvement with an investee and has the ability to affect those returns through its power over the investee.

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

(ii) Associates

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. Other financial instruments in associates are accounted for under IFRS 9 Financial Instruments.

The Group's only associate during the period was Hovis, which ceased to be an associate post sale of Group's interest in Hovis to Endless LLP. All transactions with Hovis up until the date of sale have been disclosed within note 25.

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. Transaction price per case is pre agreed per the price list with any discount related to an individual customer-run promotional agreed in advance. Long term discounts and rebates are part of a commercial arrangement and the Group uses actual and forecast sales to estimate the level of discount or rebate. The Group uses the 'most likely amount' method to estimate the value of the variable consideration. Revenue is recognised on the following basis:

(i) Sale of goods

Sales of goods are recognised as revenue when a customer gains control of the goods, which typically coincides with the time when the merchandise is delivered to customers and title passes.

(ii) Sales rebates and discounts

Sales related discounts comprise:

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

Sales rebates and discount accruals are established at the time of sale based on management's best estimate of the amounts necessary to meet claims by the Group's customers in respect of these rebates and discounts. Accruals are made for each individual promotion or rebate arrangement and are based on the type and length of promotion and nature of customer agreement. At the time an accrual is made the nature and timing of the promotion is typically known. Accumulated experience is used to estimate and provide for rebates and discounts and revenue 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 Foreign currency translation

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

The results of overseas subsidiaries with functional currencies other than in sterling are translated into sterling at the closing 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.

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

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.

Notes to the financial statements continued

2. Accounting policies continued

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.

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

Lease recognition

The Group 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.

The Group 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. 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 average incremental borrowing rate used for the purposes of calculating the present value of lease payments is 3.32%.

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.

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.

Notes to the financial statements continued

2. Accounting policies continued

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 directors' 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 schemes.

Defined benefit plan

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 a significant reduction in the number of employees covered by a plan or amends the terms of a defined benefit plan so that a significant element of future service by current employees no longer qualifies 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. There are no restrictions on the current realisability of the surplus.

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. 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 and contract assets.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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.

3. Significant 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.

Significant accounting policies

The following are considered to be the significant 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 deferred tax 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.

3. Significant accounting policies, estimates and judgements continued

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.

3.3 Goodwill

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

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

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.

A material adjustment is not expected in the 12 months of the estimate.

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.

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', and 'International'. During the year, following the announcement at the end of FY2020 to re-integrate Knighton Foods ('Knighton') subsidiary into the rest of the Group, Knighton ceases to be an operating segment. 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% 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.

The segment results for the period ended 3 April 2021 and for the period ended 28 March 2020 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial statements are as follows:

	53 weeks ended 3 April 2021			52 weeks ended 28 March 2020		
	Grocery £m	**Sweet Treats £m**	**Total £m**	Grocery £m	Sweet Treats £m	Total £m
Revenue	**702.6**	**244.4**	**947.0**	611.6	235.5	847.1
Divisional contribution	**174.7**	**23.2**	**197.9**	148.2	23.7	171.9
Group and corporate costs			**(46.6)**			(39.3)
Trading profit			**151.3**			132.6
Amortisation of intangible assets			**(30.4)**			(29.4)
Fair value movements on foreign exchange and other derivative contracts			**(2.3)**			1.7
Reversal of impairment losses on financial assets[1]			**15.7**			–
Profit on disposal of investment in associate[1]			**16.9**			–
Net interest on pensions and administrative expenses and past service costs			**9.7**			(4.6)
Non-trading items:[2]						
- GMP equalisation charge			**(2.9)**			–
- Restructuring costs			**(4.9)**			(4.1)
- Other non-trading items			**(0.5)**			(0.9)
Operating profit			**152.6**			95.3
Finance cost			**(36.2)**			(44.1)
Finance income[1]			**6.4**			2.4
Profit before taxation			**122.8**			53.6
Depreciation[3]	**(11.5)**	**(7.6)**	**(19.1)**	(11.1)	(8.8)	(19.9)

[1] In April 2014, the Group entered into a partnership with The Gores Group LLC in respect of Hovis Holdings Limited ('Hovis'). This partnership, of which the Group held a 49% equity interest, was subsequently written off in FY 2015/16. On 5 November 2020, the Group completed the sale of its interest in Hovis to Endless LLP. As part of the sale, the Group has received a total consideration of £37.3m, of which £16.9m was in respect of equity and £20.4m reflected the settlement of the outstanding loan to associate including interest of £4.7m.

[2] Non-trading items include restructuring costs of £4.9m (2019/20: £4.1m) relating primarily to costs associated with the Strategic review and integration of the Knighton business. For further details of GMP equalisation please refer to note 13.

[3] Depreciation in the period ended 3 April 2021 includes £2.2m (2019/20: £2.6m) of depreciation of IFRS 16 right of use assets.

4. Segmental analysis continued

Revenues in the period ended 3 April 2021, from the Group's four principal customers, which individually represent over 10% of total Group revenue, are £240.2m, £138.8m, £112.0m and £98.5m (2019/20: £190.6m, £125.9m, £95.2m and £84.8m). 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

	53 weeks ended 3 Apr 2021 £m	52 weeks ended 28 Mar 2020 £m
United Kingdom	**892.9**	803.8
Other Europe	**28.5**	22.0
Rest of world	**25.6**	21.3
Total	**947.0**	847.1

Non-current assets

	As at 3 Apr 2021 £m	As at 28 Mar 2020 £m
United Kingdom	**1,155.3**	1,181.3

Non-current assets exclude deferred tax assets and net retirement benefit assets.

5. Operating profit

5.1 Analysis of costs by nature

	53 weeks ended 3 Apr 2021 £m	52 weeks ended 28 Mar 2020 £m
Employee benefits expense (note 6)	**(182.5)**	(168.9)
Depreciation of property, plant and equipment (note 10)	**(19.1)**	(19.9)
Amortisation of intangible assets (note 12)	**(30.4)**	(29.4)
Repairs and maintenance expenditure	**(27.5)**	(22.6)
Research and development costs	**(7.2)**	(7.2)
Non-trading items		
– GMP equalisation charge[1]	**(2.9)**	–
– Restructuring costs	**(4.9)**	(4.1)
– Other non-trading items	**(0.5)**	(0.9)
Auditor remuneration (note 5.2)	**(0.9)**	(0.6)

[1] For further detail on GMP equalisation in the prior period please refer to note 13.

5.2 Auditor's remuneration

	53 weeks ended 3 Apr 2021 £m	52 weeks ended 28 Mar 2020 £m
Fees payable to the Group's auditor for the audit of the consolidated and parent company accounts of Premier Foods plc	**(0.7)**	(0.4)
- The audit of the Group's subsidiaries, pursuant to legislation	**(0.1)**	(0.1)
Fees payable to the Group's auditor and its associates for other services:		
- Audit related assurance services	**(0.1)**	(0.1)
Total auditor remuneration	**(0.9)**	(0.6)

The total operating profit charge for auditor remuneration was £0.9m (2019/20: £0.6m).

6. Employees

	53 weeks ended 3 Apr 2021 £m	52 weeks ended 28 Mar 2020 £m
Employee benefits expense		
Wages, salaries and bonuses	**(153.6)**	(145.5)
GMP past service cost related to defined benefit pension schemes (note 13)	**(2.9)**	–
Social security costs	**(14.8)**	(12.6)
Termination benefits	**(0.3)**	(2.2)
Share options granted to directors and employees	**(3.1)**	(1.3)
Contributions to defined contribution schemes (note 13)	**(7.8)**	(7.3)
Total	**(182.5)**	(168.9)

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

	2020/21 Number	2019/20 Number
Average monthly number of people employed		
Management	**531**	564
Administration	**343**	382
Production, distribution and other	**3,333**	3,209
Total	**4,207**	4,155

Directors' remuneration is disclosed in the audited section of the Directors' Remuneration Report on pages 68 to 83, which forms part of these consolidated financial statements.

7. Finance income and costs

	53 weeks ended 3 Apr 2021 £m	52 weeks ended 28 Mar 2020 £m
Interest payable on bank loans and overdrafts	**(5.7)**	(7.2)
Interest payable on senior secured notes	**(25.9)**	(31.0)
Interest payable on revolving facility	**(0.6)**	(0.2)
Other interest receivable/(payable)[1]	**0.2**	(2.4)
Amortisation of debt issuance costs	**(2.9)**	(3.3)
	(34.9)	(44.1)
Write off of financing costs[2]	**(1.3)**	–
Total finance cost	**(36.2)**	(44.1)
Interest receivable on bank deposits	**1.7**	2.4
Other finance income[3]	**4.7**	–
Total finance income	**6.4**	2.4
Net finance cost	**(29.8)**	(41.7)

[1] Included in other interest receivable/(payable) is £0.9m charge (2019/20: £1.1m) relating to non-cash interest costs arising following the adoption of IFRS 16 and £1.1m credit (2019/20: £1.3m charge) relating to the unwind of the discount on certain of the Group's long term provisions.
[2] Relates to write off of the financing costs for the £190m floating rate note redeemed during the 53 weeks ended 3 April 2021 .
[3] Other finance income of £4.7m (2019/20: £nil) relates to the reversal of the impairment of the interest on the Hovis loan note settled as part of the sale consideration. For further detail please refer to note 4.

