Premier Foods plc

10 November 2020

Premier Foods plc (the "Group" or the "Company")

Half year results for the 26 weeks ended 26 September 2020

Exceptionally strong results delivering accelerated deleveraging; raising full year Trading profit outlook

Headline results	FY20/21 H1	FY19/20 H1	Change
Revenue (£m)	421.5	366.7	+15.0%
Trading profit[1] (£m)	65.8	51.1	+28.7%
Adjusted profit before taxation (£m)	47.7	31.7	+50.2%
Adjusted earnings per share[7] (pence)	4.5	3.0	+49.6%
Net debt (pre-IFRS 16)[9,11] (£m)	(382.8)	(470.7)	+£87.9m
Net debt/EBITDA[11,13]	2.3	3.2	

Statutory measures	FY20/21 H1	FY19/20 H1	Change (£m)
Operating profit (£m)	65.2	35.9	+29.3
Profit before taxation (£m)	50.5	15.0	+35.5
Basic earnings per share (pence)	5.1	1.5	+3.6p
Net debt[9] (£m)	(403.1)	(492.9)	+89.8

Non-GAAP measures above are defined on page 13 and reconciled to statutory measures throughout
Net debt/EBITDA is EBITDA on an adjusted basis as defined in the appendices

Financial headlines

- Group revenue up +15.0%; Q2 Group revenue up +8.1%
- Branded revenue up +18.6%; Q2 branded revenue up +11.0%
- Trading profit increased +28.7% to £65.8m after increased marketing investment and incremental Covid costs
- Adjusted profit before tax up +50.2% to £47.7m; adjusted earnings per share[7] up +49.6% to 4.5p
- Statutory profit before tax increased £35.5m to £50.5m; profit after tax up £31.1m to £43.4m
- Net debt reduced by £87.9m on pre-IFRS 16 basis to £382.8m; Net debt on post-IFRS basis £403.1m
- Net debt/EBITDA,[3,11] reduced to 2.3x compared to 2.7x six months earlier
- Combined pensions surplus of £516.5m reduced from £1,230.4m at 28 March 2020 due to discount rate decrease

Strategic & operational headlines

- Exceptional trading throughout H1, delivering strong profit growth and accelerated Net debt reduction
- Priority of protecting colleagues through COVID-19 pandemic and keeping shelves stocked
- Growing faster than the market; share gains in all our categories
- Online performance +112% and ahead of this fast growing channel, increasing market share by 260bps
- Grocery brands household penetration up over 3%, attracting 1.1 million new consumers
- Significantly increased consumer marketing investment planned for FY20/21; six major brands on TV
- Branded revenue growth more than offsets Non-branded revenue declines in B2B out of home volumes
- Cost savings programme to deliver ahead of £5m target
- Announced repayment in aggregate of £120m callable Floating rate notes in FY20/21 reducing interest costs by £6m p.a.
- Credit ratings upgrades received from both S&P and Moody's
- Hovis disposal completed 5 November, raising proceeds of £37.3m

Alex Whitehouse, Chief Executive Officer

"In the first half of the year, demand for our branded product ranges has been exceptional, particularly in our Grocery businesses which have helped deliver strong profit growth, accelerated debt reduction and a lowest ever Net debt/EBITDA ratio of 2.3x. We have seen many more meal occasions being consumed at home, particularly in the first quarter, followed by a transition towards more normal levels of demand through quarter two. During this entire time, we have continued to drive our branded growth model, launching insightful new products and supporting our three biggest brands with above the line advertising. Consequently, we have continued to grow faster than all our categories, increasing market share in each one; a reflection not only of our strong brands but also the amazing performance of our supply chain colleagues to ensure product availability. In online, we have grown +112% which is again ahead of channel growth, leading to a market share gain of 260 basis points."

"During recent months, the health and wellbeing of all our colleagues has remained our top priority. We put in place a wide variety of measures across our locations at a very early stage to help keep our colleagues safe and all these measures will remain in place until we are certain they're no longer required. I am extremely proud of the collective efforts of all our colleagues during this very testing period. Over recent months, we have also supported our communities by delivering nearly 9,000 cases of products to 28 hospitals and over 400,000 meals to those in need via Fareshare, the charitable food redistributor."

"Looking to the second half of the financial year, we expect to see continued revenue growth driven by further new product innovation, strong commercial plans and increased marketing investment for our brands, with six major brands planned to be advertised on TV. We also now expect to see an increase in demand for our brands due to the impact of recently increased government restrictions on eating out. The longevity of this increased demand is likely to be linked to the duration of these new measures, and although we have tougher comparatives in the fourth quarter, we anticipate that Trading profit for the full year will be ahead of current market expectations. Additionally, following both our recent progress in accelerating leverage reduction along with proceeds received from the Hovis transaction, we are today announcing a new medium-term target for Net debt/EBITDA of approximately 1.5x."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

Further information

A presentation to investors and analysts will be webcast today at 9:00am GMT.
To register for the webcast follow the link: www.premierfoods.co.uk/investors/investor-centre
A recording of the webcast will be available on the Company's website later in the day.

A conference call for bond investors and analysts will take place today, 10 November 2020, at 1:30pm GMT. Dial in details are outlined below:

Telephone:	0800 376 7922 (UK toll free)
	+44 20 7192 8000 (standard international access)
Conference ID:	2984918

A factsheet with highlights of the Half year results is available at:
www.premierfoods.co.uk/investors/results-centre

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

Contacts:

Institutional investors and analysts:
Duncan Leggett, Chief Financial Officer +44 (0) 1727 815 850
Richard Godden, Director of Investor Relations & Treasury +44 (0) 1727 815 850

Media enquiries:
Hannah Collyer, Corporate Affairs Director +44 (0) 1727 815 850

Headland
Ed Young +44 (0) 7884 666830
Francesca Tuckett +44 (0) 7884 667661

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Financial results

Revenue

Group revenue (£m)	Grocery	Sweet Treats	Group
Branded	273.1	94.2	367.3
Non-branded	43.6	10.6	54.2
Total	**316.7**	**104.8**	**421.5**
% change			
Branded	+25.2%	+3.0%	+18.6%
Non-branded	(4.7%)	(5.8%)	(4.9%)
Total	**+20.0%**	**+2.0%**	**+15.0%**

Group revenue for the 26 weeks to 26 September 2020 was £421.5m, an increase of +15.0% on the same period a year ago. Branded revenue increased by +18.6% to £367.3m while Non-branded revenue declined (4.9%) to £54.2m. In the second quarter, Group revenues grew by +8.1% to £207.4m. Within this, the Group's branded revenues increased +11.0% in Q2.

The Group employs a branded growth model strategy which leverages the strength of its market leading brands, launching insightful new product innovation, supporting with emotionally engaging advertising and building strategic retail partnerships. In following this strategy, revenues in the UK have displayed growth for the last thirteen quarters. The Group grew faster than all its categories during the period, continuing the trajectory from the previous financial year, delivering 75 basis points of share growth for the 26 weeks to 26 September 2020.

In recent months, the Group has demonstrated its resilience as it has sought to counteract the threats presented by the Covid-19 pandemic. A portfolio of brands with strong category positions has been an important cornerstone as consumers have turned to brands they recognise and trust. 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 millions of new consumers purchasing the Group's brands. Consequently, household penetration – the number of households purchasing a brand in a given period of time – has increased for all the Group's major brands in the period. Additionally, the Group has delivered market share gains not only due to its strong category positions but also due to ensuring availability of its product ranges through its robust manufacturing and logistics operations.

The Group has observed several different phases of growth during the first half of the year. In the first quarter, as the Government's pandemic lockdown restrictions were at their most stringent, volumes grew very strongly as eating at home occasions increased; consequently, for example, Grocery branded sales increased +39.2% compared to the prior year. As these restrictions eased in July, this volume peak declined, assisted by the Government's August Eat Out To Help Out scheme. Volumes then returned to relatively more normal levels before starting to increase again in late September as additional restrictions were implemented across parts of the UK. As a result of these movements, Group sales increased +8.1% in the second quarter.

Grocery

Grocery branded revenue grew +25.2% to £273.1m in the period and increased +13.0% in Q2. The Grocery brands benefitted from the Group's innovation strategy, increasing consumer marketing investment behind emotionally engaging advertising and increased volumes from consumers eating more meals at home. All the major Grocery brands grew in strong double-digit terms during the first half of the year, with *Bisto, Batchelors, Oxo, Ambrosia, Sharwood's, McDougall's* and *Nissin* all stand out performers.

Grocery innovation in H1 included some new healthier choice ranges from *Sharwood's* such as 30% less fat Butter Chicken, and low-fat Naan breads, following the success of previously launched *Sharwood's* healthier options. *Oxo* meat free Beef flavoured stock cubes, suitable for a vegan diet, have also proved to be very popular with consumers. *Bisto* and *Batchelors* both benefitted from TV advertising in the first half of the year; bringing forward *Bisto's* usual October start date for media investment.

