18 May 2023

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

Preliminary results for the 52 weeks ended 1 April 2023

Another strong year; Adjusted PBT up 13.0%, and further pensions progress

Headline results (£m)	FY22/23	FY21/22	% change
Revenue	1,006.4	900.5	11.8%
Trading profit[1]	157.5	141.2	11.5%
Adjusted profit before taxation[4]	137.2	121.4	13.0%
Adjusted earnings per share[7] (pence)	12.9	11.5	12.7%
Net debt[11]/Adjusted EBITDA[3]	1.5x	1.7x	

Statutory measures (£m)	FY22/23	FY21/22	% change
Profit before taxation	112.4	102.6	9.6%
Profit after taxation	91.6	77.5	18.2%
Basic earnings per share (pence)	10.6	9.0	17.8%
Dividend per share (pence)	1.44	1.2	20.0%
Net debt[11]	274.3	285.0	3.8% lower

Alternative performance measures above are defined on pages 12-13 and reconciled to statutory measures throughout.
Headline results presented for FY22/23 include ownership of '*The Spice Tailor*'.
Trading profit is stated including software amortisation; FY21/22 comparative is re-stated accordingly.
Reconciliations for Revenue and Trading profit showing impact of the financial performance of *The Spice Tailor* during period of ownership and the Trading profit definition update are provided in the appendices.

Headlines

- Full year Branded revenue up +9.1%; Q4 branded revenue up +15.9%
- Total Grocery revenue up +15.3%, Sweet Treats revenue up +2.7%
- Grocery market share[13] increased +64bps compared to prior year
- Trading profit +11.5%, ahead of upgraded guidance
- Trading profit margins in line with last year as input cost inflation offset by cost savings and increased pricing
- International revenue growth up +10%[8] with record market share for *Mr Kipling* in Australia
- New categories revenue increased +33% led by early success with *Ambrosia* porridge pots
- Accelerated revenue growth of *The Spice Tailor* post acquisition; 12 month revenue +25%
- Pensions cash contributions NPV reduced by c.50% to c.£125m and cash costs reduced by £6m from FY23/24
- FY23/24 expectations for another good year unchanged

Alex Whitehouse, Chief Executive Officer

"Once again, the business has delivered a year of strong performance in a challenging environment with Group Revenue increasing by 11.8%. Our brands grew strongly, up 9.1%, underpinned by our branded growth model and supported by higher pricing. Trading profit increased by 11.5%, maintaining margins versus a year ago, as we successfully offset exceptionally high input cost inflation through a combination of cost efficiencies and pricing."

"Additionally, we continued to make very good progress against all our strategic objectives; our brands in the UK grew by 7.5%[14], with the Grocery brands further increasing market share; revenues from new categories this year increased by 33% and we achieved a record market share for Mr Kipling in Australia. We made our first acquisition in 15 years, The Spice Tailor brand, which is already delivering accelerated sales growth as we apply our proven branded growth model. Even after this transaction, we reduced Net debt by over £10m, lowering Net debt/adjusted EBITDA to 1.5x, in line with our medium-term target. With a much stronger balance sheet, we are pleased to propose an increase in the dividend of 20% again this year. Additionally, we have today announced a further 50% reduction in the net present value of our pension contributions and a reduction in annual cash contributions of £6m."

"We know that consumer budgets remain under pressure in the current environment and our broad portfolio of brands continue to provide great options to prepare and eat good value, delicious meals at home. We are continuing to see consumers looking for convenient, affordable and tasty meal solutions and Batchelors and Nissin were two of our best branded performers in the year which benefitted from this trend. Batchelors, well known for its tasty Super Noodles, has now become our largest Grocery brand, increasing revenues by over 20% this year."

"We will continue to pursue vigorously our five pillar growth strategy and with our positive momentum, including a good start to Q1, we are well placed to make further progress this year, and our expectations remain unchanged."

Environmental, Social and Governance (ESG)

The Group continues to make strong progress against its 'Enriching Life Plan' which is articulated through the three key strategic pillars of Product, Planet and People. The Group has set out a series of major sustainability targets under each pillar which can be found on the Company's website.

Under the product pillar, sales of plant-based products such as *Plantastic* cooking sauces, protein pots and Millionaire Flapjacks increased by 34% in the year. In terms of packaging, the percentage of finished goods which are recyclable across the Group have now reached 96%. Progress in the planet workstreams includes receipt of validation of emissions targets from the SBTi[18] coalition, while the Group has also reduced food waste (as measured by Champions 12.3[19]) by 11% in the year. In the people pillar, the Company agreed a new corporate charity partnership with FareShare in the year and launched a colleague volunteering scheme. Additionally, 47% of management roles are now held by female colleagues.

Dividend

Subject to shareholder approval, the directors have proposed a final dividend of 1.44 pence in respect of the 52 weeks ended 1 April 2023 (FY21/22: 1.2p), payable on 28 July 2023 to shareholders on the register at the close of business on 30 June 2023. The shares will go ex-dividend on 29 June 2023. This represents a 20% increase in the dividend paid per share compared to FY21/22, is ahead of adjusted earnings per share growth and is consistent with Board's approach of proposing a progressive dividend to shareholders.

Outlook

The Group delivered a strong financial performance in FY22/23, demonstrated by clear progress across all the elements of its five pillar strategy. Looking ahead to the coming year, the Group has strong plans in place for product innovation, further consumer marketing and increased capital investment. Additionally, it expects to build on the initial success in new categories, deliver further progress Internationally and continue to explore M&A opportunities. With continued positive momentum and a good start to Quarter one, the Group is well placed to make further progress this year, with expectations unchanged.

Strategy overview

The Group's five pillar strategy drives growth and creates value, as outlined below.

1. **Continue to grow the UK core business**
   We have a well established and growing UK business which provides the basis for further expansion. The UK's branded growth model is at the heart of what we do and is core to our success. Leveraging our leading category positions, we launch new products to market driven by consumer trends, support our brands with sustained levels of marketing investment and foster strong customer and retailer partnerships.
   Proof point: Three-year average growth rate for UK branded revenue of 5.3%[14].

2. **Supply chain investment**
   We invest in operational infrastructure to increase efficiency and productivity across our manufacturing and logistics operations, providing a virtuous cycle for brand investment. Capital investment in our sites also facilitates growth through our innovation strategy and enhances the safety and working conditions of our colleagues.
   Proof point: New case packer and auto-palletiser in Stoke and Carlton sites.

3. **Expand UK business into new categories**
   We leverage the strength of our brands, using our proven branded growth model to launch products in adjacent, new food categories.
   Proof point: Revenue growth of products in new categories increased by 33% compared to the prior year.

4. **Build international businesses with critical mass**
   We are building sustainable business units with critical mass overseas, applying our brand building capabilities to deliver growth in our target markets of Republic of Ireland, Australia & New Zealand, North America and Europe. Our primary brands to drive this expansion are *Mr Kipling*, *Sharwood's* and *The Spice Tailor*.
   Proof point: Revenue growth of 10%[8] in the year.

5. Inorganic opportunities
We will utilise our brand building and commercial expertise to expand across a wider portfolio, accelerating value creation through targeted acquisition opportunities and applying our branded growth model.
Proof point: Completed The Spice Tailor acquisition in the year, accelerating 12 month revenue growth to 25%.

Further information

A presentation to investors and analysts will be webcast live today at 9:00am BST.
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, 18 May 2023, at 1:30pm BST. Dial in details are outlined below:

Telephone:	0800 358 1035 (UK toll free)
	+44 20 3936 2999 (standard international access)
Access code:	795867

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

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

Further information on the 'Best Restaurant in Town' can be found at:
www.bestrestaurantintown.co.uk/

As one of Britain's largest food producers, we're passionate about food and believe each and every day we have the opportunity to enrich life for everyone. Premier Foods employs over 4,000 people operating from 15 sites across the country, supplying a range of retail, wholesale, foodservice and other customers with our iconic brands which feature in millions of homes every day.

Through some of the nation's best-loved brands, including *Ambrosia, Batchelors, Bisto, Loyd Grossman, Mr Kipling, Ox*o and *Sharwood's*, we're creating great tasting products that contribute to healthy and balanced diets, while committing to nurturing our people and our local communities, and going further in the pursuit of a healthier planet, in line with our Purpose of 'Enriching Life Through Food'.

Contacts:

Institutional investors and analysts:
Duncan Leggett, Chief Financial Officer
Richard Godden, Director of Investor Relations
Investor.relations@premierfoods.co.uk

Media enquiries:
Sarah Henderson, Director of Communications

Headland

Ed Young	+44 (0) 7884 666830
Jack Gault	+44 (0) 7799 089357

- Ends –

Financial results

Overview

£m	FY22/23	FY21/22	% change
Branded revenue	844.2	774.1	9.1%
Non-branded revenue	162.2	126.4	28.3%
Group revenue	**1,006.4**	**900.5**	**11.8%**
Divisional contribution[2]	216.2	193.6	11.7%
Divisional contribution margin	*21.5%*	*21.5%*	*0.0ppts*
Trading profit[1]	**157.5**	**141.2**	**11.5%**
Trading profit margin	*15.7%*	*15.7%*	*0.0ppt*
Adjusted EBITDA[3]	182.3	160.4	13.7%
Adjusted profit before tax[4]	137.2	121.4	13.0%
Adjusted earnings per share[7] (pence)	12.9	11.5	12.7%
Basic earnings per share (pence)	10.6	9.0	16.7%

The table above is presented including the impact of The Spice Tailor acquisition. A reconciliation excluding The Spice Tailor is included in the appendices.

Group revenue increased by 11.8% in the year, with branded revenue up 9.1% and non-branded revenue 28.3% higher. Revenue growth of 6.6% in the first half of the year accelerated to 15.8% in H2. Divisional contribution grew by 11.7% to £216.2m, with margins in line with the prior year and Trading profit increased by 11.5% to £157.5m. Group and corporate costs rose in the year, reflecting wage and salary inflation, additional strategic roles and a provision release in the prior year. The Company also paid one-off cost of living payments to colleagues and awarded a bonus to all colleagues in the year. Trading profit also included other income of £3.8m reflecting a receipt following a temporary interruption at a manufacturing site, in compensation for equivalent revenue and cost of sales impact presented within Gross profit. Adjusted profit before tax and adjusted earnings per share increased by 13.0% and 12.7% respectively. Basic earnings per share for FY22/23 increased by 17.8% to 10.6p. The results above include seven month's ownership of *The Spice Tailor*.

Trading performance

Grocery

£m	FY22/23	FY21/22	% change
Branded revenue	635.3	560.1	13.4%
Non-branded revenue	111.5	87.6	27.3%
Total revenue	**746.8**	**647.7**	**15.3%**
Divisional contribution[2]	189.2	160.2	18.1%
Divisional contribution margin	*25.3%*	*24.7%*	*+0.6ppts*

The table above is presented including the impact of The Spice Tailor acquisition. A reconciliation excluding The Spice Tailor is included in the appendices.

Grocery revenue increased by 15.3% in the year to £746.8m and Branded revenue grew by 13.4% to £635.3m. Non-branded revenue increased by £23.9m to £111.5m. Divisional contribution was 18.1% higher at £189.2m and consequently, divisional contribution margins increased by 60 basis points.

In the fourth quarter, Grocery revenue increased by 24.7%, with very strong growth in both branded and non-branded revenue, reflecting pricing and benefits of the branded growth model across the portfolio. Market share[13] grew by 64 basis points across the year, illustrating the strength and resilience of the Group's portfolio as consumers budgets came under pressure. Non-branded revenue grew due to pricing benefits in retailer branded product categories and recovery in out of home sales compared to the prior year.

The Group's branded growth model leverages the strength of its market leading brands, launching insightful new products, supporting the brands with emotionally engaging advertising and building strategic retail partnerships. During the year, the Group expanded investment in its 'Best Restaurant in Town' campaign, which highlights great value meal ideas across the Grocery portfolio. This strategy has driven 5.3% compound annual branded revenue growth for the combined UK Grocery and Sweet Treats businesses over the last three years (this excludes revenue related to *The Spice Tailor*).