8. Taxation

Current tax

	53 weeks ended 3 Apr 2021 £m	52 weeks ended 28 Mar 2020 £m
Current tax		
– Current period	**(9.2)**	(5.2)
Deferred tax		
– Current period	**(9.2)**	(6.3)
– Prior periods	**1.6**	(0.5)
– Changes in tax rate	**–**	4.9
Income tax charge	**(16.8)**	(7.1)

The applicable rate of corporation tax for the period is 19%.

Tax relating to items recorded in other comprehensive income included:

	53 weeks ended 3 Apr 2021 £m	52 weeks ended 28 Mar 2020 £m
Corporation tax credit on pension movements	**9.2**	5.2
Deferred tax charge on reduction of corporate tax rate	**–**	(6.4)
Deferred tax credit/(charge) on pension movements	**132.9**	(160.6)
	142.1	(161.8)

The tax charge for the period differs from the standard rate of corporation tax in the United Kingdom of 19.0% (2019/20: 19.0%). The reasons for this are explained below:

	53 weeks ended 3 Apr 2021 £m	52 weeks ended 28 Mar 2020 £m
Profit before taxation	**122.8**	53.6
Tax charge at the domestic income tax rate of 19.0% (2019/20: 19.0%)	**(23.3)**	(10.2)
Tax effect of:		
Non-deductible items	**(1.4)**	(0.6)
Other disallowable items	**(0.3)**	(0.4)
Capital gain on disposal of business	**6.6**	–
Overseas losses not recognised	–	(0.3)
Changes in tax rate	**–**	4.9
Adjustments to prior periods	**1.6**	(0.5)
Income tax charge	**(16.8)**	(7.1)

The movements in losses recognised for the 53 weeks ended 3 April 2021 is £nil (2019/20: £nil). Corporation tax losses are not recognised where future recoverability is uncertain.

The adjustments to prior periods of £1.6m (2019/20: £(0.5)m) relates mainly to the adjustment of prior period losses and capital allowances following verifications in submitted returns.

Deferred tax

Deferred tax is calculated in full on temporary differences using the tax rate appropriate to the jurisdiction in which the asset/(liability) arises and the tax rates that are expected to apply in the periods in which the asset or liability is settled. In all cases this is 19.0% (2019/20: 19.0%).

	2020/21 £m	2019/20 £m
At 3 April 2021/29 March 2020	(184.9)	(13.5)
Implementation of IFRS 16	–	(2.9)
Adjusted balance at 3 April 2021/29 March 2020	(184.9)	(16.4)
Charged to the statement of profit or loss	(7.6)	(1.9)
Credited/(charged) to other comprehensive income	132.9	(167.0)
Credited to equity	2.2	0.4
At 3 April 2021/29 March 2020	(57.4)	(184.9)

The Group has not recognised £1.7m of deferred tax assets (2019/20: £1.9m not recognised) relating to UK corporation tax losses. In addition, the Group has not recognised a tax asset of £83.9m (2019/20: £83.9m) relating to Advanced Corporation Tax (ACT) and £58.1m (2019/20: £56.5m) relating to capital losses. Under current legislation these can generally be carried forward indefinitely.

In the Spring Budget of 2021, it was proposed that the corporation tax rate starting April 2023 will increase from the current 19% to 25%. The tax rate increase will be followed by legislation in the 2021 Finance Bill. Since the change in tax rate is yet to be substantively enacted by law, the current tax rate of 19% is used to calculate deferred tax above. The increase in tax rate is expected to increase the deferred tax asset by £8.4m and deferred tax liability by £28.2m giving a net P&L charge of £19.8m.

Deferred tax liabilities	Intangibles £m	Retirement benefit obligation £m	IFRS 16 £m	Other £m	Total £m
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)
At 29 March 2020	(52.0)	(232.7)	(2.9)	–	(287.6)
Current period credit/(charge)	1.9	(2.1)	–	–	(0.2)
Reclassified from deferred tax assets	–	–	–	(1.0)	(1.0)
Credited to other comprehensive income	–	132.9	–	–	132.9
At 3 April 2021	(50.1)	(101.9)	(2.9)	(1.0)	(155.9)

8. Taxation continued

Deferred tax assets	Accelerated tax depreciation £m	Share based payments £m	Losses £m	Other £m	Total £m
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	(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**
At 29 March 2020	**56.7**	**0.1**	**45.9**	**–**	**102.7**
Current period (charge)/credit	**(8.6)**	**0.4**	**(0.9)**	**0.1**	**(9.0)**
Reclassified to deferred tax liabilities	**–**	**–**	**–**	**1.0**	**1.0**
Credited to equity	**–**	**2.2**	**–**	**–**	**2.2**
Prior period credit:					
– To statement of profit or loss	**1.4**	**–**	**–**	**0.2**	**1.6**
At 3 April 2021	**49.5**	**2.7**	**45.0**	**1.3**	**98.5**

Deferred tax asset on losses and accelerated tax depreciation	£m
As at 3 April 2021	**28.4**

Net deferred tax liability	£m
As at 3 April 2021	**(85.8)**
As at 28 March 2020	(184.9)

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 except non-trading losses of £18.7m and accelerated tax depreciation of £9.7m. The remainder of deferred tax assets have therefore 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 per share

Basic earnings per share has been calculated by dividing the profit attributable to owners of the parent of £106.0m (2019/20: £46.5m profit) by the weighted average number of ordinary shares of the Company.

Weighted average shares

	2020/21 Number (m)	2019/20 Number (m)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**851.4**	846.6
Effect of dilutive potential ordinary shares:		
– Share options	**17.1**	7.9
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**868.5**	854.5

Earnings per share calculation

	53 weeks ended 3 April 2021			52 weeks ended 28 March 2020		
	Basic	Dilutive effect of share options	Diluted	Basic	Dilutive effect of share options	Diluted
Profit after tax (£m)	106.0		106.0	46.5		46.5
Weighted average number of shares (m)	851.4	17.1	868.5	846.6	7.9	854.5
Earnings per share (pence)	12.5	(0.3)	12.2	5.5	(0.1)	5.4

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 in calculating basic and diluted earnings per share.

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% (2019/20: 19.0%) divided by the weighted average number of ordinary shares of the Company.

Net regular interest is defined as net finance cost after excluding write-off of financing costs, other interest receivable/payable and other finance income.

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.

	53 weeks ended 3 Apr 2021 £m	52 weeks ended 28 Mar 2020 £m
Trading profit	151.3	132.6
Less net regular interest	(33.4)	(39.3)
Adjusted profit before tax	117.9	93.3
Notional tax at 19.0% (2019/20: 19%)	(22.4)	(17.7)
Adjusted profit after tax	95.5	75.6
Average shares in issue (m)	851.4	846.6
Adjusted EPS (pence)	11.2	8.9
Dilutive effect of share options	(0.2)	(0.1)
Diluted adjusted EPS (pence)	11.0	8.8
Net regular interest		
Net finance cost	(29.8)	(41.7)
Exclude other finance income	(4.7)	–
Exclude write-off of financing costs	1.3	–
Exclude other interest receivable/payable	(0.2)	2.4
Net regular interest	(33.4)	(39.3)

Notes to the financial statements continued

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 30 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**
Balance at 29 March 2020	**102.0**	**323.0**	**9.3**	**14.2**	**448.5**
Additions	**0.3**	**7.2**	**11.3**	**1.0**	**19.8**
Disposals	**(2.2)**	**(1.5)**	**–**	**(0.9)**	**(4.6)**
Remeasurement	–	–	–	**(1.4)**	**(1.4)**
Reclassified to intangibles	**–**	**0.1**	**(0.5)**	**–**	**(0.4)**
Transferred into use	**0.2**	**5.6**	**(5.8)**	**–**	**–**
At 3 April 2021	**100.3**	**334.4**	**14.3**	**12.9**	**461.9**
Aggregate depreciation and impairment					
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)**
Depreciation charge	**(2.1)**	**(14.8)**	**–**	**(2.2)**	**(19.1)**
Disposals	**2.1**	**1.2**	**–**	**0.8**	**4.1**
Impairment charge	**–**	**(0.2)**	**–**	**(0.1)**	**(0.3)**
At 3 April 2021	**(44.4)**	**(221.5)**	–	**(3.9)**	**(269.8)**
Net book value					
At 28 March 2020	57.6	115.3	9.3	11.8	194.0
At 3 April 2021	**55.9**	**112.9**	**14.3**	**9.0**	**192.1**