During the first half of this financial year, the Grocery business's brands have grown strongly, as UK consumers increased the proportion of meals eaten in the home. The Group maintains number one positions in all the categories in which it plays, and with these strong brand equities, it has been evident that with the market share gains seen in the period, consumers have turned to brands they can trust during this time. This trend is demonstrated not only with respect to market share gains, but also with reference to household penetration, which measures the number of UK households which purchase a brand at least once in a given timeframe. In the 24 weeks to 4 October, the Group's Grocery categories gained over 3% of household penetration overall, equivalent to approximately 1.1 million new UK households. The Flavourings and Seasonings and Desserts categories reported household penetration gains in excess of five percentage points.

A key growth area throughout this period has been the online channel with the major retailers who operate ecommerce platforms. The overall market grew significantly during this period, and the Group's categories have grown ahead of this, with sales increasing by +112%, equating to a market share gain of 260 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. For example, this has ensured the Group's brands are promoted and displayed using pertinent techniques for the online channel.

In the second half of this financial year, the Grocery business will be launching a number of new product ranges as part of its healthier choices strategy. For example, building on its convenient gravy pots microwaveable product range, *Bisto* is launching a new 30% less salt version to market. Additionally, *Batchelors* is introducing a range of new cup a soups 'Filled with Goodness', made with natural ingredients. Under the *Sharwood's* brand, 30% less sugar cooking sauce pouches will be available in Sweet & Sour, Sweet Chilli & Garlic and Chow Mein flavour variants.

Additionally, the Group is pleased to become the UK's sole distributor for the high quality *Cape Herb and Spice* flavourings and seasonings range, distributed under licence. The roll out of *Cape Herb and Spice;* a range of new rubs, chilli tins and seasoning grinders designed to help inspire consumers looking for exciting flavours on a wide variety of dishes, will be part of the Flavourings and Seasonings category and includes seasoning flavours such as Louisiana Cajun, Sriracha Chilli and Chipotle Chilli.

Sweet Treats

Sweet Treats revenue growth during the first half of the financial year was more modest compared to the Grocery business. Total revenue was £104.8m, an increase of 2.0%; within this, branded revenue grew 3.0% and Non-branded revenue was (5.8%) lower. The first quarter saw Sweet Treats revenue grow by +0.7% as consumers focused on purchasing staple goods as the UK entered stringent lockdown restrictions. In the second quarter, revenue grew by +3.2% to £52.7m, of which branded growth was +5.5% and Non-branded declined (12.2%). In overall terms, the Group's brands delivered 154 basis points of market share gain in the period despite the cake category not displaying volume growth over recent months.

The Group's largest brand, *Mr Kipling,* delivered yet another good revenue performance, following its strong progress over the last two years since its brand relaunch. This reflected new product development such as the premium Signature range, Mini pies and tarts collections, and a strong response to the 30% less sugar slices ranges. *Mr Kipling* also benefitted from a TV advertising campaign for a total of twelve weeks during the summer months with the popular *'Little Thief'* advertisement. *Mr Kipling* continues to be a great example of the Group's branded growth model strategy, through its new product development programme, emotionally engaging advertising and strategically aligned retailer partnerships.

Cadbury cake also grew revenue in the first half of the year owing to very robust volumes from the core Mini Rolls range. The Group maintains its longstanding relationship with *Cadbury* owner, Mondelēz International; its licence for cake and ambient desserts is due to run until 2025.

Looking to the second half of the year, the Group will be investing in further TV advertising for *Mr Kipling* and has some further exciting innovation, expanding the *Mr Kipling* signature range with Deluxe Viennese Whirls and After Dinner Chocolate and Orange Fancies. *Cadbury cake* sees the extension of its cake bars range with new *Oreo, Fudge* and *Crunchie* variants and also sees the launch of *Dairy Milk* cup cakes. As part of the Group's commitment to offer better for you choices and following the success of *Mr Kipling* 30% less sugar slices, *Mr Kipling* 30% less sugar Viennese Whirls will also be launched in H2.

International

The International business returned to growth in the period, as revenue increased 14%[8] following a disappointing FY19/20. The Group recently reviewed its International strategy and is adopting a new approach to deliver sustainable profitable growth as evidenced in the UK. A new Head of International has been appointed to lead this new approach. 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.

This strategy is displaying early indications of progress. For example, in Ireland, a change in promotional strategy with the wholesale distributor for cake has resulted in a strong sales uplift in the period compared to the previous promotional mechanics.

One of the objectives in Ireland is to replicate the successful and proven branded growth model established in the UK. In this context, the first half of the year has seen *Mr Kipling* receive TV advertising for the first time in many years and in conjunction with an integrated promotional campaign enabled double-digit revenue growth in the period. Ireland will also benefit from entering new categories for the first time; in particular the Group is entering the Quick Meals, Snacks & Soups category for the first time with the launch of the premium offerings of *Nissin Soba* and *Cup Noodle* ranges. In Australia, a new head of market has been appointed with a new locally based team with strong consumer sector backgrounds. In North America, the Group is close to appointing a new distribution partner in the USA and has a market test for Mr Kipling cake underway in Canada.

Non-branded

In the Grocery business, Non-branded revenue declined (4.7%) in the period to £43.6m while Sweet Treats saw revenue fall by (5.8%) to £10.6m. Grocery saw an increase in 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 in the period. In Sweet Treats, the sales decline reflected contract exits for cake slices and later sell in of seasonal product lines compared to the prior year.

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

Trading profit

£m	FY20/21 H1	FY19/20 H1	Change
Divisional contribution[2]			
Grocery	78.5	59.3	32.2%
Sweet Treats	9.1	10.4	(12.5%)
Total	87.6	69.7	25.6%
Group & corporate costs	(21.8)	(18.6)	(17.2%)
Trading profit	**65.8**	**51.1**	**28.7%**

The Group delivered Trading profit of £65.8m in the first half of FY20/21, up 28.7% on the same period last year. Divisional contribution increased by £17.9m to £87.6m and Group & corporate costs were £3.2m higher than the comparative period. The increase in Divisional contribution was due to strong growth in the Grocery business, up 32.2% to £78.5m, slightly offset by Sweet Treats which declined by (12.5%) to £9.1m.

Grocery benefitted from strong performances across its branded portfolio, as the substantial increase in volumes seen during the first half of the year saw the impacts of operational leverage feed through to Divisional contribution. The supply chain incurred incremental costs during the first half of 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 as both *Batchelors* and *Bisto* were recipients of television advertising in the period, reflecting the Group's branded growth model strategy of increasing its brand investment.

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 temporary labour was more pronounced in Sweet Treats than Grocery. Additionally, marketing investment for *Mr Kipling* was higher in the period, as the Group's largest brands benefitted from twelve weeks on air of the popular 'Little Thief' television advert.

Consumer marketing investment is planned to increase further in FY20/21 with up to six of the Group's largest brands in line to benefit from media advertising in the year, with the continued focus on delivering strong branded revenue growth. This includes the desserts category leader, Ambrosia, which will be on air for the first time in many years. 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.

Group & corporate costs increased by £3.2m in the period to £21.8m. This was largely as a result of higher Group wider management incentive schemes costs, covering a management population of nearly 500 colleagues and to a lesser extent, a provision for an asset write off relating to an item of cake manufacturing equipment no longer required.

Operating profit

£m	**FY20/21 H1**	**FY19/20 H1**	**Change**
Adjusted EBITDA[3]	**74.9**	**60.5**	**14.4**
Depreciation	9.1	9.4	0.3
Trading profit	**65.8**	**51.1**	**14.7**
Amortisation of intangible assets	(13.5)	(14.9)	1.4
Fair value movements on foreign exchange & derivatives	(0.3)	1.3	(1.6)
Reversal of impairment loss of Loan receivable	15.7	-	15.7
Non-trading items:			
Restructuring costs	(2.6)	(0.7)	(1.9)
Net interest on pensions and administrative expenses	0.1	(0.1)	0.2
Other non-trading	-	(0.8)	0.8
Operating profit	**65.2**	**35.9**	**29.3**

Operating profit increased by £29.3m, or 81.6%, to £65.2m in the first half of the year. This growth was largely due to the Trading profit performance as described above, a lower charge for amortisation of intangible assets and the reversal of the impairment loss on the Hovis loan note principal.

Amortisation of intangible assets was £13.5m in H1 compared to £14.9m in FY19/20 H1. This reduction was largely due to certain SAP software modules at the Group's main manufacturing sites becoming fully amortised in the period. Fair valuation of foreign exchange and derivatives resulted in an adverse movement of £1.6m against the comparative period. 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.