Revenue growth of *Batchelors* and *Nissin* noodles ranges were particularly strong in the year, as consumers sought convenient, tasty and affordable meal solutions across the respective product ranges. Consequently, *Batchelors* is now the Group's largest Grocery brand by revenue. New product development, driven by key consumer trends included *Sharwood's* East Asian cooking sauces, *Batchelors* pasta 'n' sauce chef specials, *Ambrosia* Deluxe custard pots and *Plantastic* cooking sauces and protein pots.

Strong, collaborative partnerships with customers is another key element of the Group's branded growth model. *Ambrosia* and *Angel Delight* teamed up with the Minions to deliver great instore activity in conjunction with on pack offers to win cinema tickets. Additionally, *Batchelors* continued to partner with the DC Warner Brothers Superhero franchise to offer consumers the opportunity to win prizes. These are both pertinent examples of driving volume uplifts with retail customers leveraging the strength of the Group's brands and the respective franchise partners.

Another of the Group's growth strategies is to leverage its strong brand equities to expand into adjacent categories. Revenues from products launched in new categories increased by 33% in the year and was led by a particularly good performance from *Ambrosia* porridge pots. This product benefits from being ready to eat with the distinctive creamy texture characteristic of *Ambrosia.* The 'on the go' porridge pot market is a high growth category, and *Ambrosia* porridge succeeded in gaining over 10% value share in certain major retailers.

The Group acquired *The Spice Tailor* brand in the year. Complementing the *Sharwood's* and *Loyd Grossman* brands in the cooking sauces and accompaniments category, *The Spice Tailor* grew revenue by 25% on a 12 month pro forma basis, to £17m in FY22/23, in line with expectations and ahead of its historical growth rate.

New product development for FY23/24 include *Loyd Grossman* stir in sauces, *Sharwood's* lower fat curry pastes and *Batchelors* cook with noodles.

Sweet Treats

£m	FY22/23	FY21/22	% change
Branded revenue	208.9	214.0	(2.4%)
Non-branded revenue	50.7	38.8	30.5%
Total revenue	**259.6**	**252.8**	**2.7%**
Divisional contribution[2]	27.0	33.4	(19.2%)
Divisional contribution margin	*10.4%*	*13.2%*	*(2.8ppt)*

Revenue in the Sweet Treats business grew by 2.7% in the year. Branded revenue was £208.9m, (2.4%) lower than the prior year, while non-branded revenue increased by 30.5% to £50.7m. The particularly strong growth in non-branded revenue of 30.5% was due to pricing benefits of existing ranges and contract wins in pies and tarts and seasonal ranges. In the fourth quarter, overall revenue growth was similar to the full year, with revenue growing by 2.9%. Branded revenue showed an improving trend compared to the third quarter and Non-branded grew by over 60% versus the prior year.

Divisional contribution was £27.0m in the year, £6.4m lower than FY21/22. While divisional contribution margins of 10.4% were 2.8 percentage points lower than the prior year, they were 1.1 percentage points higher than two years ago. Revenue growth reflected pricing to help recover input cost inflation, partly offset by lower volumes due to lower promotional activity, especially in the first half of the year and some price elasticity effects which we expect to recover over the coming months. In the second half, Sweet Treats was also affected by some unscheduled maintenance of a *Cadbury* cake plant line which impacted Divisional contribution in the year.

The *Mr Kipling* brand launched a new, non-HFSS (non-high fat, salt & sugar) cake range called 'Deliciously Good' in the year, which received a good response from consumers. This new range is a clear demonstration of how the Group is delivering against the Group's 'Enriching Life Plan' ESG strategy and offers consumers further options to support healthier lifestyles. The product range is made with 30% less sugar and lower fat and benefits from a higher content of fibre and fruit compared with the standard *Mr Kipling* range. These cakes are the only full range which can be promoted on end of aisles and at front of store in large supermarkets, under new legislation. Other new product development launched in the year included *Mr Kipling* Signature brownie bites and *Plantastic* Millionaire Flapjacks.

Mr Kipling also benefitted from a fresh new TV campaign for *Mr Kipling*, the 'Piano' advert, continuing the strategy under the brand growth model of building emotional connections with consumers. Looking ahead to next year, product innovation to be launched to market includes *Mr Kipling* Deliciously Good loaf cakes and *Cadbury* Mini rolls in mint and orange flavours.

International

Revenue overseas (on a constant currency basis and excluding *The Spice Tailor*) increased by 10%[8] compared to the prior year. On a reported basis and including *The Spice Tailor*, revenue growth was 19%. This progress was broad based across the Group's target markets of Australia, Canada, Europe, Ireland and the USA. The key focus brands which the Group considers possess the greatest potential for long-term international growth, are *Sharwood's*, *Mr Kipling* and *The Spice Tailor*. In FY22/23, *Sharwood's* and *Mr Kipling* grew by 30% and 11% respectively.

The Group's strategy of building sustainable businesses in its target markets is progressing well. In Australia, the *Mr Kipling* and *Cadbury cake* brands have collectively delivered the Group's highest ever share of the cake market in the year and reached 15.6% on a full year basis, extending leadership of the cake category. Additionally, and following the acquisition of *The Spice Tailor,* the reach in the Australian ethnic cooking sauces market is significantly enhanced, and presents further opportunity for growth.

The *Mr Kipling* test in the USA concluded successfully with encouraging rate of sale KPIs; wider rollout to additional retailers has now commenced and is expected to build during FY23/24. *Sharwood's* also grew sales strongly in the US throughout the year. In Canada, revenue more than doubled in the year following the listing of 30 new product lines of *Sharwood's* in a leading North American retailer. This was followed up by listings of *The Spice Tailor* in the same retailer shortly after acquisition, while *Mr Kipling* cake also delivered good sales growth in the year.

Sales in Ireland were, like the UK, broad based and *Nissin* noodles sales more than doubled. Europe continues to deliver distribution gains for *Sharwood's*, entering the Netherlands for the first time and expanding presence in Spain and Germany.

Operating profit

Operating profit grew by £1.1m to £132.2m in the year. Trading profit increased to £157.5m, as described above. Brand amortisation was £20.7m in the year and movement in the fair valuation of foreign exchange and derivative contracts was a charge of £1.8m. Net interest on pensions and administrative expenses was a credit of £17.7m (FY21/22: £4.2m), reflecting c.£26m due to an interest credit on the opening combined surplus of the pension scheme, partly offset by approximately £8m of administrative expenses. Following the decision to close the Group's Knighton manufacturing site, restructuring costs of £7.6m were incurred in addition to an impairment charge of £3.6m. Total restructuring costs taken in the year were £11.1m which included some additional supply chain restructuring. Other non-trading items were £5.8m, predominantly reflecting M&A advisory costs and other one-off supply chain charges. Other non-trading income of £1.5m in the prior period primarily related to the successful resolution of a legacy legal matter.

Finance costs

Net finance cost was £19.8m in the year, a reduction of £8.7m compared to the prior year. This was primarily due to the accelerated amortisation of debt issuance costs (£4.3m) and the early redemption of the Group's now retired £300m 2023 dated Fixed Rate Notes (£4.7m) in FY21/22. Net regular interest[5] was £20.3m, £0.5m higher than last year. This increase was due to a higher SONIA rate applicable to the Group's revolving credit and debtors securitisation facilities, partly offset by the full year effect of lower Senior secured notes interest charges following issuance of the Group's 3.5% 2026 Fixed Rate Notes.

Taxation

The taxation charge for the year of £20.8m (2021/22: £25.1m) comprised a charge on operating activities of £21.4m (2021/22: £19.5m) and adjustments to remeasure the opening deferred tax balances, the latter due to the change in UK corporation tax from 19% to 25%, effective 1 April 2023. The Group currently retains brought forward losses which it can utilise to offset against future tax liabilities and has now recommenced paying cash tax.

Earnings per share

£m	FY22/23	FY21/22	% change
Operating profit	132.2	131.1	0.8%
Net finance cost	(19.8)	(28.5)	30.5%
Profit before taxation	**112.4**	**102.6**	**9.6%**
Taxation	(20.8)	(25.1)	17.1%
Profit after taxation	91.6	77.5	18.2%
Average shares in issue (million)	861.2	858.8	0.3%
Basic Earnings per share (pence)	**10.6**	**9.0**	**17.8%**

The Group reported profit before tax of £112.4m in the year, a 9.6% increase on FY21/22. Profit after tax increased by £14.1m to £91.6m and basic earnings per share increased by 17.8% to 10.6 pence.

Cash flow

Net debt as at 1 April 2023 was £274.3m, a reduction of £10.7m compared to the prior year. An inflow of cash and cash equivalents was £9.1m and movement in lease liabilities of £2.8m was partly offset by a £1.2m movement in debt issuance costs. The reduction in Net debt was after paying consideration of £43.8m to acquire *The Spice Tailor*.

Trading profit was £157.5m, as described above, while depreciation and software amortisation was £24.8m. A £24.8m outflow of working capital was due to higher stock reflecting inflation of both raw materials and finished goods, with an associated impact on debtors. Pension deficit contribution payments of £37.5m and administration cash were £7.6m, totalling £45.1m cash outflow to the schemes.

On a statutory basis, cash generated from operating activities was £87.2m (2021/22: £90.1m) after deducting net interest paid of £19.6m (FY21/22: £20.8m) reflecting a lower coupon on the Group's Fixed Rate Notes, partly offset by higher SONIA rates on the Group's unutilised RCF and debtors securitisation facilities. The Group paid Tax of £1.5m (2021/22: Nil).

Cash used in investing activities was £63.8m (FY21/22: £23.2m) and included acquisition consideration of The Spice Tailor as described above and capital expenditure of £20.0m (FY21/22: £23.2m). In FY23/24, the Group expects to increase its capital investment, as it looks to accelerate investment across the supply chain and transfer some manufacturing capability from the Knighton site to Ashford, Kent and Carlton, South Yorkshire. Such investment includes both growth projects supporting the Group's innovation strategy and cost release projects to deliver efficiency savings. The strategy of investing in supply chain infrastructure represents a virtuous cycle to provide the fuel for the Group's branded growth model. Projects completed in the year include automation solutions at some of the Group's cake manufacturing sites; at the Stoke site an end of line auto case packer and triple head depositor were installed and Carlton invested in an end of line auto case packer.

Cash used in financing activities was £14.3m in the year (FY21/22: £13.7m) which included a £10.3m dividend payment to shareholders. A dividend match payment to the Group's pension schemes of £2.7m was also made in the year.

The Group's Net debt/adjusted EBITDA ratio at 1 April 2023 was 1.5x, a reduction of 0.2x compared to the prior year position and in line with the medium-term target. As at 1 April 2023, the Group held cash and bank deposits of £63.4m and its £175m revolving credit facility was undrawn.

Pensions

IAS 19 Accounting Valuation (£m)	1 April 2023			2 April 2022		
	RHM	Premier Foods	Combined	RHM	Premier Foods	Combined
Assets	3,240.2	552.6	3,792.8	4,273.7	826.3	5,100.0
Liabilities	(2,291.9)	(735.4)	(3,027.3)	(3,134.9)	(1,020.2)	(4,155.1)
Surplus/(Deficit)	**948.3**	**(182.8)**	**765.5**	**1,138.8**	**(193.9)**	**944.9**
Net of deferred tax (25%)	711.2	(137.1)	574.1	854.1	(145.4)	708.7

The Group's pension scheme had a combined surplus of £765.5m at 1 April 2023, a reduction of £179.4m compared to the prior year. This is equivalent to a surplus of £574.1m net of a deferred tax charge of 25.0%. Asset values and liabilities fell in both sections of the schemes due to the hedging in place. The movement in liabilities was impacted by the increase in discount rate, from 2.75% to 4.80%, reflecting recent rises in UK corporate bond yields. Asset values were lower across a number of asset classes, notably in absolute return products and credit funds.

A deferred tax rate of 25.0% 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.

Assets in the combined schemes decreased by £1,307.2m, or by 25.6%, to £3,792.8m in the period. RHM scheme assets reduced by £1,033.5m to £3,240.2m while the Premier Foods' schemes assets decreased by £273.7m to £552.6m. In the combined schemes, liabilities decreased by £1,127.8m, or 27.1%, to £3,027.3m. The RPI inflation rate assumption used decreased by thirty basis points to 3.3%, compared to 3.6% as at 2 April 2022.

