# Enriching life through food

Premier Foods plc Annual Report for the 52 weeks ended 2 April 2022

enriching life THROUGH FOOD

Our purpose reminds us what we're here to do – enrich life through food.

It guides us, it motivates us, and it's reflected in every element of how we run our business today. It means ensuring that the food we create helps enable consumers to lead sustainable, healthier lifestyles, manufactured in a way that respects the world's resources. It also means enriching life for our colleagues by creating an inclusive culture, where people are valued and respected, and can reach their full potential.

# We are a purpose-led organisation.

Our purpose reminds us what we're here to do – enrich life through food.

**Our purpose**

→ Read more on page 10

**Our branded growth model**

→ Read more on page 11

**Our strategy**

→ Read more on pages 14 and 15

# Enriching life through food

FOR OUR **CONSUMERS**
Help our consumers to lead healthier and more sustainable lifestyles, by creating foods that are rich in nutrients.

FOR OUR **PLANET**
Place environment at the heart of our operations: respecting natural resources that make our food more sustainable and free of unnecessary or problematic packaging.

FOR OUR **PEOPLE**
Forge inclusive and fulfilling career pathways that contribute to the UK economy and give back to the communities where we operate.

LEADING **BRAND POSITIONS**

INSIGHT DRIVEN **NEW PRODUCTS**

SUSTAINED MARKETING **INVESTMENT**

RETAILER **PARTNERSHIPS**

**Continue to grow the UK core**

**Supply chain investment**

**Expand UK into new categories**

**Build International businesses with critical mass**

**Inorganic opportunities**

## Contents

# We have leading brands...

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

**Flavourings & Seasonings**

**Quick Meals, Snacks & Soups**

**Ambient Desserts**

**Cooking Sauces & Accompaniments**

**Ambient Cakes**

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

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

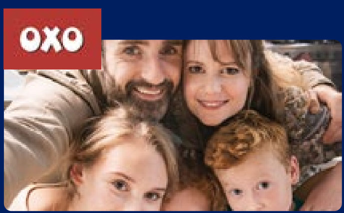
1. Health and nutrition
2. Convenience
3. Snacking and on-the-go
4. Indulgence
5. Packaging sustainability

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

Significant investment in TV advertising and digital activation behind six of our brands, creating emotional connections with consumers.


'Devon knows'


'Adventures in flavour. Since 1889'




'Dad's night in'


'Little Thief'


'Tasty'


'Sticking together'

# ...and strong customer partnerships.

Focused on driving mutual category growth and delivering outstanding in-store execution.


# Our ingredients

**We aim to give our consumers great tasting products which are rich in nutrients, to help them to lead healthier lifestyles. We are also focusing on ensuring that each of our core ranges offer a plant-based alternative, to support those consumers who are looking to transition towards more plant-based diets. We source our ingredients in a responsible manner to give consumers confidence that the food they purchase is produced in an ethical and sustainable way.**

**We source a wide range of healthy, natural ingredients for our products, purchasing raw ingredients from a range of suppliers in the UK and from markets around the world. Last year we purchased over 315,000 tonnes of food ingredients, working with around 220 suppliers, to develop long-term sustainable partnerships which deliver mutual benefits.**

DID YOU KNOW?

**Last year we purchased around:**

2,700

tonnes of Bramley apples from UK orchards, for products such as our *Mr Kipling* fruit pies

47,000

tonnes of wheat from UK farmers, for our Andover Mill, which is used to make bagged flour and baking mixes, including *McDougalls*

42m

litres of fresh milk from West Country farmers for our Lifton dairy, where we produce *Ambrosia* custard and rice pudding

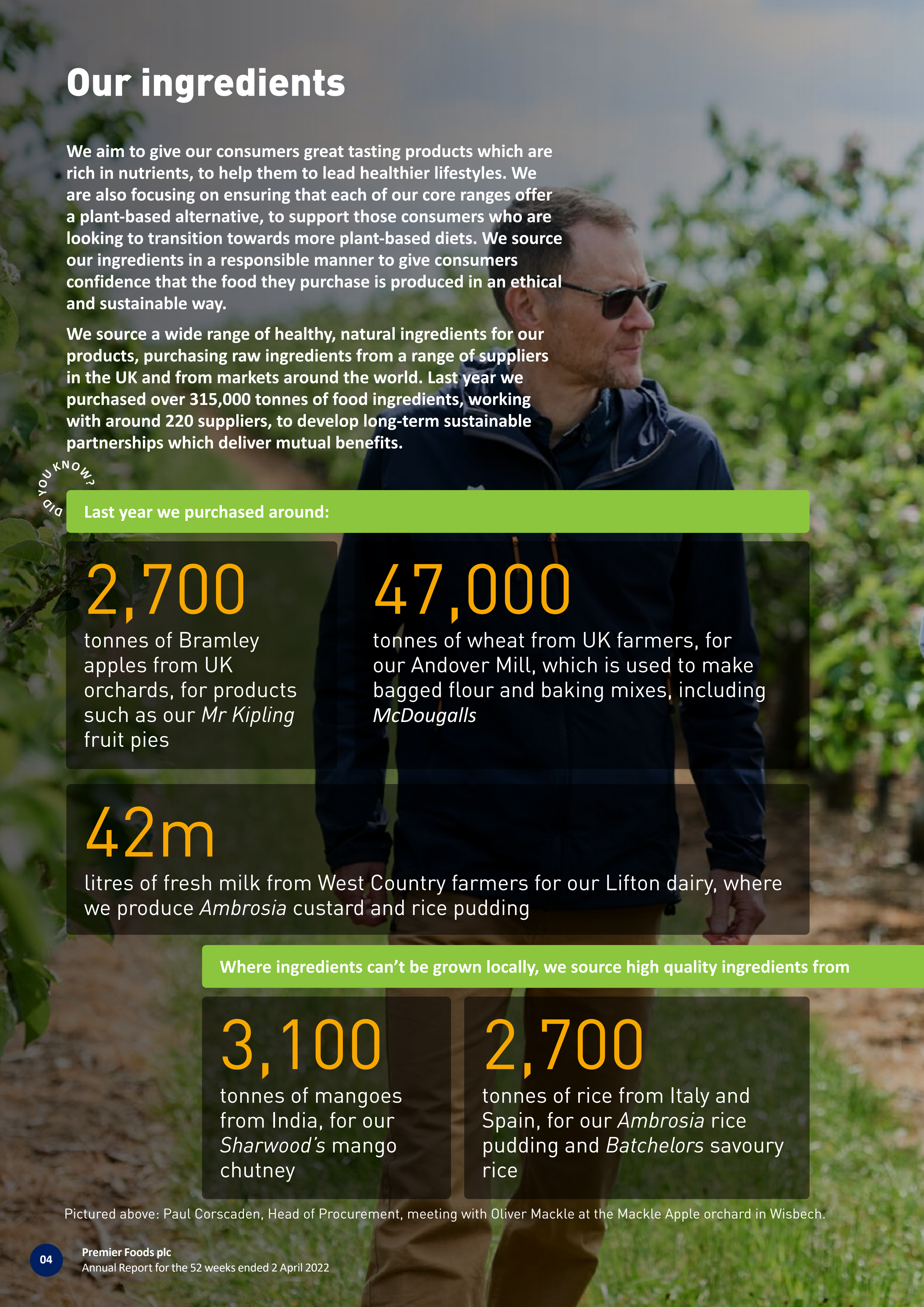
**Where ingredients can't be grown locally, we source high quality ingredients from**

3,100

tonnes of mangoes from India, for our *Sharwood's* mango chutney

2,700

tonnes of rice from Italy and Spain, for our *Ambrosia* rice pudding and *Batchelors* savoury rice



Pictured above: Paul Corscaden, Head of Procurement, meeting with Oliver Mackle at the Mackle Apple orchard in Wisbech.

CASE STUDY
## Bramley Apples


our international partners, including:

**21,000**

tonnes of tomatoes from Spain and Portugal, for our *Sharwood's*, *Loyd Grossman* and *Homepride* sauces

### *Mr Kipling* Bramley apple pies

The Mackle family have been dedicated to growing and processing Bramley apples for over 50 years, working in partnership with nature to promote healthy soil and insect biodiversity, to ensure that only the most delicious apples go into our *Mr Kipling* apple pies.

Mackle Apple have been a key supplier to the Group for over 20 years, and last year we purchased over 650 tonnes of Bramley apples. Grown at their orchards in Wisbech, Cambridgeshire, spanning 350 acres, and picked by hand before being processed at their onsite factory.

**“We’ve spent 50 years fine-tuning the art of apple growing, to ensure that our Bramley apples are as consistent as they are delicious. We’re proud to have worked with Premier Foods for over 20 years, supplying the highest quality apples for one of the UK’s best loved cake and pie brands, and look forward to many more fruitful years working in partnership.”**

**Oliver Mackle**
Mackle Apple

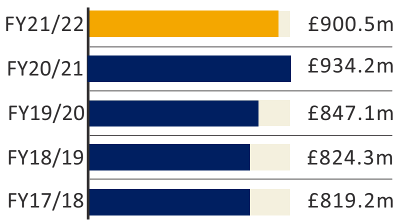
# Our year in review

**Over the year, we have made strong strategic progress with revenue ahead of expectations and strong profit growth versus two years ago. Our branded growth model continues to deliver sales growth through new product development ('NPD'), sustained consumer marketing investment and excellent in-store execution.**

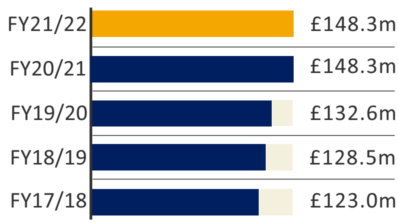
Due to the unique nature of the prior year when we saw exceptional patterns of demand for our products during the peak of the Covid-19 pandemic, we have managed and reviewed the performance of the business this year with reference to two years ago and the prior year.

The statutory comparative period is for the 53 weeks ended 3 April 2021. To aid comparability of results against equal time frames, headline measures for prior year are provided on a 52 week comparable basis, all other years are stated on a comparable 52 week basis.

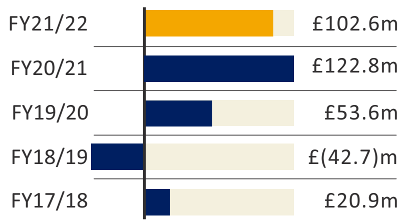
### Revenue [1] (£m)



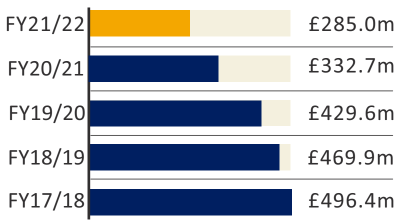

### Trading profit [1] (£m)



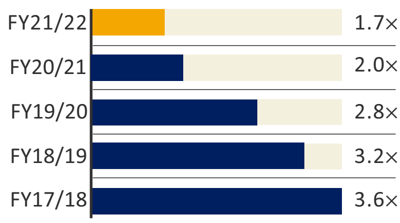

### Profit/(loss) before tax (£m)




### Net debt[1] (£m)




### Net debt to adjusted EBITDA ratio[1]




### Scope 1 & 2 emissions ($tCO_2e$)[2]


**£148.3m**

Trading profit

+11.9% versus two years ago and in line with prior year (on a 52 week basis)[1]

**12.1p**

Adjusted EPS

+35.7% versus two years ago and +10.5% versus prior year[1]

**1.20p**

Final dividend

of 1.20p per share proposed, up 20% on prior year

**£286.0m**

Sales of products that meet high nutritional standards

1 Revenue and Trading profit for FY20/21 are shown on a 52 week basis for comparison with prior years and EBITDA is on an adjusted basis. A reconciliation between 52 week and 53 week performance and a definition and reconciliation of non-GAAP measures to reported measure is set out on pages 49 and 50.

2 Total Scope 1 & 2 gross location based emissions (tonnes of $Co_2e$).


# Strategic report



***Oxo Rubs and Marinades***
Part of our strategy is to expand our brands into new categories and we now have five brand extensions in market, including a delicious new range of *Oxo* Rubs and Marinades.

# About Premier Foods

**As one of UK's leading food businesses, 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, 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.

## UK Grocery Business

We operate primarily in the ambient food sector, which is one of the largest sectors within the total UK grocery market. We operate in four key Grocery categories: Flavourings & Seasonings; Quick Meals, Snacks & Soups; Ambient Desserts and Cooking Sauces & Accompaniments. Within Sweet Treats we operate in the Ambient Cakes category. Our brands are leaders in their categories with high household penetration, and 86% of our total revenue comes from branded products.

In addition, the Group has a portfolio of other branded food products, a non-branded food business which manufactures products, such as cakes and desserts, on behalf of many of the UK's leading food retailers, as well as a B2B business supplying food products and ingredients.

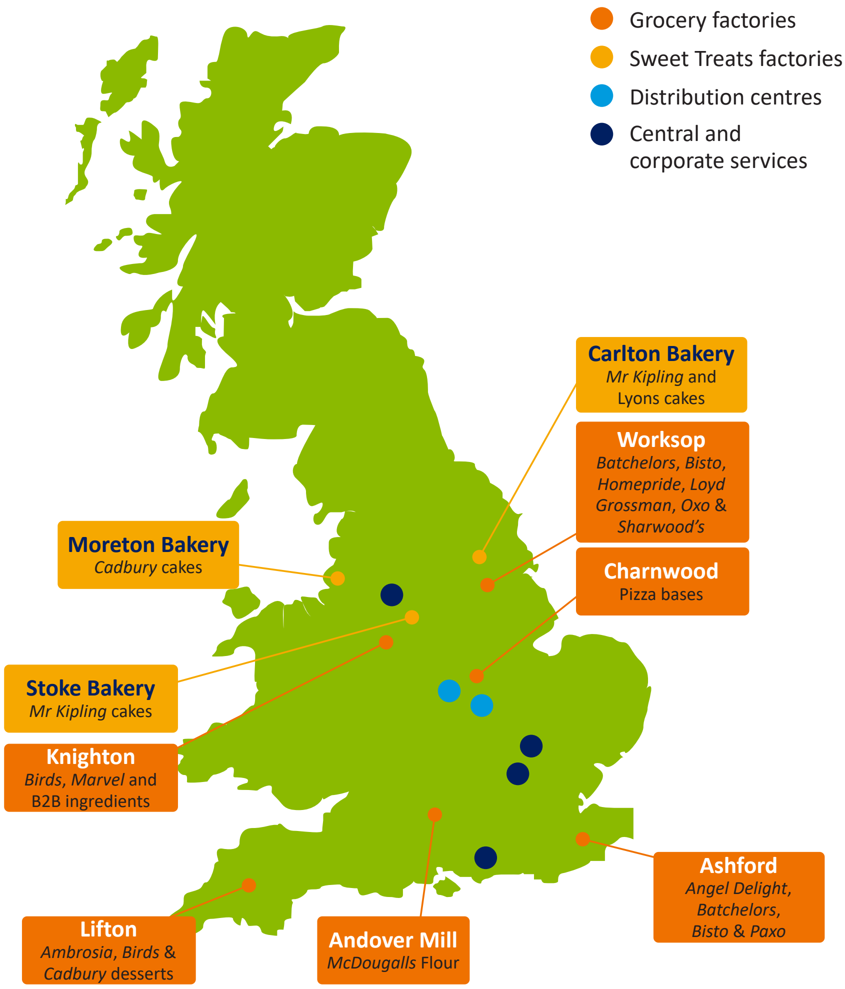
## International Business

We are growing our international business through the application of our brand building capabilities and executional focus in our priority markets. We have significant businesses in Ireland and Australia, with established relationships with the major food retailers. We are also developing opportunities to expand *Mr Kipling* and *Sharwood's* cooking sauces in a number of markets, including North America and Europe. The International business delivered a strong performance in the year and accounts for around 6% of Group revenue.

| Categories | Brands | Position | Share | Penetration |
|---|---|---|---|---|
| Flavourings & Seasonings | Bisto, OXO, PAXO | 1 | 44% | 67% |
| Quick Meals, Snacks & Soups | Batchelors, Nissin | 1 | 34% | 43% |
| Ambient Desserts | Ambrosia, Bird's, Angel Delight | 1 | 37% | 54% |
| Cooking Sauces & Accompaniments | Sharwoods, Loyd Grossman, Homepride | 1 | 15% | 52% |
| Ambient Cakes | Mr Kipling, Cadbury, Lyons Cakes | 1 | 24% | 64% |

Source: Category position and market share: IRI 52 weeks ending 26 March 2022; penetration: Kantar FMCG panel, 52 weeks ending 20 March 2022.

## Where we operate




## Strategic partnerships

### Nissin

We entered into a co-operation agreement with Nissin Foods Holdings Co., Limited ('Nissin') in 2016, and have launched *Batchelors* Super Noodles in a new pot format, using Nissin's leading noodle technology and manufacturing expertise. In addition, we have taken on distribution of Nissin's Soba noodles and brought the Cup Noodle brand to the market. Nissin noodles have grown market share from 16% in 2017 to 48% today, and are now the market leader in the authentic snack pot market.

### Mondelēz International

In 2017, we signed a new strategic global partnership with Mondelēz International to renew the Company's long-standing licence to produce and market *Cadbury* branded cake, as well as home baking and ambient dessert products. The partnership covers multiple countries and has the potential to use the full range of *Cadbury* brands in ambient cake.

### Customers

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

# Our purpose

## Our purpose reminds us what we're here to do – enrich life through food.

**It guides us, it motivates us, and it's reflected in every element of how we run our business today. It means enriching life for our consumers by ensuring that the food we create helps enable people to lead sustainable, healthier lifestyles.**

Enriching Life through Food is about making food in a way that respects the world's resources, the same resources we rely on to make our delicious food. Whether that's reducing our environmental footprint through climate action, reducing food waste, or maintaining high ethical standards across our supply chain.

It also means enriching life for our colleagues by creating an inclusive culture of entrepreneurship, where people can reach their full potential, as well as attracting the very best talent and embracing diversity along the way.

By continuing to enrich the lives of our consumers and our colleagues as well as the planet we live on, we can nurture our business effectively and sustainably, and look forward to many more years of healthy growth ahead of us.

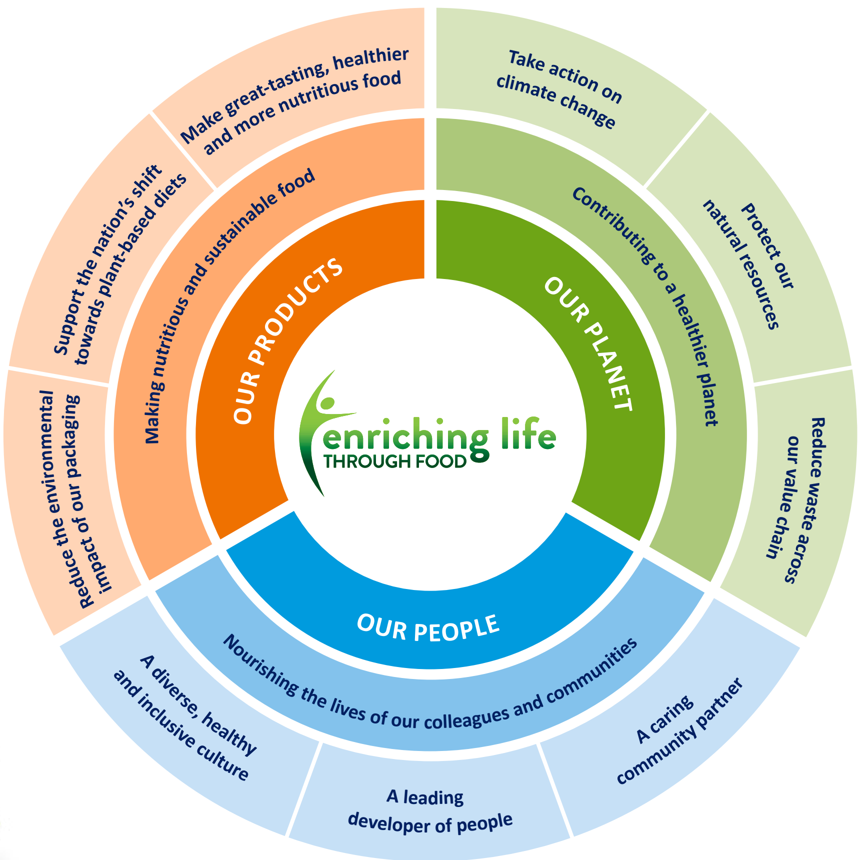
### Enriching Life Plan

As part of our commitment to being a responsible food business, we have also reflected our purpose in our strengthened ESG strategy, the Enriching Life Plan.

Having spoken to a range of our stakeholders - including customers, colleagues, scientists, campaigners, trade groups and policy makers - we've launched a range of new sustainability commitments.

Our Enriching Life Plan covers all aspects of sustainable development and encompasses everything we touch, from the ingredients we source, to the communities we serve. The 2030 plan will focus our work in three main areas: making great-tasting, nutritious and more sustainable products, contributing to a healthier planet and nourishing the lives of our colleagues and communities.

→ Read more about our Enriching Life Plan on pages 24 to 35.




# Our business model

**Our branded growth model is at the heart of what we do, and is core to the delivery of our Group strategy. It's how we identify and develop insight-driven new product innovation, and bring it to market with compelling marketing and outstanding in-store execution.**

## Our capabilities

### Consumer insight
We use our insights, gained from consumer research and our knowledge of food trends, to build an understanding of what our consumers want, so that we can develop and launch products that meet their needs.

### Colleagues
We have talented management teams, with a broad and deep understanding of the food industry, and capable, loyal and diverse teams across our manufacturing sites, office locations and support functions.

### Sourcing
We are committed to producing high-quality food that is sourced in a fair, ethical and environmentally responsible way.

### Manufacturing
Our manufacturing capability gives us the scope to manufacture a diverse range of products and formats to service a wide range of customers.

We have leading standards of safety, both for our food and our colleagues.

## Our branded growth model

LEADING **BRAND POSITIONS** + INSIGHT DRIVEN **NEW PRODUCTS** + SUSTAINED MARKETING **INVESTMENT** + RETAILER **PARTNERSHIPS**

### Leading brand positions
Our brands are leaders in their categories with high household penetration.

### Insight driven new products
We launch new products linked to key consumer trends, with a major focus on health & nutrition.

### Sustained marketing investment
We create emotional connections through media, to build brands, maintain awareness and keep them contemporary.

### Retailer partnerships
Our partnerships are focused on driving mutual category growth and delivering outstanding in-store execution.

## How we deliver value for our stakeholders

### Consumers and customers
By creating and launching new products that meet consumers' needs, we can help our customers to drive category growth.

**5**
brand extensions in market

### Colleagues
We're committed to creating a truly great place to work for our 4,000 colleagues, which provides opportunities to develop and grow in an inclusive and diverse environment.

**88%**
colleague survey response rate

### Suppliers
We develop strong relationships based on mutual respect and trust, to source high-quality ingredients at the right price for the long-term benefit of both parties.

**97%**
of our spend is with our top 500 suppliers

### Shareholders
Our business model is focused on delivering sustainable profitable growth and long-term shareholder value. In 2021, we reinstated dividend payments and have recommended a 20% increase to the final dividend this year.

**+23%**
shareholder return over the last year

### Communities
We build strong bonds with the local communities in which we operate, providing long-term employment opportunities and make meaningful contributions through our charitable giving.

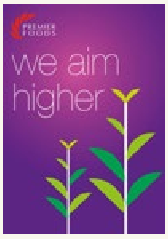
**600,000**
meals donated to those in food poverty.[1]

[1]See page 163 for a definition.

# Our values and culture

**An important element of our new purpose is to enrich the life of our colleagues, by creating an inclusive culture of entrepreneurship, where people can reach their full potential, as well as attracting the very best talent and embracing diversity.**

As one of the UK's leading food businesses, we employ over 4,000 colleagues, and we're committed to creating a truly great place to work. Our shared values are the DNA of our business and act as our moral compass, helping guide us in the way we do things. They give us a common framework for decision making and enable us to challenge ourselves, and each other, to ensure we live them day-by-day.




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


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


**We're energetic and act with pace.**


**We achieve more when we work together.**


**We bring out the best in each other.**

88%

response rate to our 2022 engagement survey

91%

of colleagues feel trusted to do their jobs effectively

## Evolving our culture

As a result of the Covid-19 pandemic, during the past two years we have taught ourselves how to adopt new ways of working. To keep us all safe in our factories or in our own homes, meant that we had to 'be agile' and adapt quickly, which we did very successfully. As the world evolved, we took the lessons we learned from lockdown, and seized the opportunity to adapt again and continue our success as a business, by looking through a different cultural lens. We wanted to stretch our thinking to create mutual flexibility for our colleagues, and the business, by bringing a culture that fosters trust and delivers outperformance. To achieve this, we initiated a new flexible 'hybrid' way of working, called Project Boomerang. We encouraged all colleagues and managers to challenge previous assumptions around what is possible when working flexibly, whilst still delivering against our goals to help the business achieve its ambitions.

## Colleague engagement

This year we undertook a Group-wide colleague survey to understand how we are progressing as an organisation and to provide insight on how colleagues are feeling, following what has been a challenging period for us all. We were delighted to achieve an 88% response rate, and will be reviewing the responses to identify an action plan for the coming year.

## Inclusion and Diversity ('I&D')

At Premier Foods we believe in inclusion, authenticity and individuality. We aim to ensure all colleagues are given equitable opportunities and are respected, valued and encouraged to bring their true authentic selves to work, no matter who they are, what they look like, who they love or what they believe in. Our culture is one where everyone is welcome, and our aim is to create an environment where we all feel we belong and are empowered to fulfil our potential.

Our strategy leads with inclusion, as it means everyone can impact change and collectively, we can create an environment for diversity in all its forms to thrive.

We have four key areas of focus:

**Leadership:** our I&D agenda is passionately sponsored by our Executive Leadership Team ('ELT'), and we regularly challenge ourselves about what we can do to maximise our impact and accelerate the progress of our I&D programmes by, for example, participating in and promoting all our key I&D events.

**Education:** we raise awareness across the business through an educational programme of events throughout the year, such as celebrating Pride, International Women's Day and Black History Month. We invite external speakers, share key facts and host colleagues story telling panels, to encourage our teams to embrace inclusivity and become proactive allies to all represented groups that our colleagues bring to our organisation.

**Recruitment:** we ensure our recruitment and talent processes are equitable, inclusive and transparent, as well as educating our teams on how to 'recruit without bias'.

**Ways of working:** we know the importance of making sustainable change and are continually reviewing our policies, processes, and ways of working, to ensure diverse and inclusive thinking is embedded into all areas of the business.

Finally, to enable us to track our progress, we have developed an I&D scorecard that is reviewed by our ELT on a quarterly basis, in line with other business KPIs as part of our business cycle.

#oktobeme

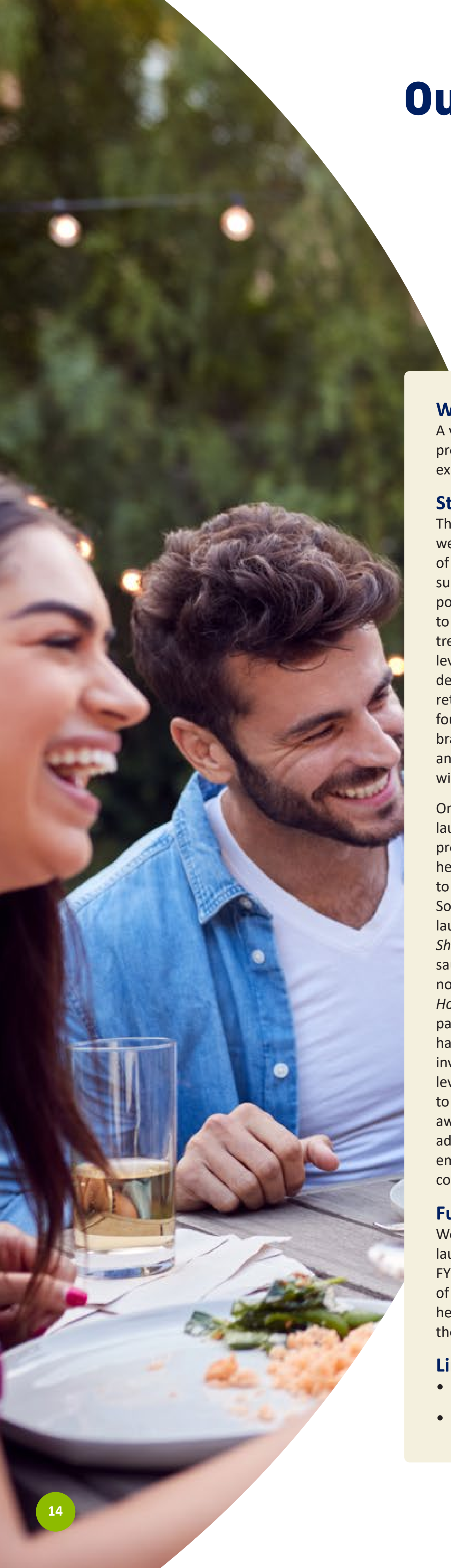
We are proud of our #oktobeme programme, which is being rolled out to everyone across the business. Just as the names suggests, we passionately believe that everyone can thrive when they bring their true authentic selves to work. Our bespoke #oktobeme training aims to support managers and colleagues, by equipping them with the knowledge and tools they need to become an inclusive ally and to help create a safe space for everyone.

Our Leadership training sessions were delivered using a combination of inclusive leadership insights with the support of an external consultant, Charlotte Sweeney Associates OBE (CSA), as well as bringing inclusivity to life with the support of an organisation known as 'The Human Library' - an international, not-for-profit organisation, that aims to address people's prejudices by helping them to talk to people they would not normally meet. These innovative one-day learning events were experienced by over 900 of our colleagues.

This was followed by taking our factory management teams through a tailored inclusive leadership workshop, supported by a highly interactive game designed to challenge biases and stimulate debate. The content focuses on explaining the different protected characteristics highlighted in the Equality Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation), helping individuals to become aware of their own biases, understand how to be an inclusive manager and, more importantly, how to create a safe space to challenge the thinking around having conversations on I&D.

## Our Enriching Life Plan

Further information on how we are building the culture, skills and capabilities of our business is set out in the People pillar of our Enriching Life Plan on pages 34 and 35.



# Our strategy

## Continue to grow the UK core

### What this means
A vibrant and growing UK business provides the foundation for broader expansion.

### Strategy in action
The branded growth model which we employ in the UK is at the heart of what we do and is core to our success. With our leading category positions, we launch new products to market linked to key consumer trends, supported by sustained levels of marketing investment and delivered through strong customer/retailer partnerships. Over the last four years, we have delivered a branded revenue CAGR (compound annual growth rate) of over 4%, within the UK.

One of our key focus areas is to launch new product ranges which provide consumers with more healthy and nutritious options to incorporate into their diet. Some examples of ranges we have launched in the last year include *Sharwood's* deliciously vegan curry sauces, Low Salt *Paxo* Stuffing and no added sugar *Loyd Grossman* and *Homepride* cooking sauces. Over the past year, six of our major brands have benefited from advertising investment. Delivering sustained levels of brand investment, is key to maintain and increase brand awareness. In particular, our advertising focuses on building emotional connections with consumers.

### Future priorities
We have strong plans in place to launch a range of new products in FY22/23. This includes the launch of a 'Deliciously Good' range of healthier *Mr Kipling* cake, and also the launch of *Bisto* Best meat free.

### Link to KPIs
- Revenue
- Trading Profit

## Supply chain investment

### What this means
We invest in our operational infrastructure to increase efficiencies across our manufacturing and logistics operations, facilitate growth through our innovation strategy and enhance the safety and working conditions of our colleagues.

### Strategy in action
During the year, we invested in a new manufacturing line at our site in Ashford, Kent.

This investment delivers a number of benefits for us: (i) improved efficiency, driving increased capacity and lower cost per unit; (ii) enabled us to bring in-house the manufacture of a pot snack line that was previously outsourced; (iii) enhances flexibility for future new product lines; and (iv) delivers products with recyclable packaging.

Consequently, this has improved the profitability of these *Sharwood's* and *Batchelors* pot products and has provided funds for re-investment behind our brands, such as television advertising. In turn, this investment delivers opportunity for us to deliver further brand growth.

### Future priorities
We have a number of capital projects in our pipeline which have attractive payback returns.

These cover a wide variety of projects and include a range of efficiency improvement initiatives across our operational sites, the objective of which is to drive gross margin improvement.

### Link to KPIs
- Free cash flow

## Expand UK into new categories

### What this means
Leveraging the strength of our brands and our proven branded growth model by launching into new, adjacent product categories.

### Strategy in action
Our largest brand by sales, *Mr Kipling*, has long been the market leader in ambient cake.

*Mr Kipling* has grown strongly over recent years reflecting a successful innovation programme and sustained levels of marketing investment. With this background, in FY21/22 we entered a naturally adjacent category for *Mr Kipling*, Biscuits. We initially launched a range of three products, focused on the special treat part of the everyday biscuits market.

Another category which we have expanded into during FY21/22, utilising the strength of our brand equities has been ice cream. Here, we are leveraging some of the iconic flavour variants for each of our *Mr Kipling*, *Ambrosia* and *Angel Delight* brands by launching a range of ice cream tubs. Initial sales have been encouraging, with over £1m of revenue from one customer generated in a short time.

### Future priorities
Looking ahead, we have just launched a range of *Ambrosia* ready to eat porridge pots. This is our first foray into the breakfast eating occasion, and leverages the creaminess attributes which the *Ambrosia* brand is well known for.

### Link to KPIs
- Revenue
- Trading profit

## Build International businesses with critical mass

### What this means
Building sustainable overseas business units with critical mass, applying and tailoring our brand building capabilities.

### Strategy in action
We have a well established business in the Republic of Ireland which benefits from some leading category positions in this market.

Our strategy is to accelerate our growth by utilising some of the proven branded growth model approaches used in the UK and applying them to the Republic of Ireland. For example, we have taken some of the successful product innovation launched in the UK and introduced these in Ireland, including new product development and television advertising, entering new categories such as Quick Meals Snack & Soups and Homebaking, and launching *Mr Kipling* new product development such as the premium signature range.

Our International business delivered a 25% increase in revenue, on a constant currency basis, versus the same period two years ago, with growth in the vast majority of markets.

### Future priorities
We will continue to apply our proven branded growth model in Ireland, through launching new products, investing in our brands and executing strongly in-store. We have recently commenced a trial of *Mr Kipling* cakes in some selected retailers in the US and are expanding our distribution in Canada. In Europe, we are driving further *Sharwood's* distribution in our target markets.

### Link to KPIs
- International revenue

## Inorganic opportunities

### What this means
Expanding our product portfolio and applying our brand building and commercial expertise to accelerate value creation.

### Strategy in action
We have recruited a Corporate Development Director who brings deep consumer sector and Mergers & Acquisitions (M&A) experience and insight and reports to our CEO.

This appointment has enabled the business to increase its engagement with key external contacts/stakeholders and assess opportunities which may fit with our strategy.

We employ a strict set of criteria on which to assess such opportunities for their respective fit with our strategic plans and ability to deliver.

### Future priorities
Under this pillar of our strategy, we are exploring modest and targeted opportunities with the objective of accelerating the growth profile of the Group, while ensuring close alignment with current consumer trends.

We will share updates on further developments regarding external opportunities in due course.

### Link to KPIs
- Revenue
- Trading profit

# Chairman's statement

**This year was one of significant strategic progress, as we continued to grow our core UK business through our successful branded growth model, whilst further strengthening our financial position to reinvest back into our brands, operations and people, thereby enabling the next phase of growth.**

This report covers FY21/22, the financial year for the 52 weeks ending 2 April 2022. However, due to the exceptional levels of demand experienced during the peak of the Covid-19 pandemic in the prior year, we are also comparing performance versus two years ago.

The Group's revenue reached £900.5m, an increase of +6.3% versus two years ago and -3.6% versus one year ago[1]. Trading profit grew +11.9% to £148.3m versus two years ago and was flat versus prior year[1]. Meanwhile, adjusted profit before tax grew +37.6% to £128.5m, versus two years ago, and +11.4% versus prior year[1], and Net debt[1] for the Group reduced by £47.7m to £285.0m over the year.

## External climate

The Group continued to manage the Covid-19 pandemic well, keeping the wide-ranging safety measures put in place last year under constant review, and adapting regularly to reflect the changing environment in which the Company operates. This kept colleagues safe, sites operational and customers stocked with our products.

The situation in Ukraine has led to significant global uncertainty and disruption to supply chains. As a business, we don't have any operations in Russia or Ukraine, however, we continue to monitor and effectively manage any impact of the wider macro environment on the Company's supply chain. We also played our part in supporting the efforts to contend with the humanitarian crisis, by donating £100,000 to the British Red Cross through the DEC Ukraine Humanitarian Appeal.

The business continues to manage the unprecedented inflationary environment seen by the whole food industry. A combination of strong relationships with our retailer partners, cost saving programmes and pricing, allow us to continue mitigating this impact.

## Governance and the Board

This year, I have been pleased to welcome new members to our Board. In January 2022, we announced the appointment of Tania Howarth as an independent non-executive director and a member of the Audit, Remuneration and Nomination Committees. Tania brings with her extensive senior executive experience across global FMCG businesses.

This was followed on 1 April, by the appointment of Lorna Tilbian as an independent non-executive director and member of the Nomination Committee. Lorna brings considerable experience across investment banking, financial analysis and senior leadership.

On 21 April, we confirmed that Pam Powell would be retiring at the July AGM, at the end of her third term of appointment, following nine years as an independent non-executive director, latterly as remuneration committee chair. I would like to thank Pam for her valuable contribution in supporting the businesses turnaround during that time.

In conjunction with Pam's retirement, we announced the appointment of Roisin Donnelly as an independent non-executive director, commencing 1 May. Roisin brings over 30 years' FMCG marketing and brand building experience. I would like to welcome Tania, Lorna and Roisin to the Board as we continue to pursue our growth strategy and path to further value creation.

The Board made it a priority last year to address its gender diversity and I'm pleased to announce that we now meet the current standard set by the Hampton-Alexander Review for 33% female representation on our Board. We will look to align with the new FTSE Women Leaders Review targets, announced in February 2022, as soon as practicable.

## Financial position

During the first half of the year, the Group completed the refinancing of a new Revolving Credit Facility ('RCF') with a refreshed bank group, extending the maturity to at least 2024. Following the year end, the Group completed the first extension of the RCF to May 2025. In addition, we launched a new £330m Fixed Rate Bond due October 2026. This refinancing gives us greater financial strength, to pursue our five strategic priorities: building the core; investing in infrastructure; expanding into new UK categories; building international businesses with critical mass; and investing in bolt-on acquisitions. The strength of the Group's financial position is also a direct result of the continued success of its branded growth model.

The Group's financial position has been transformed in recent years, demonstrated by the Group receiving two consecutive upgrades from credit rating agency S&P Global Ratings in a period of less than 12 months. In May 2022, the Company announced a significant reduction in the deficit of the two Premier Foods pension schemes, resulting in a circa 20% reduction in the net present value of future deficit contributions. This reflects the anticipated benefits of the transformational pension's agreement announced in April 2020.

**The Group's financial position has been transformed in recent years, resulting in a significant increase in shareholder value creation and greater financial strength to reinvest back into our brands, operations and people, thereby enabling our next phase of strategic growth."**

**Colin Day**
Chairman

We continue to make progress towards the Group's target for Net debt/adjusted EBITDA[1] of approximately 1.5x. During the year, we reduced Net debt further to reach £285.0m, with Net debt/adjusted EBITDA[1] now at 1.7x. After reinstating our dividend last year for the first time in 13 years, I am pleased to confirm that, subject to shareholder approval, the directors have proposed a final dividend of 1.20 pence per share for the 52 weeks to 2 April 2022, a +20% increase on prior year.

## Board priorities and shareholder feedback

The Board and management team remain committed to successfully delivering the Group strategy and taking the business to the next stage of growth, including reviewing opportunities for bolt-on acquisitions, to broaden our existing portfolio and deliver value creation for shareholders.

We will also continue to build on the significant progress made over the past few years to strengthen the Group's financial position, enabling us to reinvest in the business to deliver further growth and returns for shareholders.

In October 2021, the Group announced a refreshed ESG strategy, the Enriching Life Plan. This plan builds on the Company's progress so far and stretches our ambitions. It sets out how we intend to create more nutritious, sustainable food for our consumers; take meaningful steps towards a healthier planet; and help to enrich the lives of our colleagues and communities. I share the view of the Executive team that, as a business, we have an opportunity, as well as a responsibility, to create a healthier future for the consumers that buy our products.

Inclusion & Diversity remains a key focus area for the business, and the Group is enhancing its processes and procedures to develop a strong female talent pipeline, to support the delivery of its ESG target to reach gender balance across the senior leadership team by 2030. Further details of the work being done to address diversity across the business can be found on pages 12 and 13.

During the year, I was pleased to be able to engage with many of our shareholders and listen to their feedback on the strong growth of the business over the last few years, as well as understand their perspectives on our strategy as we look to expand. We will take these comments into account, and I hope to meet many more of you face-to-face over the coming year.

I'd like to take this opportunity to thank our investors, colleagues, suppliers, customers and consumers for their continued support.

We enter the new financial year with good momentum, and a strengthened financial position, to enable us to make continued strategic progress and deliver significant value for our shareholders in the years ahead.

**Colin Day**
Chairman

18 May 2022

1 Revenue, Trading profit and adjusted profit before tax for FY20/21, are on a 52 week basis to aid comparison with the current year. A reconciliation between 52 week and 53 week performance and a definition and reconciliation of non-GAAP measures to reported measures is set out on pages 49 and 50.

+14.3%

Reduction in Net debt to £285.0m

1.20p

20% increase to final dividend proposed

# Chief Executive's review

**It is now almost three years since I took on the role of Chief Executive. If anyone had told me in August 2019 that within three years, we would have encountered a global pandemic, industry-wide supply chain challenges, significant political and economic uncertainty, and a major conflict in Europe, I would not have believed them.**

Yet here we are, living in an age of huge change and uncertainty – but one thing which has not changed, only grown, has been the appeal and relevance of our market leading brands.

What we saw throughout the pandemic, is that during times of uncertainty, people reach for brands they trust, and which resonate with them and their families. Our leading brands carry that special affinity and have continued to drive our performance, as we grew faster than our categories across both Grocery and Sweet Treats, compared to two years ago. This strong branded performance, reflecting the success of our branded growth model, alongside significantly reduced interest costs, enabled us to deliver growth in adjusted PBT[1] of +37.6% versus two years ago and +11.4% versus last year.

Over the last two years, we have completely transformed the financial position of our business, reducing our Net debt[1] to the lowest level in the Company's history[2], and following a successful refinancing last year nearly halved our interest costs. I'm delighted that in May 2022, we also announced a £60m reduction in the net present value ('NPV') of future pension contributions, as we start to realise the benefits of the landmark pensions agreement we announced two years ago.

All of this is unrecognisable from the business we were a few years ago. In recognition of this and our growing ambitions, we launched our new purpose, Enriching Life Through Food. It is about enriching the lives of our consumers, our colleagues and the planet, by ensuring the food we create helps people to lead sustainable, healthier lifestyles and enables our business to look forward to many more years of healthy growth.

## Driving strong branded growth

Our consumers are at the heart of our branded growth model and therefore we put considerable focus on understanding how people's shopping, cooking and eating habits are changing, ensuring we develop highly relevant new products that align to consumer trends. A great example of this is our range of *Loyd Grossman* pizza products, which we developed in response to the recent trend for consumers to make their own pizzas at home.

I was particularly proud of our teams successfully achieving a seemingly impossible challenge to create a range of cakes which are both healthier and taste great, with the April launch of our new range of non-HFSS (non-high fat, salt & sugar) *Mr Kipling* cakes. Bringing healthier products to market in response to consumer demand remains a key focus of our NPD programme, and during the year we launched no added sugar *Homepride* pasta bakes, plus further plant-based products such as *Oxo* meat free chicken cubes.

Supporting our brands with emotionally engaging marketing campaigns is a key driver of our business model, and this year we supported six of our brands with significant investment in TV advertising and digital activation.

The strength of our customer relationships remain core to our growth model, and has been particularly important this year as we continued to successfully navigate the supply chain challenges impacting the industry. Working side by side with our retail partners, we were also able to deliver excellent in-store execution, including an on-pack competition in partnership with FareShare and Tesco - to support those in food poverty.

## Significant strategic progress

Our Group strategy has five strategic priorities centred around expansion, using our brand building capabilities to expand the business both in the UK and overseas, while reinvesting to drive further growth.

Continuing to drive our core UK business, is the first of these strategic pillars, and central to providing the foundations for broader expansion. Two-year branded sales growth of nearly 10%, demonstrates the continued successful deployment of our branded growth model.

Investing in our operational infrastructure is our second strategic pillar, facilitating the production of new products and improving efficiencies, allowing us to continue reinvesting in our brands to drive growth, forming a virtuous circle. Over the last year we invested in two new high speed modern production lines, at our Lifton *Ambrosia* dairy and our Ashford factory. Both are faster, more efficient and provide more flexibility to manufacture products in our NPD pipeline.

Our third strategic pillar is expanding into new white space categories, leveraging our core brand building capabilities. We now have five brand extensions in market, including launches into ice cream across *Mr Kipling*, *Ambrosia* and *Angel Delight*, a range of new biscuits targeting the everyday treat, Cape Herb & Spice and *Oxo* Rubs & Marinades, as well as entry into the breakfast market with *Ambrosia* porridge pots. All are showing promising early results and we will continue to develop these over the coming year.

We continued to make very encouraging progress against our fourth strategic pillar, delivering growth in international sales of +25% versus two years ago. During the year, we expanded the distribution of *Sharwood's* in Europe, Canada and the USA, leading to double digit sales growth versus two years ago. We also commenced a national rollout of *Mr Kipling* in Canada, following a test launch and refinement of the consumer proposition. Meanwhile in the USA, *Mr Kipling* is now in market with our first test customer and we will be closely tracking the performance to validate our approach.

**"As we look ahead, our financial position has been transformed, and our Group strategy sets out clear opportunities for further value creation, as we reinvest in our business and apply our proven brand building capabilities across a broader base of categories and geographies."**

**Alex Whitehouse**
Chief Executive Officer

Finally, our fifth strategic pillar is to utilise our brand building and commercial expertise to expand across a wider portfolio, through modest and targeted acquisition opportunities. We appointed a new Corporate Development Director this year to provide focus in this area.

## Demonstrably stronger financial position

Our balance sheet and financial position have been transformed over the last few years, following a significant reduction in debt and an earnings-enhancing refinancing, which together have seen us almost halve our interest costs versus FY19/20.

A key part of that transformation is the landmark pensions agreement we announced two years ago. This is now starting to deliver the benefits we anticipated, with a significant reduction in the actuarial deficit of the Premier Foods' pension schemes announced in May 2022, resulting in the NPV of future pension payments reducing by approximately £60m. This presents the first important deliverable since the merger, bringing greater financial security for the scheme members.