Included in the right of use asset 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**
Balance at 29 March 2020	**10.3**	**3.9**	**14.2**
Additions	**0.5**	**0.5**	**1.0**
Disposals	**(0.1)**	**(0.8)**	**(0.9)**
Remeasurement	**(1.4)**	–	**(1.4)**
At 3 April 2021	**9.3**	**3.6**	**12.9**
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)**
Depreciation charge	**(1.2)**	**(1.0)**	**(2.2)**
Disposals	**0.1**	**0.7**	**0.8**
Impairment charge	**(0.1)**	–	**(0.1)**
At 3 April 2021	**(2.5)**	**(1.4)**	**(3.9)**
Net book value			
At 28 March 2020	9.0	2.8	11.8
At 3 April 2021	**6.8**	**2.2**	**9.0**

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

11. Goodwill

	As at 3 Apr 2020 £m	As at 28 Mar 2020 £m
Carrying value		
Opening balance	**646.0**	646.0
Closing balance	**646.0**	646.0

Goodwill is allocated to the Group's Grocery CGU. Goodwill impairment testing is performed at the Grocery CGU level, which is the lowest level at which goodwill is allocated and monitored for internal reporting purposes.

Key assumptions

The key assumptions for calculating value in use are revenue growth, divisional contribution margin growth, long term growth rate and discount rate.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment.

11. Goodwill continued

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 revenue growth rate over the three-year forecast period is 0.7% (2019/20: 2.7%). The compound revenue growth rate over the three-year forecast period is 0.7% (2019/20: 2.7%). The compound annual growth rate has dropped from 2.7% in prior year as a result of baseline revenue in the current year compared to previous year.

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% (2019/20: 1.1%) 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 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 7.5% (2019/20: 8.0%). On a pre-tax basis a discount rate of 9.1% (2019/20: 9.7%) would have been applied.

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 1.5%	Increase/decrease by £84.8m/£82.4m
Divisional contribution margin	Increase/decrease by 1.5%	Increase/decrease by £116.7
Long term growth rate	Increase/decrease by 0.5%	Increase/decrease by £103.9m/£88.9m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £97.6m/£114.0m

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 2020/21 (2019/20: £nil).

12. Other intangible assets

	Software £m	Brands/ trademarks/ licences £m	Customer relationships £m	Assets under construction £m	Total £m
Cost					
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**
Additions	**2.9**	**–**	**–**	**3.1**	**6.0**
Disposals	**(0.5)**	**–**	**–**	**–**	**(0.5)**
Reclassified from property, plant & equipment	**(0.1)**	**–**	**–**	**0.5**	**0.4**
Transferred into use	**2.9**	**–**	**–**	**(2.9)**	**–**
At 3 April 2021	**149.3**	**693.2**	**134.8**	**4.0**	**981.3**
Accumulated amortisation and impairment					
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)**
Disposals	**0.5**	**–**	**–**	**–**	**0.5**
Amortisation charge	**(6.7)**	**(23.7)**	**–**	**–**	**(30.4)**
Impairment charge	**(0.1)**	**–**	**–**	**–**	**(0.1)**
At 3 April 2021	**(135.1)**	**(394.2)**	**(134.8)**	**–**	**(664.1)**
Net book value					
At 28 March 2020	15.3	322.7	–	3.3	341.3
At 3 April 2021	**14.2**	**299.0**	**–**	**4.0**	**317.2**

All amortisation is recognised within administrative costs.

Included in the assets under construction additions for the period are £1.1m (2019/20: £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 3 April 2021 £m	Estimated useful life remaining Years
Bisto	95.5	16
Oxo	69.9	25
Batchelors	49.8	16
Mr Kipling	37.1	16
Sharwood's	20.8	16

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') (transfer of assets and liabilities to the Premier Foods Section of the RHM Pension Scheme completed 26 February 2021)
Premier Grocery Products Pension Scheme ('PGPPS') (transfer of assets and liabilities to the Premier Grocery Products Section of the RHM Pension Scheme completed 29 January 2021)
Premier Grocery Products Ireland Pension Scheme ('PGPIPS')
Chivers 1987 Pension Scheme
Chivers 1987 Supplementary Pension Scheme
Hillsdown Holdings Limited Pension Scheme

(b) The RHM schemes, which comprise:

RHM Pension Scheme
Premier Foods Ireland Pension Scheme

With effect from 30th June 2020, the Premier Foods Pension Scheme (PFPS) and Premier Grocery Products Pension Scheme (PGPPS) were merged on a segregated basis with the RHM Pension Scheme. The transfer of assets and liabilities to new sections of the RHM Pension Scheme for both the PFPS and PGPPS has been completed. The RHM Pension Scheme now operates as three sections, the RHM Section, Premier Foods Section and Premier Grocery Products Section.

A winding up lump sum (WULS) exercise was completed in February 2021. The winding up of the Premier Foods Pension Scheme Trustees Limited and the Premier Grocery Products Pension Schemes Trustee Limited will be completed in 2021.

Actuarial valuations are being conducted for the Premier Foods and Premier Grocery Products Sections as at 31 March 2021. The triennial valuation cycle will then continue with effect from 31 March 2022 for all three sections of the RHM Pension Scheme.

The exchange rates used to translate the overseas euro based schemes are £1.00 = €1.1215 for the average rate during the period, and £1.00 = €1.1740 for the closing position at 3 April 2021.

All defined benefit schemes 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. Trustee directors undertake regular training and development to ensure that they are equipped appropriately to carry out the role. 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 scheme 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 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 exposure to the yield and inflation risks described above can be hedged 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 new Premier Foods Section is currently hedged to 60% for interest rates and 55% to inflation. The Premier Grocery Products Sections is hedged to 75% for interest rates and 100% to inflation.

The liabilities of the schemes are approximately 45% in respect of former active members who have yet to retire and approximately 55% 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 3 Apr 2021		At 28 Mar 2020	
	Premier schemes	**RHM schemes**	Premier schemes	RHM schemes
Discount rate	**2.00%**	**2.00%**	2.50%	2.50%
Inflation – RPI	**3.25%**	**3.25%**	2.65%	2.65%
Inflation – CPI	**2.80%**	**2.80%**	1.65%	1.65%
Expected salary increases	**n/a**	**n/a**	n/a	n/a
Future pension increases	**2.10%**	**2.10%**	1.90%	1.90%

For the smaller overseas schemes, the discount rate used was 1.10% (2019/20: 1.00%) and future pension increases were 1.60% (2019/20: 0.80%).

At 3 April 2021 and 28 March 2020, 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 Group continued to set RPI inflation in line with the market break-even expectations less an inflation risk premium. The inflation risk premium has been increased from 0.2% at 28 March 2020 to 0.3% at 3 April 2021, reflecting an allowance for additional market distortions caused by the RPI reform proposals.

At 28 March 2020, the CPI inflation assumption was derived by taking the value of the RPI inflation assumption and deducting 1.00% p.a. Following the 25 November 2020, joint HM Treasury and UK Statistics Authority ('UKSA') response to the consultation on the ‘Reform to RPI Methodology’, and specifically the proposal to align RPI with CPIH (CPI including owner occupiers' housing costs), the Group's approach to deriving the CPI assumption has been refined at 3 April 2021:

- Pre-2030 the CPI inflation assumption was derived by taking the value of the RPI inflation assumption and deducting 1.00% p.a following the UKSA stating no intention to make changes prior to 2030;
- Post-2030 the CPI inflation assumption is that CPI and RPI will be aligned.

For CPI, the Group reduced the assumed difference between the RPI and CPI by 0.55% to an average of 0.45% per annum. The estimated impact of the change in RPI/CPI methodology is approximately a £95m increase in the defined benefit obligation in respect of the schemes.

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

The directors have considered the impact of the current Covid-19 pandemic on the mortality assumptions and consider that use of the updated Continuous Mortality Improvement (CMI) 2020 projections released in March 2021 for the future improvement assumption a reasonable approach. Whilst the CMI projections are the latest available, it is too soon to quantify the impact Covid-19 may have on the scheme liabilities and the directors will continue to monitor any potential future impact upon the mortality assumptions used.