The pension Trustee manages impacts from market volatility efficiently and there were no issues encountered by the scheme as a result of LDI asset collateral calls due to volatility in financial markets during FY22/23.

Pensions – Triennial actuarial valuation

As at 31 March 2022, the Group's pension scheme was valued at a combined surplus of £297m on a technical provisions basis. Within this, was an RHM section surplus of £665m and a Premier Foods section deficit of £368m. This represents an improvement of approximately £511m compared to the previous technical provisions basis at 31 March 2019, when the combined valuation was a deficit of £214m.

Following this valuation, the Company and Trustees of the schemes have agreed to reduce the annual deficit contribution payments by £5m per annum to £33m until FY25/26. Additionally, administrative expenses (including the UK Government PPF levy) have reduced from the Group's guidance of £6-8m per annum to £6m. Consequently, and in addition to an increase in the Group's post-tax weighted average cost of capital to 9.1% (FY21/22: 7.4%), the net present value of future pension contributions to the end of the respective recovery periods has reduced by approximately 50%, from £240-260m[15] to approximately £125m[15]. This includes the benefit of a c.£100m surplus from the RHM section on a buyout valuation basis.

Capital allocation

The Group is a highly cash generative business and has substantially reduced its interest costs in recent years. Today, the allocation of capital is split across pension contributions, capital investment and dividends. Additionally, the Group continues to explore M&A opportunities. In the medium term, pensions contributions are expected to reduce further, freeing up more cash to spend on capital investment, M&A and dividends.

Principal risks and uncertainties

Strong risk management is key to delivery of the Group's strategic objectives. It has an established risk management process, the Executive Leadership Team performing a formal robust assessment of the principal risks bi-annually which is reviewed by the Board and Audit Committee. Risks are monitored at a segment and functional level throughout the year considering both internal and external factors. The Group's principal risks and uncertainties will be disclosed in the annual report and accounts for the financial period ended 1 April 2023. The major strategic and operational risks are summarised under the headings of Macroeconomic and geopolitical instability, Impact of Government legislation, Market and retailer actions, Operational integrity, Legal compliance, Climate risk, Technology, Product portfolio, HR and employee risk, Strategy delivery. The Group notes the increase since last year of the widely reported macro-economic and industry wide supply chain environment issues which it continues to navigate successfully through. In particular, the Group acknowledges risks around increased input cost inflation and potential changes in consumer behaviour.

Premier Foods plc

Alex Whitehouse
Chief Executive Officer

Duncan Leggett
Chief Financial Officer

Appendices

The Company's Preliminary results are presented for the 52 weeks ended 1 April 2023 and the comparative period, 52 weeks ended 2 April 2022. All references to the 'quarter', unless otherwise stated, are for the 13 weeks ended 1 April 2023 and the comparative periods, 13 weeks ended 2 April 2022.

Full year and Quarter 4 Sales

FY Sales (£m)		FY22/23	
	Excluding *The Spice Tailor*	*The Spice Tailor*	Including *The Spice Tailor*
Grocery			
Branded	625.3	10.0	635.3
Non-branded	111.5	0.0	111.5
Total	**736.8**	**10.0**	**746.8**
Sweet Treats			
Branded	208.9	0.0	208.9
Non-branded	50.7	0.0	50.7
Total	**259.6**	**0.0**	**259.6**
Group			
Branded	834.2	10.0	844.2
Non-branded	162.2	0.0	162.2
Total	**996.4**	**10.0**	**1,006.4**
% change vs prior year			
Grocery			
Branded	11.6%		13.4%
Non-branded	27.3%		27.3%
Total	13.8%		15.3%
Sweet Treats			
Branded	(2.4%)		(2.4%)
Non-branded	30.5%		30.5%
Total	2.7%		2.7%
Group			
Branded	7.8%		9.1%
Non-branded	28.3%		28.3%
Total	10.6%		11.8%

Q4 Sales (£m)		FY22/23	
	Excluding *The Spice Tailor*	*The Spice Tailor*	Including *The Spice Tailor*
Grocery			
Branded	171.5	5.0	176.5
Non-branded	30.7	0.0	30.7
Total	**202.2**	**5.0**	**207.2**
Sweet Treats			
Branded	54.4	0.0	54.4
Non-branded	7.0	0.0	7.0
Total	**61.4**	**0.0**	**61.4**
Group			
Branded	225.9	5.0	230.9
Non-branded	37.7	0.0	37.7
Total	**263.6**	**5.0**	**268.6**
% change vs prior year			
Grocery			
Branded	19.2%		22.7%
Non-branded	37.6%		37.6%
Total	21.7%		24.7%
Sweet Treats			
Branded	(1.8%)		(1.8%)
Non-branded	63.9%		63.9%
Total	2.9%		2.9%
Group			
Branded	13.4%		15.9%
Non-branded	41.8%		41.6%
Total	16.7%		18.9%

Divisional contribution & Trading profit (£m)	Excluding *The Spice Tailor*	*The Spice Tailor*	Including *The Spice Tailor*
FY22/23			
Divisional contribution[2]			
Grocery	188.7	0.5	189.2
Sweet Treats	27.0	-	27.0
Total	215.7	0.5	216.2
Group & corporate costs	(62.5)	-	(62.5)
Other income	3.8	-	3.8
Trading profit[1] – New definition	**157.0**	**0.5**	**157.5**
FY21/22			
Divisional contribution[2]			
Grocery	160.2	-	160.2
Sweet Treats	33.4	-	33.4
Total	193.6	-	193.6
Group & corporate costs	(45.3)	-	(45.3)
Trading profit[1] – Old definition	**148.3**	-	**148.3**
Less: software amortisation	(7.1)	-	(7.1)
Trading profit[1] – New definition	**141.2**	-	**141.2**

EBITDA to Operating profit reconciliation (£m)	FY22/23	FY21/22
Adjusted EBITDA[3]	**182.3**	**167.5**
Depreciation	(19.9)	(19.2)
Trading profit – Old definition	**162.4**	**148.3**
Software amortisation	(4.9)	(7.1)
Trading profit – New definition	**157.5**	**141.2**
Amortisation of brand assets	(20.7)	(19.9)
Fair value movements on foreign exchange & derivative contracts	(1.8)	4.4
Net interest on pensions and administrative expenses	17.7	4.2
Non-trading items – GMP equalisation	-	(0.3)
Non-trading items – restructuring costs	(11.1)	-
Non-trading items – other non-trading items	(5.8)	1.5
Impairment of fixed assets	(3.6)	-
Operating profit	**132.2**	**131.1**

Finance costs (£m)	FY22/23	FY21/22	Change
Senior secured notes interest	11.5	13.4	1.9
Bank debt interest – net	6.9	4.3	(2.6)
	18.4	17.7	(0.7)
Amortisation of debt issuance costs	1.9	2.1	0.2
Net regular interest[5]	**20.3**	**19.8**	**(0.5)**
Write-off of financing costs	-	4.3	4.3
Early redemption fee	-	4.7	4.7
Re-measurement due to discount rate change	(1.1)	(0.9)	0.2
Other finance cost	0.6	0.8	0.2
Other finance income	-	(0.2)	(0.2)
Net finance cost	**19.8**	**28.5**	**8.7**

Adjusted earnings per share (£m)	FY22/23	FY21/22	Change
Trading profit[1] – new definition	157.5	141.2	11.5%
Less: Net regular interest[5]	(20.3)	(19.8)	(2.6%)
Adjusted profit before tax	**137.2**	**121.4**	**13.0%**
Less: Notional tax (19%)	(26.1)	(23.1)	(13.0%)
Adjusted profit after tax[6]	111.1	98.3	13.0%
Average shares in issue (millions)	861.2	858.8	0.3%
Adjusted earnings per share (pence)	**12.9**	**11.5**	**12.7%**

Net debt (£m)	
Net debt[11] at 2 April 2022	**285.0**
Movement in cash	(9.1)
Movement in debt issuance costs	1.2
Movement in lease creditor	(2.8)
Net debt at 1 April 2023	**274.3**
Adjusted EBITDA	182.3
Net debt / Adjusted EBITDA	**1.5x**

Free cash flow (£m)	FY22/23	FY21/22
Trading profit[1] – new definition	157.5	141.2
Depreciation & software amortisation	24.8	26.3
Other non-cash items	4.7	4.1
Capital expenditure	(20.0)	(23.2)
Working capital	(24.8)	(21.0)
Operating cash flow[17]	**141.9**	**127.4**
Interest	(19.6)	(20.8)
Pension contributions	(45.1)	(41.4)
Free cash flow[12]	**77.5**	**65.2**
Non-trading items	(8.3)	0.9
Net (payments)/proceeds from share issue	(1.1)	1.3
Re-financing fees	(0.7)	(13.2)
Taxation	(1.5)	-
Dividend (including pensions match)	(13.0)	(11.0)
Acquisition	(43.8)	-
Movement in cash	**9.1**	**43.2**
Repayment of borrowings	-	(320.0)
Proceeds from borrowings	-	330.0
Net increase in cash and cash equivalents	**9.1**	**53.2**

The following table outlines the basis on which the Group will report headline revenue for FY23/24. This includes *The Spice Tailor* but excludes sales from Knighton which will be managed for exit during the course of FY23/24, following the decision to close the site. In FY22/23, all Knighton revenue was all reported in Grocery – Non-branded.

Group sales ex Knighton Foods (£m)	FY22/23 revenue by quarter				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Group sales (including *The Spice Tailor*)	197.0	222.9	318.0	268.5	**1,006.4**
Knighton	(6.2)	(7.2)	(9.8)	(7.6)	**(30.8)**
Group sales (including *The Spice Tailor*, ex Knighton)	**190.8**	**215.7**	**308.2**	**260.9**	**975.6**

Notes and definitions of alternative performance measures

The Company uses a number of alternative performance measures to measure and assess the financial performance of the business. The directors believe that these alternative performance measures assist in providing additional useful information on the underlying trends, performance and position of the Group. These alternative performance 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 brand 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. The revised definition of Trading profit includes software amortisation as the Group considers this should be treated in the same way as tangible asset depreciation for definitional purposes. FY21/22 has been re-stated accordingly.
2. Divisional contribution refers to Gross Profit less selling, distribution and marketing expenses directly attributable to the relevant business segment.

3. Adjusted EBITDA is Trading profit as defined in (1) above excluding depreciation and software amortisation.
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, early redemption fees, other finance cost 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% (2021/22: 19.0%).
7. References to Adjusted earnings per share are on a non-diluted basis and is calculated using Adjusted profit after tax as defined in (6) above divided by the weighted average of the number of shares of 861.2 million (52 weeks ended 2 April 2022: 858.8 million).
8. International sales exclude *The Spice Tailor* and 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. The constant currency adjustment is calculated by applying a blended rate.

£m	Reported (including *The Spice Tailor*)	Reported (excluding *The Spice Tailor*)	Adjustment	Constant currency
FY22/23	63.3	59.4	(0.7)	58.7
FY21/22	53.4	53.4	N/A	53.4
Growth/(decline) %	18.5%	11.3%	N/A	10.0%

9. Non-trading items have been presented separately throughout the financial statements. These are items that management believes require separate disclosure by virtue of their nature in order that the users of the financial statements obtain a clear and consistent view of the Group's underlying trading performance. In identifying non-trading items, management have applied judgement including whether i) the item is related to underlying trading of the Group; and/or ii) how often the item is expected to occur.
10. Software amortisation is the annual charge related to the amortisation of the Group's software assets during the period.
11. Net debt is defined as total borrowings, less cash and cash equivalents and less capitalised debt issuance costs.
12. Free cash flow is Net increase or decrease in cash and cash equivalents excluding proceeds and repayment of borrowings, less dividend payments, disposal proceeds, re-financing fees, net proceeds from share issues, tax, acquisitions and non-trading items.
13. IRI, 52 weeks ended 1 April 2023.
14. Revenue growth excludes *The Spice Tailor*
15. The schedule of future contributions are as agreed per the 2022 actuarial funding valuation for the Premier Foods sections, discounted using the Company post tax WACC of 9.1%.
16. Acquisition accounting pertaining to *The Spice Tailor* acquisition can be found in Note 15.
17. Operating cash flow excludes interest and pension contributions.
18. SBTi refers to the Science Based Targets initiative, a coalition which defines and promotes best practice emissions reductions and net zero targets in line with climate science.
19. Champions 12.3 refers to a coalition who are dedicated to the pursuit of reducing food waste and loss.