We continued to reduce our Net debt[1], which fell from £332.7m to £285m during the year, bringing Net debt/adjusted EBITDA[1] down to 1.7x, as we make further progress towards our target of 1.5x.

Subject to shareholder approval we will pay a final dividend of 1.2 pence per share, a 20% increase versus a year ago, in line with our previously stated commitment to pay a progressive dividend.

## Our Enriching Life Plan

In October, we launched a stronger and more ambitious ESG strategy, our Enriching Life Plan. In recent years we have made great strides towards a more sustainable future, but we have now increased our sustainability ambitions to go even further, with a focus on three key pillars – product, planet, and people - all in pursuit of our new purpose, Enriching Life through food.

As a food business, it was important to me that we put consumer health at the heart of this strategy, ensuring we remain focused on creating nutritious and sustainable food, while reducing the environmental impact of our packaging. Since FY18/19 we have added more than 40 better-for-you healthier alternatives within our product ranges. In fact, 89% of our core ranges now have a better-for-you option, while 96% of all our packaging is also now recyclable.

To ensure we play our part in limiting climate change, we made a leading commitment to join the Business Ambition for 1.5°C and introduced science-based targets for both direct and indirect emissions. We are also now using the TCFD framework to report on our climate change resilience and adaptation (see page 36).

Inclusion and Diversity (I&D) remains a key priority for the Executive team, and we passionately believe that everyone can thrive when they bring their true authentic selves to work, that's why we trained more than 900 colleagues in I&D as part of our #oktobeme programme.

This year we were also very proud to be awarded Tier 1 status by the Business Benchmark on Farm Animal Welfare (BBFAW), one of only four companies to be awarded the highest level. This is testament to the significant progress we have made in animal welfare and the hard work across the multiple teams involved.

As one of the UK's largest food manufacturers, I firmly believe we have a powerful opportunity to positively influence the nation's health and forge a healthier future for our people and our planet.

## In summary

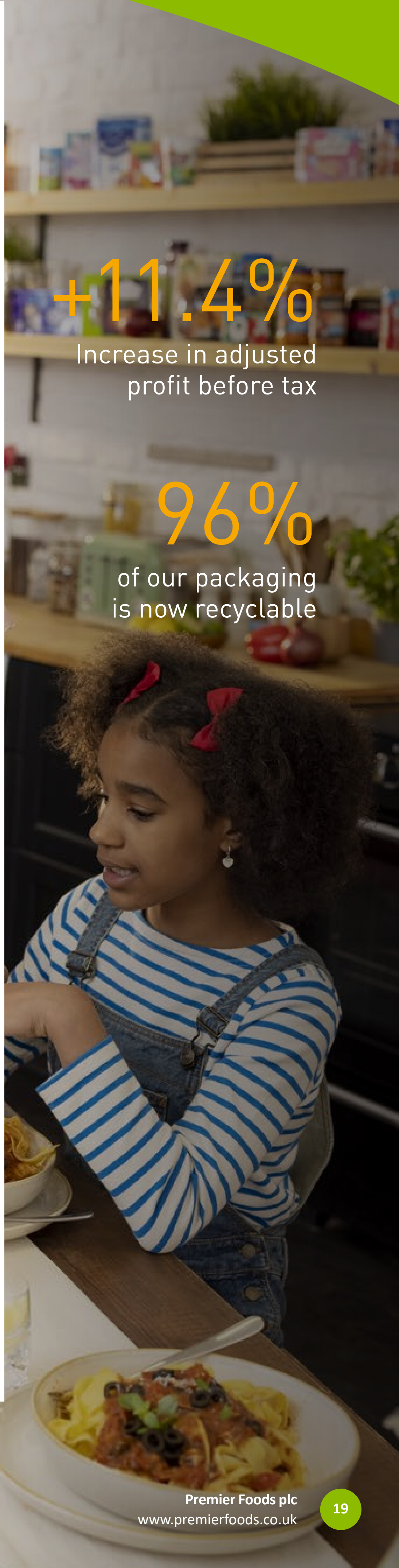
Last year was another year of significant progress for Premier Foods, both in terms of our financial performance and strategic development.

I'd like to say a huge thank you to all of our colleagues for their continued agility and outstanding work. In what was often a challenging macro environment, we once again demonstrated the resilience of our business in managing these challenges, while delivering significant progress.

As we look ahead, our financial position has been transformed, and our Group strategy sets out clear opportunities for further value creation, as we reinvest in our business and apply our proven brand building capabilities across a broader base of categories and geographies. We'll do this while enriching the lives of our consumers, our colleagues and our planet and delivering healthy growth for all our stakeholders.

**Alex Whitehouse**
Chief Executive Officer

18 May 2022




1 Revenue, Trading profit and adjusted profit before tax for FY20/21, are on a 52 week basis to aid comparison with the current year. A reconciliation between 52 week and 53 week performance and a definition and reconciliation of non-GAAP measures to reported measures is set out on pages 49 and 50.

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

# Key performance indicators

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

These are reviewed on a regular basis by our senior management teams and the Board. Performance indicators are used to encourage focus on the delivery of our key strategic priorities. They are used to measure performance, highlight areas for attention and corrective action, as well as recognising good performance and celebrating success. Trading profit and certain ESG targets also form part of management's bonus objectives.

As highlighted in the Chairman's Statement on page 16, due to the unique nature of the prior period, where we saw exceptional patterns of demand for our products during the peak of the Covid-19 pandemic, we are reporting our business performance this year with reference to both two years ago and the prior year.

We have reviewed our KPIs over the year, to ensure they are aligned with the Group's strategy and also the commitments set out in our refreshed ESG strategy, the Enriching Life Plan. To monitor the delivery of Group strategy we have introduced a new Financial KPI for International Revenue.

1 Revenue, Trading profit and Net debt adjusted EBITDA ratio for FY20/21 are shown on a 52 week basis, to aid comparison with the current year. Free cash flow for FY20/21 is on a 53 week basis. A reconciliation between 52 week and 53 week performance and a definition and reconciliation of non-GAAP measures to reported measures is set out on pages 49 and 50.

2 Prior years have been represented, in accordance with the revised definition of free cash flow set out on page 50.

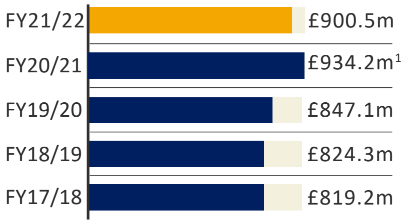
### Key

- Continue to grow the UK core
- Supply chain investment
- Expand UK into new categories
- Build International businesses with critical mass
- Inorganic opportunities

## Financial KPIs

### Revenue[1]

£900.5m




#### Why is this important?

Delivering sustainable revenue growth is one of our strategic priorities.

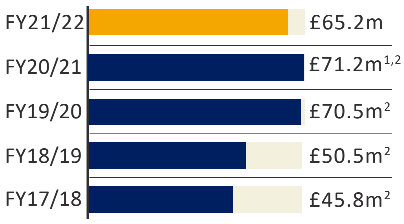
#### Progress we have made

Revenue was up +6.3% versus two years ago, although -3.6% lower than prior year (on a 52 week basis[1]), as we lapped exceptional pandemic related volumes. This growth has been driven by our branded growth model of delivering new product innovation based on current consumer trends, together with engaging advertising and strategic relationships with our retail partners.

#### Link to strategy

### Free cash flow[1]

£65.2m




#### Why is this important?

Free cash flow is a measure of the overall health of the business. It reflects the underlying cash generated by the Group and helps inform capital allocation decisions.

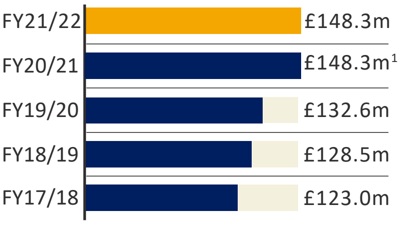
#### Progress we have made

Free cash flow reduced by £6.0m in the year, to £65.2m. Cash flow benefitted from the reduction in interest costs following the issue of new Fixed Rate Senior Secure Notes and reduced pension costs, offset by higher working capital.

#### Link to strategy

## Trading profit[1]

# £148.3m



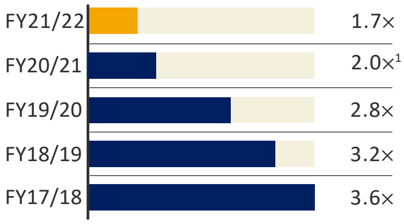

### Why is this important?
This measure reflects the revenues and costs associated with the operational performance of the business and is also a good proxy for the cash generative capacity of the business.

### Progress we have made
Trading profit increased by +11.9% versus two years ago and was flat versus prior year[1]. This improvement was driven by our strong branded revenue growth in both business segments.

### Link to strategy

## Net debt adjusted EBITDA ratio[1]

# 1.7×




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

### Progress we have made
Net debt reduced by £47.7m, from £332.7m to £285.0m, in the year. As a result of this deleveraging and adjusted EBITDA growth, the ratio of Net debt to adjusted EBITDA reduced from 2.0x to 1.7x.

(Note: the comparatives for FY17/18, FY18/19 and FY19/20 are on a pre-IFRS 16 basis).

### Link to strategy

## International Revenue at constant currency[2]

# £54.8m

(FY20/21: £53.9m, 52 week basis)

### Why is this important?
Expanding our International business is one of our strategic priorities.

### Progress we have made
International revenue, on a constant currency basis[2], was £54.8m, 25% higher than the same period two years ago. This was the result of growth in the majority of our markets, with strong performances from *Sharwood's and Mr Kipling*.

[2] For a definition and reconciliation, please refer to note 8, on page 50.

### Link to strategy

**Over the year we have introduced a number of new Non-financial KPIs which align with our business model, our refreshed ESG strategy and our commitment to be a responsible food business.**

Launching new products based on consumer trends, with a major focus on health and nutrition, is at the heart of our branded business model.

In October 2021 we launched a refreshed ESG strategy the Enriching Life Plan. To align with our new ESG priorities we have included a KPI to represent each of the pillars of the Enriching Life Plan: Product – sales of products that meet high nutritional standards; Planet – $CO_2$ emissions; and People – Women in leadership.

Further details of progress against our ESG targets is set out in the section on our Enriching Life Plan on pages 24 to 35 and in additional disclosures on pages 163 to 168.

Colleague safety is our first priority as a business. The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ('RIDDOR'), is a major indicator of the success of our Health and Safety protocols and allows us to benchmark our performance against the UK food manufacturing industry.

[1] IRI data for the 52 weeks ending 26 March 2022, 27 March 2021 and 28 March 2020.

### Key

- Continue to grow the UK core
- Supply chain investment
- Expand UK into new categories
- Build International businesses with critical mass
- Inorganic opportunities

## Non-financial KPIs

### Branded market share (value growth)[1]

**+41bps**

(FY20/21: +25bps)

**Why is this important?**
Increasing market share indicates consumer preference for our products and drives category growth for the business.

**Progress we have made**
Our market share value grew by +41 basis points ('bps'), versus two years ago, to 24.5%. With growth delivered in both the Grocery and Sweet Treats markets, by 52bps and 23 bps, respectively.

**Link to strategy**

### Scope 1 & 2 emissions ($tCO_2e$)

**56,188**

(FY20/21: 60,360 ($tCO_2e$))

**Why is this important?**
Reducing carbon emissions is a key priority under our Enriching Life Plan, as we aim to reduce scope 1 & 2 emissions by 42% in our direct operations and achieve Net Zero carbon emissions by 2040.

**Progress we have made**
Total Scope 1 & 2 location based emissions fell by 6.9% over the year, as a result of improved efficiency from capital investment in projects such as boiler upgrades, compressor renewals and LED lighting.

**Link to strategy**
**Supports our Enriching Life Plan**

## Revenue from products that meet high nutritional standards

# £286.0m

(FY20/21: £320.0m)

### Why is this important?
Under our Enriching Life Plan we have set a target to more than double sales of products that meet high nutritional standards (see page 163 for a definition).

### Progress we have made
Over the year, we continued to bring a range of more healthy product to market such as: *Loyd Grossman* 30% less sugar Lasagne sauces, no added sugar *Homepride* pasta bakes and *Batchelors* low fat, meat free rice and noodle pots. Revenue reduced in the period, reflecting the exceptional patterns of demand for our products last year.

### Link to strategy

## Women in Leadership

# 37%

(FY20/21: 28%)

### Why is this important?
Under our Enriching Life Plan we are targeting gender balance for our senior management population by 2030.

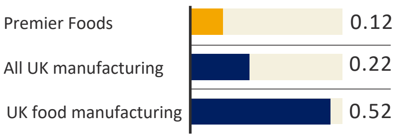
### Progress we have made
Over the year, the number of women within senior leadership increased to 37%, as we progressed our I&D strategy to improve accessibility to leadership roles through enhanced recruitment, development and mentoring programmes.

### Link to strategy
Supports our Enriching Life Plan

## RIDDORs

# 0.12

(FY20/21: 0.02, RIDDOR reportable accident per 100,000 hours worked.)




### Why is this important?
Colleague safety is our first priority as a business.

### Progress we have made
We saw an increase in RIDDORs, due predominantly to minor injuries, such as slips and trips. We are working with colleagues across the business to address this as a matter of priority over the coming year.

Our Total Observation Process has continued to be successful in identifying hazards in the business and ensuring they are addressed before an incident occurs.

### Link to strategy
Supports our Enriching Life Plan

# The Enriching Life Plan: bringing our purpose to life

**As one of the UK's leading food businesses and home to some of the nation's most loved and iconic brands, we have both an opportunity and a responsibility to forge a healthier future for our people and our planet.**

We are very proud of what we've achieved over the last few years, however, now is the time to push ourselves harder; harder for the health of our consumers; and harder for the health of our planet and the communities we serve. Having spoken to a range of our stakeholders including customers, colleagues, scientists, campaigners, trade groups and policy makers, we've strengthened our sustainability commitments in pursuit of our purpose, Enriching Life Through Food.

Our new strategy, the Enriching Life Plan covers material aspects of sustainable development and encompasses everything we touch, from the ingredients we source, to the communities we serve. It sets out how we can challenge ourselves more to fulfil our responsibility as a business by making nutritious and sustainable food, contributing to a healthier planet and nourishing the lives of our colleagues and communities. It sets our scope of work for the next decade, with targets to 2030.

## Our new ESG Strategy: The Enriching Life Plan

## Partnership for our targets

In order to help shape a more sustainable food system for all our stakeholders, we are members of many industry-leading groups, which are platforms for collaboration and action. As signatories and members to these initiatives, we hold ourselves accountable against industry-wide targets and strive to push ourselves to contribute to wider change. These include:

## Headline targets*

| Our Products | Our Planet | Our People |
|---|---|---|
| More than double sales of products that meet high nutritional standards | Develop validated Science-based Targets aligned with Business Ambition for 1.5°C | Achieve Gender balance in our senior leadership team |
| More than 50% of our products (by SKU) will provide additional health or nutrition benefits | Reduce scope 1 and 2 emissions by 42% by 2030 and achieve net zero by 2040; and reduce scope 3 emissions by 25% by 2030 and target net zero by 2050 | Provide skills programmes and work opportunities for excluded groups to enable fulfilling careers in the Food Industry |
| Grow sales of plant-based products to £250m per annum | Zero deforestation across entire supply chain | Donate 1 million meals per annum to those in food poverty |
| 100% of our packaging will be reusable, recyclable or compostable by 2025 | Halve our food waste and support our suppliers and consumers to do the same | Be more of a force for good in our communities by volunteering at least 1,000 colleague days a year |

## Baked In behaviours

| | |
|---|---|
| Being safe | Excelling in food quality |
| Doing the right thing | Protecting the environment |
| Marketing responsibly | Sourcing with care |

*All targets are for 2030 against a 2020 baseline unless otherwise stated*

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

# Our approach

**Being a responsible business is not new at Premier Foods and our strengthened Enriching Life Plan builds on the great progress made over recent years. The landscape is rapidly evolving, and it is important that our strategy enables us to effectively tackle emerging issues and meet evolving stakeholder expectations. We've therefore taken stock of the external landscape, to understand our role as a major UK food manufacturer, undertaken a materiality assessment to identify areas where we can have the biggest impact, set bold new targets and established a new governance structure to drive our progress forwards.**

## Building on our great progress

We're proud of the progress we've made over the last few years. Working in support of the Government's sugar, salt and calories reformulation programmes, our R&D teams have removed over 1,000 tonnes of salt and 1,100 tonnes of sugar from our recipes. Since 2018, we have innovated and brought to market more than 40 better-for-you healthier alternatives of the nation's favourites; including *Mr Kipling* 30% reduced sugar slices Angel, Chocolate and Lemon variants, 30% reduced fat *Sharwood's* butter chicken cooking sauce, *Paxo* Low salt sage & onion stuffing, and 89% of our core ranges now have a better-for-you option.

Collaborating with our suppliers across our value chain, we have looked to source ingredients and packaging to high environmental standards: all the corrugated paper and carton board we use in our packaging is Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) certified, and 100% of our palm is Roundtable for Sustainable Palm Oil (RSPO) certified.

As early adopters to the Food and Drink Federation's (FDF) Ambition 2025 and the Waste and Resource Action Programme's (WRAP) Courtauld 2025, we've driven significant reduction in resource use at our sites. 96% of our packaging is recyclable, and 80% of our plastic packaging is now recyclable, up from 48% in 2018 when we joined the UK Plastics Pact as a founding member. Our sites have sent no waste to landfill since 2016; and we have pledged to reduce food waste by 50% by 2030 (against our 2017 baseline, the year we signed up to Champions 12.3). We want to ensure that any food that is safe to eat is made available for human consumption and have redistributed 750 tonnes to organisations like FareShare or Company Shop Group.

Our #oktobeme programme has seen more than 900 colleagues trained on Inclusion and Diversity (I&D), to ensure Premier Foods is a place where everyone feels welcome (see our values and culture on pages 12 and 13). Our network of I&D ambassadors organises well attended awareness raising events: for example for Black History Month, Pride and International Women's Day. Our Occupational Health and Wellbeing teams, helped by a network of over 80 mental health first aiders across all our sites, provide support to all colleagues. We want to play a role in developing future talent and have trained more than 150 apprentices and 70 graduates since 2017. We have been in the top 100 employers by Rate My Apprenticeships for four years in a row.

## An evolving landscape

It is important that our strategy enables us to effectively tackle pressing and emerging environmental, social and societal, and governance (ESG) issues. When developing our new strategy, we performed a thorough market trends analysis, peer and competitor benchmarking, wider sectoral, geographical and political horizon scanning, and also reviewed existing legal, regulatory and reporting requirements applicable to our business, to understand the challenges facing the food industry now, and in the future (see key issues below). As we - industry, policy makers, non-governmental organisations (NGOs), scientists and citizens alike - all understand the issues better, the need for bolder and faster action becomes clearer.

## Listening to our stakeholders: the materiality assessment process

Working with independent sustainability experts from the food industry, we embarked on a materiality assessment, with the aim to identify and prioritise the issues most relevant to our business and to understand and reflect the views of our stakeholders, incorporating sustainability risks into our existing risk management framework. We've conducted more than twenty in-depth interviews with our customers, members of our investor community, NGOs, policy experts, and our colleagues (see summary table below). The whole process culminated with the launch of our Enriching Life Plan in October 2021.

| Industry issues | What we've heard – example comments | Where it sits in our strengthened ESG strategy |
|---|---|---|
| **Climate Change** | **"Net Zero - we're focused on scope 1 and 2 for 2040 ........ The big part of our footprint is scope 3. There will be a scope 3 emissions reduction target to 2030 in line with SBTI and Paris."** Customer | Planet pillar – Contributing to a healthier planet |
| **Healthy diets (including sugar, salt and fat)** | **"We expect brands to be making a positive contribution to health and wellbeing - be part of voluntary efforts to reformulate/divest brands."** NGO | Product pillar – Making nutritious and sustainable food |
| **Sustainable packaging and the circular economy** | **"Plastic is front and centre of shoppers' minds."** Customer | Product pillar – Making nutritious and sustainable food |
| **Health, Safety and Wellbeing** | **"Staff practices is an issue for the sector. Factory visits have given me confidence in Premier Food's approach."** Investor | Baked-in behaviours |
| **Employee engagement, Diversity and Inclusion** | **"Inclusion, race, gender etc. I'd expect this to be mentioned on any overall ESG plan. A lot of the communities you work with would have particular needs. I'd like to apply a diverse lens to this."** NGO | People pillar – Nourishing the lives of our colleagues and communities |
| **Sustainable agricultural systems (including deforestation, biodiversity and water management)** | **"Agriculture and food are part of the next set of urgent climate priorities, together with the impact of farming on the natural environment and biodiversity."** NGO | Planet pillar – Contributing to a healthier planet |
| **Animal welfare** | **"Where there is meat – sourcing humanely treated animal products throughout your supply chain."** NGO | Baked-In behaviours |
| **Sustainable proteins and plant-based diets** | **"Science says to deliver on Paris, we have to halve meat and dairy consumption per capita. That's the challenge you have to take on. Really engaging with consumers and wanting the consumer to want it."** NGO | Product pillar – Making nutritious and sustainable food |
| **Communities and Food poverty** | **"COVID has changed things. About half the population are massively struggling to put food on the table. Some places in the UK need more support than others. It's about understanding need."** NGO | People pillar – Nourishing the lives of our colleagues and communities |
| **Human Rights** | **"Ethical issues and slave labour – check that you're not doing wrong and have your house in order."** NGO | Baked-In behaviours |
| **Product safety and quality** | **"Ensuring that there's responsibility around the sourcing, the food safety, the quality control."** Investor | Baked-In behaviours |
| **Food waste** | **"Food waste is more important than ever. And linked to the health agenda and environment."** NGO | Planet pillar – Contributing to a healthier planet |
| **Talent and people development** | **"We know we are going to need more skilled people, where are they coming from?"** Colleague | People pillar – Nourishing the lives of our colleagues and communities |

# Our approach CONTINUED

## Our role and our targets

Our Enriching Life Plan sets out our contribution to the United Nations Sustainable Development Goals (UNSDGs). When setting our targets, we aimed to align our ambition with leading groups and platforms for collaboration and action so as to ensure our impact is maximised, joining forces with other organisations to help shape a more sustainable food system for all. Already members of many industry-leading groups; working on issues like health, packaging or food waste (like WRAP or the Consumers Goods Forum), we took this opportunity to expand our reach and challenge our vision further. For example, we signed up to Business Ambition for 1.5°C, joining businesses aligning their carbon reduction plans to the Paris Climate Change Agreement, to limit global warming to 1.5°C. We also joined Business in the Community and Business for Social Impact, striving to set the clearest and most ambitious targets we could for the People pillar, where impact can be more difficult to measure.

## Our Governance and reporting approach

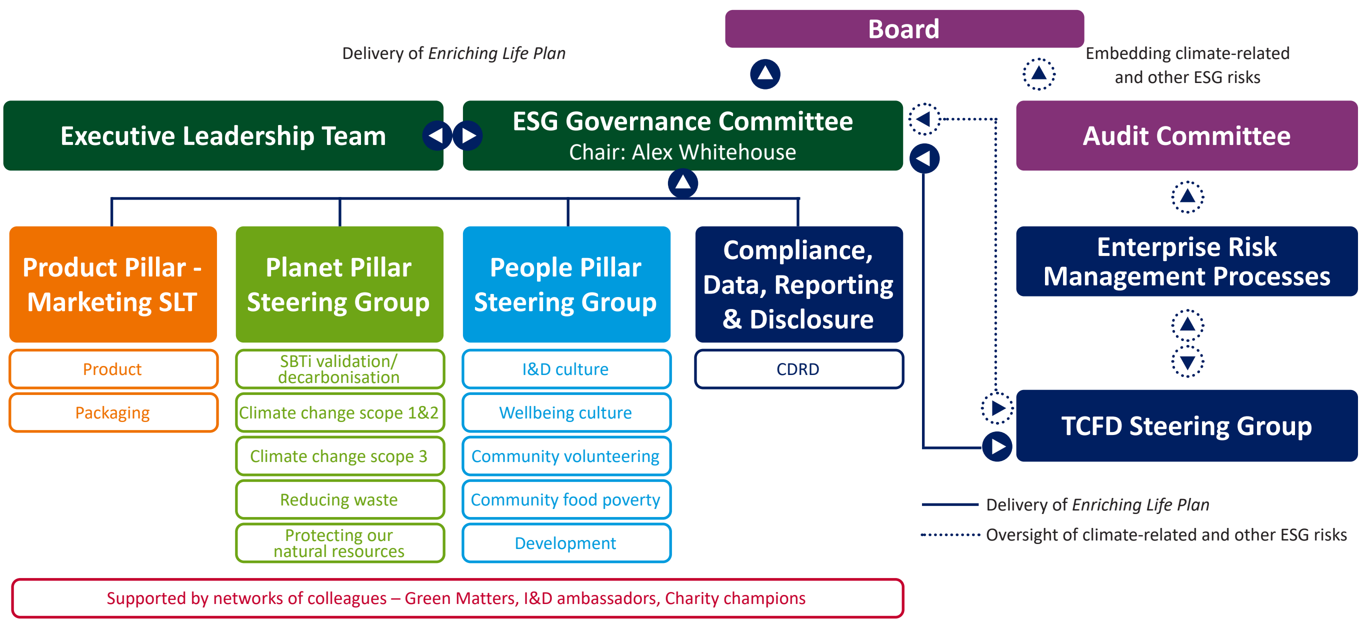
We believe everyone at Premier Foods plays a part in delivering our Enriching Life Plan. ESG lives at all levels of the business: from our Board who has oversight of our strategy and of our climate related and other ESG risks, through to our ESG Working Groups who report into our ESG Governance Committee, and our networks of passionate colleagues like the I&D Ambassadors, Green Matters or Charity Champions, who all help us to bring our Enriching Life Plan to life across our business.

Our ESG Governance Committee, chaired by our CEO and made up of relevant members of the Executive Leadership Team (ELT), including the CFO and new Corporate Affairs and ESG Director, is responsible for managing the programmes and ensuring ESG is embedded into how we do business. The ESG Governance Committee also includes our new ESG Director and subject matter experts from across the business, representing R&D, Procurement, Scientific and Regulatory Affairs, Human Resources and Quality Management.

A number of cross-functional working groups have been established to develop and deliver specific activities, ensuring the success of our Enriching Life Plan. These 13 working groups feed into the ESG Governance Committee via, a Planet Steering Group, a People Steering Group and the Marketing Senior Leadership Team, which plays the role of a Product Steering Group. Each of these Pillar groups is sponsored by a member of our ELT and led by a member of our Senior Leadership Team (SLT). There is also a newly established working group overseen by the CFO with accountability for developing the Company's approach to ESG data collation and disclosure.

The Governance structure (see below) also ensures that climate-related and other ESG risks are embedded in the day-to-day ways of working of the business: a Taskforce for Climate-related Financial Disclosures (TCFD) steering group has been established under the leadership of the CFO, to include climate-related risks in our Enterprise Risk Management process, reviewed by the Board's Audit Committee. See the TCFD statement on page 36 and Risk Management section on page 51, for more information on our approach to climate related risks and how ESG risks are reflected in our risk management processes.

Holding ourselves accountable against our targets is essential, as we seek to provide value for all our stakeholders, and we are committed to publishing key progress made against our Enriching Life Plan annually. We remain committed to sharing our data and progress with industry platforms such as UK Plastics Pact, Courtauld 2030, Champions 12.3 and the Carbon Disclosure Project (CDP). More can be found in our Enriching Life Plan Disclosure Tables on page 163.



# Our Baked-in Behaviours

## Responsible business' practices

Through the materiality assessment process, we have been able to take stock of the progress made over the years, and identified areas where the business has developed real strength and expertise – becoming integral parts of our day-to-day practices. These "Baked-in Behaviours" demonstrate how we continue to be a responsible business every day, and the foundations on which our Enriching Life Plan is built.

| Responsible business practices | Definition and core topics | Our policies | Example measures |
|---|---|---|---|
| Being safe | Putting health and safety of our food and people first, always | Health and Safety policy | LTA - 0.16<br>RIDDOR - 0.12<br>Compared to all UK manufacturing 0.22 and UK food manufacturing 0.52 |
| Doing the right thing | Applying the highest standards of conduct, preventing fraud, bribery and corruption | Anti-bribery and corruption policy<br>Colleague welfare and human rights policies | Annual training to all graded colleagues on Anti-bribery and Corruption |
| Marketing responsibly | Helping consumers make healthier food choices, targeting only adult audiences | Marketing to Children Policy – Responsible Marketing policy | 95% of our portfolio carries full traffic light Front-of-pack labelling |
| Excelling in food quality | Excellence in food quality and provenance | Food safety and authenticity policies | Over 100 000 tests per year at Premier Analytical Services (PAS)<br>All sites awarded grade A or AA+ by BRC, or specific customer standards. |
| Protecting the environment | Applying sound environmental practices to continually improve performance and the sustainability of our operations | Environmental policy<br>Zero waste to landfill policy | 100% of our sites are ISO 14001 accredited (*see case study below*) |
| Sourcing with care | Trading ethically, protecting human rights, preventing child labour and modern slavery, promoting animal welfare | Preventing Hidden Labour Exploitation Modern Slavery Statements<br>Ethical trading Policy<br>Animal welfare policy | 90% of all ingredient and packaging (direct) suppliers are Sedex registered and have shared their ethical data with Premier Foods. This equates to 98% of our direct spend.<br>214 audits completed over the last year (57 physical audits at supplier sites and 157 remote, or virtual) - (*see case study*).<br>7 Sedex Members Ethical Trade (SMETA) audits conducted in the last year.<br>Tier 1 Business Benchmark for Farmed Animal Welfare (*see case study*) |

CASE STUDY

## Top recognition for our work on animal welfare

This year, we were delighted to be awarded Tier 1 status by the Business Benchmark on Farm Animal Welfare (BBFAW), in recognition of our continued efforts to improve animal welfare standards within our supply chain.

The BBFAW measured 150 companies against a set of rigorous benchmarks, and we scored particularly highly across areas including animal welfare management, policy commitment, performance and disclosure.

Our ongoing commitment to animal welfare has included a huge, concerted effort by our procurement team, resulting in our Benchmark score nearly doubling in just five years, from 44 to 83. This is the outcome of close collaboration with NGOs like Compassion in World Farming, Humane League and Four Paws and by working in partnership with our suppliers to establish targets and encourage best practice for the treatment of animals within their supply chains. We're not stopping there though, and have now signed the full Better Chicken Commitment, to continue making positive strides towards improved animal welfare.

**"Premier Foods should be congratulated on achieving a Tier 1 ranking in the 2021 BBFAW Benchmark and on receiving a 'B' Impact Rating, which is the highest rating achieved by any company this year. The tier ranking and impact rating demonstrate that Premier Foods has taken a leadership position on farm animal welfare and has declared improved welfare impacts for a reasonable proportion of animals in its supply chain. These achievements recognise the significant efforts being made by the company to drive welfare improvements and are particularly remarkable given the substantial tightening of the BBFAW methodology and scoring this year."** BBFAW Executive Director and Managing Director of Chronos, Nicky Amos.

CASE STUDY

## All of our sites now have ISO 14001

As part of our integration of Knighton Foods into the Premier Foods Group, we worked together to ensure the site complies with our foundations, our Baked-in Behaviours. In less than twelve months, the teams have reviewed and strengthened their Environmental Management System, which includes improved environmental performance, enhanced compliance, pollution prevention and resource conservation – all playing a role in improving the sustainability of our operations, which are called out by our "protecting the environment" baked-in behaviour. With a successful audit in March 2022, the Staffordshire site joins all other manufacturing sites in having obtained the ISO 14001 certification.

CASE STUDY

## Driving higher ethical standards in our supply chain

Our technical compliance team have been working with our key onion supplier in Egypt, to drive greater ethical standards through the supply chain. By working closely with the supplier, we have been able to improve auditing of onion peeling stations; have set higher standards of inspection and encouraged the supplier to provide social and educational facilities for their employees. We visited the facilities in January 2022, to ensure the changes and improved standards were in place, including minimum working age. We were able to confirm that the supplier opened a small school in a very remote area, supporting its workers and their families. Consequently, the supplier obtained a higher audit score, meaning they will be in a better position in future supply tenders.

# Our Products

## Making nutritious and sustainable food

**Fully aligning with our commercial and brand strategies, the product pillar helps consumers to lead healthier and more sustainable lifestyles by creating foods that are rich in nutrients, more sustainable, and free of unnecessary or problematic packaging.**

### What's at stake?

The World Health Organisation (WHO) reports that worldwide obesity has nearly tripled since 1975, with 1.9 billion adults overweight in 2016. In England, the National Health Service (NHS) estimates that 28% of the adult population was obese in 2018, and research from the British Nutrition Foundation shows that only 1% of the population follows a healthy, balanced diet. To bridge this gap the WHO urges the public and private sectors to work together to help shape people's choices "by making the choice of healthier foods and regular physical activity the easiest choice".

The EAT-Lancet Commission advocates that in order to achieve planetary health, a dietary shift towards healthier and more plant-based foods, a real decrease in food loss and waste and improved production practices are necessary, as the food system prepares to feed a growing population in a world of finite resources.

Packaging in the food industry is necessary to deliver food to consumers, maintain food safety, preserve freshness and taste, prevent food waste and share important information with consumers. However, if poorly designed, excessively used, or irresponsibly disposed of, it can lead to a range of environmental issues.

### Our contribution

In keeping our consumers at the heart of everything we do, we will strive to democratize good, nutritious food and nudge society towards more sustainable foods. Having launched more than 40 innovative, better-for-you options, we will build on our track record of bringing healthier products to market, and work to double our sales of more nutritious products. We will give our consumers great tasting products which provide additional nutritional benefits such as fibre, protein or fruits and vegetables. We have this year launched several healthier alternatives, including, *Paxo* Low Salt Sage & Onion stuffing mix, which contains 70% less salt than a standard equivalent, *Saxa* SO-LOW Reduced Sodium Fine Sea Salt which is 25% lower sodium and *Homepride* Mac 'N' Cheese Pasta Bake, 30% fat reduced and low in sugar.

Harnessing the power of our trusted brands, we will also support our consumers' transition towards more plant-based diets, by ensuring that each of our core range offers a plant-based alternative, and launching exciting new plant-based ranges in growing categories. We aim to grow our sales of plant-based products to more than £250m per year. We have already launched *Sharwood's* Deliciously Vegan Indian sauces, the first vegan Indian Tikka and Korma cooking sauces in market, and *Paxo* Veggie Fillers, which are also a source of fibre and are low in fat, saturated fats and sugar.

Packaging plays a role in delivering safe products to consumers, but we also recognise the need to reduce its social and environmental impacts. We will support the recycling and recovery of our packaging and work with industry partners to embrace new technologies and campaigns, to help drive behaviour change. Building on our commitment as a founding member of the UK Plastics Pact; to ensure 100% of our plastics packaging is recyclable by 2025, we have expanded our targets to cover all types of packaging. Supporting a circular economy, currently 96% of all our packaging and 80% of our plastics packaging is recyclable. We also work to include more recycled content material to reduce the need for virgin materials. All of our packaging will continue to carry OPRL (On Pack Recycling Labels) to help our consumers navigate a complicated recycling infrastructure, and we will engage with industry and Government to make sure the planned reforms to the household recycling systems in the UK lead to increased recycling rates and reduced littering. We will also ensure our work on sustainable packaging is clearly contributing to our decarbonisation commitments.

CASE STUDY

## *Mr Kipling* Deliciously Good cakes and pies

Four years ago, we set ourselves the challenge of creating a cake that gave our consumers a healthier option, without having to compromise on taste. This year we made that vision a reality, launching not just one cake, but an entire range of healthier treats under the *Mr Kipling* brand.

*Mr Kipling* Deliciously Good is our first range of cakes and fruit pies, which not only score less than 4 on the Nutrient Profiling Model (NPM), but importantly, deliver great flavours for consumers.

Building on the successful *Mr Kipling* 30% less sugar Angel, Chocolate and Lemon slices, our bakeries and in-house development chefs built on the expertise and experience garnered from producing such an iconic brand over the last 50 years, to make the impossible possible - a great-tasting cake that contains significantly less sugar, saturated fats and salt, is classified as non-HFSS (i.e. not containing high levels of fat, salt and sugar) and contains added real fruits.

This culinary breakthrough is a fantastic example of our expert development chefs continuing to push boundaries to innovate and create even healthier recipes of consumers' favourites.


CASE STUDY

## Banging the drum of the circular economy

This year, we have reduced the height of *Bisto* drums by 8mm, which will save 40 tonnes of paper annually. The reduction required significant changes to our manufacturing line in Worksop, including replacing the sensors and making alterations to the drum's sealing and capping machines, all while ensuring the serve size wasn't reduced. Consumers have actually received an additional 20g of gravy granules (190g) – approximately six more portions per tub. The height difference also allows for more products to be packed in one lorry, ultimately reducing road miles. In Knighton, we invested in a new line which enabled us to make our *Marvel*, Smash and *Birds* drums from a single material to making it easier for consumers to recycle them.

| Our ambitions | | Our 2030 targets |
|---|---|---|
| **Making nutritious and sustainable food** | **Make great-tasting, healthier and more nutritious food** | More than double sales of products that meet high nutritional standards.<br>More than 50% of our products (by SKUs) provide additional health or nutrition benefits. |
| | **Support the nation's shift towards plant-based diets** | £250m sales in plant-based products made to a vegan recipe.<br>Each core range has a plant-based offering. |
| | **Reduce the environmental impact of our packaging** | 100% of packaging to be reusable, recyclable or compostable by 2025.<br>Reduce carbon impact of our packaging by 25% in line with our SBTi targets. |

Sources include: World Health Organisation, British Nutrition Foundation and the Food Planet Health report by the EAT-Lancet Commission

# Our Planet

## Contributing to a healthier planet

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND
17 PARTNERSHIPS FOR THE GOALS

**With strengthened commitments on tackling climate change and deforestation, improving the sustainability of farming practices and reducing waste, the planet pillar of our Enriching Life Plan contributes to a healthier planet, by placing sustainability at the heart of our operations and nurturing the natural resources that we rely on to make our food.**

### What’s at stake?

“Climate change is the defining issue of our time, and we are at a defining moment. From shifting weather patterns that threaten food production, to rising sea levels that increase the risk of catastrophic flooding, the impacts of climate change are global in scope and unprecedented in scale” (United Nations). Around 30% of the GHG emissions globally are attributable to the food system – encompassing agriculture and land use, processing and transport, through to consumption and food waste. Poorly planned expansion of the food systems is also putting further strains on our fragile ecosystems, putting at risk the very systems on which industry relies. The prominent role the food industry can play in helping the food system transition to a more sustainable, resilient one by collaborating with the public sector, was highlighted by Henry Dimbleby’s National Food Strategy, and all the main trade bodies representing the industry are active in helping to map out a more sustainable future.

### Our contribution

Our plan recognises the environmental impact of our operations and wider value chain. Therefore, we will step-up our commitments to limiting the effects of climate change, developing resilience to climate change (see TCFD statement on page 36), to protect natural resources through our supply chain and to strengthen our efforts on tackling food waste.

We understand the need to act quickly and transform our ways of working, and have answered the call from the United Nations to the business community to set bold and ambitious targets, joining 'Business Ambition for 1.5C°'. We have set strong short-term targets: reducing our direct emissions (scopes 1 and 2) by 42% by 2030 and our indirect emissions (scope 3) by 25% over the same period. We know we can't stop there and will target net zero by 2040 in our own operations and by 2050 in our wider supply chain. To ensure our work stays in line with the latest science, we will validate our targets with the Science-Based Target initiative. With complex supply chains and operations, an essential step for the business is to understand our full, detailed greenhouse gas (GHG) footprint (see case study). We are also working to refine our understanding of energy usage at sites, and will be rolling out a smart metering system which will further inform our plans.

We all need to protect the natural resources on which we depend. We will therefore tackle deforestation in the products we source which carry the greatest risks: palm, soy, meat, pulp and cocoa. We will continue our work with the Roundtable on Sustainable Palm Oil (RSPO) and the Round Table on Responsible Soy (RTRS) to drive supply of sustainable commodities. Closer to home, we'll work with our suppliers to make best use of available resources like water, and to increase biodiversity, carbon capture and restoring natural habitats – we call this regenerative agriculture. We will support the farmers we work with, in their own transition, as the efforts to protect our natural habitats rely on the supply chain acting together.

Our sites have sent no waste to landfill since 2016, and as signatories to the Food Waste Reduction Roadmap and Champions 12.3, we have long worked on reducing food waste in our operations but we want to do even more. We'll work with our suppliers and partners to reduce food waste too, and strengthen our work with food redistribution charities to ensure leftover food that is safe to eat, goes to human consumption wherever possible. Moreover, our brands will harness their unique opportunity to help our consumers reduce their own food waste at home.

CASE STUDY

## Understanding our first full GHG Footprint

Understanding our full carbon footprint, and that of all the ingredients we use, is an essential step in building the detailed plans we need to meet our bold decarbonisation targets. Building on our previous work on scopes 1 and 2, we embarked on a new exercise to map our scope 3 emissions. We started with a full inventory of all purchased goods and services across our business, and worked with a specialist consultant to develop the best possible emissions estimates using reputable sources, such as Ecoinvent 3.8, BEIS 2020 and 2021, Agri-footprint, and WFLDB (World Food LCA Database).

The outcome of the exercise will help us to refine our measurement approach, and most importantly focus improvement opportunities and help track our progress. It will also form the foundation of the targets we will submit for validation to the Science Based Targets initiative over the coming months. As is the case with many food and drink manufacturing companies, a significant part of our total environmental impact sits outside our walls, with around 95% of our carbon footprint being in the products and services we purchase. This demonstrate the importance of collaborating with key suppliers in order to achieve our targets. More information on our emissions can be found in the statutory information section on page 97 and Enriching Life Plan Disclosure Tables on page 163.

CASE STUDY

## Supporting our local environments

Our Green Matters champions across our sites, have been busy partnering with local charities and community groups to help protect and restore local natural habitats, and create new ones for biodiversity to thrive. In Carlton, colleagues have taken 11 days out to help plant more than 19,000, carefully selected broadleaved and coniferous native woodland trees, at 11 local sites in support of Wakefield and Barnsley councils' efforts to adapt to climate change and connect communities back with nature. In Ashford, working with the Kent Wildlife Trust, colleagues have identified some suitable land near the neighbouring River Stour to convert into a pond, where they hope to attract smooth newts, diving beetles and dragonfly nymphs back into the area. These will also be spaces for colleagues to take time out for their well-being and connect back with nature.

| Our ambitions | | Our 2030 targets |
|---|---|---|
| Contributing to a healthier planet | Taking action on climate change | Develop validated Science-Based targets aligned to "Business Ambition for 1.5°C"<br>Reduce scope 1 and 2 emissions by 42% from our direct operations and achieve net zero by 2040.<br>Reduce scope 3 emissions by 25% and target net zero by 2050. |
| | Protecting our natural resources | Zero deforestation in palm and meat supply chain by 2025, and across entire supply chain by 2030.<br>Champion regenerative agricultural practices for key ingredients. |
| | Reducing waste across our value chain | Halve our food waste and support our suppliers to do the same.<br>Make better use of food waste we do generate and redistribute 750t for human consumption each year.<br>Use the strength of our brands to engage shoppers and consumers to reduce food waste in the home. |


# Our People

## Nourishing the lives of our colleagues and communities

4 QUALITY EDUCATION | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES

**In Our People pillar, we will be building the culture, skills and capabilities needed to help the business, the UK food sector and wider economy thrive in the future, and give back to the communities where we operate.**

### What's at stake?

The Equality Act 2010 legally protects people from discrimination in the workplace, however, the UK gender pay gap persists, people from an ethnic minority background only make up 10% of the workforce and in 2018, a third of LGBT+ staff reported hiding their sexuality at work. The moral case for building more inclusive workplaces is indisputable, and indeed, so is the business case, as diversity enhances performance. Everyone stands to benefit when we value and support people with different backgrounds, experiences and identities.

In its Levelling Up White Paper, the Government recognises that "while talent is spread equally across our country, opportunity is not". With 500,000 vacancies in the food supply chain, the food industry is well placed to give that talent the chance to fulfil its potential and provide the skills needed by industry, which are broad and evolving.

The Covid-19 pandemic has shone a new light on the challenges faced across communities and the role businesses can play. Post-pandemic, the Food Foundation's Food Insecurity survey, shows food poverty and insecurity is on the rise with the number of households declared in a situation of food insecurity increasing from 7.3% in 2021 to 8.8% in February 2022.

### Our contribution

Our plan places our values first and inspires us to do the right thing for our colleagues and communities. We believe we all deserve the opportunity to develop our skills and talents to our full potential, work in a safe, supportive and inclusive environment, and be fairly rewarded and recognised. We want our colleagues to thrive at work and aim for Premier Foods to be a place where everyone is welcome, feeling they can bring their true, authentic self to work every day (for more on our values and culture see pages 12 and 13). We are working towards more inclusivity at all levels, from bringing gender balance in senior leadership roles, to reflecting the diversity of the different communities where we operate, and will continue to educate all colleagues on the importance of this. We are also creating a culture which supports colleagues with their mental and physical health and wellbeing. We have already trained 91% of managers on mental health awareness, and will roll it out to all of our colleagues – having already trained 1,500.

With the food industry constantly reinventing itself, and the skills and expertise required ever evolving, we will aim to be a leading developer of people for the UK food industry. Expanding our successful apprentice and graduate programmes, we will work with schools and colleges in our local communities, to inspire careers by offering on-the-job experience for students as part of the new T- levels placements, and will develop specific programmes for excluded groups. We want to help the food industry bridge the gap on STEM skills and will give special focus to offering training and development to our colleagues, current and future.

We operate from 15 offices and sites across the country, and endeavour to be a caring partner for our colleagues, their friends and families and other members of our communities, our customers, suppliers and future colleagues. We'll aim to be a force for good and volunteer our time and expertise to those local causes linked to the issues of food poverty, skills development, employability and local environmental quality. As a food manufacturer we feel a responsibility to help tackle the increasing issue of food poverty and will work together with our partners, suppliers, customers and charities to donate the equivalent of 1 million meals to those vulnerable populations. This year, we innovated with a Tesco in-store activation "Win a dinner, Give a dinner" which enabled a donation of nearly £30,000 and 30 pallets worth of products to FareShare.

