Premier Foods plc

16 May 2024

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

Preliminary results for the 52 weeks ended 30 March 2024

Full year ahead of expectations and return to volume growth in Q4

Headline results (£m)	FY23/24	FY22/23	change
Headline Revenue	1,122.6	975.6	15.1%
Trading profit[1]	179.5	157.5	14.0%
Adjusted profit before taxation[4]	157.9	137.2	15.1%
Adjusted earnings per share[7] (pence)	13.7	12.9	6.4%
Net debt[11]	235.6	274.3	£38.7m lower

Statutory measures (£m)	FY23/24	FY22/23	change
Revenue	1,137.5	1,006.4	13.0%
Profit before taxation	151.4	112.4	34.7%
Profit after taxation	112.5	91.6	22.8%
Basic earnings per share (pence)	13.0	10.6	22.6%
Dividend per share (pence)	1.728	1.44	20.0%

Alternative performance measures above are defined on pages 13-14 and reconciled to statutory measures throughout.
Headline Revenue presented for FY23/24 excludes 'Knighton Foods', Statutory Revenue includes Knighton Foods

Financial headlines

- Headline revenue up 15.1%; Branded revenue up 13.5%, including strong branded volume growth in Quarter 4
- Total Headline Grocery revenue up 16.7%, Sweet Treats revenue up 10.6%
- Full Year market share[13] increased +29bps; both Grocery and Sweet Treats grew share in H2
- Trading profit ahead of expectations and up 14.0% versus prior year
- Adjusted profit before tax up 15.1% at £157.9m; adjusted earnings per share up 6.4% reflecting tax rate increase
- Profit before tax up 34.7% to £151.4m
- Profit after tax up 22.8%; basic earnings per share up 22.6% to 13.0 pence
- Net debt/EBITDA reduced to 1.2x; lowest ever leverage
- Pension deficit contributions suspended from 1 April 2024[17]
- On track for FY24/25 expectations

Strategic headlines

- UK branded revenue up 13.6%
- Increased marketing investment across all major brands
- Infrastructure investment increased to £32.8m year on year, in line with guidance
- New categories revenue up 72% led by porridge pots and driving Ambrosia to a £100m brand
- International revenue up 12%[8]; continuing to build distribution in target markets
- *The Spice Tailor* now listed in 10 countries and returns well ahead of original plan
- *FUEL10K* acquisition in H2, integration completed, gaining market share and initial returns ahead of plan

Alex Whitehouse, Chief Executive Officer

"This has been another really strong year for the business with considerable progress across all our key financial metrics and five pillar growth strategy. In the UK, branded revenue increased by 13.6%, accompanied by 29 basis points of market share gain, as we continued to outperform the market. Our brands continue to demonstrate their relevance to consumers, helping them cook and prepare nutritious and affordable meals during what has been a challenging time for many people. All our leading brands benefitted from increased marketing investment, as we extended our 'Best Restaurant in Town' campaign into its second year. Ambrosia has now become our fourth £100m brand, in part driven by the premium Ambrosia Deluxe range and the extension into breakfast through porridge pots. Additionally, we continue to work very closely alongside our partner, Nissin, and yet again, Nissin was one of our fastest growing brands having grown by 54% on average over the last five years."

"We continue to invest in our manufacturing sites, with capex stepping up as planned to £33m, as we invest in driving efficiencies and facilitating growth through product innovation. Our expansion into new categories is proving to be

particularly successful with revenue growing by over 70%, led by Ambrosia porridge, and we extended distribution of Angel Delight ice-cream, Cape Herb & Spice and Oxo Marinades. International sales grew by 12%[8] with The Spice Tailor delivering returns ahead of plan and distribution now available in 10 countries. We were also delighted to acquire FUEL10K which is now fully integrated into the core business, is performing very well and for which we have exciting future plans."