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 brand asset amortisation and impairment are excluded from Trading profit because they are non-cash items.
- Non-trading items 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 reported segment and are disclosed at total Group level.
- In line with accounting standards, the International operating segment, the results of which are aggregated within the Grocery reported segment, are not required to be separately disclosed for reporting purposes.

Consolidated statement of profit or loss

	Note	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Revenue	3	**1,006.4**	900.5
Cost of sales		**(648.2)**	(573.4)
Gross profit		**358.2**	327.1
Selling, marketing and distribution costs		**(142.0)**	(133.4)
Administrative costs		**(87.8)**	(62.6)
Other income		**3.8**	-
Operating profit	3	**132.2**	131.1
Finance cost	4	**(21.7)**	(29.0)
Finance income	4	**1.9**	0.5
Profit before taxation		**112.4**	102.6
Taxation	5	**(20.8)**	(25.1)
Profit for the period attributable to owners of the parent		**91.6**	77.5
Earnings per share (pence)			
Basic	6	**10.6**	9.0
Diluted	6	**10.4**	8.8

Consolidated statement of comprehensive income

	Note	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Profit for the period		**91.6**	77.5
Other comprehensive income, net of tax			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit schemes	7	**(245.6)**	357.3
Deferred tax credit / (charge)	5	**52.7**	(114.2)
Current tax credit	5	**7.2**	6.4
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation		**0.6**	(0.4)
Other comprehensive income, net of tax		**(185.1)**	249.1
Total comprehensive income attributable to owners of the parent		**(93.5)**	326.6

Consolidated balance sheet

	Note	**As at 1 April 2023 £m**	As at 2 April 2022 £m
ASSETS:			
Non-current assets			
Property, plant and equipment		**185.9**	190.9
Goodwill		**680.3**	646.0
Other intangible assets		**294.4**	293.5
Deferred tax assets	5	**22.4**	23.1
Net retirement benefit assets	7	**960.1**	1,148.7
		2,143.1	2,302.2
Current assets			
Inventories		**93.7**	78.1
Trade and other receivables		**103.9**	96.5
Cash and cash equivalents	8	**64.4**	54.3
Derivative financial instruments	10	**0.8**	2.4
		262.8	231.3
Total assets		**2,405.9**	2,533.5
LIABILITIES:			
Current liabilities			
Trade and other payables		**(255.4)**	(254.0)
Financial liabilities			
– short-term borrowings	9	**(1.0)**	-
– derivative financial instruments	10	**(0.5)**	(0.3)
Lease liabilities	9	**(2.1)**	(2.1)
Provisions for liabilities and charges		**(13.3)**	(2.3)
		(272.3)	(258.7)
Non-current liabilities			
Long-term borrowings	9	**(324.4)**	(323.2)
Lease liabilities	9	**(11.2)**	(14.0)
Net retirement benefit obligations	7	**(194.6)**	(203.8)
Provisions for liabilities and charges		**(6.6)**	(8.3)
Deferred tax liabilities	5	**(177.9)**	(212.9)
Other liabilities		**(12.9)**	(5.7)
		(727.6)	(767.9)
Total liabilities		**(999.9)**	(1,026.6)
Net assets		**1,406.0**	1,506.9
EQUITY:			
Capital and reserves			
Share capital		**86.8**	86.3
Share premium		**2.5**	1.5
Merger reserve		**351.7**	351.7
Other reserves		**(9.3)**	(9.3)
Retained earnings		**974.3**	1,076.7
Total equity		**1,406.0**	1,506.9

Consolidated statement of cash flows

	Note	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Cash generated from operations	8	**108.3**	110.9
Interest paid		**(20.4)**	(21.2)
Interest received		**0.8**	0.4
Taxation paid		**(1.5)**	-
Cash generated from operating activities		**87.2**	90.1
Acquisition of subsidiaries, net of cash acquired	15	**(43.8)**	-
Purchases of property, plant and equipment		**(15.5)**	(19.5)
Purchases of intangible assets		**(4.5)**	(3.7)
Cash used in investing activities		**(63.8)**	(23.2)
Repayment of borrowings		**-**	(320.0)
Proceeds from borrowings		**-**	330.0
Principal element of lease payments		**(2.3)**	(3.3)
Financing fees[1]		**(0.7)**	(8.5)
Early redemption fee[1]		**-**	(4.7)
Dividends paid	11	**(10.3)**	(8.5)
Purchase of shares to satisfy share awards		**(2.5)**	(0.4)
Proceeds from share issue		**1.5**	1.7
Cash used in financing activities		**(14.3)**	(13.7)
Net increase in cash and cash equivalents		**9.1**	53.2
Cash, cash equivalents and bank overdrafts at beginning of period		**54.3**	1.1
Cash, cash equivalents and bank overdrafts at end of period[2]	8	**63.4**	54.3

[1]Financing fees in the prior period relate to payments made as part of the refinancing of the Group's debt in June 2021. See note 9 for further details.

[2]Cash and cash equivalents of £63.4m (2021/22: £54.3m) includes bank overdraft of £1.0m (2021/22: £nil) and cash and bank deposits of £64.4m (2021/22: £54.3m). See notes 8 and 9 for more details.

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings[1] £m	Total equity £m
At 4 April 2021		85.5	0.6	351.7	(9.3)	755.1	1,183.6
Profit for the period		-	-	-	-	77.5	77.5
Remeasurements of defined benefit schemes	7	-	-	-	-	357.3	357.3
Deferred tax charge	5	-	-	-	-	(114.2)	(114.2)
Current tax credit	5	-	-	-	-	6.4	6.4
Exchange differences on translation		-	-	-	-	(0.4)	(0.4)
Other comprehensive income		-	-	-	-	249.1	249.1
Total comprehensive income		-	-	-	-	326.6	326.6
Shares issued		0.8	0.9	-	-	-	1.7
Share-based payments		-	-	-	-	3.4	3.4
Purchase of shares to satisfy share awards		-	-	-	-	(0.4)	(0.4)
Deferred tax movements on share-based payments	5	-	-	-	-	0.5	0.5
Dividends	11	-	-	-	-	**(8.5)**	**(8.5)**
At 2 April 2022		**86.3**	**1.5**	**351.7**	**(9.3)**	**1,076.7**	**1,506.9**
At 3 April 2022		**86.3**	**1.5**	**351.7**	**(9.3)**	**1,076.7**	**1,506.9**
Profit for the period		**-**	**-**	**-**	**-**	**91.6**	**91.6**
Remeasurements of defined benefit schemes	7	**-**	**-**	**-**	**-**	**(245.6)**	**(245.6)**
Deferred tax charge	5	**-**	**-**	**-**	**-**	**52.7**	**52.7**
Current tax credit	5	**-**	**-**	**-**	**-**	**7.2**	**7.2**
Exchange differences on translation		**-**	**-**	**-**	**-**	**0.6**	**0.6**
Other comprehensive income		-	-	-	-	**(185.1)**	**(185.1)**
Total comprehensive income		**-**	**-**	**-**	**-**	**(93.5)**	**(93.5)**
Shares issued		**0.5**	**1.0**	**-**	**-**	**-**	**1.5**
Share-based payments		**-**	**-**	**-**	**-**	**4.6**	**4.6**
Purchase of shares to satisfy share awards		**-**	**-**	**-**	**-**	**(2.5)**	**(2.5)**
Deferred tax movements on share-based payments	5	**-**	**-**	**-**	**-**	**(0.7)**	**(0.7)**
Dividends	11	**-**	**-**	**-**	**-**	**(10.3)**	**(10.3)**
At 1 April 2023		**86.8**	**2.5**	**351.7**	**(9.3)**	**974.3**	**1,406.0**

[1]Included in Retained earnings at 1 April 2023 is £3.4m in relation to cumulative translation losses (2020/21: £3.3m loss, 2021/22: £3.7m loss).

1. General information

The financial information included in this preliminary announcement does not constitute the Company's statutory accounts for the 52 weeks ended 1 April 2023 and for the 52 weeks ended 2 April 2022, but is derived from those accounts. Statutory accounts for the 52 weeks ended 2 April 2022 have been delivered to the registrar of companies, and those for 52 weeks ended 1 April 2023 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention to by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements of the Company have been prepared in accordance with UK-adopted international accounting standards.

Basis for preparation of financial statements on a going concern basis

The Group's revolving credit facility includes net debt/EBITDA and EBITDA/interest covenants as detailed in note 9. 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 1 October 2022 and 1 April 2023.

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

At 1 April 2023 the Group had total assets less current liabilities of £2,133.6m, net current liabilities of £9.5m and net assets of £1,406.0m. Liquidity as at that date was £245.4m, made up of cash and cash equivalents, and undrawn committed credit facilities of £175m expiring between May 2025 and 2026. The covenants linked to the facilities are shown in note 9. At the time of the approval of this report, the cash and liquidity position of the group has not changed significantly.

The directors have rigorously reviewed the current global political and economic uncertainty driven by the conflict in Ukraine and the inflationary pressures across the industry, and have modelled a severe but plausible downside case impacting future financial performance, cash flows and covenant compliance, that cover a period of at least 12 months from the date of approval of the financial statements. The downside case represents severe but plausible assumptions related primarily to the impact of inflation during the review period. The directors have also considered the impact of the outbreak of an infectious disease, climate change, cyber-attacks and changes in consumer preferences in the downside cases modelled and have assumed all scenarios within the downside cases impact during the periods reviewed.

Whilst the downside scenario is deemed severe but plausible, it is considered by the directors to be a robust stress test of going concern, having an adverse impact on revenue, margin, profit and cash flow. Should circumstances mean there is further downside, whilst not deemed plausible, the directors, in response have identified mitigating actions within their control, that would reduce costs, optimising cashflow and liquidity. This includes reducing capital expenditure, reducing marketing spend and delaying or cancelling discretionary spend. The directors have assumed no significant structural changes to the business will be needed in any of the scenarios modelled. None of the scenarios modelled are sufficiently material to prevent the Group from continuing as a going concern.

The Directors, after reviewing financial forecasts and financing arrangements, have a reasonable expectation that the Group has adequate resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis (in accordance with the guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued by the FRC) in preparing its consolidated financial statements.

Climate change

The Group has considered the impact of both physical and transitional climate change risks on the financial statements of the Group. The Group does not consider there to be a material impact on the valuation of the Group's assets or liabilities, including useful economic life of property, plant and equipment, or on any significant accounting estimates or judgements. See note 7 for further details on how the trustee of the Group's pension scheme plans to integrate climate change considerations into their investment strategy. The Group will continue to monitor the impact on valuations of assets and liabilities as government policy evolves.

The impact of climate change has been considered in the projected cash flows used for impairment testing.

2. Significant estimates and judgements

The following are areas of particular significance to the Group's financial statements and may include the use of estimates. Results may differ from actual amounts.

Significant accounting estimates

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

2.1 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 7.

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 pensions asset valuations were not available at the reporting date, as is usual practice, valuations at 31 December 2022 are rolled forward for cash movements to end of March 2023 to estimate the valuations for these assets. This approach is principally relevant for Infrastructure Funds, Private Equity, Absolute Return Products, Property Assets, Illiquid Credits and Global Credits. Management have reviewed the individual investments to establish where valuations are not expected to be available for inclusion in these financial statements, movements in the most comparable indexes have then been applied to these investments at a category level to establish any potential estimation uncertainty within the results.

2.2 Goodwill

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

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

2.3 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. If the Commercial accruals balance moved by 5% in either direction this would have an impact of £3.4m.