CASE STUDY

## Supporting our communities

During the pandemic many traditional face-to-face fundraising events were not possible, so our charity champions worked especially hard to help colleagues fundraise in innovative ways for our charity partner Together for Short Lives. That's why we're incredibly proud to have raised a fantastic £108,000 this year, to support the 15 local children's hospices with which our sites are partnered, funding over 800 community care sessions for children, giving families precious moments together and, allowing parents of children with life limiting conditions, the rare opportunity to just be mum and dad. This brings our fundraising total for this wonderful charity to £188,000 in April 2022, well on track to achieving the £200,000 target we set ourselves at the beginning of our partnership in May 2020. As a responsible business, we've also sought to respond to crises affecting our colleagues, wider communities and partners, and this year made a donation of £100,000 to the British Red Cross through the Disasters Emergency Committee Ukraine Humanitarian Appeal, to support the people of Ukraine. The donation will help provide much needed clean water, emergency shelter, food, health assistance, sanitation and hygiene, protection and trauma counselling.

CASE STUDY

## Encouraging Women in STEM careers

With women occupying less than 30% of the Science, Technology, Engineering or Maths (STEM) roles, we want to raise awareness of the exciting opportunities the food industry offers, and support younger women as they choose this career path. We are delighted to have talented female colleagues taking part in our highly recognised Apprenticeship scheme, which each year sees between 70 and 80 colleagues training. For example, colleagues Dani Keep, Apprentice Packaging Technologist, Emma Wright, Apprentice Technical Operator on our *Oxo* cubes line and Jemma Green, Food Technologist Apprentice, recently attended the National Skills Academy for Food and Drink (NSAFD) Tasty Ambassador course, building skills to become advocates of the food industry. They are just three examples of our female colleagues showing the way for the next generation of women in STEM roles.

| Our ambitions | | Our 2030 targets |
|---|---|---|
| Nourishing the lives of our colleagues and communities | A diverse, healthy and inclusive culture | Gender balance for senior management.<br>Diversity KPIs to reflect regional demographic.<br>All sites achieve platinum level Health and Wellbeing accreditation. |
| | A leading developer of people | Provide skills programmes and work opportunities for the young and excluded groups.<br>75% of STEM vacancies filled by internal candidates.<br>80% colleagues feel they have opportunity to develop and grow. |
| | A caring community partner | Donate 1 million meals per year to those in food poverty.<br>Be more of a force for good in our communities by volunteering at least 1,000 colleague days each year. |

# Taskforce on Climate-Related Financial Disclosures: Climate-related disclosures

We recognise that climate change is one of the most pressing issues for society, and our collective response over the next decade will determine how broad and deep the impacts of this will be. That's why we must continue to work collaboratively to make a greater positive impact. We see it as both a responsibility and an opportunity, to which we are committed to playing our part.

Our new Enriching Life Plan, lays out a bold new set of ambitions and targets, that help address the global challenge we all face and how we can better prepare our business to adapt to the impacts of climate change.

In 2021 we joined the "Business Ambition for 1.5°C", and have committed to validating our targets within the framework of the Science Based Targets initiative. We have also established a group to lead our work on climate change resilience and adaptation – using the Taskforce on Climate-Related Financial Disclosures (TCFD) framework to help with the structure and reporting of our work.

We are pleased to confirm that we have included in our TCFD disclosures the material climate-related financial disclosures consistent with the four recommendations and the eleven recommended disclosures set, however, as we align our approach to the updated TCFD additional guidance (Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" (2021 TCFD Annex)) which was released in October 2021, there are some recommendations in the "2021 TCFD Annex: All Sector Guide", that will require more time for us to fully consider. In line with the current Listing Rule requirements (as referred to in Listing Rule 9.8.6R(8)), the areas where we require more time to implement fully, are laid out in the table below, under future focus.

## Governance

| Purpose | Our work so far | Future focus |
|---|---|---|
| Describe the Board's oversight of climate-related risks and opportunities.<br><br>Describe the management's role in assessing and managing climate-related risks and opportunities. | A new TCFD steering group, under the control of the ESG Governance Committee, has been established to embed the TCFD framework across the business and is being advised by specialist independent consultants and assisted by climate change advisors. Governance and risk processes have been reviewed to clarify accountability for ESG and climate related risks and opportunities. Enterprise Risk Management processes, under the control of management, have been expanded to include the identification and management of climate related risks. In line with the business's Enterprise Risk Management, process climate-related and broader ESG risks are reviewed by the Board twice a year, to ensure the effectiveness of the process and its outcomes. | Over the next year we will use the TCFD Steering Group and ESG Governance Committee to strengthen the understanding of management teams to better identify and manage climate-related risks and opportunities. |

## Strategy

| Purpose | Our work so far | Future focus |
|---|---|---|
| Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.<br><br>Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning<br><br>Describe the reliance of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario. | A broad range of climate related risks and opportunities have been identified and prioritised based on likelihood, impact and the planning horizon where they could impact the business. Mitigating actions are in place for key risks. An assessment has been carried out on the resilience of our supply sites with investment at one site to improve local flood defences. Modelling has been carried out to understand the impact of changes in shoppers' behaviour resulting from changing weather patterns.<br><br>Three climate change scenarios have been identified which will be used for further quantification of key physical and transition risks and opportunities. | Over the next year we will carry out further assessments to strengthen our understanding of the impact of our most material risks in three climate change scenarios. In the subsequent year we intend to strengthen our modelling of the impact of a broader range of climate related risks. |

## Risk management

| Purpose | Our work so far | Future focus |
|---|---|---|
| Describe the organisation's processes for identifying and assessing climate-related risks.<br><br>Describe the organisation's processes for identifying, assessing, and managing climate related risks are integrated into the organisation's overall risk management. | Enterprise Risk Management process in place with responsibility to identify emerging risks. Training has been carried out for key teams to raise awareness of the likely impacts of climate change along with developing a new approach to strengthen the way these risks are described, categorised, monitored and acted upon.<br><br>Key risks are elevated onto the business's Principal Risk register. | Over the next year we will further increase awareness and understanding across the business. Embedding and strengthening our processes. |

## Metrics and Targets

| Purpose | Our work so far | Future focus |
|---|---|---|
| Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with strategy and risk management process.<br><br>Disclose scope 1, scope 2, and if appropriate scope 3, greenhouse gas (GHG) emissions, and the related risks.<br><br>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. | The business has committed to Science Based climate targets and will disclose progress annually. The business takes a value chain wide approach and the primary decarbonisation targets are supported by contributing targets covering waste, packaging, regenerative agriculture and haulage.<br><br>Clear accountability around the business for tracking the evolution of climate-related risks and opportunities.<br><br>See our Enriching Life Plan Disclosure Table on page 164 for our Greenhouse Gas emissions disclosure. | Our decarbonisation targets will be submitted for validation by the Science Based Targets initiative this year. We will use the outputs from our risk assessments and scenario modelling to strengthen our use of key metrics and other inputs to track evolving climate-related risks and opportunities. |

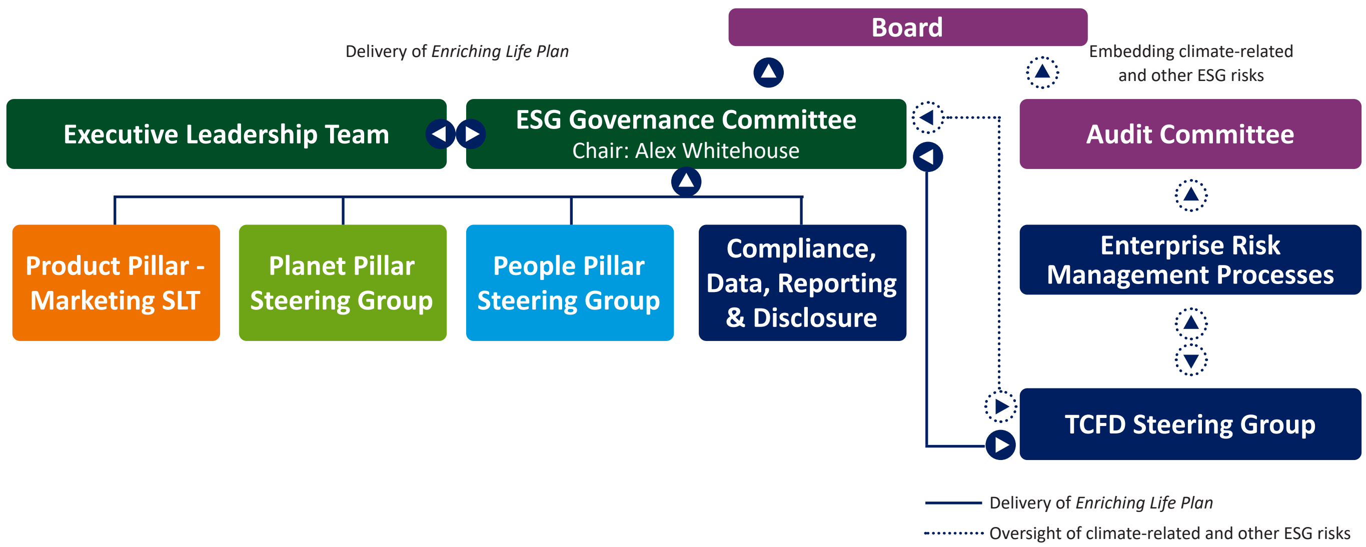
## Governance

The Board has overall oversight of our ESG strategy, the Enriching Life Plan, and climate-related risks. Day-to-day responsibility for managing the delivery of our Enriching Life Plan is delegated to our ESG Governance Committee. See page 28).

Climate related risks are incorporated into our Enterprise Risk Management framework. This ensures a bottom-up approach to identifying and quantifying risks for prioritisation, as well as oversight through appointed members of the Executive Leadership Team, the Audit Committee, and ultimately to the Board of Directors.

Climate risks are reviewed by the Audit Committee as part of the risk management process conducted twice a year, and subsequently presented to the Board. Climate risks and ESG matters are also taken into account by the Board, when making key decisions as part of its responsibility to consider matters under Section 172 of the Companies Act.

In order to support the adoption of the framework of TCFD, a steering group has been established to develop the approach and raise awareness of climate related risks around the business, and directly update the Audit Committee. The steering group also co-ordinates the adoption of TCFD best practices into the Enterprise Risk Management processes, and ensures visibility and oversight of the programme by the ESG Governance Committee.




## Strategy

We are proud to manufacture the vast majority of our products in our own dedicated factories across the UK, serving a number of commercial channels through a range of different routes to market. These local operations mean we can expect our own business to be affected by the physical and transitional impacts of climate change in the UK. As a food manufacturer, our business also relies on a wide range of raw materials, ingredients and packaging items and, whilst much of this is locally sourced, there are a number of complex international supply chains, which are likely to also be impacted by the global effects of climate change. We, like others, will therefore need to prepare our business for a range of physical and transitional effects of climate change, both locally and internationally, which will represent both risks and opportunities for the organisation over the short, medium and long-term.

Several climate related risks were already included in the risk management processes of the business, although this year there has been an increased focus on identifying and considering a broader range of possible impacts of climate change over a longer time period. The Internal Audit and ESG teams have worked with teams around the business to carry out training for key personnel. A cross value chain workshop, and numerous functional sessions were held to develop a more detailed overview of climate risks around the business. This approach has helped refine our understanding of the transitional and physical risks and opportunities presented by climate change.

The work has identified the most material risks and opportunities based on likelihood, impact and time horizon when the risks become more likely. The key categories of risk and opportunity, and our response is shown in the table on the next page.

# Taskforce on Climate-Related Financial Disclosures: Climate-related disclosures CONTINUED

Key risks and opportunities are shown in the table below, along with our response.

| Key transition risks | Timeframe | Our response |
|---|---|---|
| Financial impact of increasing energy costs and carbon pricing. | Short to Medium-term | Investments in better understanding our energy use. A range of projects covering energy efficiency, expanding the use of renewable electricity and decarbonisation.<br>Developing programmes to drive improvements in performance and preparedness of our key suppliers. |
| Evolving legislation and regulation could lead to increased business complexity and forced changes in key operational processes. | Short to Medium-term | Monitoring and reviewing upcoming legislation, improving knowledge of emerging technologies in key areas and investing as appropriate. |

| Key physical risks | Timeframe | Our response |
|---|---|---|
| Value chain could suffer short-term disruption due to more extreme weather events. | Short-term | Review of risks across our sites, investment to improve flood resilience at a key site. Developing understanding of risks in local operations and route to market. Work is planned to quantify key commodity risks, based on understand the resilience and preparedness of suppliers. |
| Quality or availability of key ingredients could be impacted by long-term changes to the climate. | Medium to Long-term | Future work planned to understand the likely impact of climate change on the sourcing of raw materials. |

| Key commercial opportunities and risks | Timeframe | Our response |
|---|---|---|
| Commercial opportunities to grow categories and gain market share by supporting shoppers' demand for more sustainable products. Possible changes in shoppers' buying patterns in the event of weather patterns changing. | Short-term | Brand plans, reflecting commercial opportunities for more sustainable products, including meat and dairy free categories, and more sustainable packaging.<br>Developing products and commercial strategies to drive demand in warmer summers. |
| Commercial opportunities as our retail partners seek to support climate action in their supply chain (relationships, listings, commercial terms). | Short-term | Customer engagement plans seeking to strengthen relationships with key customers, and demonstrate how activities are supporting their ESG objectives. |

| Timeframe | | | |
|---|---|---|---|
| | Short-term 0 – 5 years | Medium-term 5 – 15 years | Long-term – more than 15 years |

When considering the likelihood and possible impact of the risks associated with climate change, it is recognised that the most significant risks we face come in the form of the potential short-term disruption and long-term reshaping of supply chains, as a result of changing and more extreme weather patterns, and the financial costs and increased business complexity of preparing for climate change. The commercial implications of climate change represents both risks and opportunities for business growth.

An assessment of the physical risks associated with more extreme weather across the Group's manufacturing sites has been carried out in collaboration with our insurance partners, with our Lifton site identified as being at some risk of flooding. As a result, investments have been made to improve the resilience of the site. See case study. Our Moreton site; is within an area which is protected from one in 500 year coastal storm surges by public flood defences, so is deemed to be at a low risk of short to medium-term operational impacts, but will continue to be monitored. Other sites will be subject to temperature and rainfall changes, but their operations are less likely to be impacted by extreme weather in the short to medium-term.

Our operational plans include a long-range capital investment plan, which covers the delivery of our Enriching Life Plan, these include investments in improved energy monitoring and tracking across our manufacturing sites, to support our scope 1 and 2 decarbonisation targets.

The potential impact of shoppers' changing behaviour in the way they buy our seasonal product portfolio has been considered under a range of climate change scenarios, looking at the impacts of warmer winters and longer, and hotter summers. This work is combined with a broader assessment of consumer trends, market outlook, brand and customer objectives and operational plans, to form the basis of the annual review of our strategic plans. This insight has, in part, supported the Group's diversification into product adjacencies which take our trusted brands into categories which are consumed in more seasons throughout the year.

As shoppers and retailers become more aware of climate related issues and want to adopt more sustainable products, there are also commercial opportunities for the business in driving growth in more sustainable product categories. With our retail partners also keen to demonstrate progress in tackling climate change, there are opportunities to cement commercial relationships and further improve outcomes, by demonstrating leading shopper insights and having strong environmental credentials.

In order to better understand these risks and opportunities, we will carry out more detailed modelling and impact assessments over the next year on the physical risks to key ingredient availability, and the risks and opportunities associated with changing shopper and customer behaviour. In future, we plan to expand our modelling to include a broader range of transitional risks. The modelling will be carried out against three climate change scenarios; covering a range of future states from a "worst case" which is aligned to the RCP 8.5 (Representative Concentrations Pathway as outlined by the International Panel on Climate Change) to an RCP2.6 pathway, which considers global temperature change at less than 2°C. The modelling of the commercial impact of changing shoppers' behaviours, will be carried out by our sales and marketing teams, given their insight into our existing products and shoppers, with the physical supply chain risks supported by external independent specialists in the field.

CASE STUDY

## Protecting sites from the physical risks of climate change

The Lifton Creamery, in the beautiful Lyd Valley in Devon, opened in 1917 and is home to the *Ambrosia* range of products. The site's location and the success of the brand ,owes much to the wonderful milk produced in the West Country. The river Lyd rises in the Dartmoor national park, and runs along the southern boundary of the creamery. The site was identified as being at an increasing flooding risk in a comprehensive physical risk assessment carried out across all Premier Foods' key manufacturing sites with our insurance partners. A full topographical survey was carried out to understand possible flooding scenarios and the impact which could be expected across the site in a range of scenarios. Most of the site, and its infrastructure, could be quickly recovered in the event of flooding, however, several key electrical panels are in areas which could be subject to water damage and would be more susceptible to major failure in the event of water damage. A comprehensive assessment was carried out to understand the options to protect these key items, either by changing their locations, or putting in place permanent flood doors or quickly deployable flood protection barriers. Investments were made through 2021 and 2022, along with the development of a local flood emergency response plan, in order to define when the flood protection measures should be deployed. These new processes have become part of the site's ongoing procedures and is included in local training programmes. This work will protect key site infrastructure from flooding up to 200mm above the level expected in a one in 500-year event, reducing the risk of asset damage and significant downtime.

## Risk management

Climate related risks are managed through our established Enterprise Risk Management framework to identify, assess, mitigate and monitor the key risks we face as a business. The risk management framework is used to inform our principal, watchlist and emerging risks. The risk management framework incorporates both a top-down approach to identify the Group's principal risks and a bottom-up approach to identify specific operational risks. The ELT is responsible for identifying, managing and monitoring the principal risks, which includes climate change. The Board, (where our CEO represents the ESG Governance Committee) is accountable for the overall risk management process, and determining the effectiveness of the Executive team's risk management strategy.

This process applies to climate related risks, alongside all other ESG and broader business risks. Our Internal Audit and ESG teams work closely to update our principal risks as they relate to climate change. We have taken several steps to more formally integrate the identification of climate-related risks into our existing risk management framework. See our risk management section on page 51 for more information.

### Identify

The list of potential risks and opportunities are evaluated, by assessing their likelihood and impact using our risk management framework. This materiality assessment is conducted on a bi-annual basis, to ensure the implications of all risks and opportunities are appropriately understood in the context of the changing business, legislative and physical environment. We update the risk scores as necessary due to changing circumstances, or, as and when data or modelling for these risks and opportunities are refined.

The business units now use a broad set of sources to identify and understand potential climate-related risks and opportunities:

- Climate change publications and data.
- Emerging industry and academic reports.
- Membership of collaborative groups such as WRAP, Consumer Good Forum and Science Based Targets initiative.
- TCFD guidance on potential risks and opportunities.
- Key external groups such as suppliers and specialist consultants.
- Internal cross-functional risk management workshops.

### Measure

The impacts of climate change will vary over time, and will depend on the success of actions we collectively take to limit climate change in future years. We therefore use three time horizons (short - up to 5 years, medium - up to 15 years, and long - beyond 15 years), to help understand the likely time when risks will impact our business and how they may change over time. We use external datasets on climate drivers and internal datasets on our business activities to model a timeseries for the potential financial impact of material risks under each scenario between 2022 and 2050. Our measurement of the identified risks will be strengthened by our more detailed modelling and scenario analysis next year.

### Respond

Response strategies are developed for the key risks identified across the business. We use this to define controls and monitor metrics. This will ensure that the appropriate decisions on mitigating, transferring, accepting or controlling the climate-related risks are made.

### Monitor and report

All key risks are reviewed on a bi-annual basis to assess and understand the evolution of the risk and whether our current risk management controls are sufficient. Outputs of this work is then included in the Risk Management sections of each annual report.

# Taskforce on Climate-Related Financial Disclosures: Climate-related disclosures CONTINUED

## Metrics and targets

Our new Enriching Life Plan was built following a broad, and deep exercise to capture insights and perspectives from a wide range of stakeholders, including NGO's and specialist groups, customers, employees and investors. The plan sets bold new targets for the business, in the way it supports great tasting, nutritious and sustainable diets; contributes to a healthier planet; and nourishes the lives of our colleagues and communities.

New environmental commitments include decarbonisation targets, aligned to the "Business Ambition for 1.5°C", aiming for a 42% reduction in scopes 1 & 2 emissions between 2020 and 2030, and a reduction of 25% in scope 3 emissions over the same period of time. We have set target dates to achieve net zero in our own operations by 2040 and across our whole value chain by 2050. The Enriching Life Plan Disclosure Tables on page 164, show our current disclosures and annual disclosure approach, which is aligned to the GHG protocol and Science Based Target initiative. These headline targets will be supported by contributing targets covering waste, packaging, regenerative agriculture and haulage, also shown in our Enriching Life Plan on page 28 and our Disclosure Tables from page 163. Progress against these targets, will in itself provide strong mitigation actions for some of the financial, commercial and transition risks identified by climate change across the business. The metrics we are using to measure and track progress on our broader Enriching Life Plan will therefore be important in helping us understand how specific climate risks are evolving.

These actions will not, however, directly impact other physical climate related risks the business faces, and other key factors will be tracked in order to understand the evolving risk and opportunity landscapes.

| Key transition risks | Factors helping us track evolution |
|---|---|
| Financial impact of increasing energy costs and carbon pricing. | • Procurement team monitoring energy market.<br>• Public Affairs and ESG teams monitoring legislative landscape.<br>• Site Energy Committees tracking energy use. |
| Evolving legislation and regulation could lead to increased business complexity and forced changes in key operational processes. | • Public Affairs and ESG teams monitoring legislative landscape.<br>• Engineering and site facilities teams monitoring evolving technology and evolving local environmental issues. |
| **Key physical risks** | **Factors helping us track evolution** |
| Value chain could suffer short-term disruption due to more extreme weather events. | • Procurement team monitoring availability and market dynamics on ingredients and reviewing preparedness plans of key suppliers.<br>• Factory Managers and Logistics functions monitoring local weather trends and pressure points in key local infrastructure. |
| Quality or availability of key ingredients could be impacted by long-term changes to the climate. | • Procurement team monitoring availability and market dynamics on key ingredients, reviewing preparedness plans of key suppliers and tracking emergence of new suppliers, or changing supply regions. |
| **Key commercial opportunities and risks** | **Factors helping us track evolution** |
| Commercial opportunities to grow categories and gain share by supporting shoppers' demand for more sustainable products. | • Brand teams ongoing review of shopper sentiment on climate related issues. |
| Commercial opportunities as customers seek to support action in their supply chain (relationships, listings, commercial terms.) | • Customer teams ongoing review of the targets and commitments of customers. |

### Next steps

During the 2022/23 financial year we will embed our better understanding of climate risks and the recommendations of the TCFD framework more fully into our Enterprise Risk Management approach. This will include further detailed quantification of risks and a strengthened approach for tracking the emergence and evolution of risks. This will have a particular focus on the risks and opportunities likely in the near future and those with the most material impact on our business. In order to improve our understanding of the impact of key risks and help develop a more sophisticated approach to formalising our risk appetite in this area, the most material risks will also be assessed and quantified in greater detail, based on the three scenario models already referenced.

This approach will be supported by additional training for key colleagues, strengthened processes to improve awareness and collaboration between business teams, and the inclusion of climate related risks and issues into functional and individual objectives around the business.

# Operating and financial review

Due to the unique nature of the prior year when the Group saw exceptional patterns of demand for its products during the peak of the Covid-19 pandemic, the Group has managed and reviewed the performance of its business this year with reference to the more normalised trading conditions of two years ago as well as the prior year.

*The statutory comparative period is for the 53 weeks ended 3 April 2021. To aid comparability of results against equal time frames, the following review for headline measures is provided on a 52 week comparable basis and reconciliations provided to a 53 week basis for FY20/21 can be found in the appendices on pages 49 to 50. EBITDA is EBITDA on an adjusted basis as defined in the appendices.

## Revenue

| **Group revenue (£m)**<br>(52 week comparable basis) | **Grocery** | **Sweet Treats** | **Group** |
|---|---|---|---|
| Branded[12] | 560.1 | 214.0 | 774.1 |
| Non-branded[13] | 87.6 | 38.8 | 126.4 |
| **Total** | **647.7** | **252.8** | **900.5** |
| % change vs 1 year ago* | | | |
| Branded | (6.9%) | +7.0% | (3.4%) |
| Non-branded | (4.5%) | (5.0%) | (4.7%) |
| **Total** | **(6.6%)** | **+5.0%** | **(3.6%)** |
| % change vs 2 years ago* | | | |
| Branded | +8.8% | +12.1% | +9.7% |
| Non-branded | (9.6%) | (13.0%) | (10.6%) |
| **Total** | **+5.9%** | **+7.3%** | **+6.3%** |
| (53 week comparable basis) | | | |
| % change vs 1 year ago* | | | |
| Branded | (8.1%) | +5.3% | (4.7%) |
| Non-branded | (6.1%) | (5.7%) | (6.0%) |
| **Total** | **(7.8%)** | **+3.4%** | **(4.9%)** |

## Commentary versus two years ago

Group revenue increased by 6.3% compared to two years ago. Branded[12] revenue was particularly strong, up 9.7%, while lower margin non-branded[13] revenue declined (10.6%). In the fourth quarter, Group revenues increased by 3.5% to £225.8m, with branded revenue up 5.1% and non-branded revenue (7.0%) lower. This quarter compares against the same period two years ago when consumers began to accelerate their purchase of household staple grocery products at the onset of the pandemic. The Group's branded mix accelerated to 86.0% of total sales, up 270 basis points compared to two years ago.

The Group's branded growth model strategy leverages the strength of its market leading brands, launching insightful new products, supporting them with emotionally engaging advertising and building strategic retail partnerships. Branded revenues on a two-year compound annual growth rate basis, have grown by 4.7%, serving to illustrate the success of this strategy and model. Additionally, volume and value market share[14] increased by 41 and 68 basis points, respectively, compared to the same period two years ago. Outperformance was delivered in both the Grocery and Sweet Treats markets, by 52 and 23 basis points respectively. In e-commerce, many consumers who turned to shopping online for grocery products during the pandemic have continued to use this channel. The Group's sales through online have grown by a very significant 71% compared to two years ago and additionally, market share has increased by 111 basis points.

Another key element of the Group's branded growth model is the strength of its retailer/customer partnerships. Compared to the prior year, the Group's weighted average distribution points have grown by 121 basis points; and one of the key drivers of this has been the strength and delivery of the its innovation programme.

## Grocery

Grocery revenue grew by 5.9% compared to two years ago. The branded portfolio was the clear driver behind this growth as revenue increased by 8.8%, with non-branded business (9.6%) lower. Grocery revenues in the fourth quarter were marginally lower by (0.2%), with higher margin brands delivering growth of 0.9%, as volumes spiked two years ago at the onset of the pandemic. This was offset by a (6.9%) decline in lower margin non-branded revenue due to lower out of home volumes.

The majority of the Group's Grocery brands grew revenues in FY21/22 compared to the same period two years ago. Brands such as *Batchelors, Bisto, Sharwood's, Paxo* and *Angel Delight* all grew well above the category averages and many of these have benefitted from sustained levels of consumer marketing investment and new product development programmes.

A major success for the Group has been the *Nissin* noodle product ranges. The *Nissin* brand has grown consistently strongly over the last four years; revenues this year grew by nearly 130% compared to the same period two years ago. During the year, *Nissin* noodles became the market leader in the authentic snack pot market, having grown market share from 16% in 2017 to 48% today.

The Group continues to bring more healthy product ranges to market such as *Loyd Grossman* 30% less sugar Lasagne sauces, no added sugar *Homepride* pasta bakes, *Oxo* meat-free Chicken flavour stock cubes and *Angel Delight* ready to eat, on the go, low calorie dessert pots. In FY22/23, the Group will be launching a series of exciting new better-for-you products such as *Bisto Best* meat-free gravy, *Sharwood's* lower fat Poppodoms and Popped Crackers and *Paxo* low salt stuffing.

One of the Group's strategic pillars is expanding into adjacent categories, leveraging the strength of the Group's branded equities' and significant progress was delivered in the year. This year, major launches included *Oxo* Rubs and Marinades, representing *Oxo*'s first major move beyond its heartland of stock; the extension of the *Mr Kipling*, *Ambrosia* and *Angel Delight* brands into the Ice-cream category with initial sales over £1m while Cape Herb & Spice, the product range of rubs, chilli and seasonings has achieved increased distribution.

**Trading profit, Adjusted PBT and earnings per share were ahead of previously raised expectations, with strong branded growth driving market share gains."**

**Duncan Leggett**
Chief Financial Officer

## Sweet Treats

Sweet Treats delivered strong revenue growth of 7.3% in the year when compared to two years ago, driven by particularly high branded growth, up 12.1% to £214.0m. This was partly offset by non-branded revenue which declined by (13.0%) following exit of lower margin contracts. During the fourth quarter, Sweet Treats revenue increased by 15.4%, reflecting strong branded sales, which grew 17.7%.

The branded performance was as a result of the particularly strong innovation programme. Consumer uptake from the new better-for-you *Mr Kipling* 30% less sugar Viennese Whirls was strong, while the premium *Mr Kipling* Signature products such as Deluxe Millionaire Whirls also performed very well. *Cadbury* cake delivered strong growth through the year, well supported by innovation and investment in *Mr Kipling* continued in FY21/22 with further advertising to come next year.

As outlined above, one of the Group's strategies is to expand into new, adjacent, categories, leveraging its brands' equities. *Mr Kipling* entered the biscuit category for the first time in the second half of the year with a range of new biscuits targeting the everyday treat occasion.

Looking ahead to the coming year, the Group has recently announced the launch of *Mr Kipling* Deliciously Good cakes. This ground breaking new range is a clear demonstration of delivering against the Group's 'Enriching Life Plan' ESG strategy, offering consumers further healthier options to support healthier lifestyles. These new cakes, which come in seven different variants, are made with higher levels of fibre and fruit compared with the standard *Mr Kipling* range and are classified as non-HFSS under UK government guidelines.

## International

In the International business, revenue on a constant currency basis was 25%[8] higher than the same period two years ago, with growth in all target markets. In Ireland, application of the branded growth model strategy saw further new product development and television advertising. The business entered the Quick Meals Snack & Soups and Homebaking categories and launched the *Mr Kipling* premium Signature range of cakes. Revenues in Australia grew double digits, reflecting higher sales of *Mr Kipling* and *Cadbury* cake, which between them, hold a 14% share of the cake category and remain market leaders.

The Group continues to make strategic progress as it applies its brand building capabilities and executional focus in its priority markets of Ireland, North America, Australia and Europe. For example, *Mr Kipling* snack pack cake slices in Canada are now in wider distribution, following a successful trial and after refinement of the product proposition. A similar approach is being taken in the USA, with a test trial to validate the approach which commenced at the start of FY22/23. Also in the USA, *Sharwood's* continues to increase distribution in a key retailer reflecting both increased store presence and new product listings.

Europe is increasingly becoming a clear opportunity for the Group, with *Sharwood's* in particular demonstrating strong growth in both Spain and Germany during the year. In Spain, revenue of *Sharwood's* cooking sauces has increased by nearly 100% compared to two years ago, reflecting strong growth in Indian sauces such as Tikka Masala while sales in Germany have grown due to the popularity of *Sharwood's* Rice pots.

## Non-branded

Non-branded revenue was (10.6%) lower than the same period two years ago. In Grocery, retailer non-branded revenue grew, while some out of home volumes remain below pre-pandemic levels, some parts of this business have now returned to growth on a one year basis. Sweet Treats non-branded revenue was impacted by lower margin contract exits in pies and slices.

## Commentary versus prior year

The commentary in the following section is made by comparison to the 52 weeks ended 3 April 2021, unless otherwise stated

Group revenue for the 52 weeks to 2 April 2022 was £900.5m, a decrease of (3.6%) on the same period a year ago when volumes were inflated by more meals being eaten at home due to restrictions on out of home eating. Branded revenue was (3.4%) lower at £774.1m while non-branded revenue declined (4.7%) to £126.4m. In the fourth quarter, Group revenues were (0.5%) lower at £225.8m, with branded revenue down (1.8%) and non-branded revenue up 10.5%. The fourth quarter last year saw pandemic lockdown restrictions in place, with less out of home hospitality open to consumers and therefore a greater prevalence of eating in home.

When the year's results are compared to the statutory comparative of 53 weeks ended 3 April 2021, revenue was (4.9%) lower than the prior year. Grocery Revenue declined by (7.8%) while Sweet Treats grew by 3.4%. Branded revenue declined by (4.7%) while non-branded revenue was (6.0%) lower.

## Grocery

As expected, Grocery revenue was lower in FY21/22 compared to the prior year. Branded and non-branded revenue declined by (6.9%) and (4.5%) respectively, reflecting the exceptional volumes experienced in the prior year due to the elevated consumer demand observed in the Group's grocery categories during the peaks of the Covid pandemic. During the course of the year, the strongest comparatives were seen in the first quarter when lockdown restrictions were at their most stringent.



### Sweet Treats

In Sweet Treats, revenue grew by 5.0% in the year to £252.8m. The branded part of the business grew strongly, as revenue grew by 7.0% to £214.0m, while non-branded revenue was (5.0%) lower at £38.8m. In FY20/21, the cake category did not experience the same level of elevated volumes compared to that seen in the Group's grocery categories, as consumers focused on purchasing key household staple products as the UK entered lockdown restrictions.

The delivery of the Sweet Treats branded revenue profile is attributable to the Group's proven branded growth model, including the strength of the new product development programme and sustained marketing investment, as outlined above.

### International

The International business saw revenue grow by 2%[8] on a constant currency basis. In a similar vein to the Grocery business in the UK, revenue in the first half of the year compared to the prior period was impacted by the effects of the global pandemic. In particular, grocery product ranges in the majority of overseas markets saw lower sales due to more meals eaten at home during lockdown restrictions in the prior year, as was the case in the UK.

### Non-branded

Grocery non-branded sales were (4.5%) lower in the year due to lower sales at Knighton Foods partly offset by higher sales at the Group's frozen pizza base business, Charnwood Foods. In Sweet Treats, revenue declined by (5.0%) which was due to the impact of contract exits in fruit pies and slices ranges.

The Group's non-branded business plays a secondary, supportive role which includes assisting the recovery of manufacturing overheads; applying strict financial hurdles on new contracts while deploying low levels of capital investment and protecting branded intellectual property.

### Commentary versus two years ago

The Group delivered a very strong performance at Divisional contribution and Trading profit compared to two years ago. Trading profit rose by 11.9% to £148.3m as Grocery and Sweet Treats Divisional contribution grew by 8.1% and 41.0% respectively.

The Group's proven branded growth model has been a key driver behind these performances reflecting the benefits of its innovation strategy, consistent brand investment and collaborative customer partnerships. Gross margins and Trading profit margins increased by 120 and 80 basis points, respectively, compared to two years ago, reflecting benefits from branded mix and cost efficiency projects while the Group also increased investment behind its brands through higher advertising and marketing spend.

One of the Group's strategies is to increase its investment in its supply chain infrastructure. The elements of this strategy include capital investment to (i) increase efficiencies across the manufacturing and logistics operations and (ii) to facilitate growth through the Group's innovation strategy. Through these strategies, the Group expects to deliver improvements in gross margin, which then provides funds for additional brand investment, in line with the branded growth model and so drive further branded revenue growth as part of a virtuous cycle. An example of such investment includes a new pots line at the Ashford site, which will deliver innovation growth for the *Batchelors* and *Sharwood's* brands.

### Trading profit

| £m | **FY21/22** (52 weeks) | FY20/21* (52 weeks) | Change vs 1 year ago* | Change vs 2 years ago* | FY20/21* (53 weeks) |
|---|---|---|---|---|---|
| **Divisional contribution[2]** | | | | | |
| Grocery | **160.2** | 172.5 | (7.1%) | +8.1% | 174.7 |
| Sweet Treats | **33.4** | 22.4 | +49.6% | +41.0% | 23.2 |
| Total | **193.6** | 194.9 | (0.6%) | +12.7% | 197.9 |
| Group & corporate costs | **(45.3)** | (46.6) | +2.7% | (15.4%) | (46.6) |
| **Trading profit** | **148.3** | 148.3 | 0.0% | +11.9% | 151.3 |

## Commentary versus prior year

The commentary in the following section is made by comparison to the 52 weeks ended 3 April 2021, unless otherwise stated

As outlined above, the Group reported Trading profit of £148.3m in FY21/22. This matches the exceptional performance delivered in the prior year when Trading profit benefitted from the operational leverage effects of elevated volumes during the various lockdown phases of the pandemic. Divisional contribution was slightly lower at £193.6m while Group & corporate costs declined by 2.7% to £45.3m. The Grocery business reported Divisional contribution of £160.2m which was (7.1%) lower than the last year while Sweet Treats saw excellent Divisional contribution growth of 49.6% to £33.4m.

Last year, the Grocery business saw some exceptionally strong performances across its branded portfolio, as the substantial increase in volumes seen during the peaks of the Covid pandemic saw benefits to operational leverage, which in turn fed through to Divisional contribution. With Grocery volumes lower than FY20/21, this resulted in reduced levels of operational leverage and hence lower Divisional contribution in the year.

In Sweet Treats, Divisional contribution increased by £11.0m to £33.4m in the year. This strong progress reflects improved supply chain efficiencies, lower Covid related costs in the year and branded mix benefits as higher margin *Mr Kipling* and *Cadbury* cake sales increased while non-branded sales declined. Unlike the Group's grocery categories, the cake market was less impacted by exceptional consumer buying trends during the pandemic in 2020.

The Group continued to invest in its market leading brands during the year with *Ambrosia*, *Batchelors*, *Bisto*, *Mr Kipling*, *Oxo* and *Sharwood's* all benefitting from TV advertising. Additionally, some of these brands received investment in shorter, YouTube activation media which focus on helping consumers with ideas on recipes and cooking ideas. Looking ahead to FY22/23, the Group has plans for increased levels of brand investment as the prior year, as it continues to consistently apply its branded growth model strategy.

Group & corporate costs of £45.3m benefitted from lower management and colleague bonuses in the year and the release of a provision no longer required.

During the course of the year, global supply chains across a number of industries faced a range of challenges including a shortage of heavy goods vehicle (HGV) drivers; general labour shortages and an increasingly inflationary environment. The Group successfully navigated through this environment during FY21/22, demonstrating the strength of its supplier and customer relationships and delivering in line with its plans.

Following the tragic events unfolding in Ukraine in early 2022, a number of global commodity and energy markets are expected to rise further. While the Group has no direct exposure through revenue or purchases from Russia or Ukraine, it expects to be impacted by rising global commodity markets over the coming months. Consequently, the Group will take mitigating actions to recover increased costs, both through cost efficiency measures and pricing actions.

## Operating profit

| £m | **FY21/22 (52 weeks)** | FY20/21 (53 weeks) | Change vs 1 year ago | Change vs 2 years ago* |
|---|---|---|---|---|
| **Adjusted EBITDA**[3] | **167.5** | 170.4 | (2.9) | 15.0 |
| Depreciation | **(19.2)** | (19.1) | (0.1) | 0.7 |
| **Trading profit** | **148.3** | 151.3 | (3.0) | 15.7 |
| Amortisation of intangible assets | **(27.0)** | (30.4) | 3.4 | 2.4 |
| Fair value movements on foreign exchange & derivatives | **4.4** | (2.3) | 6.7 | 2.7 |
| Net interest on pensions and administrative expenses | **4.2** | 9.7 | (5.5) | 8.8 |
| Non-trading items: | | | | |
| Restructuring costs | **–** | (4.9) | 4.9 | 4.1 |
| GMP equalisation | **(0.3)** | (2.9) | 2.6 | (0.3) |
| Other non-trading | **1.5** | (0.5) | 2.0 | 2.4 |
| **Operating profit before gain on sale of Hovis** | **131.1** | 120.0 | 11.1 | 35.8 |
| Reversal of impairment loss of Loan receivable | **–** | 15.7 | (15.7) | – |
| Profit on disposal of investment in associate | **–** | 16.9 | (16.9) | – |
| **Operating profit** | **131.1** | 152.6 | (21.5) | 35.8 |

Operating profit in the year was £131.1m, a decrease of £21.5m compared to the prior year. This was largely due to the reversal of the impairment loss on the Hovis loan note principal and profit on disposal of the Hovis investment in the comparative period of £32.6m. Operating profit before gain on sale of the Hovis investment associate grew by £11.1m in the year to £131.1m.

Amortisation of intangible assets was £27.0m in the year, a £3.4m reduction compared to FY20/21. Fair valuation of foreign exchange and derivatives resulted in a positive movement of £4.4m compared to the comparative period. An impairment reversal of £15.7m was recognised in the prior year in respect of the Hovis loan note previously written off; this reflected a reassessment of the loan note's recoverability. Hovis Holdings Limited was disposed by the Company and The Gores Group to Endless LLP on 5 November 2020. Additionally, a profit on disposal of £16.9m was recognised in the prior year following completion of this transaction.

Net interest on pensions and administrative expenses was a credit of £4.2m in the year. Expenses for operating the Group's pension schemes were £6.8m in the FY21/22, offset by a net interest credit of £11.0m due to an opening surplus of the Group's combined pension schemes. There were no restructuring costs incurred in the year; charges in the prior year of £8.3m were largely due to costs associated with advisory work on the segregated merger pensions agreement announced on 20 April 2020. Other non-trading income of £1.5m primarily related to the resolution of a legacy legal matter.



## Finance costs

Net finance cost was £28.5m, a decrease of £1.3m compared to the comparative period. Net regular interest was £19.8m, a £13.2m reduction compared to the prior year and nearly half that of two years ago. This reduction was due to lower Senior secured notes interest charges following redemptions of the Group's now retired 2022 Floating Rate Notes ("FRN"). Additionally, the Group issued new £330m Fixed Rate Notes due October 2026 in FY21/22, replacing the previous £300m Fixed Rate Notes due July 2023 which were fully repaid in the year. The October 2026 Notes attract a lower coupon (3.5%) compared to the retired October 2023 Notes which attracted a coupon of 6.25%, therefore representing a significant ongoing saving for the Group. Consequently, Senior secured notes interest declined by £12.1m to £13.4m when compared to the prior year on a 52 week basis.

| £m | **FY21/22 (52 weeks)** | FY20/21* (52 weeks) | Change vs 1 year ago* | Change vs 2 years ago* | FY20/21 (53 weeks) |
|---|---|---|---|---|---|
| Senior secured notes interest | **13.4** | 25.5 | 12.1 | 17.6 | 25.9 |
| Bank debt interest - net | **4.3** | 4.6 | 0.3 | 0.7 | 4.6 |
| | **17.7** | *30.1* | *12.4* | *18.3* | *30.5* |
| Amortisation of debt issuance costs | **2.1** | 2.9 | 0.8 | 1.2 | 2.9 |
| **Net regular interest[5]** | **19.8** | 33.0 | 13.2 | 19.5 | 33.4 |
| Write-off of financing costs | **4.3** | | | (4.3) | 1.3 |
| Early redemption fee | **4.7** | | | (4.7) | – |
| Discount unwind | **(0.9)** | | | 2.2 | (1.1) |
| Other finance cost | **0.8** | | | 0.3 | 0.9 |
| Other finance income | **(0.2)** | | | 0.2 | (4.7) |
| **Net finance cost** | **28.5** | | | 13.2 | 29.8 |

Bank debt interest of £4.3m was £0.3m lower than the prior year and the Group's revolving credit facility was undrawn as at 2 April 2022. Amortisation of debt issuance costs were £0.8m lower at £2.1m, reflecting a lower quantum of borrowing facilities held by the Group.

Following the completion of the Group's refinancing in the year, the write-off of financing costs associated with borrowings now retired and facilities which have since been replaced, were £4.3m in the period. Additionally, and as expected, a fee of £4.7m was incurred relating to the early redemption of the Group's now retired £300m 2023 dated Fixed Rate Notes.

In the prior period, other finance income of £4.7m related to the reversal of the impairment on interest on the Hovis loan note, reflecting the reassessment of the loan note's recoverability.

## Taxation

| £m | **FY21/22** | FY20/21 | FY19/20 |
|---|---|---|---|
| **Profit before taxation** | **102.6** | 122.8 | 53.6 |
| Tax charge at rate of 19.0% | **(19.5)** | (23.3) | (10.2) |
| Tax effect of: | | | |
| Changes in tax rate | **(7.2)** | – | 4.9 |
| Capital gain on disposal of business | **–** | 6.6 | – |
| Other items | **1.6** | (0.1) | (1.8) |
| **Income tax (charge)** | **(25.1)** | (16.8) | (7.1) |
| Deferred tax asset | **23.1** | 28.4 | – |
| Deferred tax liability | **212.9** | 85.8 | 184.9 |

The taxation charge for the year to 2 April 2022 was £25.1m (2020/21: £16.8m). This charge comprised primarily a charge on operating activities of £19.5m (2020/21: £23.3m) and £7.2m due to tax rate changes. In the Government's 2021 spring budget, the rate of corporation tax effective from April 2023 will increase from the current level of 19% to 25%. Therefore, deferred tax balances have been restated depending on the rate which they are expected to unwind.

The Group retains brought forward losses which it can utilise to offset against future tax liabilities. Due to changes in tax legislation with respect to the offset of tax losses, the Group expects to recommence paying cash tax in low single digit £millions in the medium-term.

## Earnings per share

| Earnings per share (£m) | FY21/22 (52 weeks) | FY20/21 (53 weeks) | Change vs 1 year ago | Change vs 2 years ago* |
|---|---|---|---|---|
| Operating profit | **131.1** | 152.6 | (21.5) | 35.8 |
| Net finance cost | **(28.5)** | (29.8) | 1.3 | 13.1 |
| **Profit before taxation** | **102.6** | 122.8 | (20.2) | 49.0 |
| Taxation | **(25.1)** | (16.8) | (8.3) | (18.0) |
| Profit after taxation | **77.5** | 106.0 | (28.5) | 31.0 |
| Average shares in issue (million) | **858.8** | 851.4 | 7.4 | 12.1 |
| **Basic Earnings per share (pence)** | **9.0** | 12.5 | (3.5) | 3.5 |

Profit before tax was £102.6m in the year, a decrease of £20.2m compared to FY20/21 and Profit after tax was £77.5m, £28.5m lower than the comparative period. On a two year comparator basis, profit before tax increased by £49.0m and profit after tax was £31.0m higher. Basic earnings per share was 9.0 pence compared to 12.5 pence in the prior period.

| Adjusted earnings per share (£m) | FY21/22 (52 weeks) | FY20/21* (52 weeks) | Change vs 1 year ago* | Change vs 2 years ago* |
|---|---|---|---|---|
| Trading profit | **148.3** | 148.3 | 0.0% | 11.9% |
| Less: Net regular interest | **(19.8)** | (33.0) | 40.0% | 49.5% |
| **Adjusted profit before tax** | **128.5** | 115.3 | 11.4% | 37.6% |
| Less: Notional tax (19%) | **(24.4)** | (21.9) | (11.4%) | (37.6%) |
| Adjusted profit after tax[6] | **104.1** | 93.4 | 11.4% | 37.6% |
| Average shares in issue (millions) | **858.8** | 851.3 | 7.5m | 12.2m |
| **Adjusted earnings per share (pence)** | **12.1** | 11.0 | 10.5% | 35.7% |

Adjusted profit before tax increased by 11.4% in the year to £128.5m, as Trading profit was in line with the prior period and net regular interest costs declined significantly, as described above. Adjusted profit after tax also grew by 11.4%, to £104.1m after deducting a notional 19.0% tax charge of £24.4m. Based on average shares in issue of 858.8 million shares, adjusted earnings per share were 10.5% higher at 12.1p.