Notes to the financial statements continued

13. Retirement benefit schemes continued

	Premier schemes £m	% of total %	RHM schemes £m	% of total %	Total £m	% of total
Assets with a quoted price in an active market at 3 April 2021:						
Government bonds	**45.1**	**5.7**	**1,527.7**	**34.3**	**1,572.8**	**29.9**
Cash	**14.9**	**1.9**	**64.9**	**1.5**	**79.8**	**1.5**
Assets without a quoted price in an active market at 3 April 2021:						
UK equities	**0.6**	**0.1**	**0.3**	**0.0**	**0.9**	**0.1**
Global equities	**8.1**	**1.0**	**5.9**	**0.1**	**14.0**	**0.3**
Government bonds	**34.3**	**4.3**	**18.3**	**0.4**	**52.6**	**1.0**
Corporate bonds	**1.0**	**0.1**	**–**	**–**	**1.0**	**0.0**
UK Property	**84.6**	**10.7**	**278.8**	**6.2**	**363.4**	**6.9**
European property	**20.6**	**2.6**	**83.9**	**1.9**	**104.5**	**2.0**
Absolute return products	**228.2**	**28.8**	**883.9**	**19.8**	**1,112.1**	**21.1**
Infrastructure funds	**19.3**	**2.5**	**302.2**	**6.8**	**321.5**	**6.1**
Interest rate swaps	**–**	**–**	**464.2**	**10.4**	**464.2**	**8.8**
Inflation swaps	**–**	**–**	**21.2**	**0.5**	**21.2**	**0.4**
Private equity	**22.3**	**2.8**	**218.3**	**4.9**	**240.6**	**4.6**
LDI	**191.2**	**24.1**	**–**	**–**	**191.2**	**3.6**
Other[1]	**122.3**	**15.4**	**589.8**	**13.2**	**712.1**	**13.7**
Fair value of scheme assets as at 3 April 2021	**792.5**	**100**	**4,459.4**	**100**	**5,251.9**	**100**
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

[1] Included in Other in the RHM schemes is £106.3m of assets which have been sold during the 53 weeks ended 3 April 2021 and are awaiting settlement at the year end date.

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. Where pensions asset valuations are not available as at the balance sheet, the directors use the most recent valuation available, reflect cash movements to the balance sheet date and then assess and make adjustments based upon their review of appropriate market movements which could impact upon the valuations reported. Pension asset valuations are therefore subject to estimation uncertainty due to market volatility, which could result in a material movement in asset values over the next 12 months.

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

	At 3 Apr 2021		At 28 Mar 2020	
	Premier schemes	RHM schemes	Premier schemes	RHM schemes
Male pensioner, currently aged 65	87.2	85.4	87.0	85.4
Female pensioner, currently aged 65	89.4	87.8	89.2	87.8
Male non-pensioner, currently aged 45	87.8	86.6	87.6	86.6
Female non-pensioner, currently aged 45	90.4	89.4	90.2	89.3

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 £77.4m/£79.2m
Inflation	Increase/decrease by 0.1%	Increase/decrease by £39.4m/£24.4m
Assumed life expectancy at age 60 (rate of mortality)	Increase/decrease by 1 year	Increase/decrease by £223.2m/£222.6m

The sensitivity information has been derived using projected cash flows for the Schemes valued using the relevant assumptions and membership profile as at 3 April 2021. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

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

	At 3 April 2021			At 28 March 2020		
	Premier schemes £m	RHM schemes £m	Total £m	Premier schemes £m	RHM schemes £m	Total £m
Present value of funded obligations	(1,175.1)	(3,536.9)	(4,712.0)	(1,049.6)	(3,240.0)	(4,289.6)
Fair value of scheme assets	792.5	4,459.4	5,251.9	774.7	4,745.3	5,520.0
(Deficit)/surplus in schemes	(382.6)	922.5	539.9	(274.9)	1,505.3	1,230.4

The aggregate surplus of £1,230.4m has decreased to a surplus of £539.9m in the current period. This decrease of £690.5m (2019/20: £857.3m increase) is primarily due to changes in financial assumptions, being the lower discount rate and higher inflation versus 2019/20.

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 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)
Interest cost	(22.8)	(60.4)	(83.2)
Past service cost	(0.4)	(2.5)	(2.9)
Settlement	27.4	57.8	85.2
Remeasurement loss	(171.6)	(442.8)	(614.4)
Exchange differences	2.6	1.5	4.1
Benefits paid	39.3	149.5	188.8
Defined benefit obligation at 3 April 2021	(1,175.1)	(3,536.9)	(4,712.0)

Notes to the financial statements continued

13. Retirement benefit schemes continued

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

	Premier schemes £m	RHM schemes £m	Total £m
Fair value of scheme 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 scheme 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 scheme assets at 28 March 2020	**774.7**	**4,745.3**	**5,520.0**
Interest income on scheme assets	**16.2**	**81.4**	**97.6**
Remeasurement gains/(losses)	**16.7**	**(152.6)**	**(135.9)**
Administrative costs	**(6.8)**	**(3.9)**	**(10.7)**
Settlement	**(18.1)**	**(61.1)**	**(79.2)**
Contributions by employer	**45.5**	**1.5**	**47.0**
One-off contribution by employer[1]	**7.0**	**–**	**7.0**
Exchange differences	**(3.4)**	**(1.7)**	**(5.1)**
Benefits paid	**(39.3)**	**(149.5)**	**(188.8)**
Fair value of scheme assets at 3 April 2021	**792.5**	**4,459.4**	**5,251.9**

[1] One-off contribution by employer is related to Hovis disposal proceeds due to the Premier schemes.

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 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**
Amount recognised in profit or loss	**(4.5)**	**11.3**	**6.8**
Remeasurements recognised in other comprehensive income	**(154.9)**	**(595.4)**	**(750.3)**
Contributions by employer	**45.5**	**1.5**	**47.0**
One-off contribution by employer	**7.0**	**–**	**7.0**
Exchange differences recognised in other comprehensive income	**(0.8)**	**(0.2)**	**(1.0)**
(Deficit)/surplus in schemes at 3 April 2021	**(382.6)**	**922.5**	**539.9**

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

	2020/21			2019/20		
	Premier schemes £m	**RHM schemes £m**	**Total £m**	Premier schemes £m	RHM schemes £m	Total £m
Remeasurement (loss)/gain on scheme liabilities	**(171.6)**	**(442.8)**	**(614.4)**	113.6	157.6	271.2
Remeasurement gain/(loss) on scheme assets	**16.7**	**(152.6)**	**(135.9)**	49.3	496.2	545.5
Net remeasurement (loss)/gain for the period	**(154.9)**	**(595.4)**	**(750.3)**	162.9	653.8	816.7

The actual return on scheme assets was a £38.3m loss (2019/20: £665.9m gain), which is £135.9m less (2019/20: £545.5m more) than the interest income on scheme assets of £97.6m (2019/20: £120.4m).

The remeasurement loss on liabilities of £614.4m (2019/20: £271.2 gain) comprises a loss due to changes in financial assumptions of £575.1m (2019/20: £184.5m gain), a gain due to member experience of £6.7m (2019/20: £76.5m gain) and a loss due to demographic assumptions of £46.0m (2019/20: £10.2m gain).

The net remeasurement loss taken to the consolidated statement of comprehensive income was £750.3m (2019/20: £816.7m gain). This loss was £607.7m (2019/20: £661.4m gain) net of taxation (with tax at 19% for UK schemes, and 12.5% for Irish schemes).

The Group expects to contribute between £4m and £6m annually to its defined benefit schemes in relation to expenses and government levies and £35-38m of additional annual contributions to fund the scheme deficits up to 2 April 2022.

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:

	2020/21			2019/20		
	Premier schemes £m	RHM schemes £m	Total £m	Premier schemes £m	RHM schemes £m	Total £m
Operating profit						
Past service cost	**(0.4)**	**(2.5)**	**(2.9)**	–	–	–
Settlement credit/(costs)	**9.3**	**(3.3)**	**6.0**	(0.1)	(3.6)	(3.7)
Administrative costs	**(6.8)**	**(3.9)**	**(10.7)**	(5.6)	(4.6)	(10.2)
Net interest (cost)/credit	**(6.6)**	**21.0**	**14.4**	(11.1)	20.4	9.3
Total (cost)/credit	**(4.5)**	**11.3**	**6.8**	(16.8)	12.2	(4.6)

In November 2020 the high court ruled that pension scheme trustees are also legally responsible for equalising the Guaranteed Minimum Pensions (GMP) for the employees who transferred out of UK defined benefit pension schemes. Accordingly, the directors have revisited historic cash equivalent transfer values that were previously not equalised and made adjustments where necessary. A non-cash charge of £2.9m in the year, which represents the directors' best estimate of the cost based on actuarial advice, reflects the past service costs associated with this equalisation.