Judgements

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

2.4 Non-trading items

Non-trading items have been presented separately throughout the financial statements. These are items that management believes require separate disclosure by virtue of their nature in order that the users of the financial statements obtain a clear and consistent view of the Group's underlying trading performance. In identifying non-trading items, management have applied judgement including whether i) the item is related to underlying trading of the Group; and/or ii) how often the item is expected to occur.

3. Segmental analysis

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

The Group's operating segments are defined as 'Grocery', 'Sweet Treats', and 'International'. The CODM reviews the performance by operating segments. The Grocery segment primarily sells savoury ambient food products and the Sweet Treats segment sells primarily sweet ambient food products. The International segment has been aggregated within the Grocery segment for reporting purposes as revenue is below 10% of the Group's total revenue and the segment is considered to have similar characteristics to that of Grocery as identified in IFRS 8. There has been no change to the segments during the period.

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 pre-tax profit/loss before net finance costs, amortisation of intangible assets, fair value movements on foreign exchange and other derivative contracts, net interest on pensions and administrative expenses, and any material items that require 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.

The segment results for the period ended 1 April 2023 and for the period ended 2 April 2022 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial statements are as follows:

	52 weeks ended 1 April 2023			52 weeks ended 2 April 2022		
	Grocery	**Sweet Treats**	**Total**	Grocery	Sweet Treats	Total
	£m	**£m**	**£m**	£m	£m	£m
External revenues	**746.8**	**259.6**	**1,006.4**	647.7	252.8	900.5
Divisional contribution	**189.2**	**27.0**	**216.2**	160.2	33.4	193.6
Group and corporate costs[1]			**(62.5)**			(52.4)
Other income			**3.8**			-
Trading profit			**157.5**			141.2
Amortisation of brand assets			**(20.7)**			(19.9)
Fair value movements on foreign exchange and other derivative contracts[2]			**(1.8)**			4.4
Net interest on pensions and administrative expenses			**17.7**			4.2
Non-trading items:						
- GMP equalisation charge			**-**			(0.3)
- Impairment of fixed assets[3]			**(3.6)**			-
- Restructuring costs[4]			**(11.1)**			-
- Other non-trading items[5]			**(5.8)**			1.5
Operating profit			**132.2**			131.1
Finance cost			**(21.7)**			(29.0)
Finance income			**1.9**			0.5
Profit before taxation			**112.4**			102.6
Depreciation[6]	**(11.9)**	**(8.0)**	**(19.9)**	(11.2)	(8.0)	(19.2)

[1]The definition of Trading Profit has been changed from 2022/23, amortisation of software is included within 'Group and corporate costs' from the current year. 2021/22 Trading Profit has been re-presented in line with the revised definition.
[2]The loss of £1.8m (2021/22: gain of £4.4m) reflects changes in fair value rate during the 52-week period and movement in nominal value of the instruments held at 1 April 2023 from the 2 April 2022 position.
[3] Impairment of fixed assets relates to the closure of the Knighton site.
[4] Restructuring costs in the current period includes £7.6m which relates to the closure of the Knighton site with the remainder primarily relating to some supply chain restructuring.
[5]Other non-trading items relate primarily to M&A transaction costs and other one-off supply chain charges. Other non-trading items in the prior period related primarily to the resolution of a legacy legal matter.
[6]Depreciation in the period ended 1 April 2023 includes £1.6m (2021/22: £2.0m) of depreciation of IFRS 16 right of use assets.

Revenues in the period ended 1 April 2023, from the Group's four principal customers, which individually represent over 10% of total Group revenue, are £242.6m, £142.7m, £114.4m and £96.2m (2021/22: £224.8m, £129.0m, £97.6m and £91.7m). These revenues relate to both the Grocery and Sweet Treats reportable segments.

The Group primarily supplies the UK market, although it also supplies certain products to other countries in Europe and the rest of the world. The following table provides an analysis of the Group's revenue, which is allocated on the basis of geographical market destination, and an analysis of the Group's non-current assets by geographical location.

Revenue

	52 weeks ended 1 April 2023	52 weeks ended 2 April 2022
	£m	£m
United Kingdom	**943.1**	847.1
Other Europe	**28.1**	26.2
Rest of world	**35.2**	27.2
Total	**1,006.4**	900.5

Non-current assets

	As at 1 April 2023 £m	As at 2 April 2022 £m
United Kingdom	**1,160.6**	1,130.4

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

4. Finance income and costs

	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Interest payable on bank loans and overdrafts	**(7.4)**	(4.3)
Interest payable on senior secured notes	**(11.5)**	(13.4)
Interest payable on revolving facility	**(0.3)**	(0.3)
Other interest (payable) / receivable[1]	**(0.6)**	0.1
Amortisation of debt issuance costs	**(1.9)**	(2.1)
	(21.7)	(20.0)
Write off of financing costs[2]	**-**	(4.3)
Early redemption fee[3]	**-**	(4.7)
Total finance cost	**(21.7)**	(29.0)
Interest receivable on bank deposits	**0.8**	0.3
Other finance income[4]	**1.1**	0.2
Total finance income	**1.9**	0.5
Net finance cost	**(19.8)**	(28.5)

[1]Included in other interest (payable) / receivable is £0.6m charge (2021/22: £0.8m charge) relating to non-cash interest costs on lease liabilities under IFRS 16.

[2] Relates to the refinancing of the senior secured fixed rate notes due 2023 and revolving credit facility in the previous period.

[3] Relates to a non-recurring payment arising on the early redemption of the £300m senior secured fixed rate notes due to mature in October 2023 as part of the refinancing of the Group's debt in June 2021.

[4] Other finance income primarily relates to the unwind of the discount on certain of the Group's long-term provisions.

5. Taxation

	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Current tax		
- Current period	**(8.1)**	(6.4)
Deferred tax		
- Current period	**(15.8)**	(16.5)
- Prior periods	**0.7**	1.9
- Changes in tax rate on the opening balance	**2.4**	(4.1)
Income tax charge	**(20.8)**	(25.1)

Tax relating to items recorded in other comprehensive income included:

	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Corporation tax credit on pension movements	**7.2**	6.4
Deferred tax charge on increase of corporate tax rate	**-**	(17.9)
Deferred tax credit on prior year	**-**	1.6
Deferred tax credit / (charge) on pension movements	**52.7**	(97.9)
	59.9	(107.8)

The applicable rate of corporation tax for the period is 19%. Per the Finance Act of 2021, the corporation tax rate will increase from the current 19% to 25% starting in April 2023 and the impact of the move to a blended rate on the deferred tax balances was reflected in the prior year. The current year deferred tax balances have been remeasured to reflect the year end rate of 25% resulting in a tax credit of £2.4m which has been recorded in the consolidated statement of profit or loss.

The tax charge for the period differs from the standard rate of corporation tax in the United Kingdom of 19.0% (2021/22: 19.0%). The reasons for this are explained below:

	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Profit before taxation	**112.4**	102.6
Tax charge at the domestic income tax rate of 19.0% (2021/22: 19.0%)	**(21.4)**	(19.5)
Tax effect of:		
Non-deductible items	**(0.1)**	(0.8)
Recognition of previously unrecognised losses	**0.2**	-
Adjustment due to change in tax rate on the opening balances	**2.3**	(4.1)
Difference between current and deferred tax rate	**(3.5)**	(3.1)
Tax incentives	**1.0**	0.5
Adjustments to prior periods	**0.7**	1.9
Income tax charge	**(20.8)**	(25.1)

Corporation tax losses are not recognised where future recoverability is uncertain.

The difference between current and deferred tax rate of £3.5m relates to the impact of the current tax rate being 19% and the future year deferred tax movements being measured at 25%.

The adjustments to prior periods of £0.7m (2021/22: £1.9m) relates primarily to the changes in prior period intangibles and capital allowances following verifications in submitted returns.

Deferred tax

Deferred tax is calculated in full on temporary differences using the tax rate appropriate to the jurisdiction in which the asset/(liability) arises and the tax rates that are expected to apply in the periods in which the asset or liability is settled.

	2022/23	2021/22
	£m	£m
At 3 April 2022 / 4 April 2021	**(189.8)**	(57.4)
Acquisition of The Spice Tailor	**(5.0)**	-
Charged to the statement of profit or loss	**(12.7)**	(18.7)
Credited/(charged) to other comprehensive income	**52.7**	(114.2)
(Charged)/credited to equity	**(0.7)**	0.5
At 1 April 2023 / 2 April 2022	**(155.5)**	(189.8)

The Group has not recognised £2.2m of deferred tax assets (2021/22: £2.2m not recognised) relating to UK corporation tax losses. In addition, the Group has not recognised a tax asset of £67.8m (2021/22: £83.9m) relating to Advanced Corporation Tax (ACT) and £75.8m (2021/22: £76.6m) relating to capital losses. Under current legislation these can generally be carried forward indefinitely.

Deferred tax liabilities	**Intangibles**	**Retirement benefit obligation**	**Leases**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 4 April 2021	(50.1)	(101.9)	(2.9)	(1.0)	(155.9)
Charge due to change in corporate tax rate					
- To statement of profit or loss	(15.4)	(9.5)	(0.9)	(0.3)	(26.1)
- To other comprehensive income	-	(22.7)	-	-	(22.7)
Current period credit/(charge)	1.3	(3.5)	-	-	(2.2)
Charged to other comprehensive income	-	(97.9)	-	-	(97.9)
Prior period (charge)/credit					
- To statement of profit or loss	(0.3)	-	-	-	(0.3)
- To other comprehensive income	-	1.6	-	-	1.6
At 2 April 2022	**(64.5)**	**(233.9)**	**(3.8)**	**(1.3)**	**(303.5)**
At 3 April 2022	**(64.5)**	**(233.9)**	**(3.8)**	**(1.3)**	**(303.5)**
Acquisition of The Spice Tailor	**(5.0)**	**-**	**-**	**-**	**(5.0)**
Charge due to change in corporate tax rate					
- To statement of profit or loss	**(0.3)**	**-**	**-**	**-**	**(0.3)**
Current period credit/(charge)	**1.5**	**(6.7)**	**3.0**	**-**	**(2.2)**
Credited to other comprehensive income	**-**	**52.7**	**-**	**-**	**52.7**
At 1 April 2023	**(68.3)**	**(187.9)**	**(0.8)**	**(1.3)**	**(258.3)**

Deferred tax assets	Accelerated tax depreciation	Share-based payments	Losses	Other	Total
	£m	£m	£m	£m	£m
At 4 April 2021	49.5	2.7	45.0	1.3	98.5
Credit due to change in corporate tax rate					
- To statement of profit or loss	12.7	-	9.1	0.2	22.0
- To other comprehensive income	-	-	4.8	-	4.8
- To equity	-	0.1	-	-	0.1
Current period (charge)/credit	(13.1)	0.7	(1.2)	(0.7)	(14.3)
Credited to equity	-	0.4	-	-	0.4
Prior period credit					
- To statement of profit or loss	2.2	-	-	-	2.2
At 2 April 2022	**51.3**	**3.9**	**57.7**	**0.8**	**113.7**
At 3 April 2022	**51.3**	**3.9**	**57.7**	**0.8**	**113.7**
Credit due to change in corporate tax rate					
- To statement of profit or loss	**2.3**	**-**	**0.3**	**0.1**	**2.7**
Current period (charge)/credit	**(13.9)**	**0.5**	**(2.2)**	**2.0**	**(13.6)**
Charged to equity	**-**	**(1.2)**	**-**	**-**	**(1.2)**
Prior period credit					
- To statement of profit or loss	**0.5**	**0.2**	**-**	**-**	**0.7**
- To equity	**-**	**0.5**	**-**	**-**	**0.5**
At 1 April 2023	**40.2**	**3.9**	**55.8**	**2.9**	**102.8**

Deferred tax asset on losses and accelerated tax depreciation	£m
As at 1 April 2023	**22.4**
As at 2 April 2022	23.1

Net deferred tax liability	£m
As at 1 April 2023	**(177.9)**
As at 2 April 2022	(212.9)

Where there is a legal right of offset and an intention to settle as such, deferred tax assets and liabilities may be presented on a net basis. This is the case for most of the Group's deferred tax balances except non-trading losses of £22.4m (2021/22: £23.1m). The remainder of deferred tax assets have therefore been offset in the tables above. Substantial elements of the Group's deferred tax assets and liabilities, primarily relating to the defined benefit pension obligation, are greater than one year in nature.