When compared to two years ago, adjusted profit before tax increased by 37.6% due to both higher Trading profit and a significantly lower net regular interest charge. Over this time frame, adjusted profit after tax and adjusted earnings per share increased by 37.6% and 35.7% respectively.

## Statutory cash flow statement

| £m | FY21/22 | FY20/21 |
|---|---|---|
| Cash generated from operating activities | **90.1** | 85.6 |
| Cash (used in)/generated from investing activities | **(23.2)** | 13.8 |
| Cash used in financing activities | **(13.7)** | (276.2) |
| **Net increase/(decrease) in cash and cash equivalents** | **53.2** | (176.8) |
| Cash, and cash equivalents at beginning of period | **1.1** | 177.9 |
| **Cash and cash equivalents at end of period** | **54.3** | 1.1 |

## Free cash flow

| £m | FY21/22 | FY20/21 |
|---|---|---|
| Trading profit | **148.3** | 151.3 |
| Depreciation | **19.2** | 19.1 |
| Other non-cash items | **4.1** | 3.4 |
| Capital expenditure | **(23.2)** | (23.6) |
| Working capital | **(21.0)** | 0.6 |
| **Operating cash flow** | **127.4** | 150.8 |
| Interest | **(20.8)** | (32.6) |
| Pension contributions | **(41.4)** | (47.0) |
| **Free cash flow[10]** | **65.2** | 71.2 |
| Non-trading items | **0.9** | (5.1) |
| Net proceeds from share issue | **1.3** | 1.7 |
| Re-financing fees | **(13.2)** | – |
| Sale of property, plant and equipment | – | 0.1 |
| Dividend (including pensions match) | **(11.0)** | – |
| Disposal proceeds | **–** | 30.3 |
| **Movement in cash** | **43.2** | 98.2 |
| Repayment of borrowings | **(320.0)** | (275.0) |
| Proceeds from borrowings | **330.0** | - |
| **Net increase/(decrease) in cash and cash equivalents** | **53.2** | (176.8) |



On a statutory basis, cash generated from operations was £110.9m compared to £118.2m in the comparative period. Cash generated from operating activities was £90.1m after deducting net interest paid of £20.8m. Cash used in financing activities was £13.7m in the year versus £276.2m in the prior year and includes the proceeds from the issuance of the Group's £330m 2026 dated 3.5% Fixed Rate Notes in the period. These proceeds were largely offset by the repayment in full of the Group's £300m 2023 dated 6.25% Fixed Rate Notes, the last remaining £20.0m tranche of the Group's FRN, financing fees of £8.5m, an early redemption fee of £4.7m relating to the retirement of the £300m Fixed Rate Notes and dividends paid to shareholders of £8.5m. In FY20/21, the Group repaid a drawdown of £85.0m on its committed revolving credit facility in the first quarter of the year. This followed an earlier prudent decision by the Group at the end of the previous financial year to draw this £85.0m sum, reflecting early stage wider uncertainties associated with the Covid-19 pandemic. Secondly, the Group used cash generated during FY19/20 and FY20/21 to fund part redemptions of its FRN totalling £190.0m.

The Group reported an inflow in cash in the year of £43.2m. Trading profit of £148.3m was £3.0m lower than the prior year for the reasons outlined above, while depreciation of £19.2m was similar to the prior year. Other non-cash items of £4.1m was £0.7m higher and was predominantly due to share based payments.

Net interest paid of £20.8m was £11.8m lower than the prior year; this was due to reduced interest payments following the redemption of the Group's FRN and the issue of £330m Fixed Rate Notes due October 2026 which attract a coupon of 3.5%. These Fixed Rate Notes replaced the previous £300m Fixed Rate Notes due October 2023 which were repaid in the year and attracted a coupon of 6.25%. There was no taxation paid in FY21/22 due to the availability of brought forward losses and capital allowances.

Total pension contributions in the year were £41.4m, a £5.6m reduction compared to prior year, reflecting lower administration costs. Pension deficit contribution payments were £37.6m and administration costs amounted to £3.8m.

Capital expenditure was £23.2m and was broadly in line with the prior year. In the medium-term, the Group expects capital expenditure to be in the range of £30-35m, as it looks to accelerate investment across the supply chain, covering both growth projects supporting the Group's innovation strategy and cost release projects to deliver efficiency savings. One of the key objectives of this programme, is through improving operational efficiency, the resultant accretion in gross margin will provide additional funds for brand investment. This strategy of investing in supply chain infrastructure represents a virtuous cycle to provide the fuel for the Group's branded growth model.

The year saw a working capital outflow of (£21.0m) compared to an inflow of £0.6m in the prior year. This outflow was largely due to the higher value of input costs on inventory and also higher level of trade receivables compared to the prior year.

The Group paid re-financing fees during the year which amounted to £13.2m and were largely due to advisory, legal and arrangement fees and included a redemption fee of £4.7m as referred to above. Dividends paid in the year were £11.0m; of this, £8.5m were payments made to shareholders and £2.5m was due to a dividend match payment in favour of the Group's pension schemes.

## Net debt and sources of finance

Net debt at 2 April 2022 was £285.0m, a reduction of £47.7m compared to the prior year. The movement in cash in the year was £43.2m and the movement in debt issuance costs was £2.0m. Lease creditor movements were £2.5m and as at 2 April 2022, the Group held cash and bank deposits of £54.3m. On a pre-IFRS 16 basis, Net debt at 2 April 2022 was £268.9m.

Net debt/adjusted EBITDA[3] was 1.7x on a Post-IFRS 16 basis.

| £m | Post-IFRS 16 | Pre-IFRS 16 |
|---|---|---|
| **Net debt at 3 April 2021** | **332.7** | **314.1** |
| Movement in cash | (43.2) | (43.2) |
| Movement in debt issuance costs | (2.0) | (2.0) |
| Movement in lease creditor | (2.5) | – |
| **Net debt at 2 April 2022** | **285.0** | **268.9** |
| Adjusted EBITDA[3] | 167.5 | 165.5 |
| **Net debt/Adjusted EBITDA[3]** | **1.7x** | **1.6x** |

During the year, the Group entered into a new revolving credit facility (RCF) with an updated lending group for a period of three years from May 2021 with extension options for up to two additional years. This new senior secured RCF is a committed facility of £175m and includes an interest margin grid broadly in line with the previous RCF. The prevailing coupon on the RCF is currently 2.5% above GBP SONIA and undrawn elements of the RCF attract interest equivalent to 35% of the applicable margin. Following the year end, the Group completed the first extension of the RCF facility to 2025.

Additionally, the Group issued new October 2026 dated £330m Fixed Rate Notes during the year. These notes attract an interest coupon of 3.5%; the first call date in 15 June 2023. As referred to above, the Group redeemed in full its £300m 2023 dated Fixed Rate Notes and the outstanding 2022 dated FRN during the year.

## Pensions

### IAS 19 results and commentary

| | 2 April 2022 | | | 3 April 2021 | | |
|---|---|---|---|---|---|---|
| IAS 19 Accounting Valuation (£m) | **RHM** | **Premier Foods** | **Combined** | RHM | Premier Foods | Combined |
| Assets | **4,273.7** | **826.3** | **5,100.0** | 4,459.4 | 792.5 | 5,251.9 |
| Liabilities | **(3,134.9)** | **(1,020.2)** | **(4,155.1)** | (3,536.9) | (1,175.1) | (4,712.0) |
| **Surplus/(Deficit)** | **1,138.8** | **(193.9)** | **944.9** | 922.5 | (382.6) | 539.9 |
| Net of deferred tax (25%/19.0%) | **854.1** | **(145.4)** | **708.7** | 747.2 | (309.9) | 437.3 |

The IAS 19 pension schemes valuation reported a surplus for the combined RHM and Premier Foods' pension schemes at 2 April 2022 of £944.9m, an increase of £405.0m compared to the prior year. This is equivalent to a surplus of £708.7m net of a deferred tax charge of 25.0%. The reduction in value of liabilities of £556.9m is the main driver behind the movement in the surplus and substantially reflects an increase in the applicable discount rate from 2.00% to 2.75% between the two respective periods. Asset values across the two sets of schemes reduced by £151.9m, with the RHM scheme asset values reducing by £185.7m and the Premier Foods scheme assets increasing by £33.8m. When compared to the position at 3 April 2021, the RHM scheme surplus increased by 23.4% while the Premier Foods' scheme deficit reduced by 49.3%.

Deferred tax of 25.0% is deducted from the IAS 19 retirement benefit valuation of the Group's schemes to reflect the fact that pension deficit contributions made to the Group's pension schemes are allowable for tax. The deferred tax rate has been increased from the 19.0% rate used for the prior period to 25.0% following the change in the UK's corporation tax rate, effective from April 2023.

| Combined pensions schemes (£m) | **2 April 2022** | 3 April 2021 |
|---|---|---|
| **Assets** | | |
| Equities | **10.4** | 14.9 |
| Government bonds | **1,213.7** | 1,625.4 |
| Corporate bonds | **6.3** | 1.0 |
| Property | **576.9** | 467.9 |
| Absolute return products | **934.7** | 1,112.1 |
| Cash | **113.8** | 79.8 |
| Infrastructure funds | **364.7** | 321.5 |
| Swaps | **490.9** | 485.4 |
| Private equity | **320.0** | 240.6 |
| LDI | **7.7** | 191.2 |
| Illiquid credits | **273.2** | 174.9 |
| Global credits | **628.6** | 318.6 |
| Other | **159.1** | 218.6 |
| **Total Assets** | **5,100.0** | 5,251.9 |
| **Liabilities** | | |
| Discount rate | **2.75%** | 2.00% |
| Inflation rate (RPI/CPI) | **3.6%/3.2%** | 3.25%/2.80% |

### Actuarial valuation update and NPV of deficit contributions

Following the segregated merger of the Group's pension schemes, effective June 2020, an interim actuarial funding valuation of the Premier Foods and Premier Grocery Products sections as at 31 March 2021 has been completed. The outcome of this valuation has resulted in a £125m reduction in the deficit of these schemes from £552m as at 31 March 2019 to £427m as at 31 March 2021. Following the reduction in this deficit, the Company and Trustees of the schemes have agreed to reduce the length of the current pension deficit contribution schedule by two years. Consequently, the net present value of future pension contributions to the end of the respective recovery periods has reduced by approximately £60m, from £300-320m[15] to £240-260m.

### Capital allocation

The Group is a highly cash generative business and has substantially reduced its interest costs. Today, the allocation of capital is split across pension contributions, capital investment and dividends, with a strategy to explore bolt-on M&A. In the medium-term, we expect pensions contributions to reduce, freeing up increased cash to spend on capital investment, dividends and M&A.

### Outlook

The Group enters FY22/23 in a strong position, following another year of successful strategic and financial progress. It continues to execute against its five point strategy, growing the core UK business; investing in its infrastructure; expanding into new categories; building its overseas business and exploring M&A opportunities.

Initial trading so far this financial year has been in line with the Board's plans, and it is confident in the delivery of its full year expectations. The Group expects to see further input cost inflation, which it will continue to manage using a range of measures including cost efficiency programmes and further pricing action. The resilience of the Group's brands, categories and supply chain means it is well positioned to deliver further progress this year, while it's target of approximately 1.5x Net debt/adjusted EBITDA[3] remains unchanged.

**Duncan Leggett**
Chief Financial Officer

18 May 2022

## Appendices

The Company's Preliminary results are presented for the 52 weeks ended 2 April 2022 and the comparative period, 53 weeks ended 3 April 2021 and 52 weeks ended 28 March 2020. References to the 'quarter', unless otherwise stated, are for the 13 weeks ended 2 April 2022 and the comparative periods, 13 weeks ended 3 April 2021 and 13 weeks ended 28 March 2020. To aid comparability of results, headline results are provided on a 52 week basis and reconciliations provided to a 53 week basis.

### Headline group results for 52 weeks ended 2 April 2022 and comparative 53 weeks ended 3 April 2021 and 52 weeks ended 28 March 2020

| £m | **FY21/22 52 week basis** | FY20/21 53 week basis | Exclude: 53 week | FY20/21 52 week basis | FY19/20 52 week basis |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Grocery | **647.7** | 702.6 | (9.2) | 693.4 | 611.6 |
| – Branded | **560.1** | 609.3 | (7.6) | 601.7 | 514.7 |
| – Non-branded | **87.6** | 93.3 | (1.6) | 91.7 | 96.9 |
| Sweet Treats | **252.8** | 244.4 | (3.6) | 240.8 | 235.5 |
| – Branded | **214.0** | 203.2 | (3.3) | 199.9 | 190.9 |
| – Non-branded | **38.8** | 41.2 | (0.3) | 40.9 | 44.6 |
| Group | **900.5** | 947.0 | (12.8) | 934.2 | 847.1 |
| – Branded | **774.1** | 812.5 | (10.9) | 801.6 | 705.6 |
| – Non-branded | **126.4** | 134.5 | (1.9) | 132.6 | 141.5 |
| Divisional contribution | | | | | |
| Grocery | **160.2** | 174.7 | (2.2) | 172.5 | 148.2 |
| Sweet Treats | **33.4** | 23.2 | (0.8) | 22.4 | 23.7 |
| Total | **193.6** | 197.9 | (3.0) | 194.9 | 171.9 |
| Trading profit | **148.3** | 151.3 | (3.0) | 148.3 | 132.6 |
| Adjusted EBITDA[3] | **167.5** | 170.4 | (3.3) | 167.1 | 152.5 |
| Adjusted EBITDA[3] (excl IFRS 16) | **165.5** | 168.2 | (3.3) | 164.9 | 149.9 |
| Net regular interest | **(19.8)** | (33.4) | 0.4 | (33.0) | (39.3) |
| Adjusted profit before tax | **128.5** | 117.9 | (2.6) | 115.3 | 93.3 |
| Adjusted eps | **12.1** | 11.2 | (0.2) | 11.0 | 8.9 |
| Net debt | **285.0** | 332.7 | N/A | N/A | 429.6 |
| Net debt (excl IFRS 16) | **268.9** | 314.1 | N/A | N/A | 408.1 |
| Net debt/adjusted EBITDA[3] | **1.7x** | 2.0x | N/A | N/A | 2.8x |
| Net debt/adjusted EBITDA[3] (excl IFRS 16) | **1.6x** | 1.9x | N/A | N/A | 2.7x |

### Quarter 4 Revenue

| £m – 52 week basis FY21/22 Q4 Revenue | Grocery | Sweet Treats | Group |
|---|---|---|---|
| Branded | 143.8 | 55.4 | 199.2 |
| Non-branded | 22.3 | 4.3 | 26.6 |
| **Total** | **166.1** | **59.7** | **225.8** |
| **FY20/21 Q4 Revenue** | | | |
| Branded | 152.1 | 50.7 | 202.8 |
| Non-branded | 20.3 | 3.8 | 24.1 |
| **Total** | **172.4** | **54.5** | **226.9** |
| % change vs 1 year ago | | | |
| Branded | (5.5%) | 9.2% | (1.8%) |
| Non-branded | 10.0% | 13.1% | 10.5% |
| **Total** | **(3.6%)** | **9.5%** | **(0.5%)** |
| **FY19/20 Q4 Revenue** | | | |
| Branded | 142.5 | 47.1 | 189.6 |
| Non-branded | 24.0 | 4.6 | 28.6 |
| **Total** | **166.5** | **51.7** | **218.2** |
| % change vs 2 years ago | | | |
| Branded | 0.9% | 17.7% | 5.1% |
| Non-branded | (6.9%) | (7.6%) | (7.0%) |
| **Total** | **(0.2%)** | **15.4%** | **3.5%** |

# Operating and financial review CONTINUED

## Notes and definitions of non-GAAP measures

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

1. The Group uses Trading profit to review overall Group profitability. Trading profit is defined as profit/(loss) before tax, before net finance costs, amortisation of intangible assets, fair value movements on foreign exchange and other derivative contracts, net interest on pensions and administration 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.
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.
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 interest payable and other finance income.
6. Adjusted profit after tax is Adjusted profit before tax as defined in (4) above less a notional tax charge of 19.0% (2020/21: 19.0%).
7. Adjusted earnings per share is Adjusted profit after tax as defined in (6) above divided by the weighted average of the number of shares of 858.8 million (53 weeks ended 3 April 2021: 851.4 million).
8. International sales remove the impact of foreign currency fluctuations and adjusts current 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 and two years ago, as applicable. The constant currency adjustment is calculated by applying a blended rate.

   The following are stated on a 52 week basis for each respective year:

| £m | Reported | Adjustment | Constant currency |
|---|---|---|---|
| FY21/22 | 53.4 | 1.4 | 54.8 |
| FY20/21 | 53.9 | N/A | 53.9 |
| Growth/(decline) % | (1.0%) | | 1.6% |

| £m | Reported | Adjustment | Constant currency |
|---|---|---|---|
| FY21/22 | 53.4 | 0.6 | 54.0 |
| FY19/20 | 43.3 | N/A | 43.3 |
| Growth/(decline) % | 23.3% | | 24.6% |

9. Net debt is defined as total borrowings, less cash and cash equivalents and less capitalised debt issuance costs.
10. 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, proceeds from share issues and non-trading items.
11. FY21/22 guidance provided at Q3 trading update, 19 January 2022: at least £145m Trading profit; at least £125m Adjusted profit before tax.
12. Branded revenue is revenue generated from products sold by the Group under owned brands, or licensed brands, such as *Ambrosia*, *Batchelors*, *Bisto*, *Loyd Grossman*, *Mr Kipling*, *Sharwood's*, *Oxo* and others.
13. Non-branded revenue is revenue generated by products sold by the Group which are not labelled as brands owned, or sold under licence, by the Group.
14. IRI, 52 weeks ended 26 March 2022.
15. The schedule of future contributions are as agreed per the 2021 interim actuarial funding valuation for the Premier Foods Schemes, discounted using the Company post tax WACC of 7.4%.

## Additional notes:

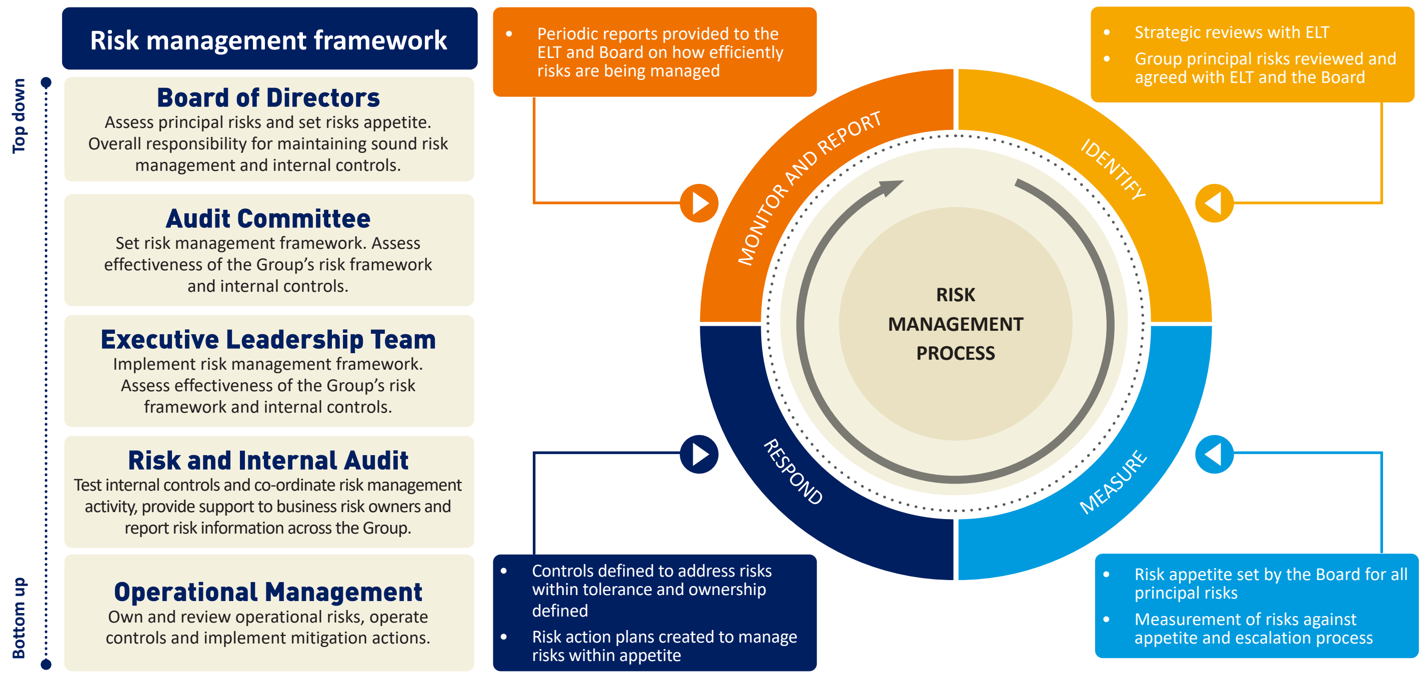
- The Directors believe that users of the financial statements are most interested in underlying trading performance and cash generation of the Group. As such intangible asset amortisation and impairment are excluded from Trading profit because they are non-cash items.
- Restructuring costs have been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

# Risk management

## Our approach

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

The long-term viability statement on page 58 provides a broader assessment of the longer-term prospects of the Group after consideration of the principal risks and availability of funding.




## Principal risks and uncertainties

The Board have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. We are exposed to a variety of other risks but we report those we believe are likely to have the greatest current or near-term impact on our strategic and operational plans and reputation. These risks (gross) and uncertainties are identified in the heatmap on the next page (in no particular order), followed by a more detailed description including key mitigating activities in place to address them. We have also considered the broad potential impacts of the current Russia-Ukraine conflict and inflationary pressures which impacts a number of our principal risks. The 'Changes since FY20/21' highlight changes in the profile of our principal risks or describe our experience and activity over the last year. We have reduced the residual risk associated with Brexit following the UK and EU agreement of a tariff-free trade deal to the extent it is no longer deemed a principal risk in isolation.

## Risk appetite

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

# Risk management CONTINUED

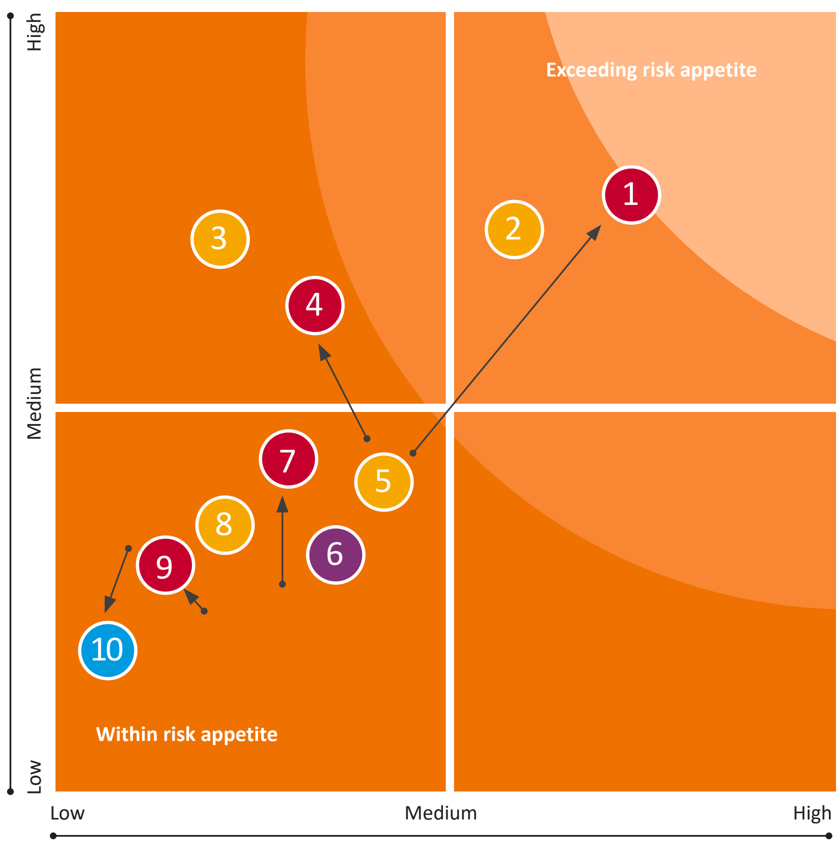
## Emerging risks

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

- Additional regulations or investor pressure brought on by Environmental, Social and Governance ('ESG') requirements; and
- Ability to attract and retain talent in a tightening labour market.

## Future initiatives

We continuously evolve and improve our approach to risk management in light of the ever increasing volatility and uncertainty in the external environment. In addition, our risk team plays a key role in Task Force on Climate-Related Financial Disclosures (TCFD) Steering Group, which is responsible for our approach to the requirements of TCFD. We will support the integration of this activity into the current Enterprise Risk Management process, adapting and integrating the approach taken, so that climate related considerations become part of our longer-term strategic thinking and decision making in the business. See pages 36 to 40 for further details on our approach to TCFD.




**Risk trend**

- Increased
- Stable/unchanged
- Decreased
- New risk

Arrows indicate the change in risk since the prior year

**Link to our strategy:**

- Continue to grow the UK core
- Supply chain investment
- Expand UK into new categories
- Build International businesses with critical mass
- Inorganic opportunities

**Change in gross risk level from prior year**

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

| Risk and potential impact | How we manage it | Changes since FY20/21 |
|---|---|---|

## 1 Macroeconomic & geopolitical instability

Link to strategy · Risk trend

| Risk and potential impact | How we manage it | Changes since FY20/21 |
|---|---|---|
| Our business has been subject to a period of prolonged uncertainty owing to political and ongoing economic developments related to Covid-19 and inflationary pressures which may affect our supply chain, thereby increasing the Group's cost base. The Russian invasion of Ukraine has resulted in further inflationary pressure across a range of commodities, see Risk 4. | • We manage the impact of commodity price inflation and foreign exchange volatility through hedging activity and ongoing supplier risk management.<br>• The ELT closely monitors developments related to the Covid-19 threat to ensure appropriate incident and response plans are in place. Above all, we maintain our commitment to the health and safety of our employees and customers by putting people first.<br>• We reviewed our customer and supplier base for potential exposure to Russian trade sanctions. The ELT closely monitors developments in Ukraine and determines appropriate mitigating actions.<br>• We seek to hedge certain key commodities and energy supplies, where appropriate, to manage our exposure to further price increases.<br>• Our cost saving and efficiency programmes seek to minimise the impact of inflationary pressures, as far as possible, and price increases are considered where necessary | • The risk profile increased during the year primarily due to inflationary pressures caused by the impact of the Covid-19 pandemic on the availability of HGV drivers and supply of commodities.<br>• The Russia-Ukraine conflict further exacerbated the impact on wholesale energy prices and other key commodities.<br>• The UK Government issued its 'Living with Covid Plan' on 23 February 2022 and ended all legal Covid-19 related restrictions. As a business, we began scaling back previously introduced measures in a phased, risk based approach, at all our sites and in consultation with our employees (particularly those deemed critically vulnerable).<br>• See Risk 4 for additional changes. |

## 2 Impact of Government legislation

Link to strategy · Risk trend

| Risk and potential impact | How we manage it | Changes since FY20/21 |
|---|---|---|
| The continued focus on health and obesity may result in a decline in demand for cakes and desserts and/or our share of it, along with the risk of additional complexity and cost as a result of any reformulation efforts. There is a high and ever increasing level of media and government scrutiny on health and obesity, as highlighted in the UK by the proposed introduction of regulation over High Fat, Salt or Sugar (HFSS) products. We are in a unique position to enable consumers to lead healthier lifestyles. The UK Government has also introduced a new tax on non-recyclable plastic packaging as part of the reformed Packaging Producer Responsibility Regulations. The introduction of an escalating tax on plastic packaging and any further legislation may adversely impact the products that the Group manufactures. | • We have a wide range of product offerings, which includes our market-first non-HFSS cake, which will extend our range of healthier choices, enhance the nutrition profile of our existing core ranges and educate consumers and colleagues to make healthier eating choices. Details can be found in our Enriching Life Plan section.<br>• Ongoing evaluation and development of the brand portfolio and innovation pipeline towards healthier options (as previously described in our Enriching Life Plan section).<br>• We work closely with non-governmental organisations and trade associations in our market to fully participate in the debate and help shape solutions.<br>• Our Environmental Social Governance ('ESG') Committee is chaired by our Group CEO. We have a range of cross-functional steering groups which are responsible for the delivery of our ESG strategy, including our Plastics steering group.<br>• We continue our efforts to optimise our packaging and to reduce its environmental impact and mitigate the impact of the tax on non-recyclable packaging, by using materials from certified sustainable sources wherever possible, increasing our use of recycled materials, and increasing the recyclability of our packaging. 96% of our packaging, by weight, is recyclable.<br>• We have developed KPIs to drive our progress on ESG forward, including (amongst others) embedding environmentally sustainable packaging across our product portfolio (see our Enriching Life Plan on pages 24 to 35 for details). | • The risk profile remained stable year-on-year.<br>• The Department of Health and Social Care delayed implementation of regulations associated with the UK Government's Obesity Strategy announced (July 2020) to October 2022, the Group has adapted its strategy in order to address the implications of the strategy.<br>• The UK Government's primary legislation (November 2020) to introduce an escalating tax on plastic material came into effect on 1 April 2022.<br>• We launched our Enriching Life Plan which sets out a range of short, medium and long-term targets mapped against three pillars: Products, Planet and People (see pages 24 to 35 for details). |

# Risk management CONTINUED

| Risk and potential impact | How we manage it | Changes since FY20/21 |
|---|---|---|
| **3 Market and retailer actions** — Link to strategy — Risk trend | | |
| As a primarily UK based company, our sales are concentrated with a relatively small number of major customers who operate in a highly competitive market. Maintaining strong relationships with our existing customers and building relationships with new customers and technology-enabled channels is critical for our brands to be readily available to our consumers. A failure to do this may impact our ability to obtain competitive pricing and trade terms and/or the availability and presentation of our brands. Actions taken by these retailers (for example changes in pricing and promotion strategies), may negatively impact on our financial performance and can also have an impact on the overall market for our products. | • We have strong relationships with the major retailers built on the strength of our brands, our expertise in our categories and shopper insight.<br>• We have a programme of continuous innovation rooted in consumer insights and designed to build category growth for our customers and brands.<br>• We are growing our International business through applying our proven UK branded growth model strategy in target markets, which in time will reduce dependence on the UK market.<br>• We are investing to build our online channel presence and capabilities. | • The risk profile remained stable year on year.<br>• We continued to work with all our customers, including through category partnerships and range reviews, to match our product offering to consumer needs particularly with more meals eaten at home.<br>• We recorded significant growth in branded sales as a result of our strong innovation pipeline, sustained brand investment and close customer partnerships.<br>• We continued to focus on executing our brands well online which helped drive growth ahead of the market.<br>• Our reliable supply performance through the pandemic has, in general, strengthened our relationship with retailers and their confidence in our supply chain resilience, which has also helped us grow market share.<br>• Our International business continued to grow thanks to progress in all the Group's strategic markets; Ireland, Australia, USA and Europe. |
| **4 Operational integrity** — Link to strategy — Risk trend | | |
| Delivery of our strategy depends on our ability to minimise operational disruption from issues with facilities, factory infrastructure as well as procurement and logistics functions. Supplier failure, market shortage or an adverse event in our supply chain impacts sourcing of our products and the cost of our products is significantly affected by commodity price movements. | • We have a crisis management process in place and business continuity plans are reviewed and refreshed on an ongoing basis.<br>• Insurance coverage is in place to mitigate against the financial impact of material site issues.<br>• We consolidated our warehousing and distribution capability to increase our operational efficiency. There are close relationships at all levels of the business with our outsourced logistics provider.<br>• Procurement category plans are in place to mitigate against single supplier risk.<br>• Cross functional teams help to manage any sourcing challenges as a result of broader macroeconomic factors<br>• We have robust quality management standards applied and rigorously monitored across our supply chain.<br>• We have an ongoing 3-year programme (in conjunction with our insurers) to move our sites into a 'Highly Protected Risk' status.<br>• ELT review of plans to ensure appropriate labour availability across factories, warehouse and transport. | • The risk profile increased during the year partly due to factors described in Risk 1.<br>• The Covid-19 pandemic caused significant disturbance to global supply chains. Our suppliers have risen to the challenge to continue supplying us with raw materials and bought-in finished goods. Our Procurement, operational and technical teams have also managed to source alternative suppliers for key ingredients where there were potential interruptions to supply.<br>• Our factories continued to maintain production levels through careful management of production capacity and through sourcing and retaining a reliable pool of labour.<br>• We improved our business resilience through various initiatives, including maintaining factory site accessibility, and reviewing the effectiveness of our business continuity plans.<br>• We maintained high levels of customer service despite the disruptions caused by Covid-19. |

**Risk and potential impact** | **How we manage it** | **Changes since FY20/21**

## 5 Legal compliance

Link to strategy | Risk trend

**Risk and potential impact**

Our business is subject to a number of legal and regulatory requirements and must continuously monitor new and emerging legislation (domestic and international), in areas such as Health & Safety, Listing Rules, competition law, intellectual property, food safety, labelling regulations and environmental standards. We are adopting the recommendations of the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures ('TCFD'). A more detailed overview of the impact of climate change on our business can be found in the climate-related disclosures section.

**How we manage it**

- As previously described in Risk 2, our ESG Committee oversees various initiatives, including compliance with TCFD recommendations.
- We have leading food industry processes in place to manage Health & Safety and food safety issues (including an ongoing programme of internal and external audits).
- We have dedicated Legal and Regulatory teams in place to monitor laws and regulations to ensure compliance, protect intellectual property and defend against litigation where necessary.
- We work closely with our external advisors and the regulators, government bodies and trade associations regarding current and future legislation which would impact upon the Group.
- Whistleblowing processes are in place.

**Changes since FY20/21**

- The risk remained stable year-on-year.
- We have included disclosures on pages 36 to 40 of this report to comply with TCFD recommendations.
- Our risk management framework is being enhanced to accommodate and report on climate risks and appropriate disclosures in line with TCFD recommendations.

## 6 Climate risk

Link to strategy | Risk trend N

**Risk and potential impact**

Climate change has the potential to dramatically change the world in which we live and operate. Tackling climate change, by taking measures to limit its impact to manageable levels, has become a key priority for governments and businesses. Considerations for the effects of climate change (e.g. floods and heatwaves) may restrict investment decisions but may also create new opportunities to invest in assets that may be more sustainable, and develop a portfolio of products that use sustainable packaging. There is a risk that the Group may fail to uphold its environmental responsibilities and commitments, which in addition to carrying a reputational impact for the Group, may also result in breaches of laws or regulations and may have a financial and/or legal impact for the Group (see Risk 5). The impact of climate change may also negatively influence demand for our products.

**How we manage it**

- A facilitated workshop and numerous smaller sessions were held to develop a more detailed overview of climate risks around the business. This approach has helped refine our understanding of the transitional and physical risks and opportunities presented by climate change.
- An assessment of the physical risks associated with more extreme weather across the company's manufacturing sites has been carried out in partnership with our insurance partners, with one site identified as being at a higher risk of flooding.
- Throughout this year, our business teams have developed a broader understanding of our key risks and opportunities, allowing a more granular assessment of their likelihood and impact.
- We have developed new environmental commitments including decarbonisation targets, aligned to the Business Ambition for 1.5 degrees, aiming for a 42% reduction in Scopes 1 & 2 emissions between 2020 and 2030, and a reduction of 25% in Scope 3 emissions over the same period of time. We have set target dates to achieve net zero in our own operations by 2040 and across our whole value chain by 2050. Please refer to pages 32 and 33 for our climate related initiatives.

**Changes since FY20/21**

- Please refer to pages 32 and 33 for our climate related initiatives.

### Link to our strategy:

- Continue to grow the UK core
- Supply chain investment
- Expand UK into new categories
- Build International businesses with critical mass
- Inorganic opportunities

### Change in gross risk level from prior year

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

# Risk management CONTINUED

| Risk and potential impact | How we manage it | Changes since FY20/21 |
|---|---|---|
| **7 Technology** | | Link to strategy · Risk trend |
| A successful cyber-attack or other systems failure could result in us not being able to manufacture or deliver products, plan our supply chain, pay and receive money, or maintain proper financial control. This could a have major customer, financial, reputational and regulatory impact on our business. | • To reduce the impact of external cyber-attacks impacting our business we have firewalls and threat detection & response systems in place.<br>• Disaster recovery plans across the Group are reviewed every year with annual penetration testing also performed.<br>• Information and IT policies are in place and are regularly reviewed. Internal phishing campaigns are run and followed up with training and guidance.<br>• Incident response plans are in place, recognising that while this risk can be managed it cannot be eliminated.<br>• Our cyber-security strategy and actions are regularly monitored by the Audit Committee and the Board.<br>• We review the need for cyber-insurance on a regular basis. | • The risk profile increased during the year due to heightened cyber-security concerns from the current geopolitical events as described in Risk 1.<br>• We continue to update our processes and controls as the external environment evolves; this is informed by periodic third party reviews.<br>• Our information technology infrastructure remains secure and has been able to cope with the additional network traffic as a result of our employees working from home during the lockdown with no significant loss of connectivity or productivity.<br>• We continue work to enhance the security of our factory operational technology environment. |
| **8 Product portfolio** | | Link to strategy · Risk trend |
| Consumer preferences, tastes and behaviours change over time. As part of this, the consumer's desire for healthier choices and premiumisation are significant trends. Our ability to anticipate these trends, innovate and ensure the relevance of our brands is critical to our competitiveness in the market place and our performance. Furthermore, sales of many of the Company's products can be adversely affected by warm seasonal weather conditions. We may fail to successfully evolve our portfolio to take advantage of growth categories and/or re-invent our core brands to meet consumer needs. | • We have a programme of innovation, based on deep rooted consumer insights, to continuously modernise our portfolio of distinctly British brands to ensure they remain relevant to today's shoppers.<br>• We continue to review the impact of weather on sales during our monthly product performance reviews. | • The risk remained stable year-on-year.<br>• The impact of the proposed introduction of HFSS and other regulations is discussed in Risk 2 and 5. |

| Risk and potential impact | How we manage it | Changes since FY20/21 |
|---|---|---|
| **9 HR and employee risk** | | Link to strategy: Continue to grow the UK core; Supply chain investment. Risk trend: Increased |
| The ongoing success of the Group is dependent upon attracting and retaining high quality colleagues at all levels who can effectively implement the Group's strategy. Due to political, economic and legislative uncertainty and change (previously described in Risk 1), there is a dual risk that supply of labour may be in certain areas constrained, and in addition the cost of labour could increase resulting in additional financial and operational pressure on the Group. | • We continue to invest in colleague development and engagement initiatives on a focused basis.<br>• We have processes in place to attract talent into the business with the right capabilities and behaviours, and recruit the majority of colleagues through our 'in house' team.<br>• We have succession plans in place to retain and progress our internal talent pipeline.<br>• We have a well-established and successful graduate recruitment and development programme, and invest heavily in apprenticeship training.<br>• We benchmark pay to make sure we remain competitive in the market and, where appropriate, make changes to our offering.<br>• Regular engagement surveys take place across the company to obtain feedback from our colleagues. | • The risk profile increased during the year due to the tightening labour market, caused by the risks described in Risk 1.<br>• We continually review and improve our recruitment processes to reflect changing market conditions.<br>• We continue to maintain a strong commercial focus on process and cost improvement to manage and mitigate the increased cost of labour. |
| **10 Strategy delivery** | | Link to strategy: Continue to grow the UK core; Supply chain investment; Expand UK into new categories; Build International businesses with critical mass; Inorganic opportunities. Risk trend: Decreased |
| Our branded growth model is at the core of what we do. The strategy focuses on leveraging our strong brands through launching insight driven new products, delivering sustained levels of marketing investment and fostering strong retail and customer partnerships. Our strategy may take longer than expected to deliver results which may impact on the speed at which we can deliver shareholder value. | • Given the seasonal nature of many of our brands, media investment is targeted in the periods of peak consumer demand and through the most cost effective channels.<br>• Our new and existing product development programmes are based on deep consumer insight and continue to make our product ranges more relevant to the ever changing lives of our consumers.<br>• Our strong strategic relationships with our key customers facilitate the creation and joint ownership of plans for mutual growth. | • The risk profile reduced during the year.<br>• Our branded growth strategy for delivering new product innovation based on consumer trends together with high quality advertising behind our major brands continues to work very well.<br>• Our strategy continues to deliver trading profit at the top end of market expectations on the back of consistent growth with Net Debit/adjusted EBITDA falling to below 2.0x. |

## Link to our strategy:

- Continue to grow the UK core
- Supply chain investment
- Expand UK into new categories
- Build International businesses with critical mass
- Inorganic opportunities

## Change in gross risk level from prior year

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

# Viability statement

The directors, in accordance with provision 31 of the UK Corporate Governance Code 2018, have assessed the viability of the Group, taking into account the current financial position, the Group's strategic and financial plan, and the potential impact on profitability, liquidity and key financial ratios of the principal risks documented on pages 51 to 57. These factors have also been carefully assessed in light of the Covid-19 pandemic and current global political and economic uncertainty driven by the conflict in Ukraine.

The directors have determined that three years is the most appropriate period to assess viability over, this timeframe is consistent with the way the Board views the development of the business over the medium-term, and is appropriate for both business planning and measuring performance. The directors also considered the nature of the Group's activities and the degree to which the business changes and evolves in the relatively short term given the dynamic nature of the FMCG sector when determining the assessment period.

In order to report on the viability of the Group, the directors reviewed the overall funding capacity and headroom available to withstand severe but plausible events and carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This assessment also included reviewing mitigating actions in respect of each principal risk.

The starting point for the viability assessment is the Group's strategic plan, which was updated and approved by the Board in March 2022. Sensitivity analysis was applied to this base financial information and the projected cash flows were stress tested against a number of severe but plausible scenarios, the viability assessment being an extension of the going concern assessment (see pages 115 and 116). As of 2 April 2022, £175m of committed borrowing facilities available to the Group, were undrawn, the covenants linked to the facilities are shown in note 19 of the financial statements. Following the year end, the Group completed the first extension of the RCF to May 2025. The Board reviewed the level of performance that would cause the Group to breach its debt covenants and considered all of the principal risks, focusing on those which have the potential to materially reduce Trading profit or adversely impact the Group's liquidity. The risks considered to have the greatest potential impact have been modelled in the downside scenarios, further detail of which are shown in the table below.

Consideration has been given to the impact of climate change which identified an increase in costs of advisors and regulatory requirement within the assessment period, best estimates for which are included in the Group's strategic plan and a sensitivity was modelled as discussed above. An in-depth assessment of climate risk is ongoing, with further analysis of the key risks to be conducted in the period to 1 April 2023. Whilst this work is ongoing it is not believed that the climate related risks would have a significant impact on the business within the three year viability review period. See pages 36 to 40 for an overview of the work related to TCFD.

In assessing the Group's viability, the Board also considered all the severe but plausible scenarios simultaneously materialising and for a sustained period, in conjunction with mitigating actions such as reducing discretionary costs and capital investment. The likelihood of the Group having insufficient resources to meet its financial obligations and breach its covenants is unlikely under this scenario.

In addition, a reverse stress test was conducted to identify the magnitude of Trading profit decline required before the Group breaches its debt covenant, which indicates that a Trading profit decline of broadly half in each year of the three year review period is required to breach covenants, which is considered extreme and not plausible.

Based on this assessment, the Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 29 March 2025.

| Risk scenarios modelled | Action taken | Link to principal risks (on pages 51 to 57) |
|---|---|---|
| **Materials, packaging, utilities and supply chain inflation in the market place*** | We have modelled further inflation in the market place, increasing input costs including driver pay rates, we have assumed that this is not all recovered. | 1 2 3 4 |
| **A cyber-attack shuts down the operating systems temporarily stopping production** | We have modelled production stopping at all manufacturing sites for two weeks in the Viability review period, with the associated loss of sales due to the halt in production, and taking into account the levels of stock held. | 7 |
| **Climate change: impact on revenue*** | We have modelled the reduction in revenue anticipated if temperatures are 1.5 degrees Celsius warmer than the midterm historic average over the Viability review period. | 6 |
| **Covid-19: Managing human resources in response to unplanned events*** | We have modelled disruption to our supply chain due to Covid-19 driven labour shortages or out breaks leading to half of our manufacturing sites being closed for a one week period on two occasions during the review window, including the associated loss of sales, and taking into account the levels of stock held. | 4 7 |
| **Retailer strategy results in margin dilution*** | We have modelled a reduction in gross margin for our UK business over the Viability review period. | 1 3 10 |

* Risk impact included in the Going Concern 12 month review period

The strategic report, set out on pages 07 to 58, has been approved by the Board.
By order of the Board

**Simon Rose**
General Counsel & Company Secretary

18 May 2022

# Governance




***No added sugar Homepride sauces***

As part of our commitment to help consumers lead healthier lifestyles, we have launched a new range of no added sugar *Homepride* pasta bake sauces.

# Governance framework

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

Our governance framework facilitates effective, entrepreneurial and prudent management that promotes the long-term success of the Group, generates value for shareholders and contributes to all our stakeholders whether customers, consumers, suppliers, employees,

**Shareholders**

**Shareholders and other stakeholders**

**Board**

**Chairman**

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and promoting the highest standards of corporate governance. He chairs Board meetings, ensuring timely and accurate distribution of information and full review and discussion of agenda items.

**Senior Independent Director**

The Senior Independent Director (SID) supports the Chairman and leads the non-executive directors in the oversight of the Chairman. He is also available to shareholders if they have concerns that cannot be raised through normal channels.

**Committees**

**Nomination Committee**

Responsible for Board appointments, succession planning and reviewing the structure, size and composition of the Board, ensuring that there is a healthy balance of skills, knowledge, experience and diversity on the Board. Provides oversight of Inclusion and Diversity, talent management and succession planning for the wider Group.

→ Further information can be found on pages 72 to 74

**Company Secretary and Internal Audit**

**Company Secretary**

The role of the Company Secretary is to ensure that there is an effective flow of information between executive management and the Chairman and NEDs. The Company Secretary also advises the Board on legal and governance matters and supports the Board evaluation process and induction programme.

**Executive Leadership Team (ELT)**

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

**ESG Governance Committee**

→ Further information can be found on page 28

the government or wider society. The Board of directors is responsible for the governance of the Group. The responsibilities of the Board include setting the Group's purpose, values and strategy, providing the leadership to put them into effect, supervising the management of the business, monitoring performance and reporting to shareholders on their stewardship.

### Non-executive Directors ('NEDs')

The NEDs bring a range of knowledge and experience to the Board. Their role is to use their experience, objectivity and sound judgement to scrutinise and challenge executive management's plans and performance and the development of the Group's vision, values and strategy.