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 £7.8m (2019/20: £7.3m) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

14. Stocks

	As at 3 Apr 2021 £m	As at 28 Mar 2020 £m
Raw materials	**14.9**	15.8
Work in progress	**2.5**	2.5
Finished goods and goods for resale	**51.4**	49.7
Total stocks	**68.8**	68.0

Stock write-offs in the period amounted to £7.1m (2019/20: £3.6m). The increase in the current period is related to one-off write-offs due to customers that primarily serve out of home sectors.

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

15. Trade and other receivables

	As at 3 Apr 2021 £m	As at 28 Mar 2020 £m
Trade receivables	**55.0**	67.2
Trade receivables provided for	**(3.5)**	(3.2)
Net trade receivables	**51.5**	64.0
Prepayments	**17.6**	14.2
Other tax and social security receivable	**13.9**	10.6
Other receivables	**0.4**	0.3
Total trade and other receivables	**83.4**	89.1

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 3 April 2021, £27.7 million was drawn (2019/20: £28.6 million).

16. Notes to the cash flow statement

Reconciliation of profit before tax to cash flows from operations

	53 weeks ended 3 Apr 2021 £m	52 weeks ended 28 Mar 2020 £m
Profit before taxation	**122.8**	53.6
Net finance cost	**29.8**	41.7
Operating profit	**152.6**	95.3
Depreciation of property, plant and equipment	**19.1**	19.9
Amortisation of intangible assets	**30.4**	29.4
Loss on disposal of non-current assets	**0.4**	0.4
Impairment of tangible assets	**0.3**	–
Impairment of intangible assets	**0.1**	–
Fair value movements on foreign exchange and other derivative contracts	**2.3**	(1.7)
Reversal of impairment losses on financial assets[1]	**(15.7)**	–
Profit on disposal of investment in associate[1]	**(16.9)**	–
Equity settled employee incentive schemes	**3.1**	1.3
GMP equalisation and past service cost related to defined benefit pension schemes[2]	**2.9**	–
(Increase)/decrease in inventories	**(0.8)**	9.8
Decrease in trade and other receivables	**5.7**	0.1
(Decrease)/increase in trade and other payables and provisions	**(1.6)**	9.5
Movement in retirement benefit obligations	**(63.7)**	(42.5)
Cash generated from operations	**118.2**	121.5

[1] On 5 November 2020, the Group completed the sale of its interest in Hovis to Endless LLP. As part of the sale, the group has received a total consideration of £37.3m, of which £16.9m was in respect of equity and £20.4m reflected the settlement of the outstanding loan to associate including interest of £4.7m.

[2] For further details of GMP equalisation please refer to note 13.

Reconciliation of cash and cash equivalents to net borrowings

	53 weeks ended 3 Apr 2021 £m	52 weeks ended 28 Mar 2020 £m
Net (outflow)/inflow of cash and cash equivalents	**(176.8)**	150.1
Movement in lease liabilities	**2.9**	(21.5)
Decrease/(increase) in borrowings	**275.0**	(85.0)
Other non-cash movements	**(4.2)**	(3.3)
Decrease in borrowings net of cash	**96.9**	40.3
Total net borrowings at beginning of period	**(429.6)**	(469.9)
Total net borrowings at end of period	**(332.7)**	(429.6)

Analysis of movement in borrowings

	As at 28 Mar 2020 £m	Cash flows £m	Non-cash interest expense £m	Other non-cash movements £m	As at 3 Apr 2021 £m
Bank overdrafts	–	(3.1)	–	–	**(3.1)**
Cash and bank deposits	177.9	(173.7)	–	–	**4.2**
Net cash and cash equivalents	177.9	(176.8)	–	–	**1.1**
Borrowings - revolving credit facilities	(85.0)	85.0	–	–	**–**
Borrowings - senior secured notes	(510.0)	190.0	–	–	**(320.0)**
Lease liabilities	(21.5)	2.7	(0.9)	1.1	**(18.6)**
Gross borrowings net of cash[1]	(438.6)	100.9	(0.9)	1.1	**(337.5)**
Debt issuance costs[2]	9.0	–	–	(4.2)	**4.8**
Total net borrowings[1]	(429.6)	100.9	(0.9)	(3.1)	**(332.7)**
Total net borrowings excluding lease liabilities[1]	(408.1)	98.2	–	(4.2)	**(314.1)**

[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 3 April 2021			As at 28 Mar 2020		
	Offset asset	**Offset liability**	**Net offset liability**	Offset asset	Offset liability	Net offset asset
Cash, cash equivalents and bank overdrafts	**138.2**	**(141.3)**	**(3.1)**	312.8	(134.9)	177.9

17. Trade and other payables

	As at 3 Apr 2021 £m	As at 28 Mar 2020 £m
Trade payables	**(126.1)**	(154.0)
Commercial accruals	**(75.5)**	(52.4)
Tax and social security payables	**(6.0)**	(4.9)
Other payables and accruals	**(42.2)**	(38.4)
Total trade and other payables	**(249.8)**	(249.7)

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.

18.1 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	53 weeks ended 3 April 2021	52 weeks ended 28 Mar 2020
Period ended	1.1740	1.1128
Average	1.1215	1.1444

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 3 April 2021 and 28 March 2020 that gave rise to net currency gains and losses recognised in the consolidated statement of profit or loss as a result of monetary assets and liabilities that are not denominated in the functional currency of the subsidiaries involved.

	Functional currency of subsidiaries - Sterling	
	As at 3 Apr 2021 £m	As at 28 Mar 2020 £m
Net foreign currency monetary assets:		
– Euro	(3.4)	(3.2)
– US dollar	1.1	1.4
– Other	(0.1)	(0.0)
Total	(2.4)	(1.8)

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 3 Apr 2021 £m	As at 28 Mar 2020 £m
Euro	(50.3)	(41.6)
Total	(50.3)	(41.6)

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 (2019/20: £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 £0.2m (2019/20: £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 £3.0m (2019/20: £2.9m 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 £3.6m (2019/20: £3.4m increase).

(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.

18.2 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 3 April 2021, trade and other receivables of £6.4m (2019/20: £7.4m) were past due but not impaired. These relate to customers with whom there is no history of default.

The ageing of trade and other receivables was as follows:

				Past due			
	Fully performing £m	1-30 days £m	31-60 days £m	61-90 days £m	91-120 days £m	120+ days £m	Total £m
Trade and other receivables							
As at 3 April 2021	**45.5**	**1.8**	**0.8**	**0.9**	**0.5**	**2.4**	**51.9**
As at 28 March 2020	56.9	2.7	1.2	1.2	0.7	1.6	64.3

At 3 April 2021, trade and other receivables of £3.5m (2019/20: £3.2m) 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:

	2020/21 £m	2019/20 £m
As at 28 March 2020/30 March 2019	**3.2**	4.8
Receivables written off during the period as uncollectable	**(0.8)**	(2.7)
Provision for receivables impairment raised	**1.1**	1.1
As at 3 April 2021/28 March 2020	**3.5**	3.2

18. Financial instruments continued

18.3 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	Total £m
At 3 April 2021					
Trade and other payables	**(243.8)**	**–**	**–**	**–**	**(243.8)**
Senior secured notes - fixed	**(18.8)**	**(18.8)**	**(310.9)**	**–**	**(348.5)**
Senior secured notes - floating	**(1.0)**	**(20.3)**	**–**	**–**	**(21.3)**
At 28 March 2020					
Trade and other payables	(244.8)	–	–	–	(244.8)
Senior secured notes - fixed	(18.8)	(18.8)	(18.8)	(310.9)	(367.3)
Senior secured notes - floating	(13.6)	(12.0)	(214.0)	–	(239.6)
Secured senior credit facility – revolving	(85.0)	–	–	–	(85.0)

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 3 April 2021, the Group had £158.5m (2019/20: £76.6m) of facilities not drawn, expiring between one to two years (2019/20: two to three 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.