6. Earnings per share

Basic earnings per share has been calculated by dividing the profit attributable to owners of the parent of £91.6m (2021/22: £77.5m profit) by the weighted average number of ordinary shares of the Company.

	2022/23 Number (m)	2021/22 Number (m)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**861.2**	858.8
Effect of dilutive potential ordinary shares:		
- Share options	**19.5**	17.0
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**880.7**	875.8

	52 weeks ended 1 April 2023			52 weeks ended 2 April 2022		
	Basic	**Dilutive effect of share options**	**Diluted**	Basic	Dilutive effect of share options	Diluted
Profit after tax (£m)	**91.6**		**91.6**	77.5		77.5
Weighted average number of shares (m)	**861.2**	**19.5**	**880.7**	858.8	17.0	875.8
Earnings per share (pence)	**10.6**	**(0.2)**	**10.4**	9.0	(0.2)	8.8

Dilutive effect of share options

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

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

Adjusted earnings per share ('Adjusted EPS')

Adjusted earnings per share is defined as trading profit less net regular interest, less a notional tax charge at 19.0% (2021/22: 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, early redemption fees, other interest payable and other interest receivable.

Trading profit and Adjusted EPS have been reported as the directors believe these assists in providing additional useful information on the underlying trends, performance and position of the Group.

	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Trading profit (note 3)[1]	**157.5**	141.2
Less net regular interest	**(20.3)**	(19.8)
Adjusted profit before taxation	**137.2**	121.4
Notional tax at 19.0% (2021/22: 19%)	**(26.1)**	(23.1)
Adjusted profit after taxation	**111.1**	98.3
Average shares in issue (m)	**861.2**	858.8
Adjusted basic EPS (pence)	**12.9**	11.5
Dilutive effect of share options	**(0.3)**	(0.2)
Adjusted dilutive EPS (pence)	**12.6**	11.3
Net regular interest		
Net finance cost	**(19.8)**	(28.5)
Exclude other finance income	**(1.1)**	(0.2)
Exclude write-off of financing costs	**-**	4.3
Exclude early redemption fee	**-**	4.7
Exclude other interest (payable) / receivable	**0.6**	(0.1)
Net regular interest	**(20.3)**	(19.8)

[1]2021/22 Trading Profit has been re-presented in line with the revised definition.

7. 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. Although the Premier Foods Section, Premier Grocery Products Section and RHM Section identified below are no longer separate schemes following the merger in 2020, historically, Premier Foods companies' pension liabilities and ex-RHM companies' liabilities have been shown separately. These are as follows:

(a) The "Premier" Schemes, which comprise:

Premier Foods Pension Section of RHM Pension Scheme
Premier Grocery Products Pension Section of RHM Pension Scheme
Premier Grocery Products Ireland Pension Scheme ('PGPIPS')
Chivers 1987 Pension Scheme
Hillsdown Holdings Limited Pension Scheme (Scheme wound up 10 February 2023)

(b) The "RHM" Pension Schemes, which comprise:

RHM Section of the RHM Pension Scheme
Premier Foods Ireland Pension Scheme

The Premier Foods Pension Scheme (PFPS) and Premier Grocery Products Pension Scheme (PGPPS) were wound up following the merger of assets and liabilities on a segregated basis with the RHM Pension Scheme in June 2020. The RHM Pension Scheme operates as three sections, the RHM Section, Premier Foods Section and Premier Grocery Products Section.

The triennial valuation at 31 March 2022 for all three Sections of the RHM Pension Scheme has been agreed. The results show that the combined actuarial deficits of the two Premier Sections have fallen by a further £58m since the interim valuations carried out on 31 March 2021. This has allowed the deficit contributions to be reduced by £5m per year for the current valuation period.

The exchange rates used to translate the overseas euro based schemes are £1.00 = €1.1582 (2021/22: £1.00 = €1.1774) for the average rate during the period, and £1.00 = €1.1377 (2021/22: £1.00 = €1.1881) for the closing position at period end.

All defined benefit schemes are held separately from the Company under Trusts. Trustees are appointed to operate the schemes in accordance with their respective governing documents and pensions law. The schemes meet the legal requirement for member nominated trustees' representation on the trustee boards. Trustee directors undertake regular training and development to ensure that they are equipped appropriately to carry out the role. In addition, each trustee board has appointed professional advisers to give them the specialist expertise they need to support them in the areas of investment, funding, legal, covenant and administration.

The trustee boards generally meet at least four times a year to conduct their business. To support these meetings certain aspects of the schemes' operation are delegated to give specialist focus (e.g. investment, administration and compliance) to committees for which further meetings are held as appropriate throughout the year. These committees regularly report to the full trustee boards.

The schemes invest through investment managers appointed by the trustees in a broad range of assets to support the security and funding of their pension obligations. Asset classes used include government bonds, private equity, absolute return products, swaps, infrastructure, illiquid credits and global credits.

The scheme assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group. The RHM Pension Scheme holds a security over the assets of the Group which ranks pari passu with the banks and bondholders in the event of insolvency, up to a cap.

The schemes incorporate a Liability Driven Investment (LDI) strategy to more closely match the assets with changes in value of liabilities. The RHM Pension Scheme uses assets including interest rate and inflation swaps, index linked bonds and infrastructure in its LDI strategy.

In setting the investment strategy, the primary concern for the trustee of the RHM Pension Scheme is to act in the best financial interests of all beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The trustee considers this risk by taking advice from its investment advisors when choosing asset classes, selecting managers, and monitoring performance.

From 1 October 2022, the trustee is required by regulation to:

- implement climate change governance measures and produce a Taskforce on Climate-related Financial Disclosures (TCFD) report containing associated disclosures; and
- publish its TCFD report on a publicly available website, accessible free of charge.

The trustee is on track to disclose the scheme's first TCFD report as part of the 2023 year-end reporting cycle.

The main risks to which the Group is exposed in relation to the funded pension schemes are as follows:

- Liquidity risk – the PF and PGP Sections of the RHM Pension Scheme have significant technical funding deficits which could increase. The RHM Section of the RHM Pension Scheme is currently in surplus, but subsequent valuations could reveal a deficit. As such this could have an adverse impact on the financial condition of the Group. The Group continues to monitor the pension risks closely working with the trustees to ensure a collaborative approach.
- Mortality risk – the assumptions adopted make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the schemes and consequently increases in the schemes liabilities. The trustees review the mortality assumption on a regular basis to minimise the risk of using an inappropriate assumption.
- Yield risk – a fall in government bond yields will increase the schemes liabilities and certain of the assets. However, the liabilities may grow by more in monetary terms, thus increasing the deficit in the scheme.
- Inflation risk – the majority of the schemes liabilities increase in line with inflation and so if inflation is greater than expected, the liabilities will increase.
- Investment risk – the risk that investments do not perform in line with expectations

The exposure to the yield and inflation risks described above can be hedged by investing in assets that move in the same direction as the liabilities in the event of a fall in yields, or a rise in inflation. The RHM Pension Scheme has largely hedged its inflation and interest rate exposure to the extent of its funding level. The Premier Foods Section is currently hedged to around 60% for interest rates and inflation and the Premier Grocery Products Sections is currently hedged to around 75% for interest rates and inflation.

The liabilities of the schemes are approximately 35% in respect of former active members who have yet to retire and approximately 65% in respect of pensioner members already in receipt of benefits.

The average duration of the pension liabilities for the three Sections of the RHM Pension Scheme is 13.0 years (12.8 years for the RHM Section; 13.9 years for the PF Section and 13.4 years for the PGP Section).

All pension schemes are closed to future accrual.

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

	At 1 April 2023		At 2 April 2022	
	Premier Schemes	RHM Schemes	Premier Schemes	RHM Schemes
Discount rate	**4.80%**	**4.80%**	2.75%	2.75%
Inflation – RPI	**3.30%**	**3.30%**	3.60%	3.60%
Inflation – CPI	**2.85%**	**2.85%**	3.20%	3.20%
Future pension increases				
- RPI (min 0% and max 5%)	**3.05%**	**3.05%**	3.35%	3.35%
- CPI (min 3% and max 5%)	**3.55%**	**3.55%**	3.65%	3.65%

For the smaller overseas schemes, the discount rate used was 3.65% (2021/22: 1.75%) and future pension increases were 2.45% (2021/22: 2.60%).

At 1 April 2023 and 2 April 2022, the discount rate was derived based on a bond yield curve expanded to also include bonds rated AA by one credit agency (and which might for example be rated A or AAA by other agencies).

The Group continued to set RPI inflation in line with the market break-even expectations less an inflation risk premium. The inflation risk premium of 0.3% (2021/22: 0.3%), reflects an allowance for additional market distortions caused by the RPI reform proposals.

The Group has set the CPI assumption by assuming it is 1.0% p.a. lower than RPI pre 2030 (reflecting UKSA's stated intention to make no changes before 2030) and 0.1% lower than RPI post 2030 (2021/22: 0.1% lower post 2030), this being our expectation of the long-term average difference between CPI and CPI-H. Using this approach, the assumed difference between the RPI and CPI is an average of 0.45% (2021/22: 0.40%) per annum.

The assumptions take into account the timing of the expected future cashflows from the pension schemes.

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

The mortality assumptions are based on standard mortality tables. The directors have considered the impact of the current Covid-19 pandemic on the mortality assumptions and consider that use of the updated Continuous Mortality Improvement (CMI) 2021 projections released in March 2022 for the future improvement assumption a reasonable approach, these are the most recently published projections at the reporting date. Management considers the 2020 and 2021 mortality experience to be outliers and therefore have applied a 0% weight to the 2020 and 2021 mortality experience data. However, an addition to the mortality scaling factors of 5% (2021/22: 2%) has been applied, which reflects the expected long term negative outlook from the impact of Covid-19 on future life expectancy. The increase in scaling factor from the prior year reflects experience that has emerged over the past 12 months. The estimated impact of the 3% addition to the mortality scaling factors is approximately 0.8% decrease in defined benefit obligation in respect of the schemes.

An adjustment to the base mortality tables has been made for the RHM scheme to reflect the latest scheme mortality studies which were commissioned by the trustee in 2022. The life expectancy assumptions are as follows:

	At 1 April 2023		At 2 April 2022	
	Premier Schemes	**RHM Schemes**	**Premier Schemes**	**RHM Schemes**
Male pensioner, currently aged 65	**86.5**	**84.7**	86.6	85.2
Female pensioner, currently aged 65	**88.2**	**87.1**	88.3	87.7
Male non-pensioner, currently aged 45	**87.4**	**86.0**	87.5	86.5
Female non-pensioner, currently aged 45	**89.7**	**89.0**	89.8	89.3

A sensitivity analysis on the principal assumptions used to measure the scheme liabilities at the period end is as follows:

	Change in assumption	**Impact on scheme liabilities**
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £39.2m/£39.8m
Inflation	Increase/decrease by 0.1%	Increase/decrease by £16.6m/£11.9m
Assumed life expectancy at age 60 (rate of mortality)	Increase/decrease by 1 year	Increase/decrease by £122.0m/£125.0m

The sensitivity information has been derived using projected cash flows for the Schemes valued using the relevant assumptions and membership profile as at 1 April 2023. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