### Workforce Engagement NED

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

### Chief Executive Officer ('CEO')

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

### Chief Financial Officer ('CFO')

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

### Audit Committee

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

→ Further information can be found on pages 75 to 78

### Remuneration Committee

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

→ Further information can be found on pages 79 to 95

### Internal Audit

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

→ Further information can be found on pages 76 and 77

### TCFD Steering Group

→ Further information can be found on page 37

### Inclusion and Diversity Steering Group

→ Further information can be found on pages 12 and 13

# Board of directors

## Colin Day
Non-Executive Chairman

**Appointed to the Board:**
August 2019

N

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

Colin is currently a board member of the Department for Environment, Food and Rural Affairs and chairs the Defra Audit and Risk Assurance Committee. He is a non-executive director and Audit Committee Chair at Meggitt plc and Euromoney Institutional Investor plc and a non-executive director of FM Global. He is also a member of the Board and Finance Committee of Cranfield University.

Colin is a Fellow of the Association of Chartered Certified Accountants and has an MBA from Cranfield School of Management.

## Alex Whitehouse
Chief Executive Officer

**Appointed to the Board:**
August 2019

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

## Duncan Leggett
Chief Financial Officer

**Appointed to the Board:**
December 2019

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

## Richard Hodgson
Senior Independent Director

**Appointed to the Board:**
January 2015 (appointed SID in May 2019).

A R N I

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

## Simon Bentley
Non-Executive Director

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

A R N I

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

## Roisin Donnelly
Non-Executive Director

**Appointed to the Board:**
May 2022

I

**Skills and experience:** Roisin has over 30 years' marketing and brand building experience, gained at Procter and Gamble, where she was responsible for a large portfolio of leading consumer brands within the UK, Europe, EMEA and the Americas during a varied career. Most recently, she spent twelve years as Chief Marketing Officer, UK and Ireland and then two years in the same role for Northern Europe before leaving the Company in 2016. Roisin has served as a non-executive director of Just Eat plc, Holland & Barrett Ltd and Bourne Leisure Ltd. She is currently a non-executive director of HomeServe plc and a member of the Digital Advisory Board of Coca-Cola Europacific Partners.

## Tim Elliott
Non-Executive Director

**Appointed to the Board:**
May 2020

A R N I

**Skills and experience:** Tim has nearly 40 years' experience in investment banking and corporate finance, advising a wide range of companies and industries, particularly those in the consumer and retail sectors. During his career, Tim held Managing Director roles at both Barclays Capital and JP Morgan and, more latterly, was a Partner and Consultant at KPMG. Tim has deep knowledge and experience of capital markets and is currently Senior Adviser at Alvarez & Marsal LLP.

## Tania Howarth
Non-Executive Director

**Appointed to the Board:**
March 2022

A R N I

**Skills and experience:** Tania has extensive senior executive experience from her roles across global FMCG businesses. Until 2017, she was Chief Operating Officer of Nomad Foods, a European frozen foods business listed on the NYSE, with household brands such as Birds Eye, Findus and Iglo. During her 10-year tenure, she had responsibility for Supply Chain, Quality, HR, IT and M&A integration. Prior to this, Tania was CIO for Coca-Cola's European and African businesses and spent nine years at Walkers Snack Foods, latterly as CIO. Tania is currently non-executive Chair of Ozo Innovations Ltd, a sustainable hygiene solutions company; an advisor to the Private Equity business within Goldman Sachs Asset Management; and a member of the Technology Advisory Board at NatWest Group plc.

## Helen Jones
Non-Executive Director

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

A R N I

**Skills and experience:** Helen brings 35 years of commercial and general management experience for FMCG and multi-site consumer businesses. During her executive career, Helen was previously Group Executive Director of Caffe Nero Group Ltd and Managing Director of Zizzi restaurants. Prior to this, Helen spent nine years at Unilever and was the successful architect of launching the Ben & Jerry's brand in the UK and Europe. Helen is currently non-executive director and Senior Independent Director of Halfords plc and non-executive director and Remuneration Committee Chair of Fuller, Smith & Turner plc and Virgin Wines UK PLC.

## Yuichiro Kogo
Non-Executive Director

### Appointed to the Board:
March 2021

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

## Pam Powell
Non-Executive Director

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

A R N I

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

## Lorna Tilbian
Non-Executive Director

### Appointed to the Board:
April 2022

N I

**Skills and experience:** Lorna brings with her, extensive experience as an equity analyst covering the media sector and an investment banker with strong financial analysis and leadership skills. During her career, Lorna was executive director and Head of the Media Sector at Numis Corporation PLC, until her retirement in 2018. She was a founder of Numis, when it launched in 2001, having previously worked at Sheppards, as a director at SG Warburg and an executive director of WestLB Panmure. Lorna is executive Chair of Dowgate Capital Ltd, sits on the Advisory Board of TechNation's Future Fifty programme and is a non-executive director of Rightmove plc, Finsbury Growth & Income Trust plc and ProVen VCT plc.

## Daniel Wosner
Non-Executive Director

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

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

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

# Governance overview

## Chairman's introduction

### Dear shareholder

On behalf of the Board, I would like to introduce the Group's corporate governance statement for FY21/22.

### Board leadership

The Board leads the Group's governance structure. It provides stewardship of the Company with the purpose of safeguarding its long-term sustainable success, creating value for the Group's shareholders and other stakeholders, and enabling the Group to make a positive contribution to the communities and wider societies in which it operates.

### Purpose, values and culture

One of the Board's responsibilities is to assess and monitor culture, to ensure it is aligned with the Group's strategy. Over the last few years, significant progress has been made in embedding the Group's values across the business, increasing investment in communication and engagement with colleagues, and up-weighting training in areas such as leadership and Inclusion and Diversity. Progress is monitored via regular HR updates, Group-wide colleague surveys, site visits by the Board, issues raised in whistleblowing helpline calls, colleague retention levels and through the work of the Workforce Engagement NED.

The Board reviewed the Group's purpose, values, strategy and culture as part of the review and approval of the Group's five-year strategic plan in April 2021, and the launch of the Group's new purpose and strengthened ESG strategy in October 2021. The Board's effectiveness in monitoring the culture and behaviours throughout the organisation was also considered as part of this year's internal Board evaluation and rated positively.

### Group strategy

The Board has an important role to play in reviewing and approving the Group's strategy and in providing effective oversight of the implementation of the key elements of the strategy, in order to deliver long-term sustainable growth. Over the year, the Board has reviewed the Group's five-year strategic plan and the key steps to deliver the stretching growth pans.

To aid focus on the delivery of the Group strategic priorities, the Board reviewed the structure of meetings and agenda items. A number of changes were made to reduce the quantity of reports and their length, in order to enhance the balance of time spent reviewing operational performance and allow more time for forward looking matters, such as innovation, investment and growth initiatives. In addition, reflecting the increased size of the Board, it was considered appropriate to review the structure of Committee membership and details of the new membership, which will take effect from the end of the 2022 AGM, are set out in the table opposite.

→ Read more about Strategy on pages 14 and 15.

## ESG strategy and climate risks

The Board has overall responsibility for the Group's ESG strategy and for the oversight of the climate-related risks the business faces as a major UK food manufacturer.

The Board approved a strengthened ESG strategy, the Enriching Life Plan, which was launched in October 2021. Following a materiality study with key stakeholders, the Group's priorities are now focussed in three areas: Product, Planet and People. The Board delegates day-to-day management of the ESG strategy to the ESG Governance Committee, which is chaired by the CEO and supported by the ESG Director, members of the ELT and subject matters experts from across the Group. Regular updates are provided by the CEO. The Board reviews ESG strategy on a biannual basis and progress against ESG targets are reported at each scheduled Board meeting.

Climate related risks are incorporated into the Group's Enterprise Risk Management framework. This ensures a bottom-up approach to identifying and quantifying risks for prioritisation, as well as oversight through appointed members of the ELT, the Audit Committee, and ultimately the Board. ESG matters and climate risks are also taken into account by the Board when making key decisions as part of its responsibility to consider matters under Section 172 of the Companies Act.

→ Read more about the Enriching Life Plan on pages 24 to 35.

### Governance and risk

The Board is responsible for the oversight of risk and for setting the Group's risk appetite. In doing so, it ensures that the necessary resources are in place for the Company to meet its objectives and to measure its performance. The Board has established a robust governance and risk framework, which has been devised to ensure that each business is being operated and managed appropriately, and that prudent and effective controls are in place to identify emerging and principal risks and to manage or mitigate those risks.

The Board noted that the overall cyber security landscape remained challenging with increasing levels of ransomware attacks across the industry. The Board received regular updates on the Group's IT strategy and management actions to strengthen resilience. This included investment in technology to strengthen security, penetration testing of the Group's cloud computing environment and the investment in strengthening security within the Group's manufacturing sites.

→ Read more about risk management on pages 51 to 57.

### Workforce engagement

The Board and its committees receive regular updates on workforce matters, and this is a standing item reported to the Board via regular HR reports. This includes updates on key issues, such as site-based pay negotiations, vacancies and recruitment, the review of talent management and succession plans, the results of periodic employee engagement exercises and action plans to address the issues raised.

These activities are enhanced by the work of the Remuneration and Audit Committees, which review remuneration arrangements for the workforce across the business and the issues raised via the Company's confidential whistleblowing helpline and management's response to them. During the year, the Group undertook a Group-wide engagement survey which had an 88% response rate. The Board will review the results of the survey, management's plans to address issues raised and monitor progress against this over the coming year.

Helen Jones, as the Company's Workforce Engagement NED, has an important role in fostering effective engagement with the workforce to enable the Board to be kept informed of the views of the workforce, and ensure these views are taken into consideration as part of the Board's decision-making process. Voice Forums have been established at sites across the business and, during the year, Helen attended meetings at a number of sites, and the results of these meetings fed back to the Board. The importance of social distancing measures and enhanced hygiene protocols in place at sites and their impact on mitigating infection rates was noted. Updates were provided on work being undertaken at sites in regard to inclusion and diversity, mental health issues, health and safety and the focus on community and charity work. Investment in factory infrastructure was discussed, along with the ongoing challenges posed by Covid-19 restrictions, supply chain challenges and labour shortages.

### Compliance with the UK Governance Code 2018

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

The Company has not formally consulted with the wider workforce on executive remuneration over the course of the year, but has agreed that this area will be covered as part of the Workforce Engagement NED's remit going forward.

After a review of post cessation shareholdings for executive directors, the Remuneration Committee and the Board concluded that sufficiently robust retention measures exist under the current plan rules to ensure a significant number of shares are held post cessation and, therefore, it was not recommended to introduce a formal policy (this is discussed in more detail in the Directors' Remuneration report on page 87).

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

### Annual General Meeting (AGM)

We understand the importance of the AGM to shareholders and value the opportunity to meet in person. However, the health and safety of our shareholders, employees and the broader community is of paramount importance and, therefore, it was not possible for shareholders to attend our AGM in 2021, as a consequence of Government guidelines on public gatherings.

This year, we are pleased to be able to welcome shareholders to the AGM, which will be held at our head office, Premier House, Centrium Business Park, Griffith's Way, St Albans AL1 2RE on Wednesday 20 July 2022 at 11.00 am. I look forward to meeting with shareholders then.

**Colin Day**
Non-executive Chairman

18 May 2022

### Board attendance

During the year there were 9 scheduled meetings of the Board, and four meetings of the Audit Committee, five meetings of the Remuneration Committee and three meetings of the Nomination Committee. In addition, a number of other Board and Committee meetings and calls were convened for specific business.

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

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

As shareholders will be aware, as a result of the UK Government's guidance on public gatherings at the time due to the Covid-19 pandemic, it was concluded that only the directors could attend the 2021 AGM in person, with shareholders invited to join via webcast.

Pam Powell was unable to attend one Audit Committee and one Nomination Committee meeting, due to other business commitments which could not be rescheduled. Tania Howarth and Lorna Tilbian were appointed as non-executive directors on 1 March and 1 April 2022, respectively. Roisin Donnelly was appointed a non-executive director on 1 May 2022, following the end of the financial year.

| | Board | Audit Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|---|
| **Executive directors** | | | | |
| Alex Whitehouse | 9/9 | – | – | – |
| Duncan Leggett | 9/9 | – | – | – |
| **Non-executive directors** | | | | |
| Colin Day | 9/9 | – | – | 3/3 |
| Richard Hodgson | 9/9 | 4/4 | 5/5 | 3/3 |
| Simon Bentley | 9/9 | 4/4 | 5/5 | 3/3 |
| Roisin Donnelly | – | – | – | – |
| Tim Elliott | 9/9 | 4/4 | 5/5 | 3/3 |
| Tania Howarth | 2/2 | 1/1 | 2/2 | 1/1 |
| Helen Jones | 9/9 | 4/4 | 5/5 | 3/3 |
| Yuichiro Kogo | 9/9 | – | – | – |
| Pam Powell | 9/9 | 3/4 | 5/5 | 2/3 |
| Lorna Tilbian | 1/1 | – | – | N/A |
| Daniel Wosner | 9/9 | – | – | – |

Committee membership, with effect from the end of the AGM on 20 July 2022, will be as follows:

| Nomination Committee | Audit Committee | Remuneration Committee |
|---|---|---|
| Colin Day (Chair) | Simon Bentley (Chair) | Helen Jones (Chair) |
| Richard Hodgson | Roisin Donnelly | Roisin Donnelly |
| Tania Howarth | Tim Elliott | Tim Elliott |
| Lorna Tilbian | Tania Howarth | Richard Hodgson |

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

Under our Relationship Agreements with Nissin (who held 19.1% of issued share capital as at 2 April 2022) and Oasis (who held 8.9% of issued share capital as at 2 April 2022), each is entitled to nominate an individual for appointment to the Board. For Nissin, this is conditional upon them retaining an interest in shares in the Company (representing 15% of issued share capital). A new relationship agreement was signed with Oasis in January 2021. There is no longer a shareholding requirement and the appointment can be terminated by either party giving five business days' notice. A summary of the principal terms of both relationship agreements can be found on the Company's website. During the period to 2 April 2022, no other director had a material interest at any time, in any contract of significance with the Company or Group other than their service contract or letter of appointment.

## Induction
All directors receive a tailored induction on joining the Board covering their duties and responsibilities as directors. Non-executive directors also receive a full briefing on all key areas of the Group's business and they may request further information as they consider necessary. A typical induction would include meetings with Board colleagues, the ELT and key management, site visits and an induction on directors' duties, key elements of the Listing Rules, DTRs and Market Abuse Regulation and the operation of the Board and its Committees.

## Board information
The main source of information provided to directors is via the Board papers which are designed to keep directors up to date with all material business developments in advance of Board meetings. In addition, training on specific issues is provided as and when required. Non-executive directors also meet with senior management outside of Board meetings to discuss specific areas of interest in more detail, e.g. brand and marketing plans, customer strategy and pension investment strategy. The Board pack generally contains the following standing items: CEO business review; CFO review (incorporating Investor Relations and Treasury), Financial dashboard and KPIs, Commercial and Performance review, Health and Safety, and ESG performance. In addition, there are quarterly, biannual and periodic updates on a range of matters such as: Human Resources; diversity; talent management; corporate affairs; commercial updates; new product development; customer service levels; operations and logistics; ESG strategy; strategic projects; and capital expenditure.

## Terms of reference
During the year, the Board reviewed the Matters reserved for the Board, and the terms of reference for each of its committees, to update them with recent developments in corporate governance and best practice. The Committees terms of reference can be found on the Group's website.

## Key Board activities in the year
Set out below are details of the key areas of focus over the course of the financial period.

### Strategic development & implementation
- Approved a new five-year strategic plan for the Group and the revised Group strategy to implement this plan and undertook a detailed review of the Group's business plans for the medium-term.
- Approved the Group's new purpose of Enriching Life Through Food.
- Received regular updates on progress against the key elements of Group strategy.
- Monitored the investment strategy, investment performance and funding levels of the Group's defined benefit pension scheme.
- Monitored the implementation of the revised strategy to return the International business to long-term sustainable growth.
- Reviewed NPD strategy and initiatives.

### Operational performance
- Monthly trading updates from the UK and International businesses.
- Received regular updates on external matters impacting the Group including the ongoing impact of the Covid-19 pandemic on the business and key stakeholders, issues impacting the availability of labour and HGV drivers and the impact of inflation.

### Financial performance & risk
- Approval of budget, re-forecasts and monthly management accounts.
- Reviewed medium-term financing, including the extension of the Group's revolving credit facility with an updated banking Group and the issue of new Senior Secured Fixed Rate Notes.
- Reviewed key risks facing the business, including environmental risks, emerging risks and the risk appetite of the business.
- Reviewed cyber security and resilience of IT the Group's strategy to enhance processes and procedures.
- Reviewed viability statement over the next three years.
- Approved Half Year and Full Year results.
- Approved Q1 and Q3 trading statements.
- Reviewed annual report to confirm it is fair, balanced and understandable.

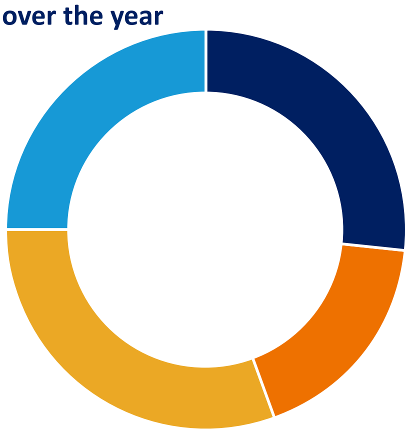
### Governance & culture

- Reviewed diversity within the Board for the wider group
- Assessed the feedback from the annual Board and committee evaluations.
- Updates from the Workforce Engagement NED.
- Review of governance best practice and the Governance Code.

### Responsibility & sustainability

- Reviewed and approved the Group's strengthened ESG Strategy, the Enriching Life Plan, the governance structure for ESG and the targets set under each of the three pillars.
- The Board reviewed the Group's approach to Health and Safety, product safety and trends and issues relating to nutrition, modern day slavery, gender pay, Inclusion and Diversity and plastic packaging.

### Board allocation of time over the year



| | |
|---|---|
| Strategic development & implementation: | 27% |
| Operational performance: | 18% |
| Financial performance & risk: | 30% |
| Environmental, Social and Governance (including employees and H&S): | 25% |

(As at 2 April 2022)

## Board and committee evaluation

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

### Year 1

An externally facilitated evaluation is carried out to assess the effectiveness of the Board, each committee and the Chairman. The input of each Board member is kept confidential to foster open, honest and in-depth feedback. A report is presented to the Board and an action plan drawn up. An externally facilitated evaluation was undertaken in FY19/20 by Lintstock (who have no other connection with the Company).

### Years 2 and 3

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

### FY21/22 evaluation

This is the third year of the three-year rolling evaluation process and, therefore, an internally facilitated evaluation was undertaken. Questionnaires, were prepared by the Company Secretary, in conjunction with the Chairman, covering a wide range of areas, building on the previous year's evaluation. The review covered the Board, its Committees and the Chairman, CEO and CFO. Additional areas were added to cover the Board's oversight of the Group's ESG strategy and the identification and understanding of environmental risks and opportunities. The responses were compiled and presented to the Board and Committees for review, and action plans to address areas highlighted by the evaluation for focus over the forthcoming year were approved.

## Outcomes from the FY21/22 evaluation

Overall, the responses to the Board and Committee questions were very positive and demonstrated that the Board had strong foundations and remains well placed to deal with future challenges. The review noted the challenges which the Board had faced, along with much of the wider business, in not being able to meet face-to-face for many months. However, the responses confirmed that meetings were being conducted in a positive and constructive way, with an appropriate balance of skills represented. Relationships, both between Board members and with the ELT, were felt to be strongly positive, allowing good engagement. Board composition and Board dynamics, the oversight of culture and understanding of stakeholders, were all rated highly. The performance of the Chairman was considered to be highly effective, having developed strong relationships with directors and shareholders and it was confirmed that the Board and its Committees continued to operate effectively. In addition, it was noted that the executive management team had performed well over the year and continued to maintain positive relationships with the rest of the Board and had been very effective at implementing the Group's strategy, reporting on business performance and highlighting key issues.

# Governance overview CONTINUED

Following the review, led by the Chairman, it was agreed that the Board's priorities over the next 12 months should be as follows:

- **Strategy** – Execution of the Company's 5-year strategic plan, with a particular focus on:
  - International;
  - Customer preferences around health and wellness;
  - M&A and other strategic partnerships; and
  - The digital landscape.
- **Insights** – Maintain focus on ESG risks and opportunities and changing consumer preferences, including how the Group's brands can respond to them and the level of investment required.
- **Stakeholders** – Build its understanding of key stakeholders and gain further insight into consumer trends and key customer and supplier relationships.
- **Board Balance** – Continue to monitor the balance of diversity within the Board and wider business and continue to assess the balance of skills on the Board to ensure it supports the Group's strategy.
- **Culture** – Advance the Board's oversight of culture and inclusivity within the Group through the Voice Forums, appraising the results of employee engagement surveys, Inclusivity & Diversity updates and encouraging best practice and alignment with the Group's purpose of Enriching Life Through Food.

## Assessment of Chairman's performance

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

A summary of the key findings was shared at a subsequent meeting between the SID and the Chairman. It was also noted that the Chairman had no other significant external commitments and was able to dedicate sufficient time to the role.

## Stakeholder engagement and section 172(1) statement

### Our approach

The Board is responsible for leading shareholder engagement. Like many major UK businesses, the Group operates in a complex and interconnected commercial and regulatory environment which impacts and touches many different stakeholders. By understanding and engaging with stakeholders, the Board can consider their interests and priorities when making key decisions.

This also aligns with our purpose of Enriching Life Through Food for our consumers, our planet and our colleagues, and ensures that we work constructively with stakeholder to deliver value creation and promote the long-term sustainable success of the Group.

The table on pages 70 and 71 sets out our key stakeholders and our engagement with them.

| | |
|---|---|
| **Enriching Life Plan** | The Board has overall oversight for the Group's ESG strategy and, over the year, reviewed and approved a strengthened strategy, the Enriching Life Plan, which was launched in October 2021.<br><br>This process began with a materiality assessment to engage with our stakeholders to understand their views on the most important ESG issues and where they saw Premier Foods could make the biggest difference. In-depth interviews were held with a number of our customers, members of our investor community, NGOs, policy experts, and our colleagues, with the aim to understand and prioritise ESG issues most relevant to our business and our stakeholders, and incorporate sustainability risks into our existing risk management processes.<br><br>This resulted in the identification of the key areas which the Group will focus on, aligned with our purpose of Enriching Life Through Food. These have been gathered into three main pillars: making nutritious and sustainable food, contributing to a healthier planet and nourishing the lives of our colleagues and communities.<br><br>The Group has also set a number of challenging targets, including a commitment to achieve net zero for our Scope 1 & 2 emissions by 2040. The Enriching Life Plan has been welcomed by stakeholders and we look forward to working with customers, the food industry and NGOs, as we focus on delivery of targets over the coming years.<br><br>The Board also reviewed the governance structure for ESG and the establishment of a new ESG Governance Committee, chaired by the CEO and made up of relevant members of the Executive Leadership Team, including the CFO and Corporate Affairs and ESG Director. The committee is responsible for managing the various ESG programmes and ensuring ESG is embedded into how we do business. The CEO reports on progress against key matters as part of his Board updates, ESG KPIs are tracked at each meeting and ESG strategy is presented to the Board on a biannual basis.<br><br>→ Read more about the Enriching Life Plan on pages 24 to 35. |
| **Covid-19** | Over the year, the Group's priority has remained to protect the health and wellbeing of colleagues and other stakeholders, and the Board has closely monitored progress through regular updates from the CEO and via Health and Safety updates at each board meeting.<br><br>The Group continued to maintain a range of health, safety and hygiene protocols at our factories, offices and across our supply chain. These included enhanced hygiene controls, social distancing, working from home (where possible) and controlled access to manufacturing sites. We carried out individual risk assessments for all colleagues classed as vulnerable or clinically extremely vulnerable and, should a colleague test positive or be required to self-isolate, we provided full pay. Extensive two-way communication has been used across the business to keep colleagues up to date with changes and to provide assurance and to address any areas of concern. The Board believes the measures taken by management have been highly effective in minimising the number of infections experienced at our sites and enabled the Group's manufacturing and logistics operations to remain fully operational throughout the year. |
| **Dividend** | As part of its review of the Group's financing, balance sheet and budget, the Board considers capital allocation and the importance of balancing the needs for investment in the business, debt servicing, and the requirements of shareholders and pension schemes. The Board is conscious of the importance of dividend payments for shareholders and, over the last few years, the Company has made significant progress in deleveraging the business and reducing Net debt to a level which now enables the payment of a dividend (see KPIs on page 21). In February 2021, the Company completed a capital reduction in order to provide greater flexibility in how the Company manages its capital resources going forward. As a result of this, the Company was able to pay a dividend of 1.0 pence per share to shareholders on 30 July 2021. This represented the first dividend payment by the Company since 2008, and further demonstrates the improved strength of the business and the continued delivery of its growth strategy. |

# Governance overview CONTINUED

| Customers and consumers | Colleagues | Suppliers |
|---|---|---|
| **Why these stakeholders are important to our business** | | |
| Customers and consumers buy and eat our products – they are at the heart of the Group's business model. | We have an experienced and dedicated workforce of over 4,000 colleagues at 15 sites across the UK. We have a responsibility to ensure all colleagues work in a safe environment and have opportunities to learn and develop in their careers. | We are one of Britain's largest food manufacturers and we are proud to work with many British suppliers. Over the year, 84% of our total third party spend was with UK based suppliers. |
| **Issues and factors which are most important to these stakeholders** | | |
| • Category leadership<br>• Excellent customer service levels<br>• Innovative, relevant products which meet consumers' needs<br>• Great tasting products<br>• Convenient and responsible packaging formats<br>• Environmental, nutritional and sustainability issues | • Understanding our purpose, strategy and values<br>• Reward and recognition<br>• Safe and pleasant working conditions<br>• Learning and development opportunities<br>• Health and well-being<br>• Inclusion and Diversity | • Understanding the Group's strategy and growth plans<br>• Forming long-term collaborative partnerships<br>• Transparent terms of business<br>• Fair payment terms |
| **Engagement and outcomes** | | |
| We seek to develop sustainable partnerships with our customers focused on driving mutual category growth. Regular meetings take place at many levels, through the sales team, senior management and CEO. These cover range reviews, new products, promotions, displays and service levels. Feedback from customers is also provided via an annual customer survey.<br><br>Customer insights, from a number of channels, are shared and discussed at Board meetings, including details on consumer behaviours, market trends and competitor activities. Product tastings and NPD are showcased at Board meetings. Customer and consumer feedback is reported to the Board via KPIs.<br><br>It is essential that we engage with our consumers so that we can understand consumption and lifestyle trends in order to help us to create products that meet their needs. We also regularly benchmark our products with consumers in blind panel tests. | We communicate and engage with colleagues in many ways to ensure they understand our business priorities and performance. This ensures that, in turn, we can listen to their issues and concerns.<br><br>We have regular Company briefings led by the CEO and shared by video feed to all sites across the Group. There are regular site briefings from management to give presentations and listen to feedback, supplemented by ELT and Board visits.<br><br>Feedback is received via Group employee surveys, line management and HR teams, resulting in targeted action plans to address key areas for improvement. The Board receives regular updates on key employee issues and internal communications.<br><br>To increase the focus on two-way communication the Workforce Engagement NED regularly attends employee forums to discuss key issues directly with colleagues.<br><br>A formal whistleblowing procedure is in place to allow employees to raise any concerns or issues they have confidentially and details of all cases raised are fed back to the Board via the Audit Committee | It is crucial that we develop strong relationships with our suppliers, based upon mutual trust and respect, to ensure that we can source high quality ingredients at the right price.<br><br>We have open, constructive and effective relationships with suppliers through regular meetings which provide both parties the ability to feed back on successes, challenges and our ongoing strategy.<br><br>Regular audits of suppliers are undertaken to ensure compliance with ethical sourcing standards. Feedback from suppliers is also provided via feedback surveys. The Company's whistleblowing hotline has been extended to cover suppliers to allow them to raise any concerns anonymously.<br><br>Key supplier contracts are discussed by the Board as appropriate.<br><br>Payment policies, practice and performance are reported through the Government's Payment Practices Reporting portal |
| **Further information** | | |
| → Read more on Making nutritious and sustainable food on pages 30 and 31. | → Read more on Nourishing the lives of our colleagues and communities on pages 34 and 35.<br>→ Read more on Contributing to a healthier planet on pages 32 and 33. | → Read more on Responsible business' practices on page 29. |

| Communities and environment | Government and society | Bond holders, bank and pension schemes | Shareholders, investors and analysts |
|---|---|---|---|
| As a responsible food manufacturer, we consider the impact we have in the areas we operate, including local businesses, residents and charities. We also have an important role to play in ensuring we reduce our impact on the environment. | The Board believes in the importance of acting responsibly and operating with high standards of business conduct. The Group also takes an active role in seeking to shape and influence debates around key issues in society relating to food safety, nutrition and health & well-being issues. | The Group's banks, bond holders and lending group provide essential financing that supports the long-term viability of the Group. The Group also has a large defined benefit pension scheme, with approximately 43,000 pensioners and deferred pensioners, who depend on the Group's long-term ability to fund the schemes. | An important role of the Board is to represent and promote the interests of its shareholders, as well as being accountable to them for the performance and activities of the Group |
| • How our factories impact on local communities<br>• Volunteering and supporting charities<br>• Reducing carbon emissions<br>• Environmental commitments<br>• Plastic packaging | • Food safety<br>• Nutrition<br>• Tax<br>• Conducting business in a fair way | • Being kept up to date with Group's strategy and trading performance<br>• Cash flow and Net debt levels<br>• The strength of our employer covenant<br>• Ongoing schedule of contributions | • Shareholder return over the medium-term<br>• Good governance and stewardship of the Group and its brands<br>• Delivery of financial performance<br>• Deleveraging the business<br>• Dividends |
| Updates are provided to the Board on ESG (Environmental Social and Governance) matters affecting the business, so that the long-term sustainability of the Group can be considered in its decision-making.<br><br>The Board receives updates on KPIs relating to our economic contribution and environmental impact, as well as our contributions to the community, both at a local site level and via the work we do with our corporate charity partners.<br><br>During the year, the Board reviewed and approved a new ESG strategy, the Enriching Live Plan, based around three pillars: Product, People and Planet. | The Board receives regular updates from the Corporate Affairs & ESG Director on key regulatory issues affecting the Group and the food industry, such as nutritional guidelines, advertising and promotions.<br><br>The General Counsel & Company Secretary provides updates on governance, legal, regulatory and compliance matters.<br><br>We seek to take an active role in responding to the key issues affecting our industry, through membership of organisations such as the Institute for Grocery Distribution and the Food and Drink Federation. | Management engages regularly with the Group's lenders, bond holders and banking group via conference calls, conferences and face-to-face meetings.<br><br>During the first half of the year, the Group completed the refinancing of a new Revolving Credit Facility ('RCF') with a refreshed bank Group, extending the maturity to at least 2024. In addition, we launched a new £330m Fixed Rate Bond due October 2026, resulting in significant interest cost savings. This has helped to increase cash flow and further reduce Net debt. Following the year end, the Group completed the first extension of the new RCF to 2025.<br><br>The CFO maintains a regular dialogue via attendance at Trustee and Investment Committee meetings and regularly reports on the Group's trading performance. Periodic updates are provided to the Board on funding levels and investment strategy. | The Board believes it is very important to engage with its shareholders and does this in a number of ways.<br><br>This includes the financial results presentations and conference calls for shareholders and analysts, face-to-face meetings, investor road shows and anonymous shareholder feedback via brokers. The Chairman and CEO meet regularly with shareholders to discuss strategic and governance matters. The Chair of the Remuneration Committee also engages with shareholders in connection with remuneration matters.<br><br>Board members also have the opportunity to meet with private shareholders at the Company's AGM.<br><br>The Group has been able to reinstate dividend payments for the first time since 2008, with the payment of a final dividend to shareholders in July 2021. |
| → Read more on Nourishing the lives of our colleagues and communities on pages 34 and 35<br>→ Read more on Contributing to a healthier planet on pages 32 and 33 | → Read more on Responsible business' practices on page 29 | → Read more on Net debt and free cash flow KPIs on pages 20 and 21.<br>→ Further details of the refinancing on page 45. | → Read more on Engagement with shareholders on page 81. |

# Nomination committee report

## Dear shareholder

On behalf of your Board, I would like to present the Nomination Committee report for the period ended 2 April 2022.

The Committee is responsible for:

- Considering the size, structure and composition of the Board;
- Leading the formal, rigorous and transparent process for the appointment of directors;
- Making appointment recommendations so as to maintain an appropriate balance of skills, knowledge, experience and diversity on the Board;
- Ensuring a formal and rigorous Board and Committee evaluation is undertaken on an annual basis (an assessment of which is provided on page 67); and
- Overseeing the Company's policy, objectives and strategy on inclusion and diversity.

The Committee also reviews the succession requirements of the Board and senior management and makes recommendations to the Board as appropriate. With the exception of myself, as Chair of the Board, only independent non-executives are members of the Committee. I was appointed Chair of the Board in 2019 and was considered fully independent on appointment. Details of the Committee's membership and meeting attendance are set out on page 65.

## Board membership and recruitment

The procedures for appointing new directors are set out in the Committee's terms of reference. The process of appointment is led by the Chair of the Board except where the appointment is for their successor, when it is led by the Senior Independent Director ('SID'). The process includes an assessment of the time commitment expected for the role, other significant business commitments and any potential conflicts of interest.

Before an appointment is made, the Nomination Committee evaluates the balance of skills, knowledge, experience and diversity on the Board, as well as the skills required to help deliver the Group's strategy and meet the future challenges of the business. The Committee prepares a candidate specification setting out the role and capabilities required. The Board promotes an environment which is supportive of individuals from diverse backgrounds. In identifying suitable candidates, the Nomination Committee:

- uses the services of external advisors to facilitate the search;
- considers candidates of different genders and from diverse backgrounds; and
- considers candidates on merit and against objective criteria taking into account the benefits of diversity on the Board.

The Nomination Committee considers the selection and reappointment of directors carefully before making a recommendation to the Board. Non-executive directors and the Chair of the Board are generally appointed for an initial period of three years, which may be renewed for a further two terms. Reappointment is not automatic at the end of each three-year term.

Following a review of the Boards composition by the Committee, it was noted that there was a need to improve gender diversity and the Board committed to ensure it was in compliance with the recommendations of the Hampton-Alexander Review by the end of the financial year. A selection process was undertaken, led by the Chair of the Nomination Committee with the support of the Group HR Director.

Following a review of executive search firms, Russell Reynolds Associates, who have no other connection with the Group, was engaged to assist with the NED search. A specification was prepared and a longlist of potential candidates was produced. During the process, the Board was also made aware of the availability of Lorna Tilbian and it was agreed to include her in the selection process. Members of the Board met with a number of short-listed candidates over several stages of interview, following which, three candidates were identified. Tania Howarth, who has significant experience in the branded food industry, with particular expertise in technology, was appointed in March 2022, Lorna Tilbian who has extensive experience in investment banking and financial analysis was appointed in April 2022, and Roisin Donnelly, who has expertise in consumer marketing and brand building, was appointed in May 2022.

## Board tenure

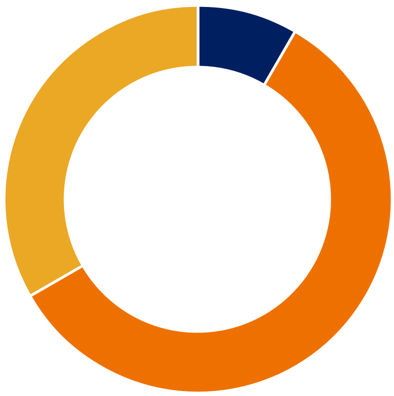
The average length of appointment of our NEDs was 3 years, as at year end. The breakdown for the full Board can be seen in the following chart.

| | |
|---|---|
| 0-1 years: | 2 |
| 1-3 years: | 6 |
| 3-6 years: | 2 |
| 6-9 years: | 2 |
| 9+ years: | 0 |

(As at 2 April 2022)

## Board independence

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



| | |
|---|---|
| Chairman: | 1 |
| Independent directors: | 7 |
| Non-independent directors: | 4 |

(As at 2 April 2022)

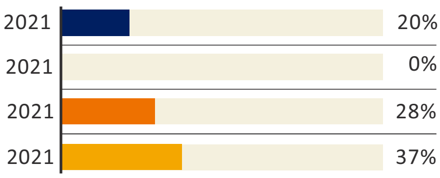
Only independent NEDs are members of the Company's Board committees, with the exception of the Chair of the Nomination Committee. The Chair of the Board, who was considered independent on appointment, chairs the Nomination Committee, but is not a member of the Audit or Remuneration Committees. Yuichiro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

## Board skills matrix

Set out below is an overview of the relevant skills of the non-executive directors (as at 2 April 2022).

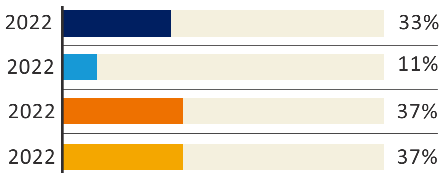
| Experience | No. of Directors |
|---|---|
| Senior Leadership | 10/10 |
| Operational management | 8/10 |
| Commercial/retail | 8/10 |
| Consumer/Marketing | 8/10 |
| Financial/Investment | 7/10 |
| International | 7/10 |
| HR/ESG/Governance | 5/10 |

## Gender diversity




Board – (2 of 10)
Senior management – (0 of 8)
ELT Direct reports (15 of 54)
All colleagues (1,643 of 4,474)

(Female:male, as at 3 April 2021)




Board – (4 of 12)
Senior management – (1 of 9)
ELT Direct reports (20 of 54)
All colleagues (1,604 of 4,332)

(Female:male, as at 2 April 2022)

## Inclusion and diversity

The Board has adopted a Diversity Policy which is available on the Group's website and is summarised below.

The Board believes it is important that membership of the Board includes a broad mixture of skills, professional and industry backgrounds, geographical experience and expertise, gender, tenure, ethnicity and diversity of thought. The Board supports the recommendations set out in the Hampton-Alexander Review on gender diversity. As at year end, female representation on the Board amounted to 33% and, with the appointment of Roisin Donnelly in May 2022, this now stands at 39%. The Board recognises the new targets announced by the FTSE Women Leaders Review in February 2022 and will work towards aligning against those targets. The Board also supports the recommendations of the Parker Review on ethnic diversity and, as at year end, was compliant with their recommendation for ethnic diversity on the Board. Hannah Collyer was appointed to the Executive Leadership Team ('ELT') in May 2021, as Corporate Affairs and ESG Director. Within the group of ELT direct reports female representation has improved to 37% over the year, whilst within the wider management population (circa 550 colleagues), the gender split was at 47:53 (female to male) as at year-end.

A culture of inclusion and diversity is promoted through a clear tone from the top, with the Board and ELT championing inclusion and diversity in support of the Group's values.

The Board, or where appropriate the Nomination Committee, will:

- Consider all aspects of diversity when reviewing the composition of the Board and when reviewing the Board's effectiveness.
- Only engage executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice and request them to identify suitable candidates for appointment to the Board on merit against objective criteria, having regard to the benefits of diversity in promoting the success of the Group.
- Encourage the development of a diverse internal talent pipeline to meet future succession planning needs of the Group, by supporting and monitoring the Group's actions to increase the proportion of senior leadership roles held by women, people from ethnic minority backgrounds and other under-represented groups across the business.
- Assist the development of a diverse pipeline of high-calibre candidates by encouraging senior individuals within the business to take on additional roles to gain valuable board experience.

# Nomination committee report CONTINUED

## Developments over the year

The Board and Nomination Committee have reviewed the Group's approach to diversity (including both gender and ethnicity) within senior management and across the whole business on a number of occasions, and this remains an area of significant focus. Following the appointment of a new Director of Talent and Culture and a Culture and Engagement Business Partner, the rollout of the Group's Inclusion and Diversity agenda has made good progress in the year.

Inclusion and diversity is one of the core principles of Premier Food's People strategy which forms part of the Group's Enriching Life Plan, which was launched in October 2021. Premier Foods is committed to creating an inclusive culture across its whole organisation, where everyone is welcome and able to thrive. The Company aims to ensure all existing and potential colleagues are provided with equal opportunity and are respected, valued and encouraged to bring their true authentic selves to work.

To help drive progress within the People pillar of the Enriching Life Plan, the Group has made a number of commitments including:

- Achieving gender balance for the senior management population by 2030; and
- Ensuring diversity KPIs at our sites reflect their regional demographic by 2030.

The Group has developed and launched a Reverse Mentoring Programme to help address the gender imbalance within senior roles across the business. In addition, the HR team have reviewed colleague recruitment across the business to make sure the Group's practices attract as diverse a talent pool as possible. During the year, the Group has become a member of Stonewall, Trans in the City and headline sponsors of Diversity in Grocery, to help raise its external profile. Further training was also provided over the year, with the implementation of a line manager 'diversity in recruitment' training module.

Work is underway to develop a Sponsorship Programme for ethnically diverse colleagues across the graded management population with the assistance of an external partner. Awareness of Inclusion and Diversity has been provided through an extensive programme of webinars led by both colleagues and external guests. The Group will be tracking the progress of its Inclusion and Diversity programme through the launch of an "Ok to say" colleague survey which was produced in 6 languages this year, reflecting the diversity of our workforce.

Further information on our approach to inclusion and diversity across the business, is set out in the section on our values and culture, on pages 12 and 13.

## Talent and Succession management

The Board reviews the Group's Talent and Succession process on an annual basis. This covers all management colleagues to identify, monitor and develop talent within the Group. Senior leadership was reviewed in detail, including members of the ELT and their direct reports. It was noted there is a strong culture of succession planning and talent management within the organisation. This has resulted in a significant proportion of senior roles being filled internally, including the current CEO and CFO, and the majority of ELT and Factory General Manager positions. Colleagues see this as positive, helping not only in attracting talent externally, but also with internal retention. The review also highlighted the key talent and development plans specifically focused on strengthening gender and ethnic diversity within management. We have rolled out a new Leadership Programme in 2021, for our most senior leaders in the business (circa 80 colleagues), to make sure they are equipped for the changing future in which leaders will need to operate, which includes how to lead and manage diverse teams and how to develop the culture of an organisation. This is complemented at a more junior level with our graduate recruitment programme.

## Review of non-executive director performance

Over the course of the year, a review of the contribution and performance of the independent non-executive directors was undertaken. This included a review of the contribution of each NED, their other appointments and whether these impacted on their availability to commit appropriate time to their roles, their continuing independence and training and development needs. This was considered by the Nomination Committee as part of its assessment of the composition of the Board. Following this review, it was agreed that the Board had an appropriate balance of skills, experience and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. In addition, the current Board was felt to have a broad range of retail, marketing, commercial and financial experience which is appropriate for the size and complexity of the Group. Consequently, the Nomination Committee recommended the re-election (or election) of all directors at the 2022 AGM, with the exception of Pam Powell, who will retire from the Board following the completion of her third term of appointment.

**Colin Day**
Nomination Committee Chair

18 May 2022

# Audit committee report

## Dear shareholder

On behalf of your Board, I am pleased to present the Audit Committee report for the period ended 2 April 2022. The Committee has responsibility, on behalf of the Board, for reviewing the effectiveness of the Group's financial reporting systems and the internal control policies and procedures for the identification, assessment and reporting of risk.

The Committee also keeps under review the relationship with the external auditor, including the terms of their engagement and fees, their independence and expertise, resources and qualification, and the effectiveness of the audit process.

All members of the Committee are independent non-executives, with a broad range of FMCG, commercial, operational, IT, financial and marketing experience relevant to the Group's business. Details of Committee membership, their qualifications and meeting attendance are set out on pages 62 to 65. In addition to the Committee members, the CEO, CFO, Chairman, Director of Financial Control, Head of Internal Audit & Risk and external audit partner are regularly invited to attend and present at the Committee's meetings.

## Areas of review

During the financial period, the Committee:

- Monitored financial reporting, including the annual report and the full-year, half-year and quarterly results announcements;
- Considered the going concern and viability statements for the Group;
- Reviewed the audit plan with the lead audit partner to assess the scope, methodology and areas of key risk and materiality;
- Reviewed the ongoing impact of macro economic developments on the Group's performance and viability, including the Covid-19 pandemic and the inflationary pressures on input costs;
- Received regular reports from the internal audit function, ensured it was adequately resourced, monitored its activities and effectiveness, and agreed the annual internal audit plan;
- Reviewed the appropriateness of the Alternative Performance Measures used by the business and the accounting for commercial arrangements;
- Reviewed the key findings of the Financial Reporting Council's Audit Quality Review team, which published a report on the overall quality of the audit work performed by KPMG and other large audit firms, noting the recommendations and KPMG's response.
- Reviewed the outcome of the FRC's review of the Company's FY20/21 annual report;
- Received updates on the progress of a project to simplify the Group's corporate structure;
- Received updates on changes to governance and financial reporting, including TCFD;
- Conducted a bi-annual review of key risks facing the business and assessed the Group's mitigation plans;
- Undertook a review of the Group's Finance Team, reviewing structure, resource levels, key senior appointments and talent management, to ensure it remained adequately resourced and effective;
- Reviewed and the Group's policy on Auditor Independence and Non-Audit Services;
- Reviewed the Group's cyber security and business continuity management plans; and
- Reviewed calls received from the whistleblowing helpline and management's response to them.

## External auditor appointment, independence and non-audit services

KPMG were appointed as external auditor in September 2015, following a comprehensive tender process. Over the course of the year, the Committee has continued to review the effectiveness and independence of the auditor and assessed the effectiveness of the external audit process by reference to the scope of the audit work undertaken, presentations to the Committee, feedback from management involved in the audit process and separate review meetings held without management.

In accordance with our Auditor Independence Policy, the Committee has continued to review the level of non-audit fees with management during the year. The Committee also received an update from KPMG's lead partner on the internal controls that they employ to safeguard their independence, integrity and objectivity. The Group's policy on Auditor Independence and Non-Audit Services is available on the Group's website.

Non-audit fees for the period amounted to £199,500 (FY20/21: £64,500) representing 16.1% of the audit fee. As highlighted in last year's Audit Committee report, the increase in non-audit fees reflected the assurance work KPMG were engaged to perform in relation to the issue of new 5 year Senior Secured Fixed Rate Notes in May 2021, which amounted to £130,000. KPMG also provided audit related assurance services in respect of the Half Year results (£60,000) and the provision of royalty statements required under our *Cadbury* licence with Mondelēz International. The Committee remains mindful of guidelines in respect of non-audit services and the potential threat to auditor independence. The Committee assessed that, in each case, the nature of the work would be best performed by KPMG due to their knowledge of the business, the timescale required for completing the assignments and the overall cost in undertaking the work. In addition, KPMG consulted their own internal Audit Quality and Risk Management team prior to agreeing the engagements. KPMG's procedures for ensuring compliance with quality control standards, maintaining independence, integrity and objectivity were also reviewed and no matters were identified which might impair the auditor's independence and objectivity.