Net interest on pensions and administrative expenses was £0.1m. Expenses for operating the Group's pension schemes were £6.9m in the period, offset by a net interest credit of £9.3m due to an opening surplus of the Group's combined pension schemes. Also included is a charge of £3.3m which reflects settlement costs associated with enhanced transfer value payments made to certain RHM scheme deferred members.

Non-trading restructuring costs were £2.6m in H1, a £1.9m increase on the comparative period. This increase was due to costs associated with advisory work on the segregated merger pensions agreement announced on 20 April 2020.

Finance costs

£m	FY20/21 H1	FY19/20 H1	Change
Senior secured notes interest	13.8	15.5	1.7
Bank debt interest - net	2.7	2.2	(0.5)
	16.5	17.7	1.2
Amortisation of debt issuance costs	1.6	1.7	0.1
Net regular interest[5]	**18.1**	**19.4**	**1.3**
Write-off of financing costs	0.6	0.0	(0.6)
Discount unwind	0.1	1.0	0.9
Other finance cost	0.5	0.5	0.0
Other finance income	(4.6)	-	4.6
Net finance cost	**14.7**	**20.9**	**6.2**

Net finance cost was £14.7m in the first half of the year, a decrease of £6.2m compared to the comparative period. Net regular interest in H1 was £18.1m, a reduction of £1.3m compared to the prior year. This reduction was due to lower Senior secured notes interest charges, partly offset by slightly higher bank debt interest. Senior secured notes interest declined by £1.7m, reflecting lower LIBOR rates compared to the prior year and the £80m partial redemption of the Group's Floating Rate Notes (FRN) which completed on 17 June 2020.

Bank debt interest of £2.7m was £0.5m higher due to temporary increased drawings on the revolving credit facility (RCF) during April and May. The RCF was repaid during Q1 and remained undrawn at the half year.

Following the £80m partial redemption of the FRN, write off of financing fees amounting to £0.6m were incurred in the period. Financing fees are often incurred when financial instruments such as this FRN are first issued; these fees are then spread across the life of the instrument. As the FRN is due to mature in July 2022, this £0.6m relates to the proportion of financing fees associated with the £80m partial redemption not yet incurred.

A charge of £0.1m in the period related to a discount unwind associated with properties held by the Group. Other finance income of £4.6m relates to the reversal of the impairment on interest on the Hovis loan note, reflecting the reassessment of the loan note's recoverability.

Taxation

The taxation charge for the period ended 26 September 2020 of £7.1m (2019/20: £2.7m charge) predominantly comprises a charge on operating activities of £7.0m (2019/20: £2.7m charge) based upon managements best estimate of the effective annual income tax rate expected for the full financial year.

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 may recommence paying cash tax in low single digit £millions in the medium term.

Earnings per share

Earnings per share (£m)	FY20/21 H1	FY19/20 H1	Change
Operating profit	65.2	35.9	29.3
Net finance cost	(14.7)	(20.9)	6.2
Profit before taxation	**50.5**	**15.0**	**35.5**
Taxation	(7.1)	(2.7)	(4.4)
Profit after taxation	43.4	12.3	31.1
Average shares in issue	849.6	846.1	3.5m
Basic Earnings per share (pence)	**5.1**	**1.5**	**3.6**

The Group reported a profit before tax of £50.5m in the period, an increase of £35.5m compared to FY19/20 H1. Profit after tax in the first half of the year grew by £31.1m from £12.3m to £43.4m.

Adjusted earnings per share (£m)	**FY20/21 H1**	**FY19/20 H1**	**Change (%)**
Trading profit	65.8	51.1	28.7%
Less: Net regular interest	(18.1)	(19.4)	6.6%
Adjusted profit before tax	**47.7**	**31.7**	**50.2%**
Less: Notional tax (19%)	(9.1)	(6.0)	(50.2%)
Adjusted profit after tax[6]	38.6	25.7	50.2%
Average shares in issue (millions)	849.6	846.1	0.4%
Adjusted earnings per share (pence)	**4.5**	**3.0**	**49.6%**

Adjusted profit before tax increased by 50.2% in the period to £47.7m, reflecting both Trading profit growth in the period and lower net regular interest costs as described above. Adjusted profit after tax also increased by 50.2%, to £38.6m in the first half of the year after deducting a notional 19.0% tax charge of £9.1m. Based on average shares in issue of 849.6 million shares, adjusted earnings per share grew +49.6% to 4.5p.

Loan to associate

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 £17.0m was in respect of equity and £20.3m reflected the settlement of the outstanding loan to associate.

Free cash flow

£m	**FY20/21 H1**	**FY19/20 H1**
Statutory cash flow statement		
Cash generated from operating activities	35.1	8.3
Cash used in investing activities	(7.1)	(8.0)
Cash (used in)/generated from financing activities	(165.5)	0.6
Net (decrease)/increase in cash & cash equivalents	**(137.5)**	**0.9**
Cash, cash equivalents and bank overdrafts at beginning of period	177.9	27.8
Cash, cash equivalents and bank overdrafts at end of period	**40.4**	**28.7**

On a statutory basis, cash generated from operations was £52.6m compared to £25.9m in the comparative period. Cash generated from operating activities was £35.1m after deducting net interest paid of £17.5m. Cash used in financing activities was (£165.5m) in the period versus £0.6m cash generated in the prior year, which 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 used cash generated during FY19/20 to fund an £80.0m part redemption of its FRN on 17 June 2020.

£m	FY20/21 H1	FY19/20 H1
Trading profit	65.8	51.1
Depreciation	9.1	9.4
Other non-cash items	1.4	1.2
Interest	(17.5)	(17.6)
Pension contributions	(26.3)	(24.2)
Capital expenditure	(7.1)	(8.1)
Working capital & other	4.5	(8.3)
Non-trading items	(3.2)	(3.3)
Proceeds from share issue	0.8	0.6
Sale of property, plant & equipment	-	0.1
Free cash flow[10]	**27.5**	**0.9**

The Group reported an inflow of Free cash in the period of £27.5m despite seasonal stock build versus a broadly flat position in the previous year. Trading profit of £65.8m was ahead of the prior year for the reasons outlined above, while depreciation of £9.1m was broadly in line with the prior year period. Other non-cash items of £1.4m was predominantly due to share based payments.

Net interest paid of £17.5m was £0.1m lower than the prior year. As with the prior year period, no taxation was paid in the period due to the availability of brought forward losses and capital allowances.

Total pension contributions in the period were £26.3m (2019/20 H1: £24.2m), due to previously agreed planned increases in deficit contribution payments to the Premier Foods pension scheme. Of this, pension deficit contribution payments were £20.1m and administration costs including pension levy costs were £6.2m.

Capital expenditure in the first half of the year was £7.1m, slightly lower than both the prior year and original expectations. This is partly due to restricted access for contractors to work on capital projects at the Group's sites in light of more stringent safety measures implemented due to COVID-19 precautions. In the full year, the Group expects to increase its capital expenditure to c.£25m to fund investment in both growth projects supporting the Group's innovation strategy and cost release projects to deliver efficiency savings.

The first half of the year saw a working capital inflow of £4.5m compared to an outflow of (£8.3m) in FY19/20 H1. This is largely due to a timing benefit between Debtors and Creditors so is expected to unwind. Non-trading items of £3.2m were paid in the first half of the year and comprise the final tranche of advisory costs associated with the Group's strategic review and costs relating to restructuring of the International business.

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	(27.5)	(27.5)
Movement in debt issuance costs	2.2	2.2
Movement in lease creditor	-	(1.2)
Net debt at 26 September 2020	**382.8**	**403.1**
Adjusted EBITDA (12 months rolling)	164.5	166.9
Net debt / EBITDA	**2.3x**	**2.4x**

Net debt at 26 September 2020 was £403.1m, a reduction of £26.5m compared to the previous year end and £89.8m lower than the same point a year ago. On a pre-IFRS 16 basis, Net debt was £382.8m which is £25.3m lower than the previous year end and £87.9m lower than FY19/20 H1. Free cash inflow in the period was £27.5m and the movement in debt issuance costs was £2.2m.

On a pre-IFRS 16 Leases basis, Net debt / EBITDA was 2.3x; on a reported basis, Net debt / EBITDA was 2.4x. Under the Group's financing documents with its bank lending group, the Company is restricted from making a distribution to shareholders until its Net debt / EBITDA ratio is less than 3.0x. The definition of this ratio is slightly different to the reported ratio, the main difference includes adding back the Group's invoice discounting facility of £30m to Net debt.

There were no changes to the Group's committed bank lending facilities in the period. As at 26 September 2020, the Group held cash and bank deposits of £40.4m. On 17 June 2020, the Group repaid £80m of its £210m Senior Secured FRN due July 2022. On 6 October 2020, the Group announced it will repay a further £40m of the outstanding FRN on 1 December 2020. From 1 December, the outstanding FRN will therefore be £90m. There have been no changes to the £300m Senior Secured Fixed Rate Notes due October 2023 in the period.