	Premier Schemes	% of total	RHM Schemes	% of total	Total	% of total
	£m	%	£m	%	£m	
Assets with a quoted price in an active market at 1 April 2023:						
Government bonds	**197.8**	**35.8**	**815.1**	**25.2**	**1,012.9**	**26.7**
Cash	**8.2**	**1.5**	**59.1**	**1.8**	**67.3**	**1.8**
Assets without a quoted price in an active market at 1 April 2023:						
UK equities	**0.1**	**0.0**	**-**	**-**	**0.1**	**0.0**
Global equities	**2.3**	**0.4**	**4.6**	**0.1**	**6.9**	**0.2**
Government bonds	**30.5**	**5.5**	**2.1**	**0.1**	**32.6**	**0.9**
Corporate bonds	**7.4**	**1.4**	**4.9**	**0.2**	**12.3**	**0.3**
UK property	**68.7**	**12.4**	**213.8**	**6.6**	**282.5**	**7.4**
European property	**44.7**	**8.1**	**204.8**	**6.3**	**249.5**	**6.6**
Absolute return products	**6.8**	**1.2**	**426.6**	**13.2**	**433.4**	**11.4**
Infrastructure funds	**27.4**	**5.0**	**342.5**	**10.6**	**369.9**	**9.8**
Interest rate swaps	**-**	**-**	**286.6**	**8.8**	**286.6**	**7.6**
Inflation swaps	**-**	**-**	**43.4**	**1.3**	**43.4**	**1.1**
Private equity	**48.8**	**8.8**	**310.8**	**9.6**	**359.6**	**9.5**
LDI	**-**	**-**	**7.1**	**0.2**	**7.1**	**0.2**
Global credit	**4.3**	**0.8**	**205.9**	**6.4**	**210.2**	**5.5**
Illiquid credit	**101.4**	**18.3**	**227.5**	**7.0**	**328.9**	**8.7**
Cash	**0.5**	**0.1**	**0.1**	**0.0**	**0.6**	**0.0**
Other[1]	**3.7**	**0.7**	**85.3**	**2.6**	**89.0**	**2.3**
Fair value of scheme assets as at 1 April 2023	**552.6**	**100%**	**3,240.2**	**100%**	**3,792.8**	**100%**
Assets with a quoted price in an active market at 2 April 2022:						
Government bonds	337.1	40.8	842.3	19.7	1,179.4	23.1
Cash	27.9	3.4	76.0	1.8	103.9	2.0
Assets without a quoted price in an active market at 2 April 2022:						
UK equities	0.1	0.0	0.3	0.0	0.4	0.0
Global equities	4.3	0.5	5.7	0.1	10.0	0.2
Government bonds	31.8	3.9	2.5	0.1	34.3	0.7
Corporate bonds	0.3	0.0	6.0	0.1	6.3	0.1
UK property	84.9	10.3	285.4	6.7	370.3	7.3
European property	38.3	4.6	168.3	3.9	206.6	4.0
Absolute return products	62.5	7.6	872.2	20.4	934.7	18.3
Infrastructure funds	26.7	3.2	338.0	7.9	364.7	7.2
Interest rate swaps	0.1	0.0	397.4	9.3	397.5	7.8
Inflation swaps	-	-	93.4	2.2	93.4	1.8
Private equity	39.9	4.8	280.1	6.5	320.0	6.3
LDI	-	-	7.7	0.2	7.7	0.2
Global credit	74.3	9.0	554.3	13.0	628.6	12.3
Illiquid credit	81.6	9.9	191.6	4.5	273.2	5.4
Cash	9.8	1.2	0.1	0.0	9.9	0.2
Other[1]	6.7	0.8	152.4	3.6	159.1	3.1
Fair value of scheme assets as at 2 April 2022	826.3	100%	4,273.7	100%	5,100.0	100%

[1] Included in Other in the RHM Schemes is £nil (2021/22: £111.2m) of assets which have been sold during 2020/21 and were awaiting settlement at the year-end date.

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

Pension assets have been reported using 31 March 2023 valuations where available. As is usual practice for pensions assets where valuations at this date were not available, the most recent valuations (predominantly at 31 December 2022) have been rolled forward for cash movements to 31 March 2023 and recognised as lagged valuations. This is considered by management the most appropriate estimate of valuations for these assets using the information available at the time. At 1 April 2023 the financial statements include £371m of assets using lagged valuations and were these lagged valuations to move by 1% there would be a £3.7m impact on the fair value of scheme assets. This approach is principally relevant for Private Equity, Property Assets, Illiquid Credits and Global Credits asset categories. Pension assets valuations are subject to estimation uncertainty due to market volatility, which could result in a material movement in asset values over the next 12 months.

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

	At 1 April 2023			**At 2 April 2022**		
	Premier Schemes	**RHM Schemes**	**Total**	**Premier Schemes**	**RHM Schemes**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Present value of funded obligations	**(735.4)**	**(2,291.9)**	**(3,027.3)**	(1,020.2)	(3,134.9)	(4,155.1)
Fair value of scheme assets	**552.6**	**3,240.2**	**3,792.8**	826.3	4,273.7	5,100.0
(Deficit)/surplus in schemes	**(182.8)**	**948.3**	**765.5**	(193.9)	1,138.8	944.9

The aggregate surplus of £944.9m has decreased to a surplus of £765.5m in the current period. This decrease of £179.4m (2021/22: £405.0m increase) is primarily due to a lower return on scheme assets partly offset by changes in financial assumptions, being higher discount rate offset to a lesser extent by higher inflation assumptions. Further details are provided later in this note.

The disclosures in note 7 represent those schemes that are associated with Premier (‘Premier schemes’) and those that are associated with ex-RHM companies (‘RHM Schemes’). These differ 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. The disclosures in note 7 reconcile to those disclosed on the balance sheet as shown below:

	At 1 April 2023			**At 2 April 2022**		
	Premier Schemes	**RHM Schemes**	**Total**	**Premier Schemes**	**RHM Schemes**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Schemes in net asset position	**11.8**	**948.3**	**960.1**	9.9	1,138.8	1,148.7
Schemes in net liability position	**(194.6)**	**-**	**(194.6)**	(203.8)	-	(203.8)
Net (Deficit)/surplus in schemes	**(182.8)**	**948.3**	**765.5**	(193.9)	1,138.8	944.9

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

	Premier Schemes £m	RHM Schemes £m	Total £m
Defined benefit obligation at 3 April 2021	(1,175.1)	(3,536.9)	(4,712.0)
Interest cost	(22.7)	(68.9)	(91.6)
Past service cost	(0.1)	(0.2)	(0.3)
Settlement	0.2	-	0.2
Remeasurement gain	139.7	333.5	473.2
Exchange differences	0.5	0.2	0.7
Benefits paid	37.3	137.4	174.7
Defined benefit obligation at 2 April 2022	**(1,020.2)**	**(3,134.9)**	**(4,155.1)**
Interest cost	**(27.0)**	**(83.9)**	**(110.9)**
Settlement	**0.3**	**-**	**0.3**
Remeasurement gain	**271.9**	**787.3**	**1,059.2**
Exchange differences	**(1.6)**	**(1.1)**	**(2.7)**
Benefits paid	**41.2**	**140.7**	**181.9**
Defined benefit obligation at 1 April 2023	**(735.4)**	**(2,291.9)**	**(3,027.3)**

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

	Premier Schemes £m	RHM Schemes £m	Total £m
Fair value of scheme assets at 3 April 2021	792.5	4,459.4	5,251.9
Interest income on scheme assets	15.3	87.3	102.6
Remeasurement gains/(losses)	17.5	(133.4)	(115.9)
Administrative costs	(4.2)	(2.5)	(6.7)
Settlement	(0.3)	-	(0.3)
Contributions by employer	40.9	0.5	41.4
Additional employer contribution[1]	2.5	-	2.5
Exchange differences	(0.6)	(0.2)	(0.8)
Benefits paid	(37.3)	(137.4)	(174.7)
Fair value of scheme assets at 2 April 2022	**826.3**	**4,273.7**	**5,100.0**
Interest income on scheme assets	**22.1**	**115.1**	**137.2**
Remeasurement losses	**(295.7)**	**(1,009.1)**	**(1,304.8)**
Administrative costs	**(4.2)**	**(4.4)**	**(8.6)**
Settlement	**(0.3)**	**-**	**(0.3)**
Contributions by employer	**40.6**	**4.5**	**45.1**
Additional employer contribution[1]	**2.7**	**-**	**2.7**
Exchange differences	**2.3**	**1.1**	**3.4**
Benefits paid	**(41.2)**	**(140.7)**	**(181.9)**
Fair value of scheme assets at 1 April 2023	**552.6**	**3,240.2**	**3,792.8**

[1]Contribution by the Group to the Premier Schemes due to the payment of dividends during the year.

The reconciliation of the net defined benefit (deficit)/surplus over the period is as follows:

	Premier Schemes £m	RHM Schemes £m	Total £m
(Deficit)/surplus in schemes at 3 April 2021	(382.6)	922.5	539.9
Amount recognised in profit or loss	(11.8)	15.7	3.9
Remeasurements recognised in other comprehensive income	157.2	200.1	357.3
Contributions by employer	40.9	0.5	41.4
Additional employer contribution[1]	2.5	-	2.5
Exchange differences recognised in other comprehensive income	(0.1)	-	(0.1)
(Deficit)/surplus in schemes at 2 April 2022	**(193.9)**	**1,138.8**	**944.9**
Amount recognised in profit or loss	**(9.1)**	**26.8**	**17.7**
Remeasurements recognised in other comprehensive income	**(23.8)**	**(221.8)**	**(245.6)**
Contributions by employer	**40.6**	**4.5**	**45.1**
Additional employer contribution[1]	**2.7**	**-**	**2.7**
Exchange differences recognised in other comprehensive income	**0.7**	**-**	**0.7**
(Deficit)/surplus in schemes at 1 April 2023	**(182.8)**	**948.3**	**765.5**

[1]Contribution by the Group to the Premier Schemes due to the payment of dividends during the year.

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

	52 weeks ended 1 April 2023			**52 weeks ended 2 April 2022**		
	Premier Schemes £m	**RHM Schemes £m**	**Total £m**	**Premier Schemes £m**	**RHM Schemes £m**	**Total £m**
Remeasurement gain on scheme liabilities	**271.9**	**787.3**	**1,059.2**	139.7	333.5	473.2
Remeasurement (loss)/gain on scheme assets	**(295.7)**	**(1,009.1)**	**(1,304.8)**	17.5	(133.4)	(115.9)
Net remeasurement (loss)/gain for the period	**(23.8)**	**(221.8)**	**(245.6)**	157.2	200.1	357.3

The actual return on scheme assets was a £1,167.6m loss (2021/22: £13.3m loss), which is £1,304.8m less (2021/22: £115.9m less) than the interest income on scheme assets of £137.2m (2021/22: £102.6m).

The remeasurement gain on liabilities of £1,059.2m (2021/22: £473.2m gain) comprises a gain due to changes in financial assumptions of £1,089.8m (2021/22: £413.3m gain), a loss due to member experience of £69.7m (2021/22: £3.2m loss) and a gain due to demographic assumptions of £39.1m (2021/22: £63.1m gain).

The Group expects to contribute £6m annually to its defined benefit schemes in relation to expenses and government levies and £33m of additional annual contributions to fund the scheme deficits up to 2 April 2024.

The Group has concluded that it has an unconditional right to a refund of any surplus in the RHM Pension Scheme once the liabilities have been discharged and, that the trustees of the RHM Pension Scheme do not have the unilateral right to wind up the scheme, so the asset has not been restricted and no additional liability has been recognised.