Following these reviews, the Committee is satisfied that KPMG remains independent and effective. The Company is proposing to undertake an audit tender exercise, the result of which will not be known until after the 2022 AGM has been held. In the interim period, KPMG have indicated their willingness to continue to act as the Company's auditor until the outcome of the tender has been concluded, and the Committee has recommended to the Board that KPMG be reappointed at the AGM in 2022 (the Board's recommendation is set out on page 99). An update on the outcome of the tender exercise will be communicated once it has been completed.

## Alternative Performance Measures ('APMs')

The Group's performance measures continue to include a number of measures which are not defined or specified under IFRS. The Audit Committee has considered presentation of these additional measures in the context of the guidance issued by the European Securities and Markets Authority ('ESMA') and the FRC in relation to the use of APMs, challenge from the external auditor, and the requirement that such measures provide meaningful insight for shareholders into the results and financial position of the Group. The Committee reviewed the APMs used within the Group's financial statements, how the APMs were defined and the rationale for their use.

APMs are defined relative to the equivalent IFRS measures, on pages 49 and 50.

## Financial Reporting Council ('FRC') review of FY20/21 annual report

The FRC performed a review of the Group's FY20/21 annual report in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. The Committee was pleased to note that the review raised no questions or queries. The FRC made some recommendations for enhancing existing disclosures and the Committee reviewed the recommendations and management's response to them.

The FRC's review is based on our published annual report and does not benefit from detailed knowledge of our business or an understanding of the underlying transactions. It provides no assurance that our Annual Report and Accounts is correct in all material respects. The FRC's role is not to verify the information provided, but to consider compliance with reporting requirements. The FRC accepts no liability for reliance on the FRC's review by the Company or any third party, including but not limited to investors and shareholders.

## Committee evaluation

As part of the internal Board evaluation exercise conducted during the year (see page 67 for more information), a review of the Committee's effectiveness was also undertaken. The review included the management of meetings, quality of papers and presentations, and the Committees effectiveness in assessing the work of the internal and external auditors, the financial statements, risk management and internal controls. It was confirmed that the Committee remained effective and an action plan for the coming year was agreed.

The Committee met with the internal and external auditor on four occasions in the year without the presence of management. This provides an opportunity for the Committee to discuss matters independently of management, assess the relationship between management and the external auditor and to discuss any potential areas of concern. In addition, the Committee Chair also met independently with the CFO, lead audit partner and Head of Internal Audit & Risk on a number of occasions to discuss key audit matters.

## Training

During the year training was provided on commercial arrangements and the accounting for these within the financial statements, the use of Alternative Performance Measures and the consultation from the Department for Business, Energy and Industrial Strategy (BEIS) on the potential introduction of a new regulatory regime on similar basis to the US Sarbanes-Oxley regime.

## Task Force on Climate-related Financial Disclosures ('TCFD')

The Committee provides oversight of the Group's compliance with the recommendations of TCFD. A TCFD steering group has been established to develop the Group's approach to TCFD, raise awareness of climate-related risks around the business and to report on progress to the Committee. The TCFD steering group also co-ordinates the adoption of TCFD best practices into the Group's Enterprise Risk Management processes and ensures visibility and oversight of the programme by the ESG Governance Committee. Over the year the Committee reviewed progress against the various workstreams, the Group's TCFD roadmap and the four disclosure pillars (Governance, Strategy, Risk Management, and Metrics and Targets). The Group's TCFD disclosure is set out on pages 36 to 40.

## Risk management

The Group has an established risk management framework to identify, evaluate, mitigate and monitor the risks the business faces. The risk management framework incorporates both a top-down approach to identify the Group's principal risks and a bottom-up approach to identify the Group's operational risks. The principles of risk management have also been embedded into the day-to-day operations of the business units and corporate functions.

The Committee has carried out an assessment of the principal risks facing the business, including climate-related risk, on two occasions over the year. The reviews include an assessment of new and emerging risks, the movement in the risks, the strength of the controls relied on and the status of mitigating actions. The output from these assessments have subsequently been presented to the Board.

Details of our risk management process are set out in the risk management section, on pages 51 to 57.

## Internal controls

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

## Internal audit

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

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

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

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

**Business and operational audits** – Trade promotion management, impact of the changes to working practices at sites and offices as a result of the Covid-19 pandemic, fixed assets and capex management, operational HR management, controls on marketing spend, customer complaint management and social media management.

**Factory and subsidiary audits** – Product pricing and standard costing.

**Finance and other audits** – Payroll compliance with national minimum wage legislation.

**Technology audits** – IT asset management.

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

During the coming financial year, FY22/23, the Internal Audit will continue to build and develop its data analytics capability as part of its three year strategy to deliver better insights to management.

## Fair, balanced and understandable

The Board requested that the Audit Committee confirm whether the annual report and accounts taken as a whole were fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's position and performance, business model and strategy. The Audit Committee recommended that the Board make this statement, which is set out on page 99.

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

## Significant issues in relation to the financial statements

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

### Commercial arrangements

Commercial payments to customers in the form of rebates and discounts represent significant balances in the income statement and balance sheet. Calculations of these balances require management assumptions and estimates, including volumes sold and the period of the arrangements. The Committee reviewed the assumptions and estimates and the level of accruals and provisions in detail. Further information is set out in note 3.4 on page 123.

### Carrying value of goodwill and brands

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

For the purpose of goodwill, the Group has four CGUs – Grocery, Sweet Treats, International and Knighton. The Committee reviewed the results of goodwill impairment testing of the CGUs and the review of the carrying value of certain of the Group's brands. There is no goodwill attributable to the Sweet Treats or Knighton CGUs and the International CGU has no goodwill or intangible assets. The results of the impairment testing included management's assumptions in respect of cash flows, long-term growth rates and discount rates. The Committee also considered sensitivities to changes in assumptions and related disclosure as required by IAS 36. This year's review concluded that no impairment of Goodwill or brands was required. Further information is set out in notes 11 and 12 on pages 132 to 134.

### Carrying value of parent company's investments in subsidiaries

The carrying value of the parent company's investments in its subsidiaries is a significant item on the parent company's balance sheet. The investment is reviewed annually for impairment by management and the Committee. The cash flow forecasts used in the impairment model are based on the latest Board approved budget for year 1 and strategic plan for years 2 and 3, sensitivities then being applied to reflect the potential impact of the current Covid-19 pandemic, the upcoming UK regulations impacting the food industry, and the current global political uncertainty driven by the conflict in Ukraine. This year's review concluded that no impairment of the parent company's investment in its subsidiaries was required. Further information is set out in note 11 to the group financial statements on pages 132 - 133 and note 4 to the parent company's financial statements on pages 160 - 161.

### Defined benefit pension plans

The Group operates a number of defined benefit schemes. The schemes are closed to future accrual but hold substantial assets and liabilities. With effect from 30 June 2020, the Premier Foods Pension Scheme (PFPS) and Premier Grocery Products Pension Scheme (PGPPS) were merged on a segregated basis with the RHM Pension Scheme. The transfer of assets and liabilities to new sections of the RHM Pension Scheme for both the PFPS and PGPPS has been completed. Valuation of the scheme liabilities is based on a number of assumptions, such as inflation, discount rates and mortality rates, each of which could have a material impact on the valuation under IAS 19 included in the balance sheet. The Group's RHM Pension Scheme also holds assets for which quoted prices are not available. As at 2 April 2022 the RHM Pension Scheme reported a surplus of £1,138.8m and the Premier Schemes reported a deficit of £193.9m (FY20/21: RHM Pension Scheme surplus of £922.5m; Premier Schemes deficit of £382.6m), the year-on-year reduction largely driven by the return on scheme assets and change in financial assumptions. The Committee reviewed the basis for management's assumptions and the movements in the IAS 19 valuation in detail over the year. The financial assumptions were based on the same methodology as last year. Further information is set out in note 13 on pages 135 to 141.

### Viability and going concern

The Audit Committee conducted a number of detailed reviews of the Group's viability and going concern, taking into account severe but plausible business downsides, including the potential impact of the current Covid-19 pandemic and current global political uncertainty driven by the conflict in Ukraine. The Committee concluded that it was reasonable for the Board to expect that the Group would have adequate resources to operate for the foreseeable future and therefore recommended that the viability statement (set out on page 58) and the going concern statement (set out in note 1 on pages 115 and 116) could be supported.

**Simon Bentley**
Audit Committee Chair

18 May 2022

# Directors' remuneration report

## Annual Statement

### Dear shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration report for the 52 week period ended 2 April 2022.

### Overview of performance

The business has continued to perform strongly during the year, despite facing a number of challenges, balancing the continued need to ensure the health and safety of colleagues, whilst navigating changing Government guidelines and maintaining excellent service levels to our customers. With the reduction of restrictions on out-of-home consumption and social distancing over the course of FY21/22, as anticipated, we have seen demand return to more normal levels. Measuring direct performance versus last year is therefore challenging, given the exceptional demand for our products that was experienced at the peak of the Covid pandemic, particularly in Q1. As a result, business performance for this year is being reported by reference to both two years ago and the prior year.

Revenue of £900.5m was +6.3% versus 2 years ago and -3.6% below last year (on a 52 week basis), Trading profit of £148.3m was equal to last year (on a 52 week basis) and +11.9% versus two years ago, and Net debt reduced to £268.9m (on a pre-IFRS 16 basis). Taking into consideration the unprecedented nature of demand in the prior year, the Board believes that these represent a very strong set of results, and demonstrate both the strength of the Group's brands and its growth strategy.

The management team continued to focus on keeping the business fully operational while maintaining measures, including social distancing, enhanced PPE, changes to working practices, and remote working where practical, across our sites, to ensure the safety and well-being of our colleagues was given the highest priority.

The business has also been impacted by a number of other headwinds facing global supply chains across a number of industries, including a shortage of heavy goods vehicle (HGV) drivers, general labour shortages and the impact of significant inflationary pressure on both ingredients and other input costs. Over the year, management has been successful in putting in place a series of robust plans to mitigate this and maintain excellent customer service levels.

The Group has seen further strong performance in the share price, which has increased from 94.6p to 115.6p in the period (+22%). With the Group's debt levels now normalised, it was able to pay a final dividend of 1.0p per share in July 2021, representing the first dividend paid by the Company since 2008. The Board has recommended a final dividend for FY21/22 of 1.20p per share, representing an increase of 20% versus prior year.

### Annual Bonus performance outcome for FY21/22

As highlighted in the CEO review, the Group has made good progress in the delivery of the Group's growth strategy, with a strong trading performance and continued reduction in Net debt, resulting in both of the stretching financial targets being exceeded. The Committee also assessed the non-financial targets set for the CEO and CFO, which were based on strategic, operational and ESG objectives, and following strong performance against the stretching objectives set, it was determined that both the CEO and CFO had fully achieved these objectives.

In assessing the annual bonus outcome, the Committee undertook a review of each director's individual performance, the overall performance of the business and also the experiences of key stakeholders including shareholders, employees, suppliers and customers. This resulted in the Committee awarding a bonus of 100% of maximum to Alex Whitehouse (£634,375, representing 125% of salary) and a bonus of 100% of maximum to Duncan Leggett (£325,059, representing 100% of salary). Full details of the targets and performance over the period are provided on pages 84 and 85.

One-third of the annual bonus payment will be made in the form of shares deferred for a three-year period under the Deferred Bonus Plan (DBP). Details of the DBP are set out on page 86.

### LTIP

The Committee assessed the performance conditions for the 2019 LTIP award. TSR performance was above upper quartile compared to the FTSE All-Share comparator group (positioned between 3rd and 4th out of 386 companies) and adjusted EPS of 12.1p exceeded the maximum target set, meaning that both elements of the award will vest in full in June 2022. Full details of the targets and performance over the period are provided on page 94.

In assessing the annual bonus and LTIP outcomes, the Committee undertook an assessment 'in the round', to ensure that the outcomes are a fair reflection of overall Company performance and aligned with the experience of other stakeholders. As part of this, the Committee was pleased to note that since the start of the Covid-19 pandemic, the Group chose not to furlough any colleagues or make any redundancies and did not take financial support from the Government in respect of the pandemic. The success of the business over the last two years has been shared with colleagues and has resulted in a significant increase in the share price and creation of shareholder value. The increased financial strength of the business has also enabled the reintroduction of dividend payments in 2021.

Taking all of the above into account, alongside the wider performance context detailed elsewhere in the annual report, the Committee considered that the annual bonus and LTIP outcomes are a fair reflection of Company and individual performance in the year. As such, the Committee has not exercised its discretion to adjust awards.

### Executive Directors' Salary

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

Alex Whitehouse's salary was increased to a level around the FTSE 250 lower quartile in FY20/21 and therefore his salary increase of 2% in FY21/22 was in line with all colleagues not involved in collective bargaining. As advised in last year's Remuneration Report, a further above average increase to Duncan Leggett's salary was anticipated, to bring it in line with the FTSE 250 lower quartile. Duncan Leggett's salary was increased by 2% in line with the wider workforce from 1 July 2021, and then was further increased to £350,000 (+10.8%) with effect from 10 December 2021 (reflecting the second anniversary of his appointment). When considering the salary increase the Committee assessed his performance since appointment and agreed that he continued to perform strongly in his role as CFO and that the increase was therefore appropriate. The Committee also took into consideration the overall performance of the business during the year and the experiences of other stakeholders. It should also be noted that both salaries are currently at levels well below those of their predecessors (CEO: c. -27% and CFO: c. - 18%).

| Executive director | Salary as at 2 April 2022 | Change | Salary as at 3 April 2021 |
|---|---|---|---|
| Alex Whitehouse | **£510,000** | +2.0% | £500,000 |
| Duncan Leggett | **£350,000** | +12.9% | £310,000 |

The Committee will continue to keep the executive directors' salaries under review as the Company's size and complexity continues to increase.

### Arrangements for FY22/23

A new Remuneration Policy was approved by shareholders in August 2020, with over 96% of votes received in favour. The Committee considers that the Remuneration Policy operated as anticipated over the financial period and no changes are proposed to the Policy for FY22/23.

During the year, the Committee carried out a review of arrangements with a particular focus on performance measures, to ensure the overall remuneration strategy for executive directors and senior management remained competitive and continued to drive the right behaviours and support the implementation of the Group's strategy. As a result, changes are proposed to performance measures as outlined below:

### Annual Bonus measures

For FY22/23, the annual bonus will be based 50% on Trading Profit, 20% on operating cash flow and 30% on strategic and ESG measures.

The Committee considered the use of Net debt as a financial measure, and agreed that, given that the Company's debt levels have now normalised, this should be replaced with operating cash flow going forward. It was noted that, in recent years, the Group had made significant progress in deleveraging the business. In addition, it was felt that the continued focus on Net debt could conflict with the need to invest in the business, which is required to deliver the Group's growth strategy. It was agreed that a strong focus on cash flow management (including working capital and efficient capital spend) remained important.

Within non-financial measures, it was agreed that for both executives 20% would relate to strategic measures and 10% to ESG measures. This reflects the growing focus on ESG within the Group and will support the recently launched ESG strategy.

### LTIP measures

Following a review of the performance measures for the LTIP, it was agreed that the current measures of TSR and EPS remained the most appropriate for the Group and remained aligned with the delivery of the Group's strategy.

The weighting of two-thirds TSR and one-third EPS was reviewed, and it was considered that moving to an even split between the two measures would be appropriate, as this gives greater focus to financial performance which is aligned with the Group's growth strategy. It was felt that this would also encourage investment in the business and ultimately drive profitable growth.

In addition, it was also agreed to move the comparator group for TSR from the FTSE All Share to the FTSE 250, recognising that the Company is now an established member of the FTSE 250.

The Committee reviewed the targets for the annual bonus and LTIP in FY22/23 and agreed that they are challenging and set at levels that will reward very good performance. They are also considered to be aligned with the Group's strategic priorities and further details of the measures for FY22/23 are provided on page 94.

During FY22/23, the Committee will be undertaking a further comprehensive review of the Directors' Remuneration Policy in advance of submitting a revised Policy to shareholders at the 2023 AGM as required by the regulations.

### Chair's fees

The Committee considered the Chair's fee, noting the significant contribution the Chair had made to the Group since appointment, the successful turnaround in the Group's performance and also the significant time commitment for the role, and it was agreed that it would be appropriate to increase the Chair's fee to £235,000 with effect from 1 March 2022.

## Relationship between ESG matters and remuneration arrangements

The Committee is aware of the increasing importance of ESG matters for both the Group and its stakeholders. An element of ESG was included in the executive directors' annual bonus goals for FY20/21, and the weighting of this element has now been aligned for both executive's annual bonus goals for FY22/23. These goals are directly linked to the delivery of the Group's ESG strategy, the Enriching Life Plan. In addition, as part of the Committee's overall review of the Group's remuneration strategy, it ensures that arrangements do not encourage behaviour which is not aligned with the Group's ESG strategy. Further information regarding the Group's Enriching Life Plan are set out on pages 24 to 35.

### Wider workforce

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

The Group also operates an all-employee Sharesave Plan which allows all colleagues to share in the success of the Group. The colleague participation rate in this scheme is currently 31%.

I look forward to receiving your support for the Annual Report on Remuneration at the 2022 AGM.

On behalf of the Board

**Pam Powell**
Remuneration Committee Chair

18 May 2022

## Overall approach to remuneration

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

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

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

The Company's Remuneration Policy is designed to support the delivery of the Group's strategic objectives which are aligned with the long-term interests of both shareholders and key stakeholders, including employees. The Committee is committed to being transparent in respect of the elements of remuneration, quantum, the rationale for targets set and performance outcomes. The work of the Workforce engagement NED provides an opportunity for engagement with colleagues on executive remuneration. The Committee engages with shareholders and is keen to understand their views and priorities. Recent engagement has included discussion to understand shareholder views on the continued strategic focus on Net debt and whether it remained an appropriate bonus goal following the continued deleveraging of the business. Following review, the Committee agreed that it would be appropriate to replace Net debt with operating cash flow as a financial measure for FY22/23. The Committee also reviewed the performance measures for the LTIP and agreed to balance the weighting between TSR and EPS (further details are set out on page 80).

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

The Committee believes the current arrangements for executive directors to be simple. These consist of the following elements:

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

The Committee has made a number of changes to the Remuneration Policy over the last few years to remove complexity and reflect market practice and considers that the current arrangements are clear, easy to understand and provide an appropriate balance between fixed and variable remuneration. During the year, the Committee reviewed the annual bonus measures for the executive directors and made changes to these to enhance alignment between the CEO and CFO (further details are set out on page 80).

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

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

Mitigation is provided through the recovery provisions that apply to both the annual bonus and LTIP. The Committee updated the malus and clawback provisions in line with current best practice expectations in FY19/20. This included introducing additional trigger events in the event of corporate failure and/or material damage to the Company's business or reputation. The LTIP rules have also been updated to include a discretion to override the vesting result in exceptional circumstances.

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

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

The Committee assesses the potential outcome of future reward by reference to potential pay-outs that can be received at a range of outcomes (minimum, mid-point and maximum), as set out in the Remuneration Policy approved by shareholders at the 2020 AGM. In addition, the effect of future share price growth under the LTIP is also considered based on a 50% increase in share price over the period.

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

The Committee seeks to ensure that targets for the annual bonus and long-term incentives are aligned with the Group's strategy and the long-term sustainable development of the business.

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

When setting targets for variable elements of pay, the Committee carefully considers the targets to minimise the risk of excessive reward.

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

- the overall performance of the business;
- the experience of key stakeholders including shareholders, employees, suppliers and customers;
- the quality of earnings when assessing the achievement of financial targets; and
- the market in which the Company operates.

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

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

As part of the preparation of the 2020 Remuneration Policy, the Committee reviewed the overall design of the Group remuneration strategy and believes that it is consistent with the Company's purpose, values and strategy and is aligned with the Group's culture. When setting the annual goals for the annual bonus and LTIP award, the Committee considers a range of different potential measures in order to select those that it believes are most likely to drive the successful delivery of the Group strategy and are aligned with shareholders' interests to deliver earnings growth and improved shareholder value in the medium-term (further details are set out on page 80).

## Summary of the Directors' Remuneration Policy

The current Directors' Remuneration Policy was approved by shareholders at the AGM on 12 August 2020 (with 96.65% of shares voted being in favour). The following table presents a summary of the key elements of the current Directors' Remuneration Policy and how it will be implemented in FY22/23. The full policy is available in the FY19/20 annual report which can be found on the Group's website at www.premierfoods.co.uk

| Current elements of remuneration and Operation | How we plan to implement the Policy in FY22/23 |
|---|---|
| **Base salary** | |
| Set at levels to attract and retain talented individuals with reference to the size and complexity of the business, the specific experience, skills and responsibilities of the individual, and the market rates for companies of comparable size and complexity and internal Company relativities.<br>Normally reviewed annually (currently with effect from 1 July) in conjunction with those of the wider workforce. | As of 2 April 2022, salaries are as follows:<br>• CEO – £510,000<br>• CFO – £350,000<br>As set out in the FY19/20 Remuneration Report, both CEO and CFO were appointed on salaries significantly below their predecessors and, as stated at the time, the Committee has approved increases to their salaries over the two years from their appointment to bring them both to a level at, or near, the FTSE 250 lower quartile. |
| **Benefits** | |
| Benefits include: cash allowance in lieu of company car; fully expensed fuel; private health insurance; life insurance; permanent incapacity benefit; professional memberships; and other ancillary benefits, including relocation expenses (as required). | No change. |
| **Pension** | |
| Pension contributions or a salary supplement of 7.5% of base pay up to an earnings cap, in line with that offered to the majority of the workforce. | No change. |
| **Annual bonus** | |
| Designed to incentivise delivery of annual financial and operational goals and directly linked to delivery of the Group's strategy.<br>Maximum opportunity:<br>• CEO – 125% of salary<br>• CFO – 100% of salary<br>One-third of earned bonus is deferred into shares for three years. Awards are subject to malus and clawback provisions. | Maximum opportunity (no change):<br>• CEO – 125% of salary<br>• CFO – 100% of salary<br>Awards will be subject to the following performance measures:<br>• Trading profit (50% weighting);<br>• Operating cash flow (20% weighting);<br>• Strategic objectives (20% weighting); and<br>• ESG objectives (10% weighting).<br>Awards will also be subject to a Trading profit underpin. For FY22/23, the Committee agreed to replace Net debt with operating cash flow as a financial measure. |
| **Long-Term Incentive Plan** | |
| The Premier Foods Long-Term Incentive Plan ('LTIP') provides a clear link to our strategic goal of delivering profitable growth with sustainable share price growth over the medium to long-term.<br>Maximum opportunity of 150% of salary.<br>Awards are subject to a three-year performance period, followed by a two-year holding period.<br>The proportion of awards which will vest for threshold performance is 20%.<br>Awards are subject to malus and clawback provisions. | FY22/23 LTIP award levels (no change):<br>• CEO – 150% of salary<br>• CFO – 100% of salary<br>Awards are subject to the following performance measures:<br>• Relative TSR (50% weighting); and<br>• Adjusted EPS (50% weighting).<br>For FY22/23, the Committee agreed to balance the weightings of TSR and EPS (previously two-thirds TSR and one-third EPS). The TSR comparator group has also been changed to the FTSE 250 Index (previously FTSE All Share Index). |
| **Shareholding guidelines** | |
| Shareholding guideline of 200% of salary.<br>Executive directors are expected to retain 50% of shares from vested awards under the DBP and LTIP until they reach the guideline. | The current shareholdings reflect the fact that both the CEO and CFO are relatively new to their roles:<br>• CEO – 135% of salary<br>• CFO – 37% of salary |

## Annual Report on Remuneration

An advisory vote on this Annual Report on Remuneration will be put to shareholders at the 2022 AGM. The Committee believes that the Remuneration Policy operated as intended in the year.

## Single figure table for total remuneration (audited)

Single figure for the total remuneration received by each executive director for the 52 weeks ended 2 April 2022 (FY21/22) and the 53 weeks ended 3 April 2021 (FY20/21).

| | Alex Whitehouse | | Duncan Leggett | |
|---|---|---|---|---|
| | **FY21/22 £'000** | FY20/21 £'000 | **FY21/22 £'000** | FY20/21 £'000 |
| Salary | **508** | 492 | **325** | 289 |
| Taxable benefits[1] | **31** | 31 | **21** | 21 |
| Pension | **13** | 13 | **13** | 13 |
| Total fixed remuneration | **552** | 536 | **359** | 323 |
| Annual Bonus[2] | **634** | 625 | **325** | 298 |
| Share based awards[3] | **1,014** | 865 | **–** | – |
| Total variable remuneration | **1,648** | 1,490 | **325** | 298 |
| Single figure for total remuneration | **2,200** | 2,026 | **684** | 621 |

1 Both directors were granted an award over 4,067 shares under the all employee Sharesave plan on 16 December 2021. An amount of £846 has been included within benefits, which represents the 20% discount to the share price immediately prior to the offer (see the executive share awards table on page 88 for more information).

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

3 The figures for share based payments for FY21/22 represent an estimate of the value of the 2019 LTIP award, which will vest in full in June 2022, based on the three-month average price to 2 April 2022 of 112.6p. The share price at the date of grant was 34.0p. 70% of the value reported in the single figure is attributable to share price appreciation in the period and no discretion has been exercised in relation to this. The figures for FY20/21 have been adjusted, in line with statutory reporting requirements, from those in last year's report to show the actual value upon vesting of the award on 8 August 2021, based on a share price of 112p.

## Base salary and fees (audited)

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

Alex Whitehouse was appointed CEO on 30 August 2019 and Duncan Leggett was appointed CFO on 10 December 2019. As advised at the time of their appointments, the Committee aims to increase their salaries over the next two years to a level at, or near, the FTSE 250 lower quartile, which the Committee feels is appropriate given the Company's market capitalisation and also its level of turnover, market value and complexity.

Alex Whitehouse's salary was brought into line with the FTSE 250 lower quartile during FY20/21 and on 1 July 2021, he received a salary increase of 2% in line with all colleagues not involved in collective bargaining. Duncan Leggett also received a salary increase of 2% on 1 July 2021. In line with our stated approach on his appointment of alignment with the lower quartile of the FTSE 250 and following a review of performance for the CFO since taking on his role (see the Committee Chair's Annual Statement), the Committee agreed to increase Duncan Leggett's salary to £350,000 with effect from 10 December 2021. The CFO's salary is now positioned around the FTSE 250 lower quartile. It should also be noted that both salaries are currently at levels well below those of their predecessors (CEO: circa -27% and CFO: circa -18%).

| Executive director | Salary as at 2 April 2022 | Change | Salary as at 3 April 2021 |
|---|---|---|---|
| Alex Whitehouse | **£510,000** | +2.0% | £500,000 |
| Duncan Leggett | **£350,000** | +12.9% | £310,000 |

## Benefits

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

## Pension

Under the Company's Remuneration Policy, pension entitlements for executive directors are aligned with those available to the majority of the workforce, which currently equates to a contribution of 7.5% of basic pay up to an earnings cap (£172,800 for the 2021/22 tax year). Executive directors have the right to participate in the Group's defined contribution ('DC') pension plan, with any contribution above their annual allowance paid as cash. During the year, Alex Whitehouse and Duncan Leggett both participated in the Group's DC pension plan.

The table below provides details of the executive directors' pension benefits in FY21/22:

| | Company contributions to Group's DC pension plan £'000 | Cash in lieu of contributions to DC-type pension plan £'000 |
|---|---|---|
| Alex Whitehouse | 4 | 9 |
| Duncan Leggett | 4 | 9 |

## Annual bonus (executive directors) (audited)

Each year, the Committee sets individual performance targets and bonus potentials for each of the executive directors. Annually, the Committee reviews the level of achievement against the performance targets set and, based on the Committee's judgement, approves the bonus of each executive director. Annual bonus payments are not pensionable.

## Performance assessment for FY21/22

In line with the Remuneration Policy, for FY21/22, the CEO and CFO had maximum bonus opportunities of 125% of salary and 100% of salary, respectively. Performance was measured against targets relating to Trading profit (50% weighting), Net debt (20% weighting), strategic leadership (CEO: 20% weighting; CFO: 15% weighting), operational leadership (CFO only: 10% weighting) and ESG (CEO: 10% weighting; CFO: 5% weighting).

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

As stated earlier in this annual report, despite a number of challenges the Group delivered a strong set of results in FY21/22. Trading profit was £148.3m, which matched our performance last year and represented an increase of +11.9% versus two years ago, driven by the effectiveness of the Group's branded growth model performance. Net debt reduced to £268.9m (on a pre-IFRS 16 basis), as a result of continued strong Trading profit and a reduction in interest payments and pension contributions.

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

## Alex Whitehouse (audited)

| | Annual bonus FY21/22 | | | | |
|---|---|---|---|---|---|
| **Performance measure** | **Target** | **Stretch** | **Performance outcome** | **Weighting** | **Performance (% of max bonus)** |
| **Financial targets (subject to a Trading profit underpin of £140.0m)** | | | | | |
| Trading profit | £144.0m | £148.0m | £148.3m | 50.0% | 50.0% |
| Net debt (pre-IFRS 16) | £286.0m | £276.0m | £268.9m | 20.0% | 20.0% |
| | | | | 70.0% | 70.0% |

| Performance measure | Performance outcome | Weighting | Performance (% of max bonus) |
|---|---|---|---|
| **Non-financial targets (subject to a Trading profit underpin of £140.0m)** | | | |
| Strategic | Finalised 5 Year strategic plan which was reviewed and approved by the Board. Updated Group strategy to support the delivery of the strategic plan, focused on 5 pillars to accelerate growth. Delivered first year of agreed strategic road map, including:<br>International expansion: completed consumer and customer tests, route to market and roll out of cake to the US market.<br>Inorganic expansion: reviewed options for potential targeted M&A activity to expand into new categories.<br>Completed recruitment and integration of senior roles to deliver strategic plan, including Corporate Development, Category expansion in the UK and International and ESG. | 20.0% | 20.0% |
| Environment, Social and Governance (ESG) | **Planet**<br>Delivered improved sustainability within packaging: *Batchelor's* Pasta n Sauce pots changed to paper-based packaging, and introduced recyclable plastics for *Oxo* and *Saxa* pots.<br>**Product**<br>Increased core ranges with better-for-you options from 84% to 89%, including the launch of *Mr Kipling* mixes and *Batchelor's* low fat Super Noodle pots.<br>**People**<br>Sponsorship of Inclusivity & Diversity programme, new strategy in place with a focus on increasing accessibility to leadership roles for women through enhanced recruitment, development and mentoring programmes, resulting in female representation within senior leadership roles increasing from 28% to 37%. | 10.0% | 10.0% |
| | | 30.0% | 30.0% |
| | Final outcome | 100.0% | 100.0% |

## Duncan Leggett (audited)

| Performance measure | Target | Stretch | Performance outcome | Weighting | Performance (% of max bonus) |
|---|---|---|---|---|---|
| | Annual bonus FY21/22 | | | | |
| **Financial targets (subject to a Trading profit underpin of £140.0m)** | | | | | |
| Trading profit | £144.0m | £148.0m | £148.3m | 50.0% | 50.0% |
| Net debt (pre-IFRS 16) | £286.0m | £276.0m | £268.9m | 20.0% | 20.0% |
| | | | | 70.0% | 70.0% |

| Performance measure | Performance outcome | Weighting | Performance (% of max bonus) |
|---|---|---|---|
| **Non-financial targets (subject to a Trading profit underpin of £140.0m)** | | | |
| Strategic leadership | Delivery and implementation of 5 Year strategic plan objectives for FY21/22, including:<br>Successful refinancing delivered ahead of budget, resulting in a £8.0m reduction in annual interest costs.<br>Led financial assessment and evaluation to support the review of targeted M&A options. | 15.0% | 15.0% |
| Operational leadership | Completed operational cost saving initiative, resulting in savings above target. Delivered improvements in work capital with a focus on enhanced ways of working within accounts receivable, which led to significant improvement in aged debt, ahead of target. | 10.0% | 10.0% |
| Environment, Social and Governance (ESG) | Sponsorship of TCFD working group and introduction of new processes to enable the robust measurement, tracking and reporting of ESG targets. | 5.0% | 5.0% |
| | | 30.0% | 30.0% |
| | Final outcome | 100.0% | 100.0% |

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

In addition to the operational highlights set out above, in FY21/22, Premier Foods has created over £180m of shareholder value, and delivered a shareholder return of over 23% during the period, outperforming the FTSE 250 index (which was broadly flat in the period). Furthermore, management continued to ensure that colleague safety and well-being remained a priority, the Group chose not to furlough any colleagues or make any redundancies and no money was taken from the government funding schemes in respect of the pandemic.

The Committee believes that the executive directors continued to respond both decisively and effectively to the macro economic challenges posed by the ongoing pandemic, labour shortages and significant inflationary pressures, enabling the Group to perform successfully during FY21/22. In light of the Group's excellent financial performance, the strategic progress, and focus on the well-being of employees, the Committee concluded that the formulaic outcomes of the annual bonus assessment were justified, and no discretion was required.

# Directors' remuneration report CONTINUED

## Long-Term Incentive Plan (LTIP)

### Performance assessment for the 2019 LTIP award

The performance conditions for the 2019 LTIP award were based on a relative TSR condition (comprising two-thirds of the award) and an adjusted EPS condition (comprising one-third of the award). The Committee assessed the two performance conditions in May 2022 and concluded that both the relative TSR target and the adjusted EPS target had been fully achieved, which will result in full vesting of the LTIP award in June 2022. The TSR of Premier Foods over the three-year performance period was 200%, representing significant shareholder value creation and was significantly above the upper quartile TSR in the comparator group of circa 41%. The EPS performance of 12.1p was ahead of target and market consensus. The Committee considered that the vesting reflected the underlying performance of the business and was appropriate.

Alex Whitehouse was granted an award over 900,341 shares on 7 June 2019, and details of the vesting outcome are detailed in the table below. Additional pro rata awards were granted to Alex Whitehouse (449,250 shares) and Duncan Leggett (435,220 shares) on 24 September 2020, reflecting the directors' additional entitlements on appointment as CEO and CFO in 2019 (as set out in the table on page 88). The grant of the awards was delayed due the Company being in a prohibited period, however, the same performance conditions apply to these awards which have now been met, although the awards will not vest until 24 September 2023.

| | Targets | | | | Outcome | | No. of shares to vest |
|---|---|---|---|---|---|---|---|
| Performance measure | Weighting | Below threshold | Threshold | Stretch | Actual performance | Payout | Alex Whitehouse |
| Relative TSR[1] | 2/3 | < Median | Median | Upper quartile | 3rd/4th out of 386 companies | 100% | 900,341 |
| Adjusted EPS[2] | 1/3 | < 10.1p | 10.1p | 11.1p | 12.1p | 100% | |
| % of relevant portion of award vesting[3] | | 0% | 20% | 100% | | | |

1 Measured against the constituents of the FTSE All Share Index (excluding investment trusts) at the start of the period.
2 FY18/19 base year adjusted EPS was 8.5p.
3 Straight-line vesting between threshold and stretch.

## Scheme interests awarded during the financial year (audited)

### Deferred Bonus Plan (DBP)

One-third of any annual bonus payment awarded to executive directors is made in the form of shares. These shares are awarded under the terms of the DBP, which was approved by shareholders in July 2017. Awards will normally be made within six weeks following the announcement of the Group's full year results in the form of nil cost options. The awards will normally vest on the third anniversary of grant and, if awarded in the form of nil cost options, will then be exercisable up until the tenth anniversary of grant. The shares are subject to forfeiture and clawback provisions. Details of the DBP award granted on 10 June 2021 based on a share price of 109p are set out below:

| | FY20/21 Annual bonus | Bonus deferral (one-third) | Shares awarded | Deferral period |
|---|---|---|---|---|
| Alex Whitehouse | £625,000 | £208,333 | 191,131 | 10.06.21 – 10.06.24 |
| Duncan Leggett | £298,375 | £99,458 | 91,246 | 10.06.21 – 10.06.24 |

### LTIP award for FY21/22

Details of the LTIP award granted on 10 June 2021 are set out below.

| | Basis of award | Number of shares awarded | Face value on award date* | Performance period |
|---|---|---|---|---|
| Alex Whitehouse | 150% | 688,073 | £750,000 | 01.04.21 – 31.03.24 |
| Duncan Leggett | 100% | 284,403 | £310,000 | 01.04.21 – 31.03.24 |

* Determined based on the closing middle market quotation (MMQ) on the 5 dealing days ending 9 June 2021 of 109p.

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

1 Measured against the constituents of the FTSE All Share Index (excluding investment trusts) around the start of the period.
2 FY20/21 base year adjusted EPS was 11.0p.
3 Target EPS of 11.1p (at which 50% vests) with straight-line vesting between threshold and target and between target and stretch.

For the FY21/22 award, the Committee used the same measures as the FY20/21 LTIP award, i.e. relative TSR (two-thirds) and adjusted EPS (one-third), which is aligned with the Company's focus on revenue, cost efficiency and cash generation in order to reduce Net debt and improve shareholder return over the medium-term. The Committee believes that these measures are fully aligned with the interests of shareholders and that awards will only vest following the achievement of stretching performance targets. When setting the targets, the Committee also considered the potential impact of the current Covid-19 pandemic.

The TSR condition requires at least a median ranking to be achieved for 20% of this part of the award to vest, with full vesting taking place for an upper quartile ranking against the constituents of the FTSE All Share Index (excluding investment trusts), which was considered an appropriate index to use as it includes a wide range of companies, including the members of the FTSE 250 Index.

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

## Dilution limits

Awards under certain executive and all-employee share plans may be satisfied using either newly issued shares or shares purchased in the market and held in the Group's Employee Benefit Trust (which held 2,989,069 shares as at 2 April 2022). The Group complies with the Investment Association guidelines in respect of the dilutive effect of newly issued shares. The current dilutive impact of share awards over a 10-year period is approximately 5.0%.

## Share ownership guidelines, vesting and retention periods

To align executive directors' interests with those of shareholders, the 2020 Remuneration Policy increased the multiple of salary that the executives must hold in shares from 100% of salary to 200% of salary (valued at year end). The Committee will review progress against the requirements, noting that the executive directors are expected to retain 50% of shares from vested awards under the Deferred Bonus Plan (DBP) and the LTIP (other than sales to settle any tax or NICs due) until the target is reached. Retention periods have been introduced for both the annual bonus scheme and LTIP to encourage a focus on the long-term sustainable development of the business. One-third of any annual bonus award is deferred into shares for three years under the DBP and any shares which vest under LTIP awards granted since 2018 will be deferred for a further two-year period.

| | Y1 | Y2 | Y3 | Y4 | Y5 |
|---|---|---|---|---|---|
| Annual bonus (DBP) | ■ Performance | ■ Retention | ■ Retention | ■ Retention | |
| LTIP | ■ Performance | ■ Performance | ■ Performance | ■ Retention | ■ Retention |

■ Performance period
■ Retention period

## Post-employment shareholding guideline

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

The members of the Remuneration Committee reviewed the recommendation set out in the UK Corporate Governance Code regarding the introduction of a formal post-employment shareholding guideline. It was felt that the current arrangements provide an adequate disincentive against inappropriate short-term actions by departing executive directors. Extending post-cessation shareholding arrangements further, in either quantum or duration, was not judged to be appropriate by the Committee, as executive directors would no longer have the ability to influence the strategic direction or financial performance of the business, which operates in a dynamic and fast-changing FMCG environment. This will be reviewed by the Committee as part of its preparation of the 2023 Remuneration Policy.

## Share ownership for the wider Group

The Committee recognises the importance of aligning colleagues' interests with those of shareholders and encourages share ownership in order to increase focus on the delivery of shareholder return. All members of the ELT participate in the LTIP. Participation in the Sharesave Plan currently represents approximately 31% of colleagues.

## Statement of directors' shareholding and share interests (audited)

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

## Share ownership guidelines and share interest table (audited) FY21/22

| | **Shares owned as at 2 April 2022** | Shares owned as at 3 April 2021 | Share ownership[1] | DBP Awards | LTIP Awards (vested) | LTIP Awards (unvested) | Sharesave Awards | Total |
|---|---|---|---|---|---|---|---|---|
| Alex Whitehouse | **452,678** | 444,518 | 135% | 329,385 | 1,005,349 | 3,077,809 | 20,474 | 4,885,695 |
| Duncan Leggett | **106,811** | 98,771 | 37% | 125,535 | 53,833 | 1,121,082 | 20,474 | 1,427,735 |

1 The Shareholding guidelines require executive directors to hold 200% of their salary in shares, the percentage stated includes the post-tax value of awards held under the Deferred Bonus plans and vested LTIP awards.

## Executive share awards (audited)

| | Date of grant | Balance as at 3 April 2021 | Awarded in the year | Exercised in the year | Vested in the year[2] | Lapsed in the year | **Balance as at 2 April 2022** | Option price | Share price on date of grant | Share price on date of exercise | Date of vesting/ becomes exercisable | Maximum Expiry date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Alex Whitehouse** | | | | | | | | | | | | |
| LTIP[1] | 13.06.17 | 225,852 | – | – | – | – | **225,852** | | 40.50 | – | 13.06.20 | 12.06.24 |
| | 08.08.18 | 779,497 | – | – | 779,497 | – | **779,497** | | 41.20 | – | 08.08.21 | 07.08.25 |
| | 07.06.19 | 900,341 | – | – | – | – | **900,341** | | 34.00 | – | 07.06.22 | 06.06.26 |
| | 25.06.20 | 1,040,145 | – | – | – | – | **1,040,145** | | 69.50 | – | 25.06.23 | 24.06.27 |
| | 24.09.20 | 449,250 | – | – | – | – | **449,250** | | 89.00 | – | 24.09.23 | 24.09.27 |
| | 10.06.21 | – | 688,073 | – | – | – | **688,073** | | 108.60 | – | 10.06.24 | 09.06.31 |
| DBP | 25.06.20 | 138,254 | – | – | – | – | **138,254** | – | 69.50 | – | 25.06.23 | 25.06.30 |
| | 10.06.21 | – | 191,131 | – | – | – | **191,131** | – | 108.59 | – | 10.06.24 | 10.06.31 |
| Sharesave Plan[2] | 17.12.18 | 8,160 | – | 8,160 | – | – | **-** | 30.00 | 33.00 | – | 01.02.22 | 31.07.22 |
| | 16.12.19 | 8,876 | – | – | – | – | **8,876** | 29.20 | 37.20 | – | 01.02.23 | 31.07.23 |
| | 15.12.20 | 7,531 | – | – | – | – | **7,531** | 71.70 | 95.00 | – | 01.02.24 | 31.07.24 |
| | 16.12.21 | – | 4,067 | – | – | – | **4,067** | 83.20 | 104.00 | – | 01.02.25 | 31.07.25 |
| | | | 883,271 | 8,160 | 779,497 | – | **4,433,017** | | | | | |
| **Duncan Leggett** | | | | | | | | | | | | |
| LTIP[1] | 13.06.17 | 53,833 | – | – | – | – | **53,833** | – | 40.50 | – | 13.06.20 | 12.06.24 |
| | 25.06.20 | 401,459 | – | – | – | – | **401,459** | – | 69.50 | – | 25.06.23 | 24.06.27 |
| | 24.09.20 | 435,220 | – | – | – | – | **435,220** | – | 89.00 | – | 24.09.23 | 24.09.27 |
| | 10.06.21 | – | 284,403 | – | – | – | **284,403** | – | 108.60 | – | 10.06.24 | 10.06.31 |
| DBP | 25.06.20 | 34,289 | – | – | – | – | **34,289** | – | 69.50 | – | 25.06.23 | 25.06.30 |
| | 10.06.21 | – | 91,246 | – | – | – | **91,246** | – | 108.60 | – | 10.06.24 | 10.06.31 |
| Sharesave Plan[2] | 17.12.18 | 8,160 | – | 8,160 | – | – | **–** | 30.00 | 33.00 | – | 01.02.22 | 31.07.22 |
| | 16.12.19 | 8,876 | – | – | – | – | **8,876** | 29.20 | 37.20 | – | 01.02.23 | 31.07.23 |
| | 15.12.20 | 7,531 | – | – | – | – | **7,531** | 71.70 | 95.00 | – | 01.02.24 | 31.07.24 |
| | 16.12.21 | – | 4,067 | – | – | – | **4,067** | 83.20 | 104.00 | – | 01.02.25 | 31.07.25 |
| | | | 379,716 | 8,160 | – | – | **1,320,924** | | | | | |

1 The 2018 LTIP for Alex Whitehouse includes 6,959 shares representing notional dividends paid during the performance period, up until the date of vesting on 8 August 2021. The Remuneration Committee has determined that the TSR and EPS elements of the 2019 LTIP will vest in full in June 2022 (see page 86 for more information).

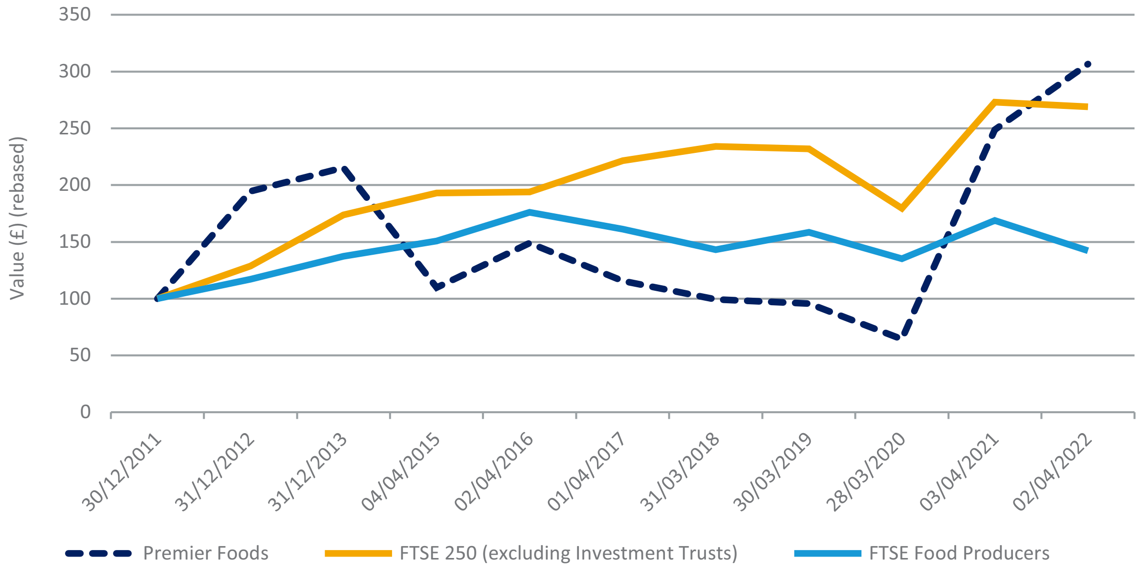
2 Executive directors are eligible to participate in the Group's Sharesave Plan on the same basis as all other eligible employees. Alex Whitehouse and Duncan Leggett were granted an award over 4,067 shares under the all employee Sharesave plan on 16 December 2021. An amount of £846 has been included within taxable benefits which represents the 20% discount to the share price immediately prior to the offer.