The Directors, having reviewed financial forecasts and financing arrangements, consider that the Group has adequate resources to continue as a going concern for at least the next 12 months from the date of this report and are satisfied that it is appropriate to adopt the going concern basis in preparing the financial information at 26 September 2020. Further detail of this analysis is disclosed on page 23 to 24 in this report.

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 has now agreed and signed legal documentation with the scheme trustees for the merger which was implemented as planned on 30 June 2020.

IAS 19 results and commentary

IAS 19 Accounting Valuation (£m)	**26 September 2020**			**28 March 2020**		
	RHM	Premier Foods	Combined	RHM	Premier Foods	Combined
Assets	4,637.3	839.4	5,476.7	4,745.3	774.7	5,520.0
Liabilities	(3,715.8)	(1,244.4)	(4,960.2)	(3,240.0)	(1,049.6)	(4,289.6)
Surplus/(Deficit)	**921.5**	**(405.0)**	**516.5**	**1,505.3**	**(274.9)**	**1,230.4**
Net of deferred tax (19.0%)	746.4	(328.0)	418.4	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 26 September 2020 of £516.5m, £713.9m lower than 28 March 2020 and equivalent to £418.4m net of a deferred tax charge of 19.0%. The major driver behind the reduction in the surplus compared to six months ago is a 95 basis point reduction in the discount rate assumption for valuing scheme liabilities. At the same equivalent point a year ago, the combined pensions surplus was £588.7m, £72.2m higher than at 26 September 2020.

A deferred tax rate of 19.0% is deducted from the IAS19 retirement benefit valuation of the Group's schemes to reflect the fact that pension deficit contributions made to the Group's pension schemes are allowable for tax. A decrease in the RHM surplus from £1,505.3m to £921.5m was a major factor behind the decline in the combined surplus, although the Premier Foods deficit increased by £130.1m to £405.0m.

Assets in the combined schemes decreased by £43.3m, or by 0.8%, to £5,476.7m in the period. RHM scheme assets decreased by £108.0m to £4,637.3m while the Premier Foods' schemes assets increased by £64.7m to £839.4m.

The major movement in the combined surplus, however, can be attributed to the movement in the value of scheme liabilities. In the combined schemes, liabilities increased by £670.6m in the period to £4,960.2m. The value of liabilities associated with the RHM scheme increased by 14.7% to £3,715.8m, while the Premier Foods scheme liabilities increased by 18.6% to £1,244.4m. The increase in both schemes' liabilities is largely due to the reduction in the discount rate used to value these liabilities from 2.5% to 1.55%. Additionally, the RPI inflation rate assumption used increased by twenty basis points to 2.85% which also contributed to the increase in the valuation of liabilities.

Combined pensions schemes (£m)	26 September 2020	28 March 2020
Assets		
Equities	**13.6**	11.5
Government bonds	**1,675.9**	1,802.6
Corporate bonds	**8.3**	25.3
Property	**433.7**	445.2
Absolute return products	**1,208.1**	1,198.2
Cash	**171.8**	32.4
Infrastructure funds	**315.5**	309.8
Swaps	**499.7**	487.1
Private equity	**460.7**	510.1
LDI	**346.9**	268.3
Other	**342.5**	429.5
Total Assets	**5,476.7**	5,520.0
Liabilities		
Discount rate	**1.55%**	2.50%
Inflation rate (RPI/CPI)	**2.85%/1.85%**	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. However, following the transformational agreement agreed with the pension Trustees as described above, the net present value of future deficit payments is projected to reduce by up to 45% to £175-185m in future years.

ESG

The Group is committed to doing business responsibly and in a way that is sustainable for the business, its communities and the planet. It has a five pillar responsibility strategy which enables it to focus efforts on addressing the issues that are most relevant to people and the planet, now and in the future.

These five pillars are: (i) encourage healthier choices; (ii) realise people's potential; (iii) support our communities; (iv) drive ethical sourcing and (v) reduce our environmental footprint. All these pillars are treated with equal prominence, although supporting the Group's communities is one area which has come to the fore in the first half of FY20/21. During the COVID-19 pandemic, the Group has donated over 440,000 meals to those in need via Fareshare, the charitable food redistributor. Additionally, 196,000 products have been donated to 28 NHS hospitals over the same period of time.

Encouraging healthier choices is an important part of not only the Group's ESG strategy but also its innovation agenda. The Group has three approaches in this area. Firstly, it aims to enhance the nutritional profile of its existing range through the reduction of salt, sugar and fat in its products. Secondly, through the Group's innovation strategy, to extend the range of its portfolio to include more better for you options. Lastly, it targets the education of consumers and colleagues as to healthier choices in their diets through advocating clear and transparent labelling across the portfolio and through the Healthy Eating in the Workplace programme across all its sites.

Further details on all five pillars are available in the Group's 2020 Annual Report for the 52 weeks ended 28 March 2020.

EU exit

The UK is due to exit the European Union's free trade arrangements on 31 December 2020. The Group has been preparing for a range of potential implications of this event for many months. Areas of planning include, but are not limited to, the outcome on tariffs, identifying and preparing for additional stock holding of materials and finished goods, identification of high risk materials and supply routes, regulatory changes on packaging and customs certification and declarations.

Principal risks and uncertainties

The Group's principal risks and uncertainties were disclosed on page 38 to 43 of the annual report and accounts for the financial period ended 28 March 2020 and these remain relevant for the current period. The major strategic and operational risks are summarised under the headings of Macroeconomic and geopolitical instability, Market and retailer actions, Operational integrity, Technology, Legal compliance, Product portfolio, HR and employee risk, Strategy delivery, International expansion, and Treasury & pensions.

Outlook

In the second half of FY20/21, the Group expects to see continued revenue growth driven by further new product innovation, strong commercial plans and increased marketing support, with six major brands planned to be advertised on TV. This includes the desserts category leader, Ambrosia, which will be on air for the first time in many years. The Group also expects to see a rise in demand for its branded portfolio due to the impact of recently increased government restrictions on eating out. The longevity of this increased demand is likely to be linked to the duration of these new measures, and although the Group faces strong quarter 4 comparatives, it now anticipates Trading profit for the full year will be ahead of current market expectations. Additionally, and following the Group's recent strong progress in both accelerating leverage reduction and receipt of Hovis disposal proceeds, it today announces a new medium target for Net debt/EBITDA of approximately 1.5x.

Alex Whitehouse	Duncan Leggett
Chief Executive Officer	Chief Financial Officer

Appendices

The Company's preliminary results are presented for the 26 weeks ended 26 September 2020 and the comparative period, 26 weeks ended 28 September 2019. All references to the 'quarter', unless otherwise stated, are for the 13 weeks ended 26 September 2020 and the comparative period, 13 weeks ended 28 September 2019.

Quarter 2 Sales

Q2 Sales (£m)	Grocery	Sweet Treats	Group
Branded	131.4	47.0	178.4
Non-branded	23.3	5.7	29.0
Total	**154.7**	**52.7**	**207.4**
% change			
Branded	+13.0%	+5.5%	+11.0%
Non-branded	(5.0%)	(12.2%)	(6.4%)
Total	**+9.9%**	**+3.2%**	**+8.1%**

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, 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. Adjusted EBITDA is Trading profit as defined in (1) above excluding depreciation.
4. Adjusted profit before tax is Trading profit as defined in (1) above less net regular interest.
5. Net regular interest is defined as net finance cost after excluding write-off of financing costs, other 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% (2018/19: 19.0%).
7. Adjusted earnings per share is Adjusted profit after tax as defined in (6) above divided by the weighted average of the number of shares of 849.6 million (26 weeks ended 28 September 2019: 846.1 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 and Knighton business units, the results of which are aggregated within the Grocery business unit, are not required to be separately disclosed for reporting purposes.

Responsibility Statement of the Directors

We confirm that to the best of our knowledge:

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

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

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

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

The Directors of Premier Foods plc are listed on pages 44-45 of the Premier Foods plc annual report and accounts for the financial period ended 28 March 2020.