"We continue to maintain our strong financial discipline; leverage reduced to 1.2x Net debt/EBITDA this year, our lowest ever level, and we are proposing another 20% increase in the dividend. We recently announced the suspension of pension deficit contributions, significantly increasing our free cash flow, which enhances our ability to invest in infrastructure and pursue M&A opportunities to deliver future growth. We have a strong set of plans for this year, across each of our strategic pillars and with our return to volume growth, we are on track to deliver on full year expectations."

Dividend

Subject to shareholder approval, the directors have proposed a final dividend of 1.728 pence in respect of the 52 weeks ended 30 March 2024 (FY22/23: 1.44p), payable on 26 July 2024 to shareholders on the register at the close of business on 28 June 2024. This represents a 20% increase in the dividend paid per share compared to FY22/23, is ahead of adjusted earnings per share growth, reflecting the confidence we have in the future and is consistent with the Board's progressive dividend approach. The ex-dividend date is 27 June 2024.

Outlook

The Group expects a return to volume driven revenue growth this year, as demonstrated in quarter four, partially offset by a lower price per unit. Further progress in FY24/25 is expected to be delivered across all the Group's strategic pillars, through the application of the Group's proven branded growth model, with expectations for the full year on track. Following the successful de-risking of pension obligations and the suspension of deficit contribution payments, the Group has a number of opportunities to invest in the business at attractive returns to increase efficiency and innovation, while continuing to explore M&A opportunities and apply its progressive approach to dividends.

Enhanced capital allocation opportunities

The Group is highly cash generative, benefits from strong EBITDA margins in line with global branded food sector peers, and has substantially reduced its interest costs in recent years.

In March 2024, the Group announced the suspension of pension deficit contribution payments, which historically has consumed a significant proportion of cash. This position frees up £33m free cash flow in FY24/25, presenting enhanced options to help the Group deliver on its growth ambitions. These are summarised as follows:

1. Capital investment: To increase efficiency and automation at our manufacturing sites and facilitate growth through product innovation.
2. M&A: Continue to pursue branded assets which would benefit from the application of the Group's branded growth model. We will maintain our financial discipline on M&A, applying a similar approach as to the recent acquisitions of *The Spice Tailor* and *FUEL10K,* with a focus on Return on Invested Capital.
3. Dividends: Expect to pay a progressive dividend, growing ahead of earnings.

The Group's Net debt/EBITDA leverage target of 1.5x remains 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 Group'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: UK branded revenue growth of 13.6%.

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. We are also now investing in low energy manufacturing solutions to reduce energy costs and drive scope 1 and 2 emission reductions, aligned to our Enriching Life Plan.
   Proof point: Capital investment increased to £32.8m.

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 72% 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 EMEA. Our primary brands to drive this expansion are *Mr Kipling*, *Sharwood's* and *The Spice Tailor*.
   Proof point: *Revenue growth of 12%[8] with The Spice Tailor now available in 10 countries.*

5. **Inorganic opportunities**
   We are looking to acquire brands where we believe we can drive significant value through the application of our branded growth model.
   Proof point: *The Spice Tailor performed ahead of original returns expectations this year and we also acquired FUEL10K, the vibrant Breakfast brand.*

Environmental, Social and Governance (ESG)

The Group's 'Enriching Life Plan', encompasses the three strategic pillars of Product, Planet and People, with encouraging progress delivered against each of these pillars[18]. In Product, revenue from products with a high nutritional standard[19] such as *Loyd Grossman* Tomato & Basil cooking sauces and *Bisto* 25% reduced salt Beef Gravy increased by 19% in the year. Additionally, 44% of the Group's products are now classified as having a regulated health or nutrition claim and are of a high nutritional standard[19]. Progress in Planet includes a 13.6% reduction in Scope 1 and 2 carbon emissions, with the first solar panels to be installed at a Group manufacturing site completed at Stoke. In People, the Group continued its partnership with FareShare, donating nearly 950,000 meals during the year, a 31% increase on last year; furthermore, embracing diversity is an important part of the Premier Foods culture and 46% of management colleagues are female.