The following table analyses the contractual undiscounted cash flows of interest on the fixed and floating rate debt to maturity. Floating rate is based on the last fixed rate reset of 0.08325% (2019/20: 0.6678%) 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 3 April 2021	**19.8**	**19.1**	**10.9**	**–**	**–**	**–**	**49.8**
At 28 March 2020	32.4	30.8	22.8	10.9	–	–	96.9

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 3 April 2021							
Forward foreign exchange contracts:							
– Outflow	**(50.2)**	**–**	**–**	**–**	**–**	**–**	**(50.2)**
– Inflow	**47.9**	**–**	**–**	**–**	**–**	**–**	**47.9**
Commodities:							
– Outflow	**(2.6)**	**(1.6)**	**–**	**–**	**–**	**–**	**(4.2)**
Total derivative financial instruments	**(4.9)**	**(1.6)**	**–**	**–**	**–**	**–**	**(6.5)**
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)

18.4 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 3 April 2021		As at 28 Mar 2020	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets not measured at fair value:				
Cash and cash equivalents	**4.2**	**4.2**	177.9	177.9
Financial assets at amortised cost:				
Trade and other receivables	**49.4**	**49.4**	61.4	61.4
Financial assets at fair value through profit or loss:				
Trade and other receivables	**2.5**	**2.5**	2.9	2.8
Derivative financial instruments				
– Forward foreign currency exchange contracts	**–**	**–**	0.9	0.9
– Commodity and energy derivatives	**0.1**	**0.1**	–	–
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	**(2.3)**	**(2.3)**	–	–
– Commodity and energy derivatives	**–**	**–**	(0.8)	(0.8)
Financial liabilities at amortised cost:				
Trade and other payables	**(243.8)**	**(243.8)**	(244.8)	(244.8)
Senior secured notes	**(320.0)**	**(326.6)**	(510.0)	(459.4)
Senior secured credit facility – revolving	**–**	**–**	(85.0)	(85.0)
Bank overdraft	**(3.1)**	**(3.1)**	–	–

18. Financial instruments continued

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 3 April 2021		As at 28 Mar 2020	
	Level 1 £m	Level 2 £m	Level 1 £m	Level 2 £m
Financial assets at fair value through profit or loss:				
Derivative financial instruments				
– Commodity and energy derivatives	–	0.1	–	0.9
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	–	(2.3)	–	
– Commodity and energy derivatives	–	–	–	(0.8)
Financial liabilities at amortised cost:				
Senior secured notes	(326.6)	–	(459.4)	–

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 £3.3m has been charged to the statement of profit or loss in the period (2019/20: £2.4m credit).

Commodity derivatives are marked to market using prevailing prices and are also not designated for hedge accounting. As a result, the fair value movement of £1m has been credited to the statement of profit or loss (2019/20: £0.7m 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.

18.5 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 propose final dividend of 1.0 pence per share for the period ended 3 April 2021 (2019/20: £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 3 Apr 2021 £m	As at 28 Mar 2020 £m
Total borrowings	**(336.9)**	(607.5)
Less cash and bank deposits	**4.2**	177.9
Net debt	**(332.7)**	(429.6)
Total equity	**(1,183.6)**	(1,680.0)
Total capital	**(1,516.3)**	(2,109.6)
Gearing ratio	**22%**	20%

Gearing is higher year-on-year due to a lower pension surplus partially offset by lower borrowings.

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 2020 and 3 April 2021.

18.6 Financial compliance risk

Risk

The Group continues to operate with a high level of Net debt of £332.7m (2019/20: £429.6m) and is subject to operating within banking covenants set out in its refinancing agreement agreed with its banking syndicate, which include Net debt/EBITDA and EBITDA/interest covenant tests. In the event these covenants are not met then the Group would be in breach of its financing agreement and, as would be the case in any covenant breach, the banking syndicate could withdraw their funding to the Group. The banking covenants relate to the Group's revolving credit facility, which was undrawn at 3 April 2021 (2019/20: £85.0m).

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, which are set up as sections of the RHM Pension Scheme. Two of the three sections 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. On 19 May 2021 the Group announced that it signed a new revolving credit facility and issue of new fixed rate notes. Please refer to note 27 for more details.

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 continues to monitor the pension risks closely, working with the trustee to ensure a collaborative approach.

19. Bank and other borrowings

	As at 3 Apr 2021 £m	As at 28 Mar 2020 £m
Current:		
Bank overdrafts	**(3.1)**	–
Lease liabilities	**(2.3)**	(2.5)
Secured senior credit facility – revolving	**–**	(85.0)
Total borrowings due within one year	**(5.4)**	(87.5)
Non-current:		
Lease liabilities	**(16.3)**	(19.0)
	(16.3)	(19.0)
Transaction costs[1]	**4.8**	9.0
	4.8	9.0
Senior secured notes	**(320.0)**	(510.0)
	(320.0)	(510.0)
Total borrowings due after more than one year	**(331.5)**	(520.0)
Total bank and other borrowings	**(336.9)**	(607.5)

[1] Included in transaction costs is £2.6m (2019/20: £4.2m) relating to the revolving credit facility.

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]
2021/22 FY	4.00x	2.90x
2023/24 HY	4.25x	2.90x

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

On 19 May 2021 the Group announced that it signed a new revolving credit facility agreement. Please refer to note 27 for more details.

Senior secured notes

The senior secured notes are listed on the Irish GEM Stock Exchange. The notes totalling £320m 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 £20m matures in July 2022 and attracts an interest rate of 5.00% above LIBOR.

Lease liabilities

The following table analyses the Group's lease 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 3 April 2021							
Lease liabilities	**(2.3)**	**(2.2)**	**(2.1)**	**(2.0)**	**(1.7)**	**(8.3)**	**(18.6)**
At 28 March 2020							
Lease liabilities	(2.5)	(2.2)	(2.0)	(1.9)	(1.9)	(11.0)	(21.5)

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 0.07% and 1.34% (2019/20: 0.12% and 0.77%). The unwinding of the discount is charged or credited to the statement of profit or loss under finance cost.

	Property £m	Other £m	Total £m
At 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	24.5	–	24.5
At 28 March 2020	**(8.0)**	**(8.0)**	**(16.0)**
Utilised during the period	**–**	**0.9**	**0.9**
Additional charge in the period	**(1.3)**	**(0.6)**	**(1.9)**
Reclassification	**–**	**(0.3)**	**(0.3)**
Unwind of discount	**1.1**	**–**	**1.1**
Released during the period	**–**	**1.6**	**1.6**
At 3 April 2021	**(8.2)**	**(6.4)**	**(14.6)**

Ageing of total provisions:	**As at 3 Apr 2021 £m**	As at 28 Mar 2020 £m
Within one year	**(6.2)**	(6.4)
Between 2 and 5 years	**(3.3)**	(1.8)
After 5 years	**(5.1)**	(7.8)
Total	**(14.6)**	(16.0)

21. Other liabilities

	As at 3 Apr 2021 £m	As at 28 Mar 2020 £m
Deferred income	**(6.4)**	(7.4)
Other accruals	**(0.7)**	(1.3)
Other liabilities	**(7.1)**	(8.7)

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. On 11 January 2021 following shareholder approval at a General Meeting held and a hearing in the High Court of Justice, Business and Property Courts of England and Wales on 9 February 2021, an order was given confirming the cancellation of the entire amount standing to the credit of the Company's share premium account, which amounted £1,409.8m ('Capital Reduction'). The order was produced to the Registrar of Companies and was registered on 10 February 2021, making the Reduction of Capital effective.

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. 1,230,629 shares in Premier Foods plc were held by the Employee Benefit Trust at 3 April 2021, with a market value of £1.2m (2019/20: 81,714 shares with a market value of £0.0m).

Share capital

	Number of shares	Ordinary shares @ nominal value (£0.10/ share) £m	Share premium £m	Total £m
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**
Shares issued under share schemes	**6,917,325**	**0.7**	**1.0**	**1.7**
Capital reduction	**–**	**–**	**(1,409.8)**	**(1,409.8)**
At 3 April 2021	**855,126,805**	**85.5**	**0.6**	**86.1**

Share award schemes

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

1. A Long-Term Incentive Plan ('LTIP') for executive directors and senior managers, approved by shareholders in 2011 and a new 10 year LTIP approved by shareholders in 2021. 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 2018, 2019 and 2020 Performance Share awards are conditional on achievement of a combination of absolute adjusted earnings per share targets (1/3) and relative TSR targets (2/3). During the period the EPS element of the 2017 LTIP vested and the TSR element lapsed. The EPS and TSR targets for the 2018 LTIP award have been achieved which will result in full vesting in August 2021.
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 18.8 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)

	2020/21 Awards	2019/20 Awards
Outstanding at the beginning of the period	**21,241,936**	24,510,476
Granted during the period	**5,129,025**	5,167,304
Transferred/sold during the period	**(1,278,435)**	–
Forfeited during the period	**(6,297,633)**	(8,435,844)
Outstanding at the end of the period	**18,794,893**	21,241,936
Exercisable at the end of the period	**858,067**	–

The awards outstanding at 3 April 2021 had a weighted average remaining contractual life of 1 year (2019/20: 1.1 years). The weighted average fair value of awards granted during the period was nil pence per award.