Approved by the Board on 10 November 2020 and signed on its behalf by:

Alex Whitehouse
Chief Executive Officer

Duncan Leggett
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO PREMIER FOODS PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 26 September 2020 which comprises the condensed consolidated balance sheet, the related condensed consolidated statement of profit and loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 26 September 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

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

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

Directors' responsibilities

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

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

Our responsibility

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

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

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

Zulfikar Walji
for and on behalf of KPMG LLP
15 Canada Square
London
E14 5GL

10 November 2020

Condensed consolidated statement of profit or loss (unaudited)

	Note	**26 weeks ended 26 Sept 2020 £m**	26 weeks ended 28 Sept 2019 £m
Revenue	4	**421.5**	366.7
Cost of sales		**(274.9)**	(240.9)
Gross profit		**146.6**	125.8
Selling, marketing and distribution costs		**(59.1)**	(56.1)
Administrative costs		**(38.0)**	(33.8)
Reversal of impairment losses on financial assets	4, 10	**15.7**	-
Operating profit	4	**65.2**	35.9
Finance cost	5	**(20.1)**	(22.0)
Finance income	5	**5.4**	1.1
Profit before taxation		**50.5**	15.0
Taxation charge	6	**(7.1)**	(2.7)
Profit for the period attributable to owners of the parent		**43.4**	12.3
Basic earnings per share (pence)	7	**5.1**	1.5
Diluted earnings per share (pence)	7	**5.0**	1.4
Adjusted earnings per share[1] (pence)	7	**4.5**	3.0

[1] Adjusted earnings per share is defined as trading profit less net regular interest payable, 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 23 to 41 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated statement of comprehensive income (unaudited)

	Note	26 weeks ended 26 Sept 2020 £m	26 weeks ended 28 Sept 2019 £m
Profit for the period		**43.4**	12.3
Other comprehensive income/(losses)			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit schemes	8	**(740.4)**	191.3
Deferred tax credit/(charge)		**137.9**	(33.5)
Current tax credit on pensions		**3.6**	-
Items that are or may be reclassified to profit or loss			
Exchange differences on translation		**0.3**	0.1
Other comprehensive income, net of tax		**(598.6)**	157.9
Total comprehensive income attributable to owners of the parent		**(555.2)**	170.2

The notes on pages 23 to 41 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated balance sheet (unaudited)

	Note	**As at 26 Sept 2020 £m**	As at 28 Mar 2020 £m
ASSETS:			
Non-current assets			
Property, plant and equipment		**189.1**	194.0
Goodwill		**646.0**	646.0
Other intangible assets		**330.4**	341.3
Net retirement benefit assets	8	**932.8**	1,512.6
		2,098.3	2,693.9
Current assets			
Inventories		**95.3**	68.0
Trade and other receivables		**86.7**	89.1
Financial assets:			
– loans to associate	10	**20.3**	-
– derivative financial instruments	10	**0.7**	0.9
Cash and cash equivalents	12	**40.4**	177.9
		243.4	335.9
Total assets		**2,341.7**	3,029.8
LIABILITIES:			
Current liabilities			
Trade and other payables		**(280.5)**	(249.7)
Financial liabilities:			
– short-term borrowings	9	**-**	(85.0)
– derivative financial instruments	10	**(0.9)**	(0.8)
– lease liabilities	9	**(2.4)**	(2.5)
Provisions for liabilities and charges	11	**(6.8)**	(6.4)
		(290.6)	(344.4)
Non-current liabilities			
Financial liabilities			
– long term borrowings	9	**(423.2)**	(501.0)
– lease liabilities	9	**(17.9)**	(19.0)
Net retirement benefit obligations	8	**(416.3)**	(282.2)
Provisions for liabilities and charges	11	**(9.2)**	(9.6)
Deferred tax liabilities		**(49.2)**	(184.9)
Other liabilities		**(7.6)**	(8.7)
		(923.4)	(1,005.4)
Total liabilities		**(1,214.0)**	(1,349.8)
Net assets		**1,127.7**	1,680.0
EQUITY:			
Capital and reserves			
Share capital		**85.2**	84.8
Share premium		**1,409.8**	1,409.4
Merger reserve		**351.7**	351.7
Other reserves		**(9.3)**	(9.3)
Profit and loss reserve		**(709.7)**	(156.6)
Total equity		**1,127.7**	1,680.0

The notes on pages 23 to 41 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated statement of cash flows (unaudited)

	Note	26 weeks ended 26 Sept 2020 £m	26 weeks ended 28 Sept 2019 £m
Cash generated from operations	12	**52.6**	25.9
Interest paid		**(18.0)**	(18.8)
Interest received		**0.5**	1.2
Cash generated from operating activities		**35.1**	8.3
Purchase of property, plant and equipment		**(6.2)**	(6.3)
Purchase of intangible assets		**(0.9)**	(1.8)
Sale of property, plant and equipment		**-**	0.1
Cash used in investing activities		**(7.1)**	(8.0)
Repayment of borrowings		**(165.0)**	-
Repayment of lease liabilities		**(1.1)**	-
Proceeds from share issue		**0.8**	0.6
Purchase of shares to satisfy share awards		**(0.2)**	-
Cash generated (used in)/from financing activities		**(165.5)**	0.6
Net (decrease)/increase of cash and cash equivalents		**(137.5)**	0.9
Cash, cash equivalents and bank overdrafts at beginning of period		**177.9**	27.8
Cash, cash equivalents and bank overdrafts at end of period	12	**40.4**	28.7

The notes on pages 23 to 41 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity (unaudited)

	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	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
Adjusted balance at 31 March 2019		84.5	1,408.6	351.7	(9.3)	(860.0)	975.5
Profit for the period		-	-	-	-	12.3	12.3
Remeasurements of defined benefit schemes		-	-	-	-	191.3	191.3
Deferred tax charge		-	-	-	-	(33.5)	(33.5)
Exchange differences on translation		-	-	-	-	0.1	0.1
Other comprehensive income		-	-	-	-	157.9	157.9
Total comprehensive income		-	-	-	-	170.2	170.2
Shares issued		0.2	0.4	-	-	-	0.6
Share-based payments		-	-	-	-	1.0	1.0
At 29 September 2019		84.7	1,409.0	351.7	(9.3)	(688.8)	1,147.3
At 29 March 2020		**84.8**	**1,409.4**	**351.7**	**(9.3)**	**(156.6)**	**1,680.0**
Profit for the period		**-**	**-**	**-**	**-**	**43.4**	**43.4**
Remeasurements of defined benefit schemes	8	**-**	**-**	**-**	**-**	**(740.4)**	**(740.4)**
Deferred tax credit		**-**	**-**	**-**	**-**	**137.9**	**137.9**
Current tax credit						**3.6**	**3.6**
Exchange differences on translation		**-**	**-**	**-**	**-**	**0.3**	**0.3**
Other comprehensive income		**-**	**-**	**-**	**-**	**(598.6)**	**(598.6)**
Total comprehensive income		**-**	**-**	**-**	**-**	**(555.2)**	**(555.2)**
Shares issued		**0.4**	**0.4**	**-**	**-**	**-**	**0.8**
Share-based payments		**-**	**-**	**-**	**-**	**1.0**	**1.0**
Purchase of shares to satisfy share awards		**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Deferred tax movements on share-based payments		**-**	**-**	**-**	**-**	**1.3**	**1.3**
At 26 September 2020		**85.2**	**1,409.8**	**351.7**	**(9.3)**	**(709.7)**	**1,127.7**

The notes on pages 23 to 41 form an integral part of the condensed consolidated interim financial information.

1. General information

Premier Foods plc (the "Company") is a public limited company incorporated and domiciled in England and Wales, registered number 5160050, with its registered office at Premier House, Centrium Business Park, Griffiths Way, St Albans, Hertfordshire AL1 2RE. The principal activity of the Company and its subsidiaries (the "Group") is the manufacture and distribution of branded and own label food products as described in the Group's annual report and accounts for the financial period ended 28 March 2020.

2. Significant accounting policies

Basis of preparation

The condensed consolidated financial information ("financial information") for the period ended 26 September 2020 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The financial information for the 26 weeks ended 26 September 2020 should be read in conjunction with the Group's financial statements for the 52 weeks ended 28 March 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. They have been prepared applying the accounting policies and presentation as applied in the preparation of the Group's published consolidated financial statements for the 52 weeks ended 28 March 2020, except where new or revised accounting standards have been applied. There has been no significant impact on the Group profit or net assets on adoption of new or revised accounting standards in the period.

The financial information for the period ended 26 September 2020 is unaudited but has been subject to an independent review by KPMG LLP.

The Group's financial statements for the 52 weeks ended 28 March 2020, which were approved by the Board of Directors on 24 June 2020, were reported on by KPMG LLP and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not contain a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

This financial information was approved for issue on 10 November 2020.

Basis for preparation of financial information on a going concern basis

The Group's revolving credit facility includes net debt/EBITDA and EBITDA/interest covenants. In the event these covenants are not met then the Group would be in breach of its financing agreement and, as would be the case in any covenant breach, the banking syndicate could withdraw funding to the Group. The Group was compliant with its covenant tests as at 28 March 2020 and 26 September 2020.

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 and EU exit outcome, the Directors have reasonable expectation that the Group is able to operate within the level of its current facilities including covenant tests and has adequate resources to continue in operational existence for the next 12 months. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial information for the reasons set out below:

At 26 September 2020, the Group had total assets less current liabilities of £2,051m and net assets of £1,128m. Liquidity as at that date was £217m, made up of cash and cash equivalents, and undrawn committed credit facilities of £177m. In all scenarios modelled liquidity requirements are within the £177m RCF facility.