Further information

A presentation to investors and analysts will be webcast 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, 16 May 2024, at 2:00pm BST. Dial in details are outlined below:

Telephone:	0800 358 1035 (UK toll free)
	+44 20 3936 2999 (standard international access)
Access code:	061561

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/

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 14 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, Oxo* 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'.

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This announcement may contain "forward-looking statements" that are based on estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements are all statements other than statements of historical fact or statements in the present tense, and can be identified by words such as "targets", "aims", "aspires", "assumes", "believes", "estimates", "anticipates", "expects", "intends", "hopes", "may", "would", "should", "could", "will", "plans", "predicts" and "potential", as well as the negatives of these terms and other words of similar meaning. Any forward-looking statements in this announcement are made based upon Premier Foods' estimates, expectations and beliefs concerning future events affecting the Group and subject to a number of known and unknown risks and uncertainties. Such forward-looking statements are based on numerous assumptions regarding the Premier Foods Group's present and future business strategies and the environment in which it will operate, which may prove not to be accurate. Premier Foods cautions that these forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in these forward-looking statements. Undue reliance should, therefore, not be placed on such forward-looking statements. Any forward-looking statements contained in this announcement apply only as at the date of this announcement and are not intended to give any assurance as to future results. Premier Foods will update this announcement as required by applicable law, including the Prospectus Rules, the Listing Rules, the Disclosure and Transparency Rules, London Stock Exchange and any other applicable law or regulations, but otherwise expressly disclaims any obligation or undertaking to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

Financial results

Overview

£m	FY23/24	FY22/23	% change
Branded revenue	958.1	844.2	13.5%
Non-branded revenue	164.5	131.4	25.2%
Headline revenue	**1,122.6**	**975.6**	**15.1%**
Divisional contribution[2]	253.5	216.2	17.3%
Trading profit[1]	**179.5**	**157.5**	**14.0%**
Trading profit margin	*16.0%*	*16.1%*	*(0.1ppt)*
Adjusted EBITDA[3]	203.9	182.3	11.8%
Adjusted profit before tax[4]	157.9	137.2	15.1%
Adjusted earnings per share[7] (pence)	13.7	12.9	6.4%
Basic earnings per share (pence)	13.0	10.6	22.6%

Headline revenue excludes Knighton Foods, reconciliations are provided in the appendices.

Headline Revenue increased by 15.1% to £1,122.6m in FY23/24. Divisional contribution grew by 17.3% to £253.5m and Trading profit increased by 14.0% to £179.5m. Group and corporate costs were higher in the period due to investment to improve planning systems and support strategic priorities, wage and salary inflation and wider management incentive scheme costs. In addition, the prior year included non-repeating income of £3.8m which related to a temporary interruption at a manufacturing site.

Trading profit margins of 16.0% were broadly in line with the prior year. Adjusted profit before tax increased by 15.1%, while adjusted earnings per share grew by 6.4%, reflecting an increase in the UK corporation tax rate from 19% to 25%. Basic earnings per share for FY23/24 increased by 22.6% to 13.0p.

Statutory overview

£m	FY23/24	FY22/23	% change
Grocery			
Branded revenue	740.4	635.3	16.5%
Non-branded revenue	110.0	111.5	(1.4%)
Total revenue	**850.4**	**746.8**	**13.9%**
Sweet Treats			
Branded revenue	217.7	208.9	4.2%
Non-branded revenue	69.4	50.7	36.9%
Total revenue	**287.1**	**259.6**	**10.6%**
Group			
Branded revenue	958.1	844.2	13.5%
Non-branded revenue	179.4	162.2	10.6%
Statutory revenue	**1,137.5**	**1,006.4**	**13.0%**
Profit before tax	151.4	112.4	34.7%
Basic earnings per share (pence)	13.0	10.6	22.6%

The table above is presented including revenue from Knighton Foods.