## Total shareholder return

The market price of a share in the Company on 1 April 2022 (the last trading day before the end of the financial period) was 115.6p; the range during the financial period was 92.6p to 122.2p.

This graph shows the value, by 2 April 2022, of £100 invested in Premier Foods plc on 31 December 2011, compared with the value of £100 invested in the FTSE Food Producers Index and FTSE 250 (excluding Investment Trusts) Index on the same date. The Committee previously used the FTSE All Share Index as a comparator but has decided to move to using the FTSE 250 Index, recognising that the Company is now an established member of the FTSE 250 and to align with the index used to measure TSR performance within the LTIP going forward. The Committee considers these to be the most appropriate comparator indices to assess the performance of the Group, given the Group's position as a FTSE 250 Food Producer. The other points plotted are the values at intervening financial year-ends.

## Share graph




## Chief Executive's single figure for total remuneration

The table below shows the single figure for total remuneration and the annual bonus and LTIP vesting as a percentage of maximum opportunity for the previous 10 financial periods.

| Year | CEO | Single figure for total remuneration | Annual bonus as a % of maximum | LTIP vesting as a % of maximum |
|---|---|---|---|---|
| FY21/22 | Alex Whitehouse | £2,199,850 | 100% | 100% |
| FY20/21 | Alex Whitehouse[2] | £2,025,254 | 100% | 100% |
| FY19/20 | Alex Whitehouse[1] | £742,575 | 81.5% | 33.3% |
| FY19/20 | Alastair Murray[1] | £683,776 | 64.2% | 33.3% |
| FY18/19 | Alastair Murray | £158,297 | 53.0% | – |
| FY18/19 | Gavin Darby | £1,241,708 | 60.0% | – |
| FY17/18 | Gavin Darby | £1,229,383 | 35.0% | – |
| FY16/17 | Gavin Darby | £862,455 | – | – |
| FY15/16 | Gavin Darby | £1,750,933 | 57.0% | – |
| FY14/15 | Gavin Darby | £1,736,749 | 23.4% | – |
| FY13 | Gavin Darby | £1,405,753 | 16.0% | – |
| FY13 | Michael Clarke | £1,122,795 | – | – |
| FY12 | Michael Clarke | £1,699,575 | 66.0% | – |

1 Alex Whitehouse was appointed as CEO on 30 August 2019 and Alastair Murray stepped down as Acting CEO and Chief Financial Officer.

2 The figures for FY20/21 have been adjusted, in line with statutory reporting requirements, to show the actual value upon vesting of the LTIP award on 8 August 2021. Full details of the single figure for total remuneration are set out on page 83.

## Percentage change in remuneration of directors and employees

For the purpose of this table, remuneration is defined as salary, benefits and annual bonus. Where directors have been appointed part way through the prior financial year, comparative figures have been calculated using an annualised figure. Tania Howarth, Lorna Tilbian and Roisin Donnelly were appointed as non-executive directors on 1 March, 1 April and 1 May 2022, respectively. Yuichiro Kogo and Daniel Wosner do not receive a fee. The directors are the only employees of the Company, so the average pay of the wider Group has also been included for the purposes of comparison.

| | Change in pay FY21/22 | | | Change in pay FY20/21 | | |
|---|---|---|---|---|---|---|
| | **Base salary % Change FY21/22** | **Benefits % Change FY21/22** | **Annual bonus % Change FY21/22** | Base salary % Change FY20/21 | Benefits % Change FY20/21 | Annual bonus % Change FY20/21 |
| **Executive directors** | | | | | | |
| Alex Whitehouse | **+3.2%** | **+0.2%** | **+1.5%** | +5.3% | -5.7% | +61.4% |
| Duncan Leggett | **+12.5%** | **-1.8%** | **+9.1%** | +12.7% | +4.5% | +33.1% |
| **Non-executive directors** | | | | | | |
| Colin Day | **+0.8%** | **–** | **–** | 0% | – | – |
| Richard Hodgson | **0%** | **–** | **–** | 0% | – | – |
| Simon Bentley | **0%** | **–** | **–** | 0% | – | – |
| Roisin Donnelly | **–** | **–** | **–** | – | – | – |
| Tim Elliott | **0%** | **–** | **–** | 0% | – | – |
| Tania Howarth | **0%** | **–** | **–** | – | – | – |
| Helen Jones | **0%** | **–** | **–** | 0% | – | – |
| Yuichiro Kogo | **–** | **–** | **–** | – | – | – |
| Pam Powell | **0%** | **–** | **–** | 0% | – | – |
| Lorna Tilbian | **–** | **–** | **–** | – | – | – |
| Daniel Wosner | **–** | **–** | **–** | – | – | – |
| **All Group employees** | **-0.8%** | **–** | **+40.7%** | +5.6% | – | +49.3% |

## Senior management and the wider workforce

The remit of the Committee includes the oversight of remuneration for senior management (who are defined as the Group's Executive Leadership Team and Senior Leadership Team) as well as reviewing workforce remuneration and related policies, and the alignment of incentives and rewards with culture. Remuneration for executive directors is set within the context of the Group's remuneration policy for the wider workforce. The key differences of quantum and structure in pay arrangements across the Group reflect the different size of roles and levels of accountability required for the role and that executive directors and senior management have a much greater emphasis on performance-based pay through the annual bonus and the LTIP.

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

The Committee reviews the level of salary increases for colleagues not involved in collective bargaining and also reviews the annual bonus plan for the general management population. Financial objectives for executive directors and the management population are aligned and strategic objectives are cascaded down the management structure. In FY18/19, the Committee approved changes to the management bonus scheme to make it more competitive and to help aid recruitment and retention. Senior management participate in long-term incentive arrangements, reflecting their contribution to Group performance and enhancing shareholder value. All employees are encouraged to own shares in the Company via the Sharesave Plan and executive directors through our shareholding guidelines.

## CEO pay ratio

The table below sets out a comparison of the CEO's total earnings as compared to the wider workforce based on colleagues' pay at the 25th percentile, median and 75th percentile. Premier Foods is a food manufacturing business employing around 4,000 colleagues, the majority of whom are based at our manufacturing sites.

We apply the same reward principles for all colleagues – that overall remuneration should be competitive when compared to similar roles in similar organisations. For manufacturing colleagues, we benchmark against the general pay conditions for similar roles in the relevant local area, including other food manufacturers. For the CEO, we benchmark against salaries at companies with a similar level of turnover, enterprise value and complexity. The key differences of quantum and structure in pay arrangements between the CEO and the majority of colleagues reflect the different levels of overall accountability, responsibilities, skill and experience required for the role. The CEO's pay has a much greater emphasis on performance-based pay through the annual bonus and the LTIP. The ratios may therefore vary significantly year-on-year depending on bonus and LTIP outcomes.

| Year | Method | 25th percentile | Median | Pay ratio<br>75th percentile |
|---|---|---|---|---|
| FY21/22 | B | 76:1 | 64:1 | 48:1 |
| FY20/21 | B | 82:1 | 61:1 | 49:1 |
| FY19/20 | A | 60:1 | 49:1 | 35:1 |
| FY21/22 | Base salary | £26,972 | £24,729 | £40,524 |
| FY21/22 | Total pay and benefits | £29,085 | £34,540 | £44,613 |

The CEO single figure for total remuneration was £2,199,850 (FY20/21: £2,025,254), as set out on page 83 of this report. The single figure (and associated percentile ratios) for FY20/21 have been adjusted, in line with statutory reporting requirements, to show the actual value upon vesting of the LTIP award on 8 August 2021. The main reason for the change in ratios from last year is an increase in the value of bonus and pension contributions, included within total pay and benefits, for the three colleagues selected, and an increase in overall variable pay for the CEO. The Committee confirms that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

The Group has calculated the ratio in line with the reporting regulations using method B, which uses the most recent hourly rate gender pay gap information for all UK employees of the Company to identify three UK employees as the best equivalents. This uses data which is already reported externally as part of the Group's gender pay gap reporting. Due to the fact that the Group has a significant number of part-time employees and a range of different weekly working hours and shift allowances at various sites, the calculation of comparable full-time equivalents under method A was considered particularly complex. The results for this year were checked against colleagues pay at either side of the data points selected, to ensure the results were representative and the figures provided are considered to be reflective of pay at the relevant sites where the colleagues are based. No adjustments or estimates have been used.

The workforce comparison is based on:

1. Payroll data as at 5 April 2021 for all colleagues, including part time colleagues and the CEO but excluding non-executive directors.
2. Total pay comprising salary and taxable benefits (including shift allowance, overtime, car allowance and performance related pay). Employers' pension contributions are not included in the data under the requirements of the gender pay gap reporting but have been included in the total pay and benefits figures for the three colleagues listed in the table above for comparative purposes.

## Gender pay gap reporting

Details of gender pay gap reporting are provided on page 167 and the report is available of the Group's website.

## Payments for loss of office (audited)

There were no payments for loss of office in the year (FY20/21: £Nil).

## Payments to former directors (audited)

There were no payments to former directors in the year (FY20/21: £Nil).

# Directors’ remuneration report CONTINUED

## Relative importance of spend on pay

The following table sets out the amounts and percentage change in total employee costs and distributions to shareholders (dividends and share buy backs). The Company has recommended the payment of a final dividend of 1.20p per share for the financial period, subject to shareholder approval at the AGM in July 2022, which represents a 20% increase on the prior year. The employee costs figure for FY20/21 includes a GMP equalisation charge of £2.9m, excluding this, total employee costs increased by +1.9% versus the prior year.

| | **FY21/22** | FY20/21 | Increase / Decrease |
|---|---|---|---|
| Total employee costs | **£183.0m** | £182.5m | +0.3% |
| Distributions to shareholders | **£8.5m** | £Nil | N/A |

## Non-executive directors

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

## Non-executive directors (audited)

Single figure for the total remuneration received by each non-executive director for the financial periods ended 2 April 2022 and 3 April 2021.

| **Director** | Basic fee £ | Committee Chair fee £ | SID fee £ | **Total fees FY21/22 £** | Total fees FY20/21 £ |
|---|---|---|---|---|---|
| Colin Day | 216,667 | – | – | **216,667** | 215,000 |
| Richard Hodgson | 57,000 | – | 10,000 | **67,000** | 67,000 |
| Simon Bentley | 57,000 | 13,000 | – | **70,000** | 70,000 |
| Roisin Donnelly[1] | – | – | – | **–** | – |
| Tim Elliott | 57,000 | – | – | **57,000** | 49,988 |
| Tania Howarth[1] | 4,750 | – | – | **4,750** | – |
| Helen Jones | 57,000 | – | – | **57,000** | 49,988 |
| Yuichiro Kogo[2] | – | – | – | **–** | – |
| Pam Powell | 57,000 | 10,500 | – | **67,500** | 67,500 |
| Lorna Tilbian[1] | – | – | – | **–** | – |
| Daniel Wosner[2] | – | – | – | **–** | – |

1 Tania Howarth, Lorna Tilbian and Roisin Donnelly were appointed as non-executive directors on 1 March, 1 April and 1 May 2022, respectively. Helen Jones and Tim Elliott were both appointed as non-executive directors on 15 May 2020.

2 Yuichiro Kogo and Daniel Wosner were appointed pursuant to relationship agreements with two of our major shareholders and did not receive a fee for their roles as non-executive directors.

## Non-executive directors’ fees

The fees of our non-executive directors (NEDs) are set out below. A review of non-executive directors’ fees was last undertaken by the Board in March 2022. The Committee considered the Chair’s fee, noting the significant contribution the Chair had made to the Group since appointment, the successful turnaround in the Group’s performance and also the significant time commitment for the role, and it was agreed that it would be appropriate to increase the Chair’s fee to £235,000 with effect from 1 March 2022. No increase was recommended for the NEDs fees.

| | **2 April 2022** | Change | 3 April 2021 |
|---|---|---|---|
| Chair’s fee | **£235,000** | 9.3% | £215,000 |
| Basic NED fee | **£57,000** | – | £57,000 |
| Additional remuneration: | | | |
| Audit Committee Chair fee | **£13,000** | – | £13,000 |
| Remuneration Committee Chair fee | **£10,500** | – | £10,500 |
| Senior Independent Director fee | **£10,000** | – | £10,000 |

## Non-executive directors' terms of appointment

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

| Director | Date of original appointment | Expiry of current appointment/amendment letter | Notice period |
|---|---|---|---|
| Alex Whitehouse | 30 August 2019 | – | 6 months |
| Duncan Leggett | 10 December 2019 | – | 6 months |
| Colin Day | 30 August 2019 | AGM 2022 | 3 months |
| Richard Hodgson | 6 January 2015 | AGM 2023 | 3 months |
| Simon Bentley | 27 February 2019 | AGM 2024 | 3 months |
| Roisin Donnelly | 1 May 2022 | AGM 2025 | 3 months |
| Tim Elliott | 15 May 2020 | AGM 2023 | 3 months |
| Tania Howarth | 1 March 2022 | AGM 2024 | 3 months |
| Helen Jones | 15 May 2020 | AGM 2023 | 3 months |
| Yuichiro Kogo | 25 March 2021 | – | – |
| Pam Powell | 7 May 2013 | AGM 2022 | 3 months |
| Lorna Tilbian | 1 April 2022 | AGM 2024 | 3 months |
| Daniel Wosner | 27 February 2019 | – | – |

## Non-executive directors' interests in shares (audited)

| NED | Ordinary shares owned as at 2 April 2022 | Ordinary shares owned as at 3 April 2021 |
|---|---|---|
| Colin Day | **200,000** | 200,000 |
| Richard Hodgson | **–** | – |
| Simon Bentley | **–** | – |
| Tania Howarth[1] | **–** | N/A |
| Roisin Donnelly[1] | **N/A** | N/A |
| Tim Elliott | **10,000** | 10,000 |
| Tania Howarth[1] | **–** | N/A |
| Helen Jones | **10,000** | – |
| Yuichiro Kogo[2] | **–** | – |
| Pam Powell | **160,366** | 160,366 |
| Lorna Tilbian[1] | **–** | N/A |
| Daniel Wosner[2] | **72,850** | 72,850 |

3 Tania Howarth, Lorna Tilbian and Roisin Donnelly were appointed as non-executive directors on 1 March, 1 April and 1 May 2022, respectively.
4 Yuichiro Kogo and Daniel Wosner are shareholder representative directors appointed pursuant to relationship agreements with two of our largest shareholders.

## Statement of implementation of remuneration policy in FY22/23

### Base salary and fees

The table below shows the base salaries of the executive directors as of 2 April 2022. As noted previously, the CEO's and CFO's salaries are now positioned at around the lower quartile of the FTSE 250. Any salary increases in FY22/23 are therefore expected to be in line with those awarded to all colleagues not involved in collective bargaining.

| Executive director | Salary as at 2 April 2022 |
|---|---|
| Alex Whitehouse | **£510,000** |
| Duncan Leggett | **£350,000** |

The Committee will continue to keep the Executive Directors' salaries under review as the Company's size and complexity continues to increase.

### Benefits

Benefits for FY22/23 will be in line with the approved Remuneration Policy.

### Pension

Pension entitlements for FY22/23 will be in line with the approved Remuneration Policy and on the same basis as all other UK employees. Executive directors will receive a contribution of 7.5% of basic pay up to an earnings cap (£181,800 for the 2022/23 tax year).

### Annual bonus measures for FY22/23

The Committee agreed that, for FY22/23, the financial targets would represent 70% of the total bonus opportunity. The performance measures will be linked to the Group's strategy to focus on revenue growth, cost efficiency and cash generation with the aim to deliver the Group's growth strategy. As set out in the Annual Statement, the Committee reviewed the financial goals and agreed that in order to support the Group's growth strategy, going forward operating cash flow would replace Net debt as the second financial measure. Trading profit is a Group KPI (see page 21). Non-financial objectives are focused on strategic opportunities to drive sales, generate cost savings and improve free cash flow in support of the Group's growth strategy. The element relating to ESG is aligned with the delivery of the Group's ESG strategy, the Enriching Life Plan (see pages 24 to 35 for more information). In addition, the weighting of ESG measures for the CEO and CFO has been aligned, reflecting management's increased focus in this area. The Board considers the financial targets and the non-financial targets to be commercially sensitive but has agreed that they will be disclosed as part of the performance assessment in next year's annual report. The financial and non-financial targets both contain Trading profit underpins.

One-third of any annual bonus awarded in respect of FY22/23 will be deferred in shares for three years under the Deferred Bonus Plan.

| | Alex Whitehouse | Duncan Leggett |
|---|---|---|
| Maximum opportunity as a % of salary | 125% | 100% |
| **Performance measure** | Weighting | Weighting |
| **Financial objectives (subject to a Trading profit underpin)** | | |
| Trading profit | 50% | 50% |
| Operating cash flow | 20% | 20% |
| | 70% | 70% |
| **Non-financial objectives (subject to a Trading profit underpin)** | | |
| Strategic | 20% | 20% |
| Environmental, Social and Governance | 10% | 10% |
| | 100% | 100% |

### LTIP award for FY22/23

For the FY22/23 award, the Committee proposes to use the same measures as the FY21/22 LTIP award, i.e. relative TSR and adjusted EPS), which is aligned with the Group's growth strategy to focus on revenue and profit growth, cost efficiency and cash generation in order to generate shareholder return over the medium-term. The weighting of the performance measures has been re-balanced such that they are equally weighted (previous two-thirds TSR and one-third EPS). This approach gives a greater focus to financial performance which is aligned with the Group's growth strategy. It was felt that this would also encourage investment in the business and ultimately drive profitable growth.

The Committee believes that these measures are fully aligned with the interests of shareholders and that awards will only vest following the achievement of stretching performance targets.

The TSR condition requires at least a median ranking to be achieved for 20% of this part of the award to vest, with full vesting taking place for an upper quartile ranking against the constituents of the FTSE 250 Index (excluding investment trusts), which is considered an appropriate index to use as the Company is now an established member of the FTSE 250 Index.

The adjusted EPS target is 11.9p, with a range of 11.4p at threshold to 12.4p at maximum. In setting these targets, the Committee took into account the Group's 5-year Strategic plan, the impact of the change in corporation tax rate from 19% to 25% and analyst consensus forecasts. The Group currently retains brought forward losses which it can utilise to offset against future tax liabilities and therefore tax is currently a non-cash item for Premier Foods. The Committee noted that a notional tax charge is included for the purposes of calculating EPS and therefore the increase in tax rate would reduce the EPS outcome in FY24/25. The Committee has set stretching targets for the three-year performance period, with targets set to ensure that participants are motivated to deliver shareholder value without excessive risk-taking. In line with its usual approach, the Committee will review performance in the round to ensure that final vesting outcomes reflect the broader business and individual context in the period.

| | Basis of award | Face value on award date | Performance period |
|---|---|---|---|
| Alex Whitehouse | 150% | £765,000 | 01.04.22 – 31.03.25 |
| Duncan Leggett | 100% | £350,000 | 01.04.22 – 31.03.25 |

| | | Targets | | | |
|---|---|---|---|---|---|
| **Performance measure** | **Weighting** | **Below threshold** | **Threshold** | **Target** | **Stretch** |
| Relative TSR[1] | 50% | < Median | Median | N/A | Upper quartile |
| Adjusted EPS | 50% | < 11.4p | 11.4p | 11.9p | 12.4p |
| % of relevant portion of award vesting[2] | | 0% | 20% | 50% | 100% |

1 Measured against the constituents of the FTSE 250 Index (excluding investment trusts) around the start of the period.
2 Target EPS of 11.9p (at which 50% vests) with straight-line vesting between threshold and target and between target and stretch.

### The Committee

Details of the Committee members and their meeting attendance are set out on page 65. Pam Powell was appointed as Chair of the Remuneration Committee on 30 May 2019, having served as a member of the Remuneration Committee for six years. Throughout the financial period, all members of the Committee have been independent. In addition, the Chairman, CEO, HR Director and the remuneration advisers attended Committee meetings by invitation. In accordance with the Committee's terms of reference, no one attending a Committee meeting may participate in discussions relating to his/her own terms and conditions of service or remuneration. Over the course of the year, the Committee held five meetings.

## Role of the Remuneration Committee

The Committee has been delegated authority by the Board to approve the overall design of the Remuneration Policy for executive directors and senior management, to agree the terms of employment including recruitment and termination terms of executive directors, approve the design of all share incentive plans, recommend appropriate performance measures and targets for the variable element of remuneration packages, and determine the extent to which performance targets have been achieved. The Committee's remit has also been extended to review the remuneration arrangements for the wider workforce and to ensure there is alignment between the Group's remuneration arrangements and culture.

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

- Undertook a review of remuneration arrangements for executive directors and the ELT to ensure they continue to support the Group's evolving strategy, and aid the retention and recruitment of senior management;
- Approved changes to the operation of the annual bonus plan, LTIP and the shareholding requirements below executive director level;
- Together with the Board, received regular updates on the remuneration arrangements for the wider workforce, and the options to extend long-term incentive arrangements for management below the ELT;
- Reviewed the ongoing impact of Covid-19 on performance and remuneration outcomes;
- Considered the approach, scope and time lines for the 2023 Remuneration Policy review;
- Reviewed and discussed developments in best practice in order to keep the Committee up to date with current market practice;
- Reviewed the voting results for the 2021 Directors' Remuneration Report;
- Reviewed the FY21/22 annual bonus plan for management at below Board level;
- Reviewed and recommended executive directors' and senior managers' annual bonuses in respect of the financial period and set the targets for the FY22/23 annual bonus, ensuring they were aligned with the strategic objectives of the Group;
- Granted the 2021 awards under the Company's all-employee plans and monitored colleague participation; and
- Granted the 2021 awards under the Company's executive share plans to executive directors and senior managers and agreed the targets for awards due to be made in 2022, ensuring they are aligned with the strategic objectives of the Group.

## Committee evaluation

As part of the internal Board evaluation exercise conducted during the year (see page 67 for more information), a review of the Committee's effectiveness was also undertaken. The review included the management of meetings, quality of papers and presentations, an assessment of overall remuneration strategy and whether it supported the delivery of the Group and ESG strategies, the Committee's understanding of remuneration arrangements for the wider workforce and the views of key stakeholders. It was confirmed that the Committee remained effective and an action plan for the coming year was agreed. A review was also undertaken of the performance of the Committee's adviser, and it was confirmed that they had performed effectively in supporting the Committee over the period.

## Advisers

Following a tender exercise undertaken in 2020, Deloitte LLP ('Deloitte') was engaged to provide advice to the Committee in January 2021. The Deloitte engagement team have no other connection with the Group or its directors which are considered to impair their independence. Deloitte is a founding member of the Remuneration Consultants Group and, as such, adheres to its Code of Conduct. The Committee is satisfied that the advice received from Deloitte is objective and independent. During the financial period, Deloitte received fees of £68,950 (FY20/21: £27,100 Deloitte, £29,878 Aon plc and £18,102 Alvarez & Marsal LLP), in respect of their advice to the Committee.

## External appointments

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

## Statement of voting at Annual General Meeting

The details of the voting on the resolutions at the AGM held on 23 July 2021 are set out below (full details of the voting results for each resolution are available on the Group's website: www.premierfoods.co.uk).

| | Approval of Directors' Remuneration Report FY20/21 | % of votes cast | Approval of the current Directors' Remuneration Policy | % of votes cast |
|---|---|---|---|---|
| Date of AGM | 23 July 2021 | | 12 August 2020 | |
| Votes for | 670,891,177 | 97.53% | 569,672,002 | 96.65% |
| Votes against | 17,003,876 | 2.47% | 19,748,413 | 3.35% |
| Total votes cast | 687,895,053 | 100% | 589,420,415 | 100% |
| Votes withheld | 254,200 | | 229,811 | |

The Directors' Remuneration Report was approved by the Board on 18 May 2022 and signed on its behalf by:

**Pam Powell**
Remuneration Committee Chair

# Other statutory information

## Directors' report

The directors' report consists of pages 08 to 99 and has been drawn up and presented in accordance with, and in reliance upon, applicable English company law and the liabilities of directors in connection with that report shall be subject to the limitations and restrictions provided by such law. In the directors' report, references to the Company or Group, are references to Premier Foods plc and its subsidiaries.

## Profit and dividends

The profit before tax for the financial year was £102.6m (FY20/21: profit of £122.8m) and the directors have proposed a final dividend of 1.20 pence per share for the financial period ended 2 April 2022 (FY20/21: 1.0 pence), representing a 20% increase on prior year. Subject to shareholder approval, the final dividend will be payable on 29 July 2022 to shareholders on the register at the close of business on 1 July 2022.

Over the last few years, the Company has made significant progress in deleveraging the business and reducing Net debt to a level that would enable the payment of a dividend (see KPIs on page 21). In February 2021, the Company completed a capital reduction in order to provide greater flexibility in how the Company manages its capital resources going forward. As a result of this, the Company was able to pay a dividend of 1.0 pence per share to shareholders on 30 July 2021. This represents the first dividend payment by the Company since 2008, and is further demonstration of the improved strength of the business and the continued delivery of its growth strategy.

## Research and development

Applied research and development work continues to be directed towards the introduction of new and improved products; the application of new technology to reduce unit and operating costs; and to improve service to customers. Total research and development spend (including capitalised development costs) was £11.4m (FY20/21: £13.2m).

## Branches

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

## Share capital information

The Company's issued share capital as at 2 April 2022 comprised 862,785,277 ordinary shares of 10p each. During the period 4,158,472 ordinary shares were allotted to satisfy the vesting of awards made under the all-employee Sharesave Plan and 3,500,000 were allotted to satisfy the vesting of awards made under the LTIP, details of the movements can be found in note 22 on page 153. All of the ordinary shares rank equally with respect to voting rights and the rights to receive dividends and distributions on a winding up. In accordance with the Articles, there are no restrictions on share transfers, limitations on the holding of any class of shares or any requirement for prior approval of any transfer with the exception of certain officers and employees of the Company who are required to seek prior approval to deal in the shares of the Company and are prohibited from any such dealing during certain periods under the requirements of the EU Market Abuse Regulation.

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

The directors were granted authority at the 2021 AGM to allot relevant securities under two separate resolutions (i) up to one-third of the Company's issued share capital; and (ii) up to two-thirds of the Company's issued share capital in connection with a rights issue. This authority will apply until the conclusion of the 2022 AGM. A similar authority will be sought from shareholders at the 2022 AGM. The Company does not currently have authority to purchase its own shares, and no such authority is being sought at the 2022 AGM.

## Significant contracts – change of control

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

The Company's executive and all-employee share plans contain provisions, as a result of which, options and awards may vest and become exercisable on a change of control in accordance with the plan rules.

## Articles of association

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

## Substantial shareholdings

Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. As at 18 May 2022, the Company has been notified of the following interests of 3% or more in the Company:

| Shareholder | Ordinary shares[1] | % of share capital[2] |
|---|---|---|
| Nissin Foods Holdings Co., Ltd. | 164,486,846 | 19.06 |
| Oasis Management Company Ltd[3] | 76,379,841 | 8.85 |
| JPMorgan Chase & Co.[3] | 44,559,230 | 5.16 |
| Kempen Capital Management N.V. | 42,810,000 | 4.96 |
| M&G Plc | 34,916,779 | 4.05 |

1 Number of shares held at date of notification.

2 Percentage of share capital as at 2 April 2022.

3 Held in the form of shares and as a total return swap.

## Powers of directors

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

## Director appointments

The Board has the power to appoint one or more additional directors. Under the Articles any such director holds office until the next AGM when they are eligible for election. Shareholders may appoint, reappoint or remove directors by an ordinary resolution. In addition, the appointment of Yuichiro Kogo and Daniel Wosner are subject to the terms of shareholder relationship agreements (see Conflicts of interest on page 66).

## Directors' and officers' liability insurance

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

## Access to external advice

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

## Political donations

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

## Employment of people with disabilities

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

## Greenhouse gas (GHG) emissions reporting

Premier Foods' GHG emissions were calculated and reported based on the 'The Greenhouse Gas Protocol: GHG Protocol: A Corporate Accounting and Reporting Standard – Revised Edition' (GHG Protocol) and the complementary 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard' setting our boundaries to include all key requirements and following an operational control approach. We used primary data from business units, and operating and office sites. Where primary data wasn't available estimates were made with a choice of assumptions following a conservative approach. Emissions factors were selected from a range of reputable sources including Ecoinvent 3.8, BEIS 2020 and 2021, Agri-footprint and WFLDB (World Food LCA Database). All emissions values in this report are given in metric tonnes of carbon dioxide equivalent (tCO2e).

All emissions are calculated using the GHG Protocol. We have developed a more detailed approach for the calculation of our footprint with external support and all figures for FY20/21 have been updated from those shown in the FY20/21 annual report. In the event of future changes in operating infrastructure through acquisitions or divestments the FY20/21 baseline will be recalculated to allow a consistent comparison of performance.

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

| GHG emissions | FY21/22 | FY20/21 |
|---|---|---|
| Scope 1 emissions ($tCO_2e$) | **37,621** | 39,113 |
| Scope 2 emissions - gross location based ($tCO_2e$) | **18,567** | 21,247 |
| Scope 2 emissions - net market based ($tCO_2e$) | **4** | 31,983 |
| Total Scope 1 & 2 gross location based ($tCO_2e$) | **56,188** | 60,360 |
| Change in Scope 1 & 2 emissions since FY20/21 - gross location based (%) | **-6.9%** | |
| Total Scope 1 & 2 emissions net market based ($tCO_2e$) | **37,625** | 71,096 |
| Change in Scope 1 & 2 since FY20/21 - net market based (%) | **-47.1%** | |
| Overall Scope 1 & 2 intensity ($gCO_2e$ per kg of product) - gross location based | **168.6** | 164.0 |
| Change in Scope 1 & 2 emissions intensity since FY20/21 - gross location based (%) | **2.8%** | |
| Overall Scope 1 & 2 intensity ($gCO_2e$ per kg of product) net market based | **112.9** | 193.2 |
| Change in Scope 1 & 2 emissions intensity since FY20/21 - net market based (%) | **-41.6%** | |
| Production output (tonnes) | **333,260** | 367,992 |
| Total energy usage (MWh) | **275,577** | 282,567 |
| Energy usage ratio (MWh/t) | **0.83** | 0.77 |
| Scope 3 emissions ($tCO_2e$) | **1,139,062** | |

## Principal energy efficiency measures taken in FY21/22

As part of our recently launched Enriching Life Plan, we have set bold new targets to decarbonise our own operations and support our suppliers to do the same. Energy efficiency is a crucial element of this plan and we have launched a "Smart Energy" programme under the leadership of our Operations Director. The programme will coordinate the organisation's work on energy efficiency through site energy councils progressing behavioural changes and investments in new processes and equipment. Both energy use and associated $CO_2e$ emissions are monitored monthly through our internal environmental reporting and we are improving the quality of available information by investing in metering equipment. This will allow us to more clearly identify improvement opportunities and prioritise them based on their potential benefits.

Capital investments in this year include boiler upgrades and compressor renewals, along with a continuation of our LED lighting programme and changes to distribution infrastructure to facilitate more efficient vehicle loading and utilisation.

Further information on Scope 1, 2 and 3 emissions are set out in Additional disclosures on page 164.

# Other statutory information CONTINUED

## Colleague engagement

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

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

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

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

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

- Workforce Engagement NED: page 64.
- Engaging with our stakeholders and Section 172(1) statement: pages 69 to 71.

## Colleague communication

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

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

## Anti-corruption and anti-bribery

The Group has in place an Anti-Bribery and Corruption Policy and a code of conduct for third parties which provides guidance for complying with anti-corruption laws. This is provided to graded managers and those who operate in commercial roles, together with formal training. This covers, amongst other things, guidance on dealings with third parties, facilitation payments, gifts and hospitality and charitable and political donations. We do not tolerate any form of bribery or corruption and expect all colleagues, business partners, suppliers, contractors, joint venture partners, customers, agents, distributors and other representatives to act in accordance with all laws and applicable Group policies. The current Anti-Bribery and Corruption Policy was approved by the Audit Committee in March 2021 and a summary is available on the Group's website.

## Code of conduct and whistleblowing helpline

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

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

## Modern Slavery

We are committed to tackling all forms of hidden labour exploitation, including slavery and human trafficking, and we have ensured that all new members of the Procurement team receive specific training on modern slavery and trafficking as part of their induction. The training utilises both internal and external training resource materials and is tailored to raise awareness of the issues around modern slavery in supply chains and to empower team members to recognise and respond to indicators of human rights abuse within the supply chain. Our Modern Slavery Statement is reviewed and approved by the Board on an annual basis and is available to view of the Group's website.

## Financial risk management

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

## Going concern and viability statement

The directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the next 12 months and therefore continue to adopt the going concern basis in preparing the consolidated financial statements. Further information on the basis of preparation is set out in note 1.1 on page 115. The Company's viability statement, where the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 29 March 2025, is set out on page 58.

## Related parties

Details on related parties can be found in note 26 on page 154.

## Subsequent events

Details relating to subsequent events can be found in note 28 on page 156.

# Statement of directors' responsibilities

## in respect of the annual report and the financial statements

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

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

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

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

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

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

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

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

We confirm that to the best of our knowledge:

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

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

### Independent auditor

The Company is proposing to undertake an audit tender exercise, the result of which will not be known until after the 2022 AGM has been held. In the interim period, KPMG LLP ('KPMG') have indicated their willingness to continue to act as the Company's auditor until the outcome of the tender has been concluded. Upon recommendation of the Audit Committee, the reappointment of KPMG and the setting of their remuneration will be proposed at the 2022 AGM.

### Auditor and the disclosure of information to the auditor

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

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

The directors' report was approved by the Board on 18 May 2022 and signed on its behalf by:

**Simon Rose**
General Counsel and Company Secretary

companysecretary@premierfoods.co.uk


# Financial statements



***Sharwood's 30% less sugar stir fry sauce***

89% of our core ranges now include at least one better-for-you product, including Sharwood's 30% less sugar stir fry sauce pouches.

# Independent auditor's report
## to the members of Premier Foods plc

### 1 Our opinion is unmodified

We have audited the financial statements of Premier Foods plc ("the Company") for the 52 week period ended 2 April 2022 which comprise the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity, Company balance sheet, Company statement of changes in equity and the related notes, including the accounting policies in note 2 to the Group financial statements and note 1 to the Company financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 2 April 2022 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

We were first appointed as auditor by the directors on 4 September 2015. The period of total uninterrupted engagement is for the 7 financial periods ended 2 April 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

### Overview

| | |
|---|---|
| Materiality: Group financial statements as a whole | £4.5m (2020/2021: £4.5m)<br>0.5% (2020/2021: 0.48%) of revenue |
| Coverage | 97% (2020/2021: 96%) of revenue |

| **Key audit matters (recurring)** | vs 2020/2021 |
|---|---|
| Valuation of pension scheme assets for which a quoted price is not available | ◀▶ |
| Valuation of defined benefit pension obligation | ◀▶ |
| Revenue recognition subject to commercial arrangements | ◀▶ |
| Recoverability of parent company's investment in subsidiaries | ◀▶ |

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

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

We summarise below the key audit matters (unchanged from 2021/2022), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

| | The risk | Response |
|---|---|---|
| **Valuation of pension scheme assets for which a quoted price is not available**<br><br>Refer to page 78 (Audit Committee Report), page 120 and 122 (accounting policy) and page 135-141 (financial disclosures). | **Subjective valuation**<br><br>The Group's RHM Pension Scheme holds material assets for which quoted prices are not available.<br><br>The valuation of these assets can have a significant impact on the surplus in the scheme. Valuations are prepared based on the most recent information available and are adjusted where appropriate.<br><br>There is increased estimation uncertainty associated with the valuation of these assets as the valuations may precede the year-end, and significant judgement is required to evaluate market indices used by directors to estimate the adjustments needed to these asset valuations.<br><br>As a result, we determined that the valuation of these assets is subject to a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. | **Our procedures included:**<br><br>• **Assessing credentials of external fund managers and custodians:** we assessed the competence and objectivity of the fund managers and custodians who prepared asset statements to support the Group's valuation of scheme assets;<br>• **Assessing historical estimates:** we compared the Group's fund managers' historical estimated net asset values to the latest audited financial statements of those funds to assess the Group's ability to accurately estimate the fair value of assets;<br>• **Asset confirmations:** we compared the asset values recognised by the Group to confirmations obtained directly from fund managers and custodians.<br>• **Benchmarking assumptions:** we performed an independent assessment of the movement in market indices used by directors to estimate if adjustments were required to be made to asset valuations that had a valuation date preceding the year-end;<br>• **Assessing transparency :** we considered the adequacy of the Group's disclosures relating to the valuation of scheme assets for which a quoted price is not available.<br><br>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above.<br><br>**Our results**<br><br>The results of our testing were satisfactory, and we found the valuation of scheme assets for which a quoted price is not available to be acceptable (2020/2021: acceptable). |

| | The risk | Response |
|---|---|---|
| **Valuation of defined benefit pension obligation**<br><br>**Defined benefit pension obligation £4,155.1m; (2020/2021: £4,712m)**<br><br>Refer to page 78 (Audit Committee Report), page 120 and 122 (accounting policy) and page 135-141 (financial disclosures). | **Subjective valuation**<br><br>Small changes in the assumptions used to value the liabilities of the RHM Pension Scheme, Premier Foods Pensions Scheme and Premier Grocery Products Pension Scheme, in particular those relating to inflation, mortality, and discount rates, can have a significant impact on the valuation of the liabilities.<br><br>The effect of these matters is that we determined that the pension assumptions have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.<br><br>The financial statements (note 13 (b)) disclose the sensitivities estimated by the Group in respect of these assumptions | **Our procedures included:**<br><br>• **Assessing external actuary's credentials:** we critically assessed the qualifications, objectivity and competence of the Group's external actuaries to determine if they have the knowledge and experience required to perform the valuation of the defined benefit pension schemes<br>• **Our actuarial expertise:** using our own actuarial specialists, we evaluated and challenged the assumptions on mortality rates, forecast future inflation rates, and discount rates applied to estimate the present value of the future obligations of the defined benefit pension schemes<br>• **Benchmarking assumptions:** we benchmarked the assumptions applied in the valuation of the defined benefit pension obligations against market data and peers.<br>• **Assessing transparency:** we considered the adequacy of the Group's disclosures relating to the sensitivity of the obligation to these assumptions.<br><br>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above.<br><br>**Our results**<br><br>The results of our testing were satisfactory, and we found the valuation of defined benefit obligation to be acceptable (2020/2021: acceptable). |

| | The risk | Response |
|---|---|---|
| **Revenue recognition subject to commercial arrangements**<br><br>**Commercial accruals £75.1m; (2020/2021: £75.5m)**<br><br>Refer to page 77 (Audit Committee Report), page 116, 117 and 123 (accounting policy) and page 144 (financial disclosures). | **Subjective estimate**<br><br>The Group regularly enters into commercial arrangements with its customers to offer product promotions and discounts. Revenue is measured net of outflows in relation to these arrangements.<br><br>Due to the variability in the nature and the number of different arrangements in place, there is a risk that these arrangements are not appropriately accounted for and as a result revenue is misstated.<br><br>Certain arrangements are subject to a higher degree of estimation as they span the year-end and require the directors to estimate the liability related to in year promotional activity which remains unsettled at year-end. The most significant source of uncertainty arises from estimating the sales volumes attributable to each arrangement, or estimating the final expected settlement, which could vary based on subsequent commercial negotiations.<br><br>There is also a risk that revenue may be overstated through fraudulent manipulation of the commercial accruals recognised resulting from the pressure management may feel to achieve performance targets. | **Our procedures included:**<br><br>**Accounting policies:** we critically assessed the appropriateness of the Group's accounting policies relating to commercial arrangements against the relevant accounting standards.<br><br>**Historical comparisons:** We evaluated the accuracy of the Group's more judgemental commercial accruals by comparing those recognised in the prior year to the actual settlements agreed with the customer.<br><br>**Test of detail:**<br>We focused our detailed testing on commercial accruals we considered to be more judgemental or potentially subject to management bias and fraud. For a sample of these commercial accruals we:<br>• Recalculated selected accruals based on the terms of the arrangement, including relevant incentive or promotion rates and sales subject to the commercial arrangement in order to assess the accuracy of the accrual;<br>• Identified the key inputs and assumptions in the calculation of each accrual selected, such as promotional discount structure and actual or forecasted sales volumes;<br>• Agreed those key inputs and assumptions to relevant documentation, such as invoices received after the balance sheet date, customer agreements or third-party consumption data; and<br>• Assessed whether the key assumptions were consistent with external and internal data points and the Group's historical experience for these promotions.<br><br>In addition to the procedures above we:<br>• Visited a selection of customer stores before the period end, identifying product promotions and assessing whether those promotions were appropriately accrued for at year-end;<br>• Inspected a selection of accruals recorded after the year end and assessed whether the accrual was recorded in the correct accounting period to assess the completeness of accruals recorded at year-end; and<br>• Obtained supporting documentation for manual journals recorded to revenue through commercial accruals to assess the appropriateness of the journals.<br><br>**Assessing transparency:** Considered the adequacy of the Group's disclosures relating to the significant accounting policies, estimates and judgments in respect of volume rebates and discounts.<br><br>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above.<br><br>**Our results:**<br><br>The results of our testing were satisfactory, and we found revenue relating to commercial arrangements to be acceptable (2020/2021: acceptable). |

| | The risk | Response |
|---|---|---|
| **Recoverability of parent company's investment in subsidiaries**<br><br>**£1,114.8m; (2020/21: £1,112.5m)**<br><br>Refer to page 159 (accounting policy) and page 160-161 (financial disclosures). | **Forecast-based valuation:**<br><br>The carrying value of the parent company's investment in its subsidiary represents 97% (2019/2020: 97%) of the Company's total assets.<br><br>The carrying amounts of the company's investment is significant and at risk of irrecoverability as it is dependent on the Group's ability to achieve increases in profitability in line with its strategic plans.<br><br>The estimated recoverable amount of this investment is subjective due to the inherent uncertainty involved in forecasting and discounting these future cash flows.<br><br>The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the cost of investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. | **Our procedures included:**<br><br>• Benchmarking assumptions: we challenged, with the assistance of our valuation specialists, the assumptions used in the valuation model, in particular those relating to i) revenue and profit, ii) long term growth rates; and iii) the discount rates used, by comparing these with externally derived data and our understanding of the Group and sector performance;<br>• **Sensitivity analysis:** we performed sensitivities on the key assumptions noted above;<br>• **Historical comparisons:** we assessed the reasonableness of the forecasts by considering the historical accuracy of the previous forecasts; and<br>• **Assessing transparency:** we assessed the adequacy of the parent company's disclosures in respect of the investment in subsidiaries<br><br>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above<br><br>**Our results:**<br><br>We found the company's conclusion that there is no impairment of its investments in subsidiaries to be acceptable (2020/2021: acceptable). |

### 3 Our application of materiality and an overview of the scope of our audit

**Materiality**

The materiality of the Group financial statements as a whole was set at £4.5m (2020/2021: £4.5m), determined with reference to a benchmark of revenue of £900.5m (2020/2021: £947m) of which it represents 0.5% (2020/2021: 0.48%).

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

Materiality for the parent Company financial statements as a whole was set at £1.2m (2020/2021: £1.2m), determined with reference to a benchmark of company total assets, of which it represents 0.1% (2020/2021: 0.1%).

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

Performance materiality for the Group and the parent company was set at 75% (2020/2021: 75%) of materiality for the financial statements, which equates to £3.3m (2020/2021: £3.3m) for the Group and £0.9m (2020/2021: £0.9m) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.22m (2020/2021: £0.22m), in addition to other identified misstatements that warranted reporting on qualitative grounds

**Scoping**

Of the Group's 32 (2020/2021: 33) reporting components, we subjected 2 components (2020/2021: 3) to full scope audits for group purposes and 2 components (2020/2021: 2) to specific risk focused audit procedures focussed over borrowings and cash.

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

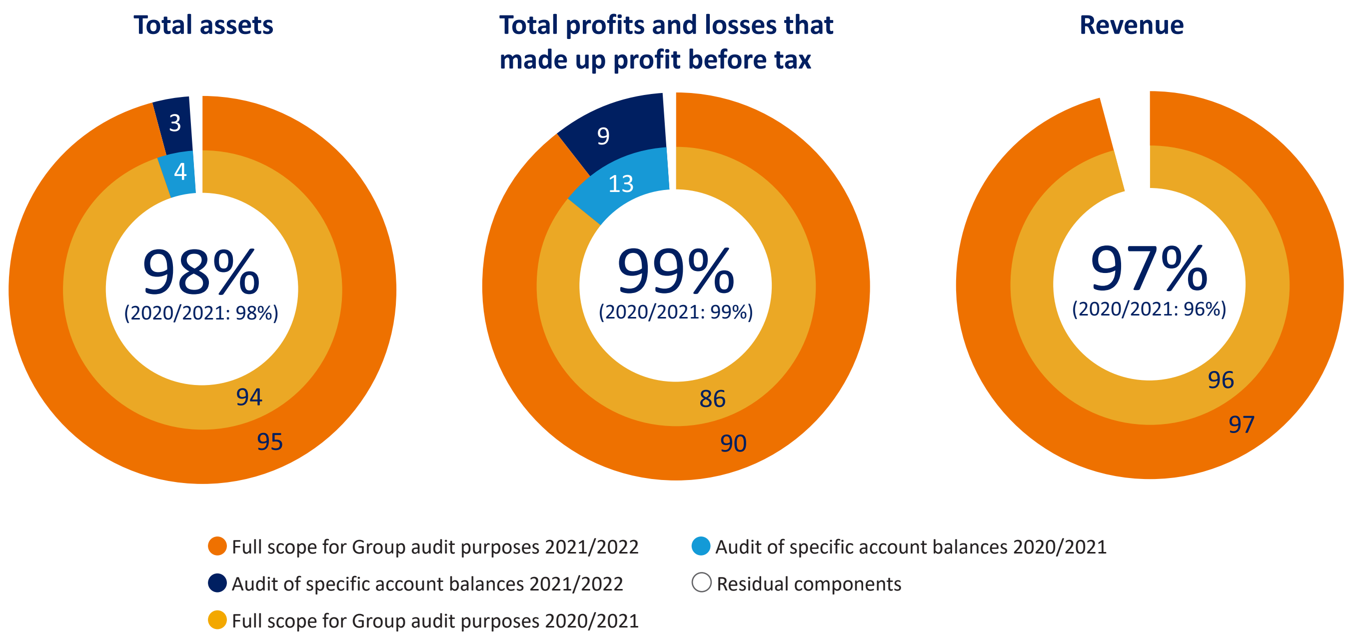
The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 3% (2020/2021: 4%) of total revenue, 1% (2020/2021: 1%) of profit before tax and 2% (2020/2021: 2%) of total assets is represented by 28 (2020/2021: 28) of reporting components, none of which individually represented more than 2% (2020/2021: 2%) of any of total revenue, profit before tax or total assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The component materialities ranged from £1.2m to £4.2m (2020/2021: £1.2m to £4.2m), having regard to the mix of size and risk profile of the Group across the components.