To date the Group has experienced no net adverse financial impact of the COVID-19 pandemic with elevated levels of demand seen and the Group's first priority remains the health and wellbeing of its colleagues, customers and other stakeholders. Nevertheless, the full impact of the COVID-19 pandemic remains unknown at this time and the Group takes its responsibility as a major UK food manufacturer very seriously, working closely with its customers to ensure maximum availability of its Grocery product ranges for consumers.

The Directors have rigorously reviewed both the situation relating to COVID-19 and potential outcomes of the EU exit from 1 January 2021, and have modelled a series of 'downside case' scenarios that cover the next 12-18 months. These downside cases represent severe but plausible scenarios and include assumptions relating to estimation of the impact of both tariff and non-tariff measures in relation to the EU exit outcome and estimation of the impact of the closure of all manufacturing sites due to colleague absence as opposed to Government imposed guidelines, considering that to date there have been no manufacturing site closures.
Whilst these downside scenarios are severe but plausible, each is considered by the Directors to be very prudent, having an adverse impact on Revenue, margin and cash flow. The Directors, in response, have identified mitigating actions, that would reduce costs, optimising cashflow and liquidity. Amongst these are the following actions: reducing capital expenditure, reducing marketing spend and delaying or cancelling discretionary spend.

The Group operates in the Food Manufacturing industry, considered an essential during the current pandemic, and whilst uncertainty exists in respect of the potential impact of COVID-19, more meals are being eaten at home than usual due to measures set out by HM Government and hence increased demand for the Group's product ranges. If outcomes are unexpectedly significantly worse, the Directors would need to consider what additional mitigating actions were needed. Consequently, the Directors have concluded that to stress test a level of increased severity beyond these scenarios that may create circumstances that represent a material uncertainty and which may cast significant doubt about the Group's ability to continue as a going concern, is not currently reasonable.

The Directors 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. 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 has adequate resources at the date of approval of this report. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing its consolidated financial information.

3. Critical accounting policies, estimates and judgements

The following are areas of particular significance to the Group's interim financial information and may include the use of estimates, which is fundamental to the compilation of this financial information. Results may differ from actual amounts.

Critical accounting policies

The following are considered to be the critical accounting policies:

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 information.

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.

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

Estimates

The following are considered to be the key estimates within the financial information:

Employee benefits

The present value of the Group's defined benefit pension obligations depends on a number of actuarial assumptions. The primary assumptions used include the discount rate applicable to scheme liabilities, the long-term rate of inflation and estimates of the mortality applicable to scheme members. Each of the underlying assumptions is set out in more detail in note 8.

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.

Goodwill

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

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

Commercial arrangements

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

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

Judgements

The following are considered to be the key judgements within the financial information:

Non-trading items

Non-trading items have been presented separately throughout the financial information. These are items that management believes require separate disclosure by virtue of their nature in order that the users of the financial information 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”, “International” and “Knighton”. The Grocery segment primarily sells savoury ambient food products and the Sweet Treats segment sells sweet ambient food products. The International and Knighton segments have been aggregated within the Grocery segment for reporting purposes as revenue is below 10 percent of the Group’s total revenue and the segments are considered to have similar characteristics to that of Grocery. This is in accordance with the criteria set out in IFRS 8.

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

The Group uses Trading profit to review overall Group profitability. Trading profit is defined as profit/loss before tax before net finance costs, amortisation of intangible assets, non-trading items, fair value movements on foreign exchange and other derivative contracts and net interest on pensions, administrative expenses and past service costs.

The segment results for the period ended 26 September 2020 and 28 September 2019, and the reconciliation of the segment measures to the respective statutory items included in the financial information, are as follows:

			26 weeks ended 26 Sept 2020
	Grocery	**Sweet Treats**	**Total**
	£m	**£m**	**£m**
Revenue	**316.7**	**104.8**	**421.5**
Divisional contribution	**78.5**	**9.1**	**87.6**
Group and corporate costs			**(21.8)**
Trading profit			**65.8**
Amortisation of intangible assets			**(13.5)**
Fair value movements on foreign exchange and other derivative contracts			**(0.3)**
Reversal of impairment losses on financial assets[1]			**15.7**
Non-trading items:			
Restructuring costs			**(2.6)**
Net interest on pensions and administrative expenses			**0.1**
Operating profit			**65.2**
Finance cost			**(20.1)**
Finance income[2]			**5.4**
Profit before taxation			**50.5**
Depreciation	(5.1)	(4.0)	(9.1)

[1]Remeasurement of the loss allowance against a Loan to Associates.

[2]Finance income includes £4.6m (2019/20: nil) reversal of the impairment of the interest on the Hovis loan note.

			26 weeks ended 28 Sept 2019
	Grocery	Sweet Treats	Total
	£m	£m	£m
Revenue	264.0	102.7	366.7
Divisional contribution	59.3	10.4	69.7
Group and corporate costs			(18.6)
Trading profit			51.1
Amortisation of intangible assets			(14.9)
Fair value movements on foreign exchange and other derivative contracts			1.3
Non-trading items:			
Restructuring costs			(0.7)
Other non-trading			(0.8)
Net interest on pensions and administrative expenses			(0.1)
Operating profit			35.9
Finance cost			(22.0)
Finance income			1.1
Profit before taxation			15.0
Depreciation	(5.4)	(4.0)	(9.4)

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

5. Finance income and costs

	26 weeks ended 26 Sept 2020 £m	26 weeks ended 28 Sept 2019 £m
Interest payable on bank loans and overdrafts	**(2.9)**	(3.3)
Interest payable on senior secured notes	**(13.8)**	(15.5)
Interest payable on revolving facility	**(0.6)**	-
Amortisation of debt issuance costs	**(1.6)**	(1.7)
	(18.9)	(20.5)
Write off of financing costs[1]	**(0.6)**	-
Other interest payable[2]	**(0.6)**	(1.5)
Total finance cost	**(20.1)**	(22.0)
Interest receivable on bank deposits	**0.8**	1.1
Other finance income[3]	**4.6**	-
Total finance income	**5.4**	1.1
Net finance cost	**(14.7)**	(20.9)

[1] Relates to write off of the financing costs for the £80m floating rate note redeemed in June 2020.

[2] Included in other interest payable is £0.5m (2019/20: £0.5m) relating to non-cash interest costs arising following the adoption of IFRS 16 and £0.1m (2019/20: £1.0m) relating to the discount on certain of the Group's long term provisions.

[3] Other finance income of £4.6m (2019/20: £nil) relates to the reversal of the impairment of the interest on the Hovis loan note.

6. Taxation

The taxation charge for the period ended 26 September 2020 of £7.1m (2019/20: £2.7m charge) comprises of a charge on operating activities of £7.0m (2019/20: £2.7m charge) based upon managements best estimate of the effective annual income tax rate expected for the full financial year. In addition, a charge of £0.1m (2019/20: £nil) relating to adjustments to prior years.

7. Earnings per share

Basic earnings per share has been calculated by dividing the profit for the period ended 26 September 2020 attributable to owners of the parent of £43.4m (2019/20: £12.3m profit) by the weighted average number of ordinary shares of the Company.

	26 weeks ended 26 Sept 2020 Number	26 weeks ended 28 Sept 2019 Number
Weighted average number of ordinary shares for the purpose of basic earnings per share (m)	**849.6**	846.1
Effect of dilutive potential ordinary shares (m)	**14.9**	10.9
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**864.5**	857.0

	26 weeks ended 26 Sept 2020			26 weeks ended 28 Sept 2019		
	Basic	**Dilutive effect of share options**	**Diluted**	Basic	Dilutive effect of share options	Diluted
Profit after tax (£m)	**43.4**		**43.4**	12.3		12.3
Weighted average number of shares (m)	**849.6**	**14.9**	**864.5**	846.1	10.9	857.0
Earnings per share (pence)	**5.1**	**(0.1)**	**5.0**	1.5	(0.1)	1.4

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 period market share price of the Company's shares) based on the monetary value of the share awards and the subscription rights attached to the outstanding share options.

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

Adjusted earnings per share ("Adjusted EPS")

Adjusted earnings per share is defined as trading profit less net regular interest payable, 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 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 and performance of the Group.