Group revenue on a statutory basis increased by 13.0% in FY23/24, with branded revenue growing by 13.5% and non-branded revenue up 10.6%. Grocery revenue was £850.4m, 13.9% higher than the prior year. Non-branded Grocery revenue declined by (1.4%) to £110.0m as price increases on existing contracts were offset by managed contract exits associated with the closure of Knighton Foods and Charnwood. Commentary on Sweet Treats is provided below.

Trading performance

Grocery

£m	FY23/24	FY22/23	% change
Branded revenue	740.4	635.3	16.5%
Non-branded revenue	95.1	80.7	17.8%
Total headline revenue	**835.5**	**716.0**	**16.7%**
Divisional contribution[2]	219.8	189.2	16.2%
Divisional contribution margin	*26.3%*	*26.4%*	*(0.1ppt)*

On a headline basis Grocery revenue increased by 16.7% in the year to £835.5m, with Branded revenue up 16.5% to £740.4m. Non-branded revenue increased by 17.8% to £95.1m largely due to pricing to recover input cost inflation in retailer branded product ranges. The Group gained market share[13] in its Grocery categories across the year, as its leading brands continue to demonstrate their strength and resilience in what has been a challenging consumer environment. Divisional contribution increased by 16.2% to £219.8m, with margins broadly flat to last year.

In the fourth quarter, Grocery headline revenue increased by 10.3%, with branded growth of 12.4% partly offset by non-branded revenue which was 5.4% lower.

Grocery volumes returned to growth in the fourth quarter, as elasticity effects of price increases dissipated. In the second half of the year, the Group also implemented sharper promotional pricing across a number of its products, such as *Loyd Grossman* cooking sauces and *Batchelors* Super Noodles, which served to strengthen these volume trends.

As the Group has consistently highlighted, its branded growth model generates value by leveraging the strength of its market leading brands, launching insightful new products, supporting its brands with emotionally engaging advertising and building strategic retail partnerships. Effective application of this strategy has resulted in consistent UK branded revenue growth of 5.1% over the last three years.

Growth in the Grocery portfolio was broad based across all brands in the year. The Grocery business's major brands, *Ambrosia, Batchelors, Bisto, Sharwood's, Oxo* and *Loyd Grossman* all benefitted from consumer marketing investment in FY23/24, including through the 'Best Restaurant in Town' campaign, which highlighted great value meal ideas across the Grocery portfolio.

Oxo was a particularly strong performer in the period, benefitting not only from increased brand advertising but also further expansion of new *Oxo* Stock pots. *Nissin* noodles ranges again enjoyed another great year, delivering revenue growth of over 30%, recording retail sales of nearly £50m[13] and also benefitting from the launch of the Big *Soba* pots range. *Ambrosia* became a £100m revenue brand for the first time in FY23/24, gaining over 100 basis points of market share, with growth due to both its core range and the launch of *Ambrosia* Deluxe creamed rice in can and pot formats.

Another element of the branded growth model is to build and maintain strong, collaborative partnerships with customers. For example, *Batchelors* extended its successful partnership with DC Warner Brothers in the year, this time through its tie-up with Batman and Aquaman, producing some highly impactful instore execution displays. The Group also extended its partnership with its charity partner, Fareshare, with the 'Win a Dinner, Give a Dinner' campaign, to help fight hunger and address food waste. During the year, the Group's Grocery categories increased total distribution by 1.8%, with Quick Meals, Snack & Soups and Desserts being strong contributors to this growth.

The Group continues to make strong progress expanding into adjacent categories, leveraging the equity of its leading brands, with revenue increasing 72% compared to last year. *Ambrosia* porridge pots again led the way; sales more than doubled year on year and market share increased to 10.2%[14] in a category growing at 19%. During the year, the range was extended with the launch of an Apple & Blueberry variant; it also featured in the main *Ambrosia* 'Moley' television advert and benefitted from outdoor media activity.