Details of the share awards of the Premier Foods plc Restricted Stock Plan are as follows:

Premier Foods plc Restricted Stock Plan

	2020/21 Awards	2019/20 Awards
Outstanding at the beginning of the period	**68,542**	373,705
Transferred/sold during the period	**(67,042)**	–
Exercised during the period	–	(305,163)
Outstanding at the end of the period	**1,500**	68,542
Exercisable at the end of the period	**1,500**	68,542

The awards outstanding at 3 April 2021 had a weighted average remaining contractual life of nil years (2019/20: 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

	2020/21 Awards	2019/20 Awards
Outstanding at the beginning of the period	**643,688**	423,856
Granted during the period	**172,543**	219,832
Outstanding at the end of the period	**816,231**	643,688
Exercisable at the end of the period	**–**	–

The awards outstanding at 3 April 2021 had a weighted average remaining contractual life of 1 year (2019/20: 1.6 years). The weighted average fair value of awards granted during the period was nil pence per award.

22. Reserves and share capital continued

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

Premier Foods plc Share Incentive Plan

	2020/21 Awards	2019/20 Awards
Outstanding at the beginning of the period	**932,801**	1,169,732
Exercised during the period	**(397,188)**	(213,453)
Transferred out during the period	**(20,000)**	(23,978)
Forfeited during the period	**–**	500
Outstanding at the end of the period	**515,613**	932,801
Exercisable at the end of the period	**–**	–

The awards outstanding at 3 April 2021 had a weighted average remaining contractual life of nil years (2019/20: 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

	2020/21		2019/20	
	Options	Weighted average exercise price (p)	Options	Weighted average exercise price (p)
Outstanding at the beginning of the period	**16,387,497**	**31**	16,103,887	32
Exercised during the period	**(4,417,325)**	**34**	(3,280,793)	33
Granted during the period	**4,867,531**	**72**	6,297,698	29
Forfeited/lapsed during the period	**(1,252,029)**	**33**	(2,733,295)	32
Outstanding at the end of the period	**15,585,674**	**43**	16,387,497	31
Exercisable at the end of the period	**865,135**	**33**	2,327,362	35

During the period 4.9 million (2019/20: 6.3 million) options were granted under the Sharesave Plan, with a weighted average exercise price at the date of exercise of 72 pence per ordinary share (2019/20: 29 pence).

The options outstanding at 3 April 2021 had a weighted average exercise price of 43 pence (2019/20: 31 pence), and a weighted average remaining contractual life of 1.8 years (2019/20: 1.7 years).

In 2020/21, the Group recognised an expense of £3.1m (2019/20: £1.3m), related to all equity-settled share-based payment transactions.

A summary of the range of exercise prices and weighted average remaining contractual life is shown below:

Weighted average remaining life and exercise prices

	As at 3 Apr 2021			As at 28 Mar 2020		
	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	**20,128,237**	**1.0**	**10**	22,886,967	1.1	10
£0.10 to £9.90	**15,585,674**	**1.8**	**43**	16,387,497	1.6	31
Total	**35,713,911**	**1.3**	**24**	39,274,464	1.3	20

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 3 April 2021 of £6.3m (2019/20: £6.7m).

24. Contingencies

There were no material contingent liabilities at 3 April 2021 (2019/20: none).

25. Related party transactions

The following transactions were carried out with related parties:

25.1 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 68 to 83.

Key management compensation

	53 weeks ended 3 Apr 2021 £m	52 weeks ended 28 Mar 2020 £m
Short term employee benefits	**4.8**	3.8
Termination benefits	**–**	1.2
Share-based payments	**2.1**	1.0
Total	**6.9**	6.0

25.2 Other related parties

As at 3 April 2021 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 19.24% (2019/20: 19.39%) equity shareholding in Premier Foods plc and of its power to appoint a member to the Board of directors.

Oasis Management Company Ltd ('Oasis') and Paulson Investment Company LLC, ('Paulson') were considered to be a related party in FY 2019/20 by virtue of its 11.94% and 11.93% equity shareholding, respectively, in Premier Foods plc. As at 3 April 2021, Oasis and Paulson holds less than 10% of the Group's total issued share capital.

The Group's associates are also considered to be related parties. On 5 November 2020, the Group completed the sale of its interest in Hovis to Endless LLP and hence is no longer treated as an associate after this date. The table below discloses sale of services to Hovis before the sale. Transactions with parties are settled in cash.

Transactions with related parties

	53 weeks ended 3 Apr 2021 £m	52 weeks ended 28 Mar 2020 £m
Sale of services:		
– Hovis	**0.4**	0.7
Total sales	**0.4**	0.7
Purchase of goods:		
– Nissin	**16.4**	12.2
Purchase of services:		
– Nissin	**–**	0.2
Total purchases	**16.4**	12.4

25.3 Retirement benefit obligations

As stated in note 13, the Group has entered into an arrangement with the Pension Scheme Trustees as part of the funding requirements for any actuarial deficit in the Scheme. Full details of this arrangement are set out in note 13 to these financial statements.

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 3 April 2021 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%	100%	£1.00 Ordinary shares	England & Wales	Premier House Griffiths Way
Premier Foods Investments Limited	0%	100%	£1.00 Ordinary shares		St Albans Hertfordshire
Premier Foods Finance plc	0%	100%	£1.00 Ordinary shares		AL1 2RE
RHM Limited	0%	100%	£0.001 Ordinary 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%	£1.00 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%	£1.00 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		
Family Loaf Bakery Limited (The)*	0%	100%	£1.00 Ordinary A shares £1.00 Ordinary B shares £1.00 Preference shares		
W & J B Eastwood Limited**	0%	100%	£1.00 Ordinary A shares £1.00 Ordinary B shares		
Vic Hallam Holdings Limited**	0%	100%	£0.25 Ordinary shares £1.00 redeemable cumulative preference shares		

Company	% Held by Parent Company of the Group	% Held by Group companies, if different	Share Class	Country	Registered Address
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		
Hillsdown Holdings Pension Trustees Limited*	0%	100%	£1.00 Ordinary shares		
Premier Foods Group Life Plan Trustees Limited*	0%	100%	£1.00 Ordinary shares		
Winsford Bacon Company Limited	0%	100%	£1.00 Ordinary shares		
The Specialist Soup Company Limited**	0%	100%	£1.00 Ordinary shares		
Tiffany Sharwood's Frozen Foods Limited**	0%	100%	£1.00 Ordinary shares		
Manor Bakeries Limited**	0%	100%	£1.00 Ordinary shares		
James Robertson & Sons Limited**	0%	100%	£1.00 Ordinary shares		
00241018 Limited (formerly British Bakeries)**	0%	100%	£1.00 Ordinary shares		
AB Old Co Limited (00815338)**	0%	100%	£1.00 Ordinary shares		
Daltonmoor Limited**	0%	100%	£1.00 Ordinary shares		
PFF Old Co Limited (921417)**	0%	100%	£1.00 Ordinary shares		
Premier Grocery Products Limited**	0%	100%	£1.00 Ordinary shares		
RFB Old Co Limited**	0%	100%	£1.00 Ordinary shares		
RHM Group Four Limited (349904)**	0%	100%	£1.00 Ordinary shares		
Citadel Insurance Company Limited	0%	100%	£1.00 Ordinary Shares	Isle of Man	Ioma House Hope Street, Douglas Isle of Man IM1 1AP
Arkway Limited** Woolgate Nitrovit Limited**	0% 0%	100% 100%	£1.00 Ordinary shares £0.25 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	Gärtnerstraße 3, 25485 Hemdingen, Germany
Premier Brands Limited* Beatties Northern Limited (SC018898)**	0% 0%	100% 100%	£1.00 Ordinary shares £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, Wilmington DE 19801, USA
Premier Foods ROI Limited Premier Foods Ireland Manufacturing Limited*	0% 0%	100% 100%	€1.00 Ordinary shares €1.26 Ordinary shares	Ireland	25–28 North Wall Quay, Dublin 1 Ireland
Formwood (Coleford) Limited (344678)**	0%	100%	£1.00 Ordinary shares	England & Wales	Hillsdown House, 32 Hampstead High Street, London, NW3 1QD
G P Woolgate Limited (452169)**	0%	100%	£1.00 Ordinary shares	England & Wales	PWC LLP, Benson House 33 Wellington Street, Leeds, LS1 4JP

* Dormant entities

** Restored companies

27. Subsequent events

On 19 May the directors have proposed a final dividend of 1.0 pence per share for the period ended 3 April 2021 subject to the ratification at the AGM by the shareholders.

On 19 May 2021 the Group announced the proposed issue of new five year £300m Senior Secured fixed rate notes due 2026, to refinance its £300m existing Senior Secured fixed rate notes, due to mature October 2023. Pricing of the new £300m Senior Secured fixed rate notes is to be confirmed and the notes are expected to be callable after two years.