	26 weeks ended 26 Sept 2020 £m	26 weeks ended 28 Sept 2019 £m
Trading profit	**65.8**	51.1
Less net regular interest	**(18.1)**	(19.4)
Adjusted profit before tax	**47.7**	31.7
Notional tax at 19% (2019/20: 19%)	**(9.1)**	(6.0)
Adjusted profit after tax	**38.6**	25.7
Average shares in issue (m)	**849.6**	846.1
Adjusted EPS (pence)	**4.5**	3.0
Net regular interest		
Net finance cost	**(14.7)**	(20.9)
Exclude write off of financing costs	**0.6**	-
Exclude other interest payable	**0.6**	1.5
Exclude other finance income	**(4.6)**	-
Net regular interest	**(18.1)**	(19.4)

8. Retirement benefit schemes

Defined benefit schemes

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

(a) The Premier schemes, which comprise:

Premier Foods Pension Scheme ("PFPS")
Premier Grocery Products Pension Scheme ("PGPPS")
Premier Grocery Products Ireland Pension Scheme ("PGPIPS")
Chivers 1987 Pension Scheme
Chivers 1987 Supplementary Pension Scheme
Hillsdown Holdings Limited Pension Scheme

(b) The RHM schemes, which comprise:

RHM Pension Scheme
Premier Foods Ireland Pension Scheme

The triennial actuarial valuations of the PFPS, the PGPPS and the RHM pension scheme for 31 March 2019 / 5 April 2019 were concluded in June 2020. Deficit recovery plans were agreed with the Trustees of each of the PFPS and PGPPS. The RHM Pension Scheme was in surplus and no deficit contributions are payable. Actuarial valuations for the schemes based in Ireland were completed during the course of 2017 and 2019.

With effect from 30 June 2020, the assets and liabilities of the Premier Foods and Premier Grocery Products schemes have been merged with the RHM Pension Scheme on a segregated basis managed as three separate sections. 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.

The exchange rates used to translate the overseas euro based schemes are £1.00 = €1.1120 for the average rate during the period, and £1.00 = €1.0914 for the closing position at 26 September 2020.

The disclosures in note 8 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 actuarial assumptions were as follows:

	Premier schemes	RHM schemes
At 26 September 2020		
Discount rate	**1.55%**	**1.55%**
Inflation – RPI	**2.85%**	**2.85%**
Inflation – CPI	**1.85%**	**1.85%**
Expected salary increases	**n/a**	**n/a**
Future pension increases	**2.00%**	**2.00%**
At 28 March 2020		
Discount rate	2.50%	2.50%
Inflation – RPI	2.65%	2.65%
Inflation – CPI	1.65%	1.65%
Expected salary increases	n/a	n/a
Future pension increases	1.90%	1.90%

For the smaller overseas schemes, the discount rate used was 1.00% (2019/20: 1.00%), CPI inflation was 1.20% (2019/20: 0.8%) and future pension increases were 1.15% (2019/20: 0.8%).

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

	Premier schemes	RHM schemes
Life expectancy at 26 September 2020		
Male pensioner, currently aged 65	**87.0**	**85.4**
Female pensioner, currently aged 65	**89.2**	**87.8**
Male non-pensioner, currently aged 45	**87.6**	**86.6**
Female non-pensioner, currently aged 45	**90.2**	**89.3**
Life expectancy at 28 March 2020		
Male pensioner, currently aged 65	87.0	85.4
Female pensioner, currently aged 65	89.2	87.8
Male non-pensioner, currently aged 45	87.6	86.6
Female non-pensioner, currently aged 45	90.2	89.3

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

	Premier schemes	% of total	RHM schemes	% of total	Total	% of total
	£m	%	£m	%	£m	
Assets with a quoted price in an active market at 26 September 2020:						
Government bonds	**-**	**-**	**1,617.9**	**34.9**	**1,617.9**	**29.5**
Cash	**17.8**	**2.1**	**153.3**	**3.3**	**171.1**	**3.1**
Assets without a quoted price in an active market at 26 September 2020:						
UK equities	**0.4**	**0.0**	**0.2**	**0.0**	**0.6**	**0.0**
Global equities	**7.2**	**0.9**	**5.8**	**0.1**	**13.0**	**0.2**
Government bonds	**38.2**	**4.6**	**19.8**	**0.4**	**58.0**	**1.1**
Corporate bonds	**8.3**	**1.0**	**-**	**-**	**8.3**	**0.2**
UK Property	**31.8**	**3.8**	**330.8**	**7.1**	**362.6**	**6.6**
European property	**0.2**	**0.0**	**70.9**	**1.5**	**71.1**	**1.3**
Absolute return products	**347.7**	**41.4**	**860.4**	**18.6**	**1,208.1**	**22.1**
Infrastructure funds	**-**	**-**	**315.5**	**6.8**	**315.5**	**5.8**
Interest rate swaps	**-**	**-**	**537.6**	**11.6**	**537.6**	**9.8**
Inflation swaps	**-**	**-**	**(37.9)**	**(0.8)**	**(37.9)**	**(0.7)**
Private equity	**-**	**-**	**460.7**	**10.0**	**460.7**	**8.4**
LDI	**346.9**	**41.3**	**-**	**-**	**346.9**	**6.3**
Cash	**0.7**	**0.1**	**-**	**-**	**0.7**	**0.0**
Other	**40.2**	**4.8**	**302.3**	**6.5**	**342.5**	**6.3**
Fair value of scheme assets as at 26 September 2020	**839.4**	**100**	**4,637.3**	**100**	**5,476.7**	**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

For assets without a quoted price in an active market fair value is determined with reference to net asset value statements provided by third parties.

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

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

	Premier schemes	RHM schemes	Total
	£m	£m	£m
At 26 September 2020			
Present value of defined benefit obligation	**(1,244.4)**	**(3,715.8)**	**(4,960.2)**
Fair value of plan assets	**839.4**	**4,637.3**	**5,476.7**
(Deficit)/surplus in schemes	**(405.0)**	**921.5**	**516.5**
At 28 March 2020			
Present value of defined benefit obligation	(1,049.6)	(3,240.0)	(4,289.6)
Fair value of plan assets	774.7	4,745.3	5,520.0
(Deficit)/surplus in schemes	(274.9)	1,505.3	1,230.4

The aggregate surplus of £1,230.4m has decreased to a surplus of £516.5m during the period ended 26 September 2020. The decrease of £713.9m (52 weeks ended 28 March 2020: £857.3m increase) is primarily due to the change in financial assumptions driving an actuarial loss which increased liabilities.

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

	Premier schemes	RHM schemes	Total
	£m	£m	£m
Defined benefit obligation at 30 March 2019	(1,171.8)	(3,495.8)	(4,667.6)
Recognition of Hillsdown Holdings Limited 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	**(12.7)**	**(32.1)**	**(44.8)**
Settlement	**-**	**57.8**	**57.8**
Remeasurement losses	**(200.0)**	**(572.5)**	**(772.5)**
Exchange differences	**(1.1)**	**(0.6)**	**(1.7)**
Benefits paid	**19.0**	**71.6**	**90.6**
Defined benefit obligation at 26 September 2020	**(1,244.4)**	**(3,715.8)**	**(4,960.2)**

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

	Premier schemes £m	RHM schemes £m	Total £m
Fair value of plan assets at 30 March 2019	707.1	4,333.6	5,040.7
Recognition of Hillsdown Holdings Limited Pension Scheme	0.5	-	0.5
Interest income on plan assets	16.7	103.7	120.4
Remeasurement gains	49.3	496.2	545.5
Administrative costs	(5.6)	(4.6)	(10.2)
Settlement	(1.0)	(39.7)	(40.7)
Contributions by employer	43.3	1.4	44.7
Exchange differences	2.4	1.4	3.8
Benefits paid	(38.0)	(146.7)	(184.7)
Fair value of plan assets at 28 March 2020	**774.7**	**4,745.3**	**5,520.0**
Interest income on plan assets	**9.3**	**44.8**	**54.1**
Settlement	**-**	**(61.1)**	**(61.1)**
Remeasurement gains / (losses)	**51.5**	**(19.4)**	**32.1**
Administrative costs	**(3.5)**	**(2.4)**	**(5.9)**
Contributions by employer	**25.2**	**1.1**	**26.3**
Exchange differences	**1.2**	**0.6**	**1.8**
Benefits paid	**(19.0)**	**(71.6)**	**(90.6)**
Fair value of plan assets at 26 September 2020	**839.4**	**4,637.3**	**5,476.7**

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

	Premier schemes £m	RHM schemes £m	Total £m
(Deficit)/surplus in schemes at 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	**(6.9)**	**7.0**	**0.1**
Remeasurements recognised in other comprehensive income	**(148.5)**	**(591.9)**	**(740.4)**
Contributions by employer	**25.2**	**1.1**	**26.3**
Exchange differences recognised in other comprehensive income	**0.1**	**-**	**0.1**
(Deficit)/surplus in schemes at 26 September 2020	**(405.0)**	**921.5**	**516.5**