Ice-cream also performed well, with revenue growth of over 50%, as it increased distribution in major multiple retailers through ranges under the *Angel Delight* and *Mr Kipling* brands. This will be extended in FY24/25 with the launch of handheld *Angel Delight* ice-cream in Butterscotch and Banana flavours.

The Spice Tailor continues to benefit from the Group's commercial capabilities, its category expertise and has a strong set of product innovation plans in the next 12 months, such as Stir fry sauces and East Asian meal kits. Instore execution was enhanced in the year with end of aisle displays delivering greater visibility, while the brand also benefitted from digital advertising in both the UK and Australia. Additionally, the brand's returns performance is now running ahead of the Group's original expectations.

The Group acquired *FUEL10K*, the vibrant, protein enriched breakfast brand in October 2023 for an initial consideration of £29.6m. This acquisition expands the Group's nascent presence in the breakfast category, providing the ideal platform to build on the initial success of *Ambrosia* porridge pots. *FUEL10K* has continued to perform well in its first five months with the Group, growing sales and market share and developing further exciting product innovation which will be instore from FY24/25 onwards.

In the fourth quarter of the year, and following a review of operations, the Group announced to colleagues the proposed closure of its Charnwood frozen pizza base business. This closure has since been confirmed, will affect c.60 colleagues and is expected to complete in the first half of FY24/25. Charnwood is an entirely non-branded business and this move reflects the Group's strategic priorities as a brand-focused business.

Sweet Treats

£m	FY23/24	FY22/23	% change
Branded revenue	217.7	208.9	4.2%
Non-branded revenue	69.4	50.7	36.9%
Total headline revenue	**287.1**	**259.6**	**10.6%**
Divisional contribution[2]	33.7	27.0	24.8%
Divisional contribution margin	*11.7%*	*10.4%*	*1.3ppts*

Total revenue increased by 10.6% in Sweet Treats, with Branded revenue up 4.2% and non-branded revenue ahead 36.9%. The growth in non-branded was consistently strong throughout the year and was due to a combination of contract wins in pies and tarts and price increases on existing ranges. Divisional contribution increased to £33.7m in Sweet Treats, and margins improved to 11.7%, a 130 basis point improvement on the prior year, reflecting volume recovery assisted by sharper promotional pricing.

In the fourth quarter of the year, Sweet Treats revenue increased by 6.3%, with branded revenue up 5.0% and non-branded revenue ahead 16.7%.

FY23/24 revenue growth for *Mr Kipling* reflected activity commemorating the King's Coronation, impactful instore brand activation to assist shoppers navigate the cake category with greater ease and a strong promotional campaign in partnership with the Minions franchise. Brand investment in *Mr Kipling* television advertising featured the new 'Piano' advert, demonstrating the Group's media approach of building emotional connections with consumers. New products launched in the year included *Mr Kipling* 'Best Ever' Signature mince pies, which received strong consumer reviews while the Signature Brownie Bites range also performed well. As a result of lower levels of input cost inflation in the second half of the year, the Group increased its investment in promotional pricing, which assisted volume recovery.

Cadbury cake revenue grew strongly in the second half, partly due to lapping a softer comparative period and also due to impactful instore brand activation and the relaunch of Crème Egg cake bars.

International

Revenue overseas increased by 12%[8] compared to last year. In-market cake sales in Australia continue to grow, however, as previously disclosed, revenue was impacted by reduced shipping times which in turn led to lower stock holdings in the supply chain.

Ireland delivered a consistently strong year, with broad based growth across many brands; *Ambrosia*, *Bisto* and *Oxo* were particularly strong performers due to continued successful application of the branded growth model and pricing benefits. In Europe, sales of *Sharwood's* increased reflecting significant new listings in major retailers in Germany and Netherlands.