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

	52 weeks ended 1 April 2023			52 weeks ended 2 April 2022		
	Premier Schemes	RHM Schemes	Total	Premier Schemes	RHM Schemes	Total
	£m	£m	£m	£m	£m	£m
Operating profit						
Past service cost	**-**	**-**	**-**	(0.1)	(0.2)	(0.3)
Settlement costs	**-**	**-**	**-**	(0.1)	-	(0.1)
Administrative costs	**(4.2)**	**(4.4)**	**(8.6)**	(4.2)	(2.5)	(6.7)
Net interest (cost)/credit	**(4.9)**	**31.2**	**26.3**	(7.4)	18.4	11.0
Total (cost)/credit	**(9.1)**	**26.8**	**17.7**	(11.8)	15.7	3.9

Defined contribution schemes

A number of companies in the Group operate defined contribution schemes, including provisions to comply with auto enrolment requirements laid down by law. In addition, a number of schemes providing life assurance benefits only are operated. The total expense recognised in the statement of profit or loss of £8.2m (2021/22: £8.0m) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

8. Notes to the cash flow statement

Reconciliation of profit before taxation to cash flows from operations

	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Profit before taxation	**112.4**	102.6
Net finance cost	**19.8**	28.5
Operating profit	**132.2**	131.1
Depreciation of property, plant and equipment	**19.9**	19.2
Amortisation of intangible assets	**25.6**	27.0
Loss on disposal of non-current assets	**0.3**	0.7
Impairment of tangible assets	**3.6**	-
Fair value movements on foreign exchange and other derivative contracts	**1.8**	(4.4)
Net interest on pensions and administrative expenses[1]	**(17.7)**	(4.2)
Equity settled employee incentive schemes	**4.6**	3.4
GMP equalisation and past service cost related to defined benefit pension schemes	**-**	0.3
Increase in inventories	**(12.4)**	(9.3)
Increase in trade and other receivables	**(1.9)**	(13.1)
Increase in trade and other payables and provisions	**0.1**	4.1
Additional employer contribution[2]	**(2.7)**	(2.5)
Contribution to defined benefit pension schemes	**(45.1)**	(41.4)
Cash generated from operations	**108.3**	110.9

[1]For 2021/22 £4.2m has been re-classified from Contribution to defined benefit pension schemes to Net interest on pensions and administrative expenses to aid comparability.

[2]Contribution by the Group to the Premier schemes due to the payment of dividends during the year.

Reconciliation of cash and cash equivalents to net borrowings

	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Net inflow of cash and cash equivalents	**9.1**	53.2
Movement in lease liabilities	**2.8**	2.5
Increase in borrowings	**-**	(10.0)
Debt issuance costs in the period	**0.7**	8.5
Other non-cash movements	**(1.9)**	(6.5)
Decrease in borrowings net of cash	**10.7**	47.7
Total net borrowings at beginning of period	**(285.0)**	(332.7)
Total net borrowings at end of period	**(274.3)**	(285.0)

Analysis of movement in borrowings

	As at 2 April 2022 £m	Cash flows £m	Non-cash interest expense £m	Other non-cash movements £m	As at 1 April 2023 £m
Bank overdrafts	-	(1.0)	-	-	**(1.0)**
Cash and bank deposits	54.3	10.1	-	-	**64.4**
Net cash and cash equivalents	54.3	9.1	-	-	**63.4**
Borrowings - Senior Secured Fixed Rate Notes maturing October 2026	(330.0)	-	-	-	**(330.0)**
Lease liabilities	(16.1)	2.9	(0.6)	0.5	**(13.3)**
Gross borrowings net of cash[1]	(291.8)	12.0	(0.6)	0.5	**(279.9)**
Debt issuance costs[2]	6.8	0.7	(1.9)	-	**5.6**
Total net borrowings[1]	(285.0)	12.7	(2.5)	0.5	**(274.3)**
Total net borrowings excluding lease liabilities[1]	(268.9)	9.8	(1.9)	-	**(261.0)**

[1] Borrowings exclude derivative financial instruments.
[2] The non-cash movement in debt issuance costs relates to the amortisation of capitalised borrowing costs only.

Cash outflows of £2.9m (2021/22: £3.3m) in relation to repayments of lease liabilities have been included in the consolidated statement of cash flows, including £0.6m included in interest paid within cash flows from operating activities.

The Group has the following cash pooling arrangements in sterling, euros and US dollars, where both the Group and the bank have a legal right of offset.

	As at 1 April 2023			As at 2 April 2022		
	Offset asset	Offset liability	Net offset liability	Offset asset	Offset liability	Net offset asset
Cash, cash equivalents and bank overdrafts	**12.6**	**(13.6)**	**(1.0)**	8.1	-	8.1

9. Bank and other borrowings

	As at 1 April 2023 £m	As at 2 April 2022 £m
Current:		
Bank overdrafts	**(1.0)**	-
Lease liabilities	**(2.1)**	(2.1)
Total borrowings due within one year	**(3.1)**	(2.1)
Non-current:		
Transaction costs[1]	**5.6**	6.8
Senior secured notes	**(330.0)**	(330.0)
	(324.4)	(323.2)
Lease liabilities	**(11.2)**	(14.0)
Total borrowings due after more than one year	**(335.6)**	(337.2)
Total bank and other borrowings	**(338.7)**	(339.3)

[1]Included in transaction costs is £1.7m (2021/22: £1.9m) relating to the revolving credit facility.

Secured senior credit facility – revolving

The RCF of £175m attracts a leverage-based margin of between 2.0% and 4.0% above SONIA. Banking covenants of net debt / EBITDA and EBITDA / interest are in place and are tested biannually.

The covenant package attached to the revolving credit facility is:

	Net debt / EBITDA[1]	Net debt / Interest[1]
2022/23 FY	3.50x	3.00x
2023/24 FY	3.50x	3.00x

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

During the period, the Group announced that it had extended the period of its revolving credit facility (RCF) by one year to May 2025 with the same lending group.

On 11 May 2023 the Group extended £148.5m of its revolving credit facility (RCF) by one year to May 2026. The covenant package attached to the RCF and tested bi-annually is unchanged. See note 16 for further details.

Senior secured notes

The senior secured notes are listed on the Irish GEM Stock Exchange. The notes totalling £330m mature in October 2026 and attract an interest rate of 3.5%.

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 1 April 2023		As at 2 April 2022	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets not measured at fair value:				
Cash and cash equivalents	**64.4**	**64.4**	54.3	54.3
Financial assets at amortised cost:				
Trade and other receivables	**63.7**	**63.7**	65.7	65.7
Financial assets at fair value through profit or loss:				
Trade and other receivables	**4.2**	**4.2**	3.3	3.3
Derivative financial instruments				
– Forward foreign currency exchange contracts	**0.7**	**0.7**	0.1	0.1
– Commodity and energy derivatives	**0.1**	**0.1**	2.3	2.3
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments				
– Forward foreign currency exchange contracts	**(0.5)**	**(0.5)**	(0.3)	(0.3)
– Commodity and energy derivatives	**-**	**-**	-	-
Other financial liabilities at fair value through profit or loss:				
- Deferred contingent consideration (note 15)	**(8.2)**	**(8.2)**	-	-
Financial liabilities at amortised cost:				
Trade and other payables	**(248.3)**	**(248.3)**	(247.4)	(247.4)
Senior secured notes	**(330.0)**	**(297.8)**	(330.0)	(305.8)
Bank overdrafts	**(1.0)**	**(1.0)**	-	-

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 1 April 2023			As at 2 April 2022		
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets at fair value through profit or loss:						
Trade and other receivables	-	**1.8**	**2.4**	-	-	-
Derivative financial instruments						
– Forward foreign currency exchange contracts	**-**	**0.7**	**-**	-	0.1	-
– Commodity and energy derivatives	**-**	**0.1**	**-**	-	2.3	-
Financial liabilities at fair value through profit or loss:						
Derivative financial instruments						
– Forward foreign currency exchange contracts	**-**	**(0.5)**	**-**	-	(0.3)	-
Other financial liabilities at fair value through profit or loss:						
- Deferred contingent consideration (note 15)	**-**	**-**	**(8.2)**	-	-	-
Financial liabilities at amortised cost:						
Senior secured notes	**(297.8)**	**-**	**-**	(305.8)	-	-

11. Dividends

The following dividends were declared and paid during the period:

	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Ordinary final of 1.2 pence per ordinary share (2021/22: 1.0 pence)	**10.3**	8.5

After the balance sheet date, a final dividend for 2022/23 of [1.44] pence per qualifying ordinary share (2021/22: 1.2 pence) was proposed for approval at the Annual General Meeting on 20 July 2023 and will be payable on 28 July 2023. Dividend distributions are recognised as a liability in the period in which the dividends are approved by Group's shareholders.

12. 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 1 April 2023 of £8.9m (2021/22: £5.7m).

13. Contingencies

There were no material contingent liabilities at 1 April 2023 (2021/22: none).

14. Related party transactions

There has been no material change to transactions with related parties during the period.

15. Acquisition of subsidiary

On 31 August 2022, the Group acquired 100% of the ordinary share capital of The Spice Tailor Limited ('Spice Tailor') and its wholly owned subsidiaries, The Spice Tailor (Direct) Limited, The Spice Tailor (Canada) Limited and The Spice Tailor (Australia) Pty Ltd for initial consideration of £43.8m (this comprises £44.5m cash consideration less £0.7m cash acquired). Additional consideration is dependent on future performance with an earn out structure over a three year period from FY2024, subject to further growth targets with a maximum cap of total consideration of £72.5m. The acquisition is well aligned to the Group’s growth strategy, being highly complementary to the Group's Sharwoods and Loyd Grossman brands and having a strong geographical fit, with a presence in the UK, Australian, Canadian and Irish markets, significantly expanding the Group's ethnic foods business in Australia.

The following table summarises the Group’s provisional assessment of the consideration for Spice Tailor, and the amounts of the assets acquired and liabilities assumed.

Recognised amounts of identifiable assets acquired and liabilities assumed	IFRS book value at acquisition £m	Fair value adjustments £m	Fair value £m
Property, plant & equipment	0.1	-	0.1
Brands and other intangible assets	-	20.5	20.5
Inventories	3.0	0.2	3.2
Trade and other receivables[1]	2.4	2.4	4.8
Trade and other payables	(3.4)	-	(3.4)
Provisions	(0.1)	(2.4)	(2.5)
Cash and cash equivalents	0.7	-	0.7
Deferred tax liability	-	(5.0)	(5.0)
Total identifiable net assets	**2.7**	**15.7**	**18.4**
Goodwill on acquisition			**34.3**
Initial consideration transferred in cash			44.5
Deferred contingent consideration			8.2
Total consideration			**52.7**

[1] Fair value adjustment relates to the recognition of indemnification assets in relation to contingent liabilities acquired

Identifiable net assets

The fair values of the identifiable assets and liabilities acquired have been determined provisionally at the acquisition date. As permitted under IFRS 3 the Group may, within twelve months of the acquisition date, retrospectively adjust the provisional amounts recognised to reflect new information obtained about facts and circumstances that existed and, if known, would have affected the measurement of the amounts recognised as at the acquisition date.

As a result of the business combination, the Group recognised provisions of £2.5m, including £2.4m in relation to the fair value of contingent liabilities acquired which relate primarily to future tax liabilities in line with IAS 37.

The fair value of the trade and other receivables acquired as part of the business combination was £4.8m. This includes an indemnification asset of £2.4m in relation to the contingent liabilities assumed, and trade receivables amounting to £2.4m which approximated to the contractual cash flows.

Consideration transferred

Consideration included cash of £44.5m transferred on completion of the acquisition. An additional £8.2m was recognised in relation to the fair value of deferred contingent consideration which is dependent on future performance with an earn out structure over a three year period from FY2024, subject to further growth targets. The deferred contingent consideration is included within non-current other liabilities.

The fair value of deferred contingent consideration represents the present value of estimate payments measured at the time of acquisition based on the Group's estimate of future performance. The fair value is based on unobservable inputs and is a classified as a level 3 fair value estimate under the IFRS fair value hierarchy. See note 10 for further details.

Acquisition-related costs amounting to £2.7m are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, as part of administrative expenses.

Goodwill

Goodwill amounting to £34.3m was recognised on acquisition and while The Spice Tailer brand forms much of the enterprise value of the business, there is a premium associated to the purchase of a pre-existing, well positioned business. This goodwill is not expected to be deductible for tax purposes and is allocated to the Group's Grocery CGU.

Spice Tailor contribution to the Group results

From the date of the acquisition to 1 April 2023, Spice Tailor contributed £10.0m to the Group’s Revenues and a profit before taxation of £0.3m. Had the acquisition occurred on 3 April 2022, on a pro forma basis, the Group’s Revenue for the period to 1 April 2023 would have been £1,013.4m and profit before taxation for the same period would have been £111.5m.

16. Subsequent events

On 11 May 2023 the Group extended £148.5m of its revolving credit facility (RCF) by one year to May 2026. The covenant package attached to the RCF is to be tested bi-annually and they are unchanged (see note 9 for details).

On 18 May 2023, the directors have proposed a final dividend for the period ended 1 April 2023 for approval at the Annual General Meeting. See note 11 for more details.