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

	Premier schemes	RHM schemes	Total
	£m	£m	£m
26 weeks ended 26 September 2020			
Operating profit			
Settlement cost	**-**	**(3.3)**	**(3.3)**
Administrative costs	**(3.5)**	**(2.4)**	**(5.9)**
Net interest (cost)/credit	**(3.4)**	**12.7**	**9.3**
Total (cost)/credit	**(6.9)**	**7.0**	**0.1**
26 weeks ended 28 September 2019			
Operating profit			
Settlement cost	**(0.1)**	**-**	**(0.1)**
Administrative costs	**(2.7)**	**(2.1)**	**(4.8)**
Net interest (cost)/credit	**(5.4)**	**10.2**	**4.8**
Total (cost)/credit	**(8.2)**	**8.1**	**(0.1)**
52 weeks ended 28 March 2020			
Operating profit			
Settlement cost	**(0.1)**	**(3.6)**	**(3.7)**
Administrative costs	**(5.6)**	**(4.6)**	**(10.2)**
Net interest (cost)/credit	**(11.1)**	**20.4**	**9.3**
Total (cost)/credit	**(16.8)**	**12.2**	**(4.6)**

9. Bank and other borrowings

	As at 26 Sept 2020 £m	As at 28 Mar 2020 £m
Current:		
Secured senior credit facility - revolving	**-**	(85.0)
Lease liabilities	**(2.4)**	(2.5)
Total borrowings due within one year	**(2.4)**	(87.5)
Non-current:		
Lease liabilities	**(17.9)**	(19.0)
	(17.9)	(19.0)
Transaction costs[1]	**6.8**	9.0
	6.8	9.0
Senior secured notes	**(430.0)**	(510.0)
	(423.2)	(501.0)
Total borrowings due after more than one year	**(441.1)**	(520.0)
Total bank and other borrowings	**(443.5)**	(607.5)

[1]Included in transaction costs is £3.5m (2019/20: £4.2m) relating to the revolving credit facility.

Revolving credit facility

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.

Senior secured notes

The senior secured notes are listed on the Irish GEM Stock Exchange. The notes totalling £430m 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 £130m matures in July 2022 and attracts an interest rate of 5.00% above LIBOR.

The covenant package attached to the revolving credit facility is:

	Net debt / EBITDA[1]	Net debt / Interest[1]
2020/21 FY	4.25x	2.85x
2021/22 FY	4.00x	2.90x

[1]Net debt, EBITDA and Interest are as defined under the revolving credit facility.

10. Financial instruments

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

	As at 26 Sept 2020		As at 28 Mar 2020	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£m	**£m**	£m	£m
Loans and receivables:				
Cash and cash equivalents	**40.4**	**40.4**	177.9	177.9
Financial assets at amortised cost:				
Trade and other receivables	**58.0**	**58.0**	61.4	61.4
Loans to associate[1]	**20.3**	**20.3**	-	-
Financial assets at fair value through profit or loss:				
Trade and other receivables	**3.0**	**2.9**	2.9	2.8
Derivative financial instruments				
– Forward foreign currency exchange contracts	**0.7**	**0.7**	0.9	0.9
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
– Commodity and energy derivatives	**(0.9)**	**(0.9)**	(0.8)	(0.8)
Financial liabilities at amortised cost:				
Trade and other payables	**(275.2)**	**(275.2)**	(244.8)	(244.8)
Senior secured notes	**(430.0)**	**(436.5)**	(510.0)	(459.4)
Senior secured credit facility – revolving	**-**	**-**	(85.0)	(85.0)

[1]Remeasurement of the loss allowance against a Loan to Associates.

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 26 Sept 2020		As at 28 Mar 2020	
	Level 1	**Level 2**	Level 1	Level 2
	£m	**£m**	£m	£m
Financial assets at amortised cost:				
Loans to associate[1]	**-**	**20.3**	-	-
Financial assets at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	**-**	**0.7**	-	0.9
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
– Commodity and energy derivatives	**-**	**(0.9)**	-	(0.8)
Financial liabilities at amortised cost:				
Senior secured notes	**(436.5)**	**-**	(459.4)	-

[1]Remeasurement of the loss allowance against a Loan to Associates.

The fair value of trade and other receivables and trade and other payables is considered to be equal to the carrying amount of these items due to their short-term nature.

Calculation of fair values

The fair values of the financial assets and liabilities are defined as 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. Methods and assumptions used to estimate the fair values are consistent with those used in the 52 weeks ended 28 March 2020.

11. Provisions for liabilities and charges

	As at 26 Sept 2020 £m	As at 28 Mar 2020 £m
Within one year	**(6.8)**	(6.4)
Between two and five years	**(2.5)**	(1.8)
After 5 years	**(6.7)**	(7.8)
Total	**(16.0)**	(16.0)

Total provisions for liabilities and charges of £16.0m at 26 September 2020 (28 March 2020: £16.0m) comprise primarily provisions for site costs, dilapidations and environmental liabilities related to lease hold properties and provisions for insurance and legal matters.

12. Notes to the cash flow statement

Reconciliation of profit before taxation to cash flows from operating activities

	26 weeks ended 26 Sept 2020 £m	26 weeks ended 28 Sept 2019 £m
Profit before taxation	**50.5**	15.0
Net finance cost	**14.7**	20.9
Operating profit	**65.2**	35.9
Depreciation of property, plant and equipment	**9.1**	9.4
Amortisation of intangible assets	**13.5**	14.9
Loss on disposal of property, plant and equipment	**0.3**	0.2
Reversal of impairment losses on financial assets	**(15.7)**	-
Fair value movements on financial instruments	**0.3**	(1.3)
Equity settled employee incentive schemes	**1.0**	1.0
Increase in inventories	**(27.3)**	(13.2)
Decrease/(increase) in trade and other receivables	**2.4**	(1.5)
Increase in trade and other payables and provisions	**30.2**	4.8
Movement in retirement benefit obligations	**(26.4)**	(24.3)
Cash generated from operations	**52.6**	25.9

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 26 Sept 2020 £m**
Cash and bank deposits	177.9	(137.5)	-	-	**40.4**
Net cash and cash equivalents	177.9	(137.5)	-	-	**40.4**
Borrowings - revolving credit facilities	(85.0)	85.0	-	-	**-**
Borrowings - senior secured notes	(510.0)	80.0	-	-	**(430.0)**
Lease liabilities	(21.5)	1.1	(0.5)	0.6	**(20.3)**
Gross borrowings net of cash[1]	(438.6)	28.6	(0.5)	0.6	**(409.9)**
Debt issuance costs	9.0	-	-	(2.2)	**6.8**
Total net borrowings[1]	(429.6)	28.6	(0.5)	(1.6)	**(403.1)**
Total net borrowings excluding lease liabilities[1]	(408.1)	27.5	-	(2.2)	**(382.8)**

[1]Borrowings excludes derivative financial instruments.

13. 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 26 September 2020 of £9.3m (2019/20: £6.7m).

14. Contingencies

There were no material contingent liabilities as at 26 September 2020 and 28 March 2020.

15. Related party transactions

The Group's related party transactions and relationships for the 52 weeks ended 28 March 2020 were disclosed on page 133-134 of the annual report and accounts for the financial period ended 28 March 2020.

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

	26 weeks ended 26 Sept 2020 £m	26 weeks ended 28 Sept 2019 £m
Sale of services:		
- Hovis	**0.4**	0.4
Total sales	**0.4**	0.4
Purchase of goods:		
- Nissin	**8.4**	4.9
Total purchases	**8.4**	4.9

As at 26 September 2020 the following are also considered to be related parties under the Listing Rules due to their shareholdings exceeding 10% of the Group's total issued share capital:

- Nissin Foods Holding Co., Ltd. ('Nissin') is considered to be a related party by virtue of its 19.30% (2019/20: 19.39%) equity shareholding in Premier Foods plc and its power to appoint a member to the Board of directors. There have been recharges of £0.1m (2019/20: £0.1m) in the period.

- Oasis Management Company Ltd ("Oasis") is considered to be a related party to the Group by virtue of its 10.03% (2019/20: 11.94%) equity shareholding in Premier Foods plc, its 0.40% interest through a total return swap, and its power to appoint a member to the Board of directors.

- Paulson Investment Company LLC, ("Paulson") is considered to be a related party to the Group by virtue of its 6.25% (2019/20: 11.93%) equity shareholding in Premier Foods plc, its 3.98% interest through a total return swap and its power to appoint a member to the Board of directors.

16. Subsequent events

On 6 October 2020 the Group notified of its intention to redeem £40 million of the £130 million outstanding floating rate senior secured note, which is listed on the Irish GEM Stock Exchange. The intended redemption date is 1 December 2020.

On 5 November 2020, the Group completed the sale of its 49% equity interest in Hovis Holdings Limited to Endless LLP. As part of the sale, the group has received a total consideration of £37.3m, of which £17.0m was in respect of equity and £20.3m reflected the settlement of the outstanding loan to associate.