Building sustainable businesses in the Group's target markets continues to progress well. The *Mr Kipling* and *Cadbury cake* brands reached a combined record market share in Australia during the year of 16.1%[14] and delivered further retail sales growth. Execution of the Company's branded growth model included *Mr Kipling* benefitting from TV advertising in the form of the engaging 'Little Thief' advert and also the sponsorship of the Great Australian Bake Off, while new products launched in the period included Caramel Bakewell Tarts and Salted Caramel Slices.

In the USA, the distribution of *Mr Kipling* to a range of retailers is building well, with more than 3,000 stores now stocking the Group's largest brand across North America, up from c.200 at the start of the year.

Distribution of *The Spice Tailor* is accelerating strongly; listings have now been agreed with major retailers in ten countries globally, including for 1,000 stores in the USA and three countries in continental Europe.

Operating profit

Operating profit increased by £45.5m to £177.7m in the year. Trading profit increased by 14.0% to £179.5m, as described above and brand amortisation of £20.9m was £0.2m higher than the prior year. Net interest on pensions and administrative expenses was a credit of £31.6m (FY22/23: £17.7m credit), due to an interest credit on the opening combined surplus of the pension scheme of £37.2m, partly offset by £5.6m of administrative expenses. Non-trading items[9] of £11.4m were £9.1m lower than the prior year principally due to Knighton closure costs in FY22/23. Impairment of fixed assets and restructuring costs were £4.2m (FY22/23: £3.6m) and £5.3m (FY22/23: £11.1m) respectively and both relate to closures of the Knighton and Charnwood manufacturing sites. Other non-trading items of £1.9m relate primarily to M&A transaction costs.

Finance costs

Net finance cost was £26.3m in FY23/24, compared to £19.8m in the prior year. Net regular interest[5] increased by £1.3m to £21.6m, predominantly due to a higher SONIA rate applicable to the Group's revolving credit and debtors securitisation facilities. Interest on the Group's Senior secured notes of £11.5m were, as expected, in line with the prior year. Other interest payable was £5.2m (FY22/23: £0.6m) the majority of which related to the unwind of both long-term provisions and contingent consideration related to acquisitions. Interest income increased by £2.8m to £3.6m in the year due to higher interest rates on cash reserves.

Taxation

The tax charge for the year was £38.9m (FY22/23: £20.8m) and was largely due to a £37.9m (FY22/23: £21.4m) charge at the domestic income tax rate of 25% (FY22/23: 19%). The increase compared to the prior year is due to an increase in the UK corporation tax rate from 19% to 25% and higher profit before tax. The Group is able to offset a proportion of cash tax payable through available brought forward losses and capital allowances. Following the suspension of pension deficit contributions, which are allowable for tax, ongoing annual cash tax payable is expected to be in the single digit £'millions in the medium term.

Earnings per share

£m	FY23/24	FY22/23	% change
Operating profit	177.7	132.2	34.4%
Net finance cost	(26.3)	(19.8)	(32.8%)
Profit before taxation	**151.4**	**112.4**	**34.7%**
Taxation	(38.9)	(20.8)	87.0%
Profit after taxation	112.5	91.6	22.8%
Average shares in issue (million)	862.4	861.2	0.1%
Basic Earnings per share (pence)	**13.0**	**10.6**	**22.6%**

The Group reported profit before tax of £151.4m in FY23/24, a 34.7% increase on the prior year. Profit after tax was £112.5m, an increase of £20.9m and basic earnings per share was 13.0 pence, an increase of 22.6%.

Cash flow

Net debt as at 30 March 2024 was £235.6m, a reduction of £38.7m compared to the prior year. Net debt / EBITDA reduced from 1.5x to 1.2x during the year, as Adjusted EBITDA[3] increased by 11.8% to £203.9m.

Trading profit was £179.5m, as described above. Depreciation plus software amortisation was £24.4m in the year, resulting in Adjusted EBITDA[3] of £203.9m, 11.8% higher than FY23/24. A £9.0m outflow of working capital, an improved trend on the prior year, was due to higher stock reflecting inflation of both raw materials and finished goods. Pension deficit contribution payments were £33.1m and Pension Trustee and administration costs were £5.6m, totalling a £38.7m cash outflow to the schemes. Non-trading items were £14.4m and related to payments associated with closure of the Knighton manufacturing site and a lease exit of a non-operational site.