The Group has also announced that it has signed a new revolving credit facility (RCF) agreement with an updated lending group for a period of three years from May 2021 with the option of extending for up to two additional years. This new senior secured RCF is a committed facility of £175m with an interest margin grid broadly in line with the previous RCF, undrawn elements of the RCF will continue to attract interest equivalent to 35% of the applicable margin. The covenant package attached to the revolving credit facility tested bi-annually is:

	Net debt/ EBITDA[1]	Net debt/ Interest[1]
2021/22 HY	3.75x	3.00x
Subsequent test dates	3.50x	3.00x

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

Balance sheet

The following statements reflect the financial position of the Company, Premier Foods plc as at 3 April 2021 and 29 March 2020. 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 3 Apr 2021 £m	As at 28 Mar 2020 £m
Non-current assets			
Investments in Group undertakings	3	**1,112.5**	15.0
Current assets			
Debtors	4	**–**	1,322.5
Deferred tax assets	5	**0.8**	0.1
Cash at bank and in hand		**36.1**	4.6
Total assets		**1,149.4**	1,342.2
Creditors: amounts falling due within one year	6	**(1.2)**	(314.6)
Net current assets		**35.7**	1,012.6
Total assets less current liabilities		**1,148.2**	1,027.6
Equity			
Called up share capital	7	**85.5**	84.8
Share premium account		**0.6**	1,409.4
Profit and loss account		**1,062.1**	(466.6)
Total shareholders' funds		**1,148.2**	1,027.6

The notes on pages 147 to 150 form an integral part of the financial statements.

The financial statements on pages 145 to 150 were approved by the Board of directors on 19 May 2021 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 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**
Profit for the period[1]	**–**	**–**	**115.4**	**115.4**
Share-based payments	**–**	**–**	**3.1**	**3.1**
Purchase of shares to satisfy share awards	**–**	**–**	**(0.2)**	**(0.2)**
Shares issued	**0.7**	**1.0**	**–**	**1.7**
Capital reduction[2]	**–**	**(1,409.8)**	**1,409.8**	**–**
Deferred tax movements on share-based payments	**–**	**–**	**0.6**	**0.6**
At 3 April 2021	**85.5**	**0.6**	**1,062.1**	**1,148.2**

[1] Profit for the year includes dividend income of £102.5m. During the year, as part of a Group-wide capital re-organisation, the Company's debts worth £72.5m owed to Group undertakings were waived by way of dividends. In addition to this, the Company also received dividends worth £30m from its immediate subsidiary.

[2] Following shareholder approval at a General Meeting held on 11 January 2021 and a hearing in the High Court of Justice, Business and Property Courts of England and Wales on 9 February 2021, an order was given confirming the cancellation of the entire amount standing to the credit of the Company's share premium account, which amounted to £1,409.8m ('Capital Reduction'). The order was produced to the Registrar of Companies and was registered on 10 February 2021, making the Reduction of Capital effective.

The Company has considered the profits available for distribution to shareholders. At 3 April 2021, the Company had retained earnings of £1.1bn, of which the unrealised profit element was £0.5bn. The Company had profits available for distribution of £0.6bn.

The notes on pages 147 to 150 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 accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. 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;
- Disclosures in respect of compensation of key management personnel;
- Certain disclosures regarding revenue; and
- Certain disclosures regarding leases

The profit for the period of £115.4m (2019/20: £9.9m profit) is recorded in the accounts of Premier Foods plc, which includes dividend income of £102.5m. During the year, as part of a Group-wide capital re-organisation, the Company's debts worth £72.5m owed to Group undertakings were waived by way of dividends. In addition to this, the Company also received dividends worth £30m from its immediate subsidiary.

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.

Impairment of Non-financial assets (including investments)

The carrying amounts of the Company's non-financial assets, including investments in subsidiaries, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the profit and loss

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.

Debtors

Debtors in FY 2019/20 comprise intercompany loans, a recoverability assessment of these balances has been performed and no impairment is needed.

Notes to the Company financial statements

continued

1. Accounting policies continued

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 (2019/20: £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 3 April 2021, the Company had two employees (2019/20: two). Directors' emolument disclosures are provided in the Single Figure Table on page 72 of this annual report.

3. Investments in Group undertakings

	2020/21 £m	2019/20 £m
Cost		
At 29 March 2020/30 March 2019	**1,774.3**	1,773.5
Additions	**1,097.5**	0.8
At 3 April 2021/28 March 2020	**2,871.8**	1,774.3
Accumulated impairment		
At 29 March 2020/30 March 2019	**(1,759.3)**	(1,759.3)
At 3 April 2021/28 March 2020	**(1,759.3)**	(1,759.3)
NBV at 3 April 2021/28 March 2020	**1,112.5**	15.0

In 2020/21 a capital contribution of £2.5m (2019/20: £0.8m) was given in the form of share incentive awards to employees of subsidiary companies which were reflected as an increase in investments. As part of a Group wide capital re-organisation, the directors passed a resolution to waive an intercompany debt along with accrued interest owed by Premier Foods Investment Limited, a group subsidiary undertaking, via capital contribution amounting to £1,095.0m. Refer to note 26 in the Group financial statements for a full list of the undertakings.

Impairment testing for the period ended 3 April 2021 has identified that the recoverable amount of the investment in Premier Foods Investments No.1 Limited of £1.3bn is sensitive to reasonably possible changes in assumptions as set out in the table below.

The key assumptions used in the impairment test which include long term growth rates and discount rates are the same as that used for the Grocery CGU described further in note 11 of the consolidated financial statements. An illustration of the reasonably possible changes in key assumptions in the impairment test for the investment in Premier Foods Investments No.1 are as follows:

	Reasonably possible change in assumption	Impact on headroom
Revenue growth	Increase/decrease by 1.5%	Increase/decrease by £106.8m/£103.8m
Divisional contribution margin	Increase/decrease by 1.5%	Increase/decrease by £184.2m
Long term growth rate	Increase/decrease by 0.5%	Increase/decrease by £123.7m/£105.9m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £116.2m/£135.7m

Under each of the above sensitivities no individual scenarios would trigger and impairment of the investment.

4. Debtors

	As at 3 Apr 2021 £m	As at 28 Mar 2020 £m
Amounts owed by Group undertakings	–	1,325.8
IFRS 9 ECL provision charge	–	(3.3)
Total debtors	–	1,322.5

In 2020/21, as part of a Group-wide re-organisation the debts receivable from a Group subsidiary were waived. See note 3 for more details.

5. Deferred tax

The deferred tax asset relates to share-based payments.

	2020/21 £m	2019/20 £m
At 29 March 2020/30 March 2019	0.1	2.2
Credited/(charged) to the statement of profit and loss	0.1	(2.1)
Credited to equity	0.6	–
At 3 April 2021/28 March 2020	0.8	0.1

6. Creditors: amounts falling due within one year

	As at 3 Apr 2021 £m	As at 28 Mar 2020 £m
Amounts owed to Group undertakings	–	(313.5)
Other payable	(1.2)	(1.1)
Total creditors	(1.2)	(314.6)

With effect from 3 April 2016, the losses surrendered as Group Relief between UK members of the Group have been surrendered for no consideration.

Notes to the Company financial statements

continued

7. Called up share capital and other reserves

a) Called up share capital

	As at 3 Apr 2021 £m	As at 28 Mar 2020 £m
Authorised, issued and fully paid		
855,126,805 (2019/20: 848,209,480) ordinary shares of 10 pence each	**85.5**	84.8

All of the ordinary shares rank equally with respect to voting rights and the rights to receive dividends and distributions on a winding up.

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 (2019/20: £0.6m). Further details of these schemes can be found in the Directors' Remuneration Report on page 68 to 83.

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 3 April 2021 is £0.5bn (2019/20: £0.7bn).

9. Subsequent events

On 19 May the directors have proposed a final dividend of 1.0 pence per share for the period ended 3 April 2021 subject to the ratification at the AGM by the shareholders.

On 19 May 2021 the Group announced the proposed issue of new five year £300m Senior Secured fixed rate notes due 2026, to refinance its £300m existing Senior Secured fixed rate notes, due to mature October 2023. Pricing of the new £300m Senior Secured fixed rate notes is to be confirmed and the notes are expected to be callable after two years.

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	Net debt/ EBITDA[1]	Net debt/ Interest[1]
2021/22 HY	3.75x	3.00x
Subsequent test dates	3.50x	3.00x

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

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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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 trademarks are shown in italics throughout this annual report. The Company has an exclusive worldwide licence to use the *Loyd Grossman* name on certain products. The Company has an exclusive licence to use the *Cadbury* trademark in the UK (and 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. Cup Noodles and Soba Noodles are trademarks of Nissin Foods Holding Co., Limited ('Nissin'), who is the Company's largest shareholder. The Company has entered into a co-operation agreement with Nissin to market and distribute certain Cup Noodles and Soba Noodles products in the UK and certain other jurisdictions.

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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