On a statutory basis, cash generated from operating activities was £121.7m (FY22/23: £87.2m) after deducting net interest paid of £20.3m (FY22/23: £19.6m). The Group paid Tax of £4.4m in the period (FY22/23: £1.5m).

Cash used in investing activities was £62.1m (FY22/23: £63.8m), of which the acquisition of *FUEL10K* represented £29.3m and capital investment was £32.8m. The Group has a number of opportunities to invest in the business at attractive returns to increase efficiency and innovation. During the year it replaced air compressors across a number of sites which have improved efficiency and also installed solar panels at the Group's Stoke manufacturing site. In FY24/25, the Group expects to increase its capital investment which will include the development of a new, innovative energy efficient process to manufacture iced-topped cake products and a project to deliver additional capacity for Ambrosia porridge pot production reflecting success since launch.

Cash used in financing activities was £20.7m in the year (FY22/23: £14.3m) which included a £12.4m dividend payment to shareholders (FY22/23: £10.3m) and £6.3m purchase of shares to satisfy share awards (FY22/23: £2.5m). A dividend match payment to the Group's pension schemes of £3.8m was also made in the period. As at 30 March 2024, the Group held cash and bank deposits of £102.3m and its £175m revolving credit facility was undrawn.

Pensions

The Pension scheme has continued to make strong progress, benefiting from a successful investment strategy for both the RHM and Premier Foods sections since the segregated merger of the scheme in June 2020. On 6 March 2024, the Group announced another major strategic step with the suspension of deficit contribution payments to the pension scheme Trustee with effect from 1 April 2024.

Consequently, the Group will benefit from £33m increased free cash flow for the financial year ending 29 March 2025, and subject to the results of the next triennial valuation, at 31 March 2025, the Group anticipates no further contributions to be payable after this date. Administrative expenses, which are expected to be £5-6m in FY24/25, and the dividend match mechanism remain in place. A full resolution of the pension scheme, where the scheme has fully de-risked, is forecast to take place by the end of 2026.

IAS 19 Accounting Valuation (£m)	**30 March 2024**			**1 April 2023**		
	RHM	Premier Foods	Combined	RHM	Premier Foods	Combined
Assets	3,032.0	533.0	3,565.0	3,240.2	552.6	3,792.8
Liabilities	(2,232.8)	(730.7)	(2,963.5)	(2,291.9)	(735.4)	(3,027.3)
Surplus/(Deficit)	**799.2**	**(197.7)**	**601.5**	**948.3**	**(182.8)**	**765.5**
Net of deferred tax (25%)	599.4	(148.3)	451.1	711.2	(137.1)	574.1

The Group's pension scheme reported a combined surplus of £601.5m as at 30 March 2024, a reduction of £164.0m compared to the prior year. This is equivalent to a surplus of £451.1m net of a deferred tax charge of 25.0%. Asset values fell in both sections of the schemes and reduced by £227.8m overall. Of note, the illiquid Credit and Global Credit asset classes were lower in the year. The value of liabilities fell by £63.8m, or 2.1% to £2,963.5m. The applicable discount rate used to value liabilities was unchanged at 4.80% and the RPI inflation rate assumption used was 3.15% (FY22/23: 3.30%). The reduction in assets is greater than the reduction in liabilities due to the scheme being over hedged on an accounting basis and hence as underlying gilt yields increase the assets reduce more than liabilities.

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.

Principal risks and uncertainties

Strong risk management is key to delivery of the Group’s strategic objectives. It has an established risk management process, with 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 will be disclosed in the annual report and accounts for the financial period ended 30 March 2024. 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.

Alex Whitehouse Chief Executive Officer	Duncan Leggett Chief Financial Officer