All full scope and audit of account balance components are managed from the central locations in the UK and the work on all components, including the audit of the parent company, was performed by the Group team.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.



## 4 The impact of climate change on our audit

In planning our audit, we considered the potential impacts of climate change on the Group's business and its financial statements.

The Group has set out in the Strategic Report its commitment to achieving net zero Scope 1 and Scope 2 greenhouse gas emissions (GHGs) by 2040 and Scope 3 GHGs by 2050 and its commitment to several other shorter-term targets.

As a part of our audit, we have performed a risk assessment, including enquiries of management, to understand how the impact of commitments made by the Group in respect of climate change, as well as the physical or transition risks of climate change, may affect the financial statements and our audit. There was no impact of this work on our key audit matters.

Whilst the Group is still undertaking work to quantify and assess the potential impact of climate change on the business, based on the procedures we performed in reviewing and challenging the Group's road map for transitioning to net zero Scope 1 and Scope 2 GHGs, we did not identify any significant risk in this period of climate change having a material impact on the Group's critical accounting estimates. This is due to the shorter-term nature of certain estimates (commercial accruals in respect of revenue) and the level of headroom (impairment of goodwill and intangible assets). In addition, we did not identify any significant risks in this period to the carrying value and useful economic lives of property, plant and equipment caused by the projected physical risks of climate change or the transition to a net zero operating model.

We have read the disclosures of climate related information in the annual report and considered their consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of the climate risk disclosures in the Annual Report.

## 5 Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period were the temporary loss of production capability due to Covid-19 outbreaks in the manufacturing facilities or related labour shortages as well as failure to adequately mitigate input cost inflation.

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

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

Our procedures also included:

- Critically assessing assumptions in the Directors' base and downside scenarios, particularly in relation to forecasted revenues and costs including the impact of input cost inflation and other factors described above, and their impact on forecast liquidity and covenant compliance, by reference to our understanding of the entity's plans based on approved budgets, as well as our knowledge of the entity and the sector in which it operates; and
- Considering whether the going concern disclosure in note 1.1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1.1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1.1 to be acceptable; and
- the related statement under the Listing Rules set out on page 98 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

## 6 Fraud and breaches of laws and regulations – ability to detect

### Identifying and responding to risks of material misstatement due to fraud

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

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

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

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

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

We did not identify any additional fraud risks.

We also performed procedures including:

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

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

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate.

We identified the following areas as those most likely to have such an effect:

- Employee health and safety and other employments legislation;
- Product safety regulations;
- Labelling and environmental regulations; and
- Intellectual property legislation, reflection the potential of the Group to infringe trademarks, copyright and patents.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

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

## 7 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Disclosures of emerging and principal risks and longer-term viability

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

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

- the directors' confirmation within the viability statement on page 58 is that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability statement set out on page 58 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

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

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

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

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

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

## 8 We have nothing to report on the other matters on which we are required to report by exception
Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## 9 Respective responsibilities
### Directors' responsibilities
As explained more fully in their statement set out on page 99, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

## 10 The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Zulfikar Walji (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
Chartered Accountants
15 Canada Square
London E14 5GL
18 May 2022

# Consolidated statement of profit or loss

| | Note | 52 weeks ended 2 April 2022 £m | 53 weeks ended 3 April 2021 £m |
|---|---|---|---|
| Revenue | 4 | **900.5** | 947.0 |
| Cost of sales | | **(573.4)** | (611.7) |
| **Gross profit** | | **327.1** | 335.3 |
| Selling, marketing and distribution costs | | **(133.4)** | (137.4) |
| Administrative costs | | **(62.6)** | (77.9) |
| Reversal of impairment losses on financial assets | | **–** | 15.7 |
| Profit on disposal of investment in associate | | **–** | 16.9 |
| **Operating profit** | 4, 5 | **131.1** | 152.6 |
| Finance cost | 7 | **(29.0)** | (36.2) |
| Finance income | 7 | **0.5** | 6.4 |
| **Profit before taxation** | | **102.6** | 122.8 |
| Taxation charge | 8 | **(25.1)** | (16.8) |
| Profit for the period attributable to owners of the parent | | **77.5** | 106.0 |
| | | | |
| **Basic earnings per share** | | | |
| From profit for the period (pence) | 9 | **9.0** | 12.5 |
| | | | |
| **Diluted earnings per share** | | | |
| From profit for the period (pence) | 9 | **8.8** | 12.2 |

# Consolidated statement of comprehensive income

| | Note | 52 weeks ended 2 April 2022 £m | 53 weeks ended 3 April 2021 £m |
|---|---|---|---|
| Profit for the period | | **77.5** | 106.0 |
| | | | |
| **Other comprehensive income, net of tax** | | | |
| **Items that will never be reclassified to profit or loss** | | | |
| Remeasurements of defined benefit schemes | 13 | **357.3** | (750.3) |
| Deferred tax (charge) / credit | 8 | **(114.2)** | 132.9 |
| Current tax credit | 8 | **6.4** | 9.2 |
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Exchange differences on translation | | **(0.4)** | (1.0) |
| **Other comprehensive income, net of tax** | | **249.1** | (609.2) |
| **Total comprehensive income attributable to owners of the parent** | | **326.6** | (503.2) |

The notes on pages 115 to 156 form an integral part of the consolidated financial statements.

# Consolidated balance sheet

| | Note | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|---|
| **ASSETS:** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **190.9** | 192.1 |
| Goodwill | 11 | **646.0** | 646.0 |
| Other intangible assets | 12 | **293.5** | 317.2 |
| Deferred tax assets | 8 | **23.1** | 28.4 |
| Net retirement benefit assets | 13 | **1,148.7** | 934.7 |
| | | **2,302.2** | 2,118.4 |
| **Current assets** | | | |
| Stocks | 14 | **78.1** | 68.8 |
| Trade and other receivables | 15 | **96.5** | 83.4 |
| Cash and cash equivalents | 16 | **54.3** | 4.2 |
| Derivative financial instruments | 18 | **2.4** | 0.1 |
| | | **231.3** | 156.5 |
| **Total assets** | | **2,533.5** | 2,274.9 |
| **LIABILITIES:** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **(254.0)** | (249.8) |
| Financial liabilities | | | |
| – short-term borrowings | 19 | **–** | (3.1) |
| – derivative financial instruments | 18 | **(0.3)** | (2.3) |
| Lease liabilities | 19 | **(2.1)** | (2.3) |
| Provisions for liabilities and charges | 20 | **(2.3)** | (6.2) |
| | | **(258.7)** | (263.7) |
| **Non-current liabilities** | | | |
| Long-term borrowings | 19 | **(323.2)** | (315.2) |
| Lease liabilities | 19 | **(14.0)** | (16.3) |
| Net retirement benefit obligations | 13 | **(203.8)** | (394.8) |
| Provisions for liabilities and charges | 20 | **(8.3)** | (8.4) |
| Deferred tax liabilities | 8 | **(212.9)** | (85.8) |
| Other liabilities | 21 | **(5.7)** | (7.1) |
| | | **(767.9)** | (827.6) |
| **Total liabilities** | | **(1,026.6)** | (1,091.3) |
| **Net assets** | | **1,506.9** | 1,183.6 |
| **EQUITY:** | | | |
| **Capital and reserves** | | | |
| Share capital | 22 | **86.3** | 85.5 |
| Share premium | 22 | **1.5** | 0.6 |
| Merger reserve | 22 | **351.7** | 351.7 |
| Other reserves | 22 | **(9.3)** | (9.3) |
| Profit and loss reserve | 22 | **1,076.7** | 755.1 |
| **Total equity** | | **1,506.9** | 1,183.6 |

The notes on pages 115 to 156 form an integral part of the consolidated financial statements.

The financial statements on pages 111 to 156 were approved by the Board of directors on 18 May 2022 and signed on its behalf by:

**ALEX WHITEHOUSE**
Chief Executive Officer

**DUNCAN LEGGETT**
Chief Financial Officer

# Consolidated statement of cash flows

| | Note | 52 weeks ended 2 April 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|---|
| Cash generated from operations | 16 | **110.9** | 118.2 |
| Interest paid | | **(21.2)** | (34.1) |
| Interest received | | **0.4** | 1.5 |
| **Cash generated from operating activities** | | **90.1** | 85.6 |
| Proceeds from repayment of loan notes to associate | | **–** | 15.7 |
| Net proceeds from sale of investment in associate | | **–** | 16.9 |
| Interest received on loan notes to associate | | **–** | 4.7 |
| Purchases of property, plant and equipment | | **(19.5)** | (18.0) |
| Purchases of intangible assets | | **(3.7)** | (5.6) |
| Sale of property, plant and equipment | | **–** | 0.1 |
| **Cash (used in) / generated from investing activities** | | **(23.2)** | 13.8 |
| Repayment of borrowings | | **(320.0)** | (275.0) |
| Proceeds from borrowings | | **330.0** | – |
| Repayment of lease liabilities | | **(3.3)** | (2.7) |
| Financing fees[1] | | **(8.5)** | – |
| Early redemption fee[1] | | **(4.7)** | – |
| Dividends paid | 23 | **(8.5)** | – |
| Purchase of shares to satisfy share awards | | **(0.4)** | (0.2) |
| Proceeds from share issue | | **1.7** | 1.7 |
| **Cash used in financing activities** | | **(13.7)** | (276.2) |
| **Net increase / (decrease) in cash and cash equivalents** | | **53.2** | (176.8) |
| Cash, cash equivalents and bank overdrafts at beginning of period | | **1.1** | 177.9 |
| **Cash and cash equivalents at end of period[2]** | 16 | **54.3** | 1.1 |

1 Relates to payments made as part of the refinancing of the Group's debt in June 2021. See note 19 for further details.

2 Cash and cash equivalents of £54.3m (2020/21: £1.1m) includes bank overdraft of £nil (2020/21: £3.1m) and cash and bank deposits of £54.3m (2020/21: £4.2m). See notes 16 and 18 for more details.

The notes on pages 115 to 156 form an integral part of the consolidated financial statements.

# Consolidated statement of changes in equity

| | Note | Share capital £m | Share premium £m | Merger reserve £m | Other reserves £m | Profit and loss reserve[1] £m | Total equity £m |
|---|---|---|---|---|---|---|---|
| **At 29 March 2020** | | 84.8 | 1,409.4 | 351.7 | (9.3) | (156.6) | 1,680.0 |
| Profit for the period | | – | – | – | – | 106.0 | 106.0 |
| Remeasurements of defined benefit schemes | 13 | – | – | – | – | (750.3) | (750.3) |
| Deferred tax credit | 8 | – | – | – | – | 132.9 | 132.9 |
| Current tax credit | 8 | – | – | – | – | 9.2 | 9.2 |
| Exchange differences on translation | | – | – | – | – | (1.0) | (1.0) |
| Other comprehensive income | | – | – | – | – | (609.2) | (609.2) |
| **Total comprehensive income** | | – | – | – | – | (503.2) | (503.2) |
| Shares issued | 22 | 0.7 | 1.0 | – | – | – | 1.7 |
| Capital reduction[2] | | – | (1,409.8) | – | – | 1,409.8 | – |
| Share-based payments | 22 | – | – | – | – | 3.1 | 3.1 |
| Purchase of shares to satisfy share awards | 22 | – | – | – | – | (0.2) | (0.2) |
| Deferred tax movements on share-based payments | 8 | – | – | – | – | 2.2 | 2.2 |
| **At 3 April 2021** | | **85.5** | **0.6** | **351.7** | **(9.3)** | **755.1** | **1,183.6** |
| **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 | 13 | **–** | **–** | **–** | **–** | **357.3** | **357.3** |
| Deferred tax charge | 8 | **–** | **–** | **–** | **–** | **(114.2)** | **(114.2)** |
| Current tax credit | 8 | **–** | **–** | **–** | **–** | **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 | 22 | **0.8** | **0.9** | **–** | **–** | **–** | **1.7** |
| Share-based payments | 22 | **–** | **–** | **–** | **–** | **3.4** | **3.4** |
| Purchase of shares to satisfy share awards | 22 | **–** | **–** | **–** | **–** | **(0.4)** | **(0.4)** |
| Deferred tax movements on share-based payments | 8 | **–** | **–** | **–** | **–** | **0.5** | **0.5** |
| Dividends | 23 | **–** | **–** | **–** | **–** | **(8.5)** | **(8.5)** |
| **At 2 April 2022** | | **86.3** | **1.5** | **351.7** | **(9.3)** | **1,076.7** | **1,506.9** |

1 Included in Profit and loss reserve at 2 April 2022 is £3.7m in relation to cumulative translation losses (2019/20: £2.3m loss, 2020/21: £3.3m loss)

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

The notes on pages 115 to 156 form an integral part of the consolidated financial statements.

# Notes to the financials statements

## 1. General information

Premier Foods plc (the 'Company') is a public limited company incorporated and domiciled in England and Wales, registered number 5160050, with its registered address at Premier House, Centrium Business Park, Griffiths Way, St Albans, Hertfordshire AL1 2RE. The principal activity of the Company and its subsidiaries (the 'Group') is the manufacture and distribution of branded and own label food products. Copies of the annual report and accounts are available on our website: http://www.premierfoods.co.uk/investors/results-centre.

These Group consolidated financial statements were authorised for issue by the Board of directors on 18 May 2022.

### 1.1 Basis of preparation

These Group financial statements were prepared in accordance with UK-adopted international accounting standards. All amounts are presented to the nearest £0.1m, unless otherwise indicated.

The statutory accounting period is the 52 weeks from 4 April 2021 to 2 April 2022 and comparative results are for the 53 weeks from 29 March 2020 to 3 April 2021. All references to the 'period', unless otherwise stated, are for the 52 weeks ended 2 April 2022 and the comparative period, 53 weeks ended 3 April 2021.

The preparation of financial statements in conformity with UK-adopted IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The following accounting standards and interpretations, issued by the International Accounting Standards Board ('IASB'), effective for periods on or after 1 January 2021, have been endorsed:

#### International Financial Reporting Standards

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

The following accounting standards and interpretations, issued by the International Accounting Standards Board ('IASB'), effective for periods on or after 1 April 2021, have been endorsed:

#### International Financial Reporting Standards

| | |
|---|---|
| Amendments to IFRS 16 leases | Covid 19-Related Rent Concessions |

The following standards and amendments to published standards, effective for periods on or after 1 January 2022, have been endorsed:

#### International Financial Reporting Standards

| | |
|---|---|
| Amendments to IFRS 3 | Business Combinations |
| Amendments to IAS 16 | Property, Plant and Equipment |
| Amendments to IAS 37 | Provisions, Contingent Liabilities and Contingent Assets |

The Group has considered the new or revised standards above and concluded that either they are not relevant to the Group or would not have a material impact on the financial statements of the Group.

The following standards and amendments to published standards, effective for periods on or after 1 January 2022, have not been endorsed:

#### International Financial Reporting Standards

| | |
|---|---|
| Amendments to IAS 1 | Presentation of Financial Statements |
| Amendments to IAS 8 | Accounting policies, Changes in Accounting Estimates and Errors |
| Amendments to IAS 12 | Income Taxes |
| Amendments to IFRS 17 | Insurance Contracts |

### Basis for preparation of financial statements on a going concern basis

The Group's revolving credit facility includes net debt/EBITDA and EBITDA/interest covenants as detailed in note 19. In the event these covenants are not met then the Group would be in breach of its financing agreement and, as would be the case in any covenant breach, the banking syndicate could withdraw funding to the Group. The Group was compliant with its covenant tests as at 2 October 2021 and 2 April 2022.

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 2 April 2022 the Group had total assets less current liabilities of £2,274.8m and net assets of £1,506.9m. Liquidity as at that date was £229.3m made up of cash and cash equivalents, and undrawn committed credit facilities of £175m expiring in May 2025. The covenants linked to the facilities are shown in note 19 of the financial statements. At the time of the approval of this report, the cash and liquidity position of the group has not changed significantly.

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

The Directors have rigorously reviewed the situation relating to inflationary pressures across the industry driven by global supply chain disruption as a result of Covid-19 and the current global political uncertainty driven by the conflict in Ukraine and have modelled a series of 'downside case' scenarios impacting future financial performance, cash flows and covenant compliance, that cover a period of at least 12 months from the date of approval of the financial statements. These downside cases represent severe but plausible scenarios and include assumptions relating to an estimate of the impact of inflation during the period, net of estimated recovery and the closure of a proportion of manufacturing sites due to colleague absence as opposed to Government imposed guidelines. Further detail of the risks model can be seen in the viability statement on page 58. The Directors continue to believe that the risk of enforced site closures is low supported by there having been no manufacturing site closures and a large proportion of colleagues have received a vaccination. The Directors have also considered driver shortages and climate change that may have an adverse impact on supply of, or the demand for certain product groups and actions that retailers could take impacting financial performance.

Whilst the downside scenarios are severe but plausible, it is considered by the Directors to be prudent, having an adverse impact on revenue, margin and cash flow. The Directors, in response, identified mitigating actions within their control, that would reduce costs, optimising cashflow and liquidity. Amongst these are the following actions reducing capital expenditure, reducing marketing spend and delaying or cancelling discretionary spend. The Directors have assumed no significant structural changes to the business will be needed in any of the scenarios modelled.

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

### Impact of the war in Ukraine

The Group primarily supplies the UK market but also supplies to other countries in Europe and rest of the world. The Group does not trade in Ukraine or Russia and is therefore not directly affected by trading restrictions or sanctions. However, the Group could be affected in future due to inflationary pressures such as increase in commodity prices (e.g. wheat, dairy), energy prices, changes in long term UK GDP growth rate, and discount rates. The Group has reviewed the impact of these changes and have modelled sensitivities as part of the viability and going concern analysis set out above and sensitivities of changes in key inputs to impairment testing of goodwill in note 11. The Group will continue to monitor the situation as it develops.

### 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 13 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. See note 11 for further details.

### 1.2 Basis of consolidation

### (i) Subsidiaries

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

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

## 2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1 Revenue

Revenue comprises the invoiced value for the sale of goods net of sales rebates, discounts, value added tax and other taxes directly attributable to revenue and after eliminating sales within the Group. Revenue is recognised when the Group transfers control of products over to the customer. Transaction price per case is pre agreed per the price list with any discount related to an individual customer-run promotional agreed in advance. Long-term discounts and rebates are part of a commercial arrangement and the Group uses actual and forecast sales to estimate the level of discount or rebate. The Group uses the 'most likely amount' method to estimate the value of the variable consideration. Revenue is recognised on the following basis:

### (i) Sale of goods

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

### (ii) Sales rebates and discounts

Sales related discounts comprise:

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

Sales rebates and discount accruals are established at the time of sale based on management's best estimate of the amounts necessary to meet claims by the Group's customers in respect of these rebates and discounts. Accruals are made for each individual promotion or rebate arrangement and are based on the type and length of promotion and nature of customer agreement. At the time an accrual is made the nature and timing of the promotion is typically known. Accumulated experience is used to estimate and provide for rebates and discounts and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

### (iii) Commercial income

Commercial income received from suppliers through rebates and discounts is recognised within cost of sales over the period(s) to which the underlying contract or agreement relates. Accrued income is recognised for rebates on contracts covering the current period, for which no cash was received at the balance sheet date. Deferred income is recognised for rebates that were received from suppliers at the balance sheet date but relate to contracts covering future periods.

## 2.2 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for allocating resources and assessing performance of the operating segments. See note 4 for further details.

## 2.3 Foreign currency translation

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

The results of overseas subsidiaries with functional currencies other than in sterling are translated into sterling at the closing rate of exchange ruling in the period. The balance sheets of overseas subsidiaries are translated into sterling at the closing rate. Exchange differences arising from retranslation at the period end exchange rates of the net investment in foreign subsidiaries are recorded as a separate component of equity in reserves. All other exchange gains or losses are recorded in the statement of profit or loss.

## 2.4 Dividends

Dividend distributions to shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders, and for interim dividends in the period in which they are paid. Dividend distributions are recognised as a liability in the period in which the dividends are approved by Group's shareholders.

## 2.5 Cash and cash equivalents

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

## 2.6 Property, plant and equipment ('PPE')

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

PPE is initially recorded at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Subsequent expenditure is added to the carrying value of the asset when it is probable that incremental future economic benefits will transfer to the Group. All other subsequent expenditure is expensed in the period it is incurred.

Differences between the cost of each item of PPE and its estimated residual value are written off over the estimated useful life of the asset using the straight-line method. Reviews of the estimated remaining useful lives and residual values of individual productive assets are performed annually, taking account of commercial and technological obsolescence as well as normal wear and tear. Freehold land is not depreciated. The useful economic lives of owned assets range from 15 to 50 years for buildings, 5 to 30 years for plant and equipment and 10 years for vehicles.

All items of PPE are reviewed for impairment when there are indications that the carrying value may not be fully recoverable.

Assets under construction represent the amount of expenditure recognised in the course of an asset's construction. Directly attributable costs that are capitalised as part of PPE include employee costs and an appropriate portion of relevant overheads. Depreciation of an

## 2. Accounting policies CONTINUED

asset is recognised from the time it is available for use. The difference between the carrying value of disposed assets and the net disposal proceeds is recognised in profit or loss.

### 2.7 Intangible assets

#### Goodwill

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

In addition to goodwill, the Group recognises the following intangible assets:

#### Acquired intangible assets

Acquired brands and licences that are controlled through custody or legal rights and that could be sold separately from the rest of the business are capitalised, where fair value can be reliably measured. All these assets are considered to have finite lives and are amortised on a straight-line basis over their estimated useful economic lives that range from 20 to 40 years for brands and 10 years for licences.

#### Software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the project or process is technically and commercially feasible. Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Software development costs are amortised over their estimated useful lives on a straight-line basis over a range of 3 to 10 years.

The useful economic lives of intangible assets are determined based on a review of a combination of factors including the asset ownership rights acquired and the nature of the overall product life cycle. Reviews of the estimated remaining useful lives and residual values of individual intangible assets are performed annually.

#### Research

Expenditure on research activities is charged to the statement of profit or loss in the period in which it is incurred.

### 2.8 Impairment

The carrying values of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at least annually to determine whether there is an indication of impairment. For goodwill and other intangible assets with indefinite useful lives, the recoverable amount is estimated each year at the same time. Assets that are subject to amortisation are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets, other than goodwill, that have suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

Where an indication of impairment exists, the recoverable amount is estimated based on the greater of its value in use and its fair value less costs to sell. In assessing the fair value less costs to sell, the market approach is often used to derive market multiples from a set of comparative assets.

The Group reviews its identified CGUs for the purposes of testing goodwill on an annual basis, taking into consideration whether assets generate independent cash inflows. The recoverable amounts of CGUs are determined based on the higher of fair value less costs of disposal and value in use calculations. These calculations require the use of estimates.

Impairment losses are recognised in the statement of profit or loss in the period in which they occur.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets.

### 2.9 Finance cost and income

#### Finance cost

Borrowing costs are accounted for on an accruals basis in the statement of profit or loss using the effective interest method.

#### Finance income

Finance income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable, taking into consideration the interest element of derivatives.

### 2.10 Leases

#### Lease recognition

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low value ('low-value assets').

For leases of properties in which the Group is a lessee, it has applied the practical expedient permitted by IFRS 16 and will account for each lease component and any associated non-lease components as a single lease component.

### Right of use assets

The Group recognises right of use assets at the commencement date of the lease. Right of use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right of use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Right of use assets are subject to and reviewed regularly for impairment. Depreciation on right of use assets is predominantly recognised in cost of sales and administration costs in the consolidated statement of profit and loss.

### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed and variable lease payments that depend on an index or rate less any lease incentives receivable. Any variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Generally, the Group uses its incremental borrowing rate as the discount rate. The average incremental borrowing rate used for the purposes of calculating the present value of lease payments is 3.39%.

After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the fixed lease payments. Interest charges are included in finance costs in the consolidated statement of profit and loss and included within cash used in financing activities.

### Short-term leases and leases of low-value items

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of less than 12 months and leases of low-value assets. Lease payments relating to short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

**2.11 Inventories**

Inventories are stated at the lower of cost and net realisable value. Where appropriate, cost includes production and other attributable overhead expenses as described in IAS 2 Inventories. Cost is calculated on a first-in, first-out basis by reference to the invoiced value of supplies and attributable costs of bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

All inventories are reduced to net realisable value where this is lower than cost.

A provision is made for slow moving, obsolete and defective inventory where appropriate.

**2.12 Taxation**

Income tax on the profit or loss for the period comprises current and deferred tax.

### Current tax

Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in other comprehensive income ('OCI') in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

### Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation is not provided on the initial recognition of an asset or liability in a transaction, other than in a business combination, if at the time of the transaction there is no effect on either accounting or taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the asset or liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date.

The measurement of deferred tax assets and liabilities reflect the directors' intention regarding the manner of recovery of an asset or settlement of a liability.

For the purpose of recognising deferred tax on the pension scheme surplus, withholding tax (at 35%) would apply for any surplus being refunded to the Group at the end of the life of the scheme. Corporation tax (at 19%) would apply for any surplus expected to unwind over the life of the scheme. In the spring budget of 2021, the corporation tax rate increased from the current 19% to 25% starting April 2023. Therefore, the deferred tax balances have been restated between 22% to 25% depending on the rate they are expected to unwind.

## 2. Accounting policies CONTINUED

The directors have concluded that the future corporation tax rate of 25% should apply to the recognition of deferred tax on the pension scheme surplus, reflecting the directors' intention regarding the manner of recovery of the deferred tax asset.

Deferred tax is recognised in the statement of profit or loss except when it relates to items credited or charged directly to OCI, in which case the deferred tax is also recognised in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

When assessing whether the recognition of a deferred tax asset can be justified, and if so at what level, the directors take into account the following:

- Historic business performance
- Projected profits or losses and other relevant information that allow profits chargeable to corporation tax to be derived
- The total level of recognised and unrecognised losses that can be used to reduce future forecast taxable profits
- The period over which there is sufficient certainty that profits can be made that would support the recognition of an asset

Further disclosures of the amounts recognised (and unrecognised) are contained within note 8.

### 2.13 Employee benefits

Group companies provide a number of long-term employee benefit arrangements, primarily through pension schemes. The Group has both defined benefit and defined contribution schemes.

### Defined benefit plan

A defined benefit plan is a post-employment benefit plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on factors such as age, years of service and compensation.

The liability or surplus recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for remeasurement and past service costs. Defined benefit obligations are calculated using assumptions determined by the Group with the assistance of independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise.

Past service costs, administration costs, and the net interest on the net defined benefit liability or surplus are recognised immediately in the statement of profit or loss.

Curtailments are recognised as a past service cost when the Group makes a significant reduction in the number of employees covered by a plan or amends the terms of a defined benefit plan so that a significant element of future service by current employees no longer qualifies for amended benefits.

Plan assets of the defined benefit schemes include a number of assets for which quoted prices are not available. At each reporting date, the Group determines the fair value of these assets with reference to most recently available information. The trustees of the schemes have integrated climate change considerations into their long-term decision making and reporting processes. See note 13 for further details.

To the extent a surplus arises under IAS 19, the Group ensures that it can recognise the associated asset in line with IFRIC 14 with no restrictions. There are no restrictions on the current realisability of the surplus.

### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees. Differences between contributions payable in the period and contributions actually paid are recognised as either accruals or prepayments in the balance sheet.

### 2.14 Provisions

Provisions (for example property exit costs) are recognised when the Group has present legal or constructive obligations as a result of past events, that can be reliably measured, and it is probable that an outflow of resources will be required to settle the obligation. Where material, the Group discounts its provisions using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

### 2.15 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### Trade and other receivables

Trade and other receivables are initially measured at the transaction price and at the point of recognition an expected credit loss is recognised to reflect the future risk of default. Trade receivables are subsequently measured at amortised cost less any additional, specific provisions for impairment. A specific provision is made for impairment when there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables. Trade and other receivables are written off when the Group has no reasonable expectation of recovering the amounts due.

Trade and other receivables are discounted when the time value of money is considered material. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical credit losses adjusted to reflect current and forward-looking information on economic factors affecting the ability of the customers to settle the receivables. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group has certain trade receivables which are subject to a trade receivable purchase arrangement under a non-recourse facility. Trade receivables that are sold without recourse are de-recognised when the risks and rewards of the receivables have been fully transferred to the facility provider. The risks and rewards of the receivables are considered to be fully transferred on receipt of proceeds from the facility provider to settle the debtor. The facility provider has no recourse to the Group in the event of non-payment by the debtor once the proceeds have been received from the facility provider. The associated interest is recognised as interest expense in the income statement.

#### Bank borrowings

Interest-bearing bank loans and overdrafts are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs and inclusive of debt issuance costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

#### Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost. Trade payables and other liabilities are discounted when the time value of money is considered material.

#### Equity instruments

Equity instruments issued by the Company are recorded at the amount of the proceeds received, net of directly attributable issue costs.

#### Interest rate benchmark reform

The Group adopted 'Interest Rate Benchmark Reform – Phase II' – Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures' and IFRS 16 'Leases' with effect from 4 April 2021.

The Group does not apply hedge accounting and as at 2 April 2022 there were no financial instruments held by the Group that referenced GBP LIBOR. The Group's new revolving credit facility entered in May 2021 is linked to SONIA. As such the amendment described above do not have a material impact on the financial statements of the Group. See note 18 and 19 for further details.

## 3. Significant estimates and judgements

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

### Significant accounting estimates

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

### 3.1 Deferred tax

All balances giving rise to deferred tax liabilities are recognised in full, whereas deferred tax assets are only recognised to the extent at which they are recoverable. Management performs an assessment on an annual basis to assess the extent of future taxable profits that will be available against which the tax losses can be utilised. The key assumptions underlying the assessment is availability of future taxable profits and the underlying revenue growth and divisional contribution margin growth. Revenue growth is forecast based on known or forecast customer sales initiatives, including, to the extent agreed, customer business plans or agreements for the next period, current and forecast new product development, promotional and marketing strategy, and specific category or geographical growth. External factors, including the consumer environment, are also taken into account in the more short-term forecasts.

The taxable profits for Year 1 to 3 are based on the latest Board approved Budget and strategic plans. For recoverability purposes taxable profits are assumed to remain flat from year 3 onward based on which, the tax losses will be fully utilised within 20 years. A reasonable change in the key assumptions will not lead to a material change in the deferred tax balance recognised and a material adjustment in the carrying value of the deferred tax asset is not expected in the next 12 months.

Further disclosures are contained within note 8.

### 3.2 Employee benefits

The present value of the Group's defined benefit pension obligations depends on a number of actuarial assumptions. The primary assumptions used include the discount rate applicable to scheme liabilities, the long-term rate of inflation and estimates of the mortality applicable to scheme members. Each of the underlying assumptions is set out in more detail in note 13.

At each reporting date, and on a continuous basis, the Group reviews the macro-economic, Company and scheme specific factors influencing each of these assumptions, using professional advice, in order to record the Group's ongoing commitment and obligation to defined benefit schemes in accordance with IAS 19 (Revised).

Plan assets of the defined benefit schemes include a number of assets for which quoted prices are not available. At each reporting date, the Group determines the fair value of these assets with reference to most recently available asset statements from fund managers.

Where pensions asset valuations were not available at the reporting date, as is usual practice, valuations at 31 December 2021 are rolled forward for cash movements to end of March 2022 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.

### 3.3 Goodwill

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

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

### 3.4 Commercial arrangements

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

For short-term promotions, the Group performs a true up of estimates where necessary on a monthly basis, using real time customer sales information where possible and finally on receipt of a customer claim which typically follows 1-2 months after the end of a promotion. For longer-term discounts and rebates the Group uses actual and forecast sales to estimate the level of rebate. These accruals are updated monthly based on latest actual and forecast sales. A reasonable change in the key assumption will not lead to a material change in the balance recognised and a material adjustment is not expected in the 12 months of the estimate.

## Judgements

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

### 3.5 Non-trading items

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

## 4. Segmental analysis

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

The Group's operating segments are defined as 'Grocery', 'Sweet Treats', and 'International'. 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 profit/loss before tax 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.

## 4. Segmental analysis CONTINUED

The segment results for the period ended 2 April 2022 and for the period ended 3 April 2021 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial statements are as follows:

| | 52 weeks ended 2 April 2022 | | | 53 weeks ended 3 April 2021 | | |
|---|---|---|---|---|---|---|
| | Grocery £m | Sweet Treats £m | Total £m | Grocery £m | Sweet Treats £m | Total £m |
| External revenues | 647.7 | 252.8 | 900.5 | 702.6 | 244.4 | 947.0 |
| **Divisional contribution** | 160.2 | 33.4 | 193.6 | 174.7 | 23.2 | 197.9 |
| Group and corporate costs | | | (45.3) | | | (46.6) |
| **Trading profit** | | | 148.3 | | | 151.3 |
| Amortisation of intangible assets | | | (27.0) | | | (30.4) |
| Fair value movements on foreign exchange and other derivative contracts[1] | | | 4.4 | | | (2.3) |
| Reversal of impairment losses on financial assets[2] | | | – | | | 15.7 |
| Profit on disposal of investment in associate[2] | | | – | | | 16.9 |
| Net interest on pensions and administrative expenses | | | 4.2 | | | 9.7 |
| *Non-trading items:*[3] | | | | | | |
| – GMP equalisation charge | | | (0.3) | | | (2.9) |
| – Restructuring costs | | | – | | | (4.9) |
| – Other non-trading items[4] | | | 1.5 | | | (0.5) |
| **Operating profit** | | | 131.1 | | | 152.6 |
| Finance cost | | | (29.0) | | | (36.2) |
| Finance income[2] | | | 0.5 | | | 6.4 |
| **Profit before taxation** | | | 102.6 | | | 122.8 |
| Depreciation[5] | (11.2) | (8.0) | (19.2) | (11.5) | (7.6) | (19.1) |

1 The gain of £4.4m (2020/21: loss of £2.3m) reflects changes in fair value rate during the 52-week period and movement in nominal value of the instruments held at 2 April 2022 from the 3 April 2021 position.

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

3 Non-trading items in the prior period include restructuring costs of £4.9m relating primarily to costs associated with the Strategic review and integration of the Knighton business.

4 Other in the current period relates primarily to the resolution of a legacy legal matter.

5 Depreciation in the period ended 2 April 2022 includes £2.0m (2020/21: £2.2m) of depreciation of IFRS 16 right of use assets.

Revenues in the period ended 2 April 2022, from the Group's four principal customers, which individually represent over 10% of total Group revenue, are £224.8m, £129.0m, £97.6m and £91.7m (2020/21: £240.2m, £138.8m, £112.0m and £98.5m). 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 2 Apr 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| United Kingdom | **847.1** | 892.9 |
| Other Europe | **26.2** | 28.5 |
| Rest of world | **27.2** | 25.6 |
| **Total** | **900.5** | 947.0 |

### Non-current assets

| | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|
| United Kingdom | **1,130.4** | 1,155.3 |

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

## 5. Operating profit

### 5.1 Analysis of costs by nature

| | 52 weeks ended 2 Apr 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| Employee benefits expense (note 6) | **(183.0)** | (182.5) |
| Depreciation of property, plant and equipment (note 10) | **(19.2)** | (19.1) |
| Amortisation of intangible assets (note 12) | **(27.0)** | (30.4) |
| Repairs and maintenance expenditure | **(28.4)** | (27.5) |
| Research and development costs | **(7.8)** | (7.2) |
| Non-trading items | | |
| – GMP equalisation charge[1] | **(0.3)** | (2.9) |
| – Restructuring costs | **–** | (4.9) |
| – Other non-trading items | **1.5** | (0.5) |
| Auditor remuneration (note 5.2) | **(1.2)** | (0.9) |

[1] For further details on GMP equalisation please refer to note 13.

### 5.2 Auditor's remuneration

| | 52 weeks ended 2 Apr 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| Fees payable to the Group's auditor for the audit of the consolidated and parent company accounts of Premier Foods plc | **(0.9)** | (0.7) |
| - The audit of the Group's subsidiaries, pursuant to legislation | **(0.1)** | (0.1) |
| **Fees payable to the Group's auditor and its associates for other services:** | | |
| – Audit related assurance services | **(0.1)** | (0.1) |
| – Services relating to corporate finance transactions | **(0.1)** | – |
| **Total auditor remuneration** | **(1.2)** | (0.9) |

The total operating profit charge for auditor remuneration was £1.2m (2020/21: £0.9m).

## 6. Employees

| | 52 weeks ended 2 Apr 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| **Employee benefits expense** | | |
| Wages, salaries and bonuses | **(155.5)** | (153.6) |
| GMP past service cost related to defined benefit pension schemes (note 13) | **(0.3)** | (2.9) |
| Social security costs | **(15.4)** | (14.8) |
| Termination benefits | **(0.4)** | (0.3) |
| Share options granted to directors and employees | **(3.4)** | (3.1) |
| Contributions to defined contribution schemes (note 13) | **(8.0)** | (7.8) |
| **Total** | **(183.0)** | (182.5) |

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

| | 2021/22 Number | 2020/21 Number |
|---|---|---|
| **Average monthly number of people employed** | | |
| Management | **578** | 531 |
| Administration | **414** | 343 |
| Production, distribution and other | **3,378** | 3,333 |
| **Total** | **4,370** | 4,207 |

Directors' remuneration is disclosed in the audited section of the Directors' Remuneration Report on pages 79 to 95, which forms part of these consolidated financial statements.

## 7. Finance income and costs

| | 52 weeks ended 2 Apr 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| Interest payable on bank loans and overdrafts | **(4.3)** | (5.7) |
| Interest payable on senior secured notes | **(13.4)** | (25.9) |
| Interest payable on revolving facility | **(0.3)** | (0.6) |
| Other interest receivable[1] | **0.1** | 0.2 |
| Amortisation of debt issuance costs | **(2.1)** | (2.9) |
| | **(20.0)** | (34.9) |
| Write off of financing costs[2] | **(4.3)** | (1.3) |
| Early redemption fee[3] | **(4.7)** | – |
| **Total finance cost** | **(29.0)** | (36.2) |
| Interest receivable on bank deposits | **0.3** | 1.7 |
| Other finance income | **0.2** | 4.7 |
| **Total finance income** | **0.5** | 6.4 |
| **Net finance cost** | **(28.5)** | (29.8) |

1 Included in other interest receivable is £0.8m charge (2020/21: £0.9m charge) relating to non-cash interest costs arising following the adoption of IFRS 16 and £0.9m credit (2020/21: £1.1m credit) relating to the unwind of the discount on certain of the Group's long-term provisions.

2 Relates to the refinancing of the senior secured fixed rate notes due 2023 and revolving credit facility in the current period and redemption of senior secured floating rate notes due 2022 in the previous period. See note 19 for further details.

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.

## 8. Taxation

### Current tax

| | 52 weeks ended 2 Apr 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| Current tax | | |
| – Current period | **(6.4)** | (9.2) |
| Deferred tax | | |
| – Current period | **(16.5)** | (9.2) |
| – Prior periods | **1.9** | 1.6 |
| – Changes in tax rate | **(4.1)** | – |
| **Income tax charge** | **(25.1)** | (16.8) |

Tax relating to items recorded in other comprehensive income included:

| | 52 weeks ended 2 Apr 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| Corporation tax credit on pension movements | **6.4** | 9.2 |
| Deferred tax charge on increase of corporate tax rate | **(17.9)** | – |
| Deferred tax credit on prior year | **1.6** | – |
| Deferred tax (charge)/credit on pension movements | **(97.9)** | 132.9 |
| | **(107.8)** | 142.1 |

The applicable rate of corporation tax for the period is 19%. As set out in the Finance Act of 2021, the corporation tax rate will increase from the current 19% to 25% starting April 2023. Therefore, the deferred tax balances have been restated between 22% to 25% depending on the rate at which they are expected to unwind. As a result of the higher tax rate a tax charge of £4.1m has been recorded in the consolidated statement of profit or loss and a tax charge of £17.9m has been recorded in other comprehensive income.

The tax charge for the period differs from the standard rate of corporation tax in the United Kingdom of 19.0% (2020/21: 19.0%). The reasons for this are explained below:

| | 52 weeks ended 2 Apr 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| Profit before taxation | **102.6** | 122.8 |
| Tax charge at the domestic income tax rate of 19.0% (2020/21: 19.0%) | **(19.5)** | (23.3) |
| Tax effect of: | | |
| Non-deductible items | **(0.8)** | (1.4) |
| Other disallowable items | **–** | (0.3) |
| Capital gain on disposal of business | **–** | 6.6 |
| Adjustment to restate opening deferred tax balances | **(4.1)** | – |
| Difference between current and deferred tax rate | **(3.1)** | – |
| Tax incentives | **0.5** | – |
| Adjustments to prior periods | **1.9** | 1.6 |
| **Income tax charge** | **(25.1)** | (16.8) |

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

The difference between current and deferred tax rate of £3.1m relates to the impact of the current tax rate being 19% and the current year deferred tax movements being measured at between 22% and 25%.

The adjustments to prior periods of £1.9m (2020/21: £1.6m) relates primarily to the changes in prior period intangibles and capital allowances following verifications in submitted returns.

## 8. Taxation CONTINUED

### Deferred tax

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

| | 2021/22 £m | 2020/21 £m |
|---|---|---|
| At 4 April 2021 / 29 March 2020 | **(57.4)** | (184.9) |
| Charged to the statement of profit or loss | **(18.7)** | (7.6) |
| (Charged)/credited to other comprehensive income | **(114.2)** | 132.9 |
| Credited to equity | **0.5** | 2.2 |
| **At 2 April 2022 / 3 April 2021** | **(189.8)** | (57.4) |

The Group has not recognised £2.2m of deferred tax assets (2020/21: £1.7m not recognised) relating to UK corporation tax losses. In addition, the Group has not recognised a tax asset of £83.9m (2020/21: £83.9m) relating to Advanced Corporation Tax (ACT) and £76.6m (2020/21: £58.1m) relating to capital losses. Under current legislation these can generally be carried forward indefinitely.

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

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

| Deferred tax asset on losses and accelerated tax depreciation | £m |
|---|---|
| **As at 2 April 2022** | **23.1** |
| As at 3 April 2021 | 28.4 |

| Net deferred tax liability | £m |
|---|---|
| **As at 2 April 2022** | **(212.9)** |
| As at 3 April 2021 | (85.8) |

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 £23.1m (2020/21: £18.7m) and £nil (2020/21: £9.7m) towards accelerated tax depreciation. The remainder of deferred tax assets have therefore been offset in the tables above. Substantial elements of the Group's deferred tax assets and liabilities, primarily relating to the defined benefit pension obligation, are greater than one year in nature.

## 9. Earnings per share

Basic earnings per share has been calculated by dividing the profit attributable to owners of the parent of £77.5m (2020/21: £106.0m profit) by the weighted average number of ordinary shares of the Company.

### Weighted average shares

| | **2021/22 Number (m)** | 2020/21 Number (m) |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **858.8** | 851.4 |
| Effect of dilutive potential ordinary shares: | | |
| – Share options | **17.0** | 17.1 |
| **Weighted average number of ordinary shares for the purpose of diluted earnings per share** | **875.8** | 868.5 |

## 9. Earnings per share CONTINUED

### Earnings per share calculation

| | 52 weeks ended 2 April 2022 | | | 53 weeks ended 3 April 2021 | | |
|---|---|---|---|---|---|---|
| | Basic | Dilutive effect of share options | Diluted | Basic | Dilutive effect of share options | Diluted |
| Profit after tax (£m) | 77.5 | | 77.5 | 106.0 | | 106.0 |
| Weighted average number of shares (m) | 858.8 | 17.0 | 875.8 | 851.4 | 17.1 | 868.5 |
| **Earnings per share (pence)** | 9.0 | (0.2) | 8.8 | 12.5 | (0.3) | 12.2 |

### 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% (2020/21: 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 2 Apr 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| **Trading profit** | 148.3 | 151.3 |
| Less net regular interest | (19.8) | (33.4) |
| **Adjusted profit before tax** | 128.5 | 117.9 |
| Notional tax at 19.0% (2020/21: 19%) | (24.4) | (22.4) |
| **Adjusted profit after tax** | 104.1 | 95.5 |
| Average shares in issue (m) | 858.8 | 851.4 |
| **Adjusted EPS (pence)** | 12.1 | 11.2 |
| Dilutive effect of share options | (0.2) | (0.2) |
| **Diluted adjusted EPS (pence)** | 11.9 | 11.0 |
| | | |
| **Net regular interest** | | |
| Net finance cost | (28.5) | (29.8) |
| Exclude other interest receivable | (0.2) | (4.7) |
| Exclude write-off of financing costs | 4.3 | 1.3 |
| Exclude early redemption fee | 4.7 | – |
| Exclude other interest receivable | (0.1) | (0.2) |
| **Net regular interest** | (19.8) | (33.4) |

## 10. Property, plant and equipment

| | Land and buildings £m | Plant and equipment £m | Assets under construction £m | Right of use Assets £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 29 March 2020 | 102.0 | 323.0 | 9.3 | 14.2 | 448.5 |
| Additions | 0.3 | 7.2 | 11.3 | 1.0 | 19.8 |
| Disposals | (2.2) | (1.5) | – | (0.9) | (4.6) |
| Remeasurement | – | – | – | (1.4) | (1.4) |
| Reclassified from/(to) intangibles | – | 0.1 | (0.5) | – | (0.4) |
| Transferred into use | 0.2 | 5.6 | (5.8) | – | – |
| **At 3 April 2021** | **100.3** | **334.4** | **14.3** | **12.9** | **461.9** |
| **Balance at 4 April 2021** | **100.3** | **334.4** | **14.3** | **12.9** | **461.9** |
| Additions | **1.7** | **9.2** | **7.6** | **0.5** | **19.0** |
| Disposals | **(1.5)** | **(8.2)** | **–** | **(0.9)** | **(10.6)** |
| Remeasurement | **–** | **–** | **–** | **(0.4)** | **(0.4)** |
| Reclassified from intangibles | **–** | **–** | **0.2** | **–** | **0.2** |
| Transferred into use | **0.9** | **12.6** | **(13.5)** | **–** | **–** |
| **At 2 April 2022** | **101.4** | **348.0** | **8.6** | **12.1** | **470.1** |
| **Aggregate depreciation and impairment** | | | | | |
| At 28 March 2020 | (44.4) | (207.7) | – | (2.4) | (254.5) |
| Depreciation charge | (2.1) | (14.8) | – | (2.2) | (19.1) |
| Disposals | 2.1 | 1.2 | – | 0.8 | 4.1 |
| Impairment charge | – | (0.2) | – | (0.1) | (0.3) |
| **At 3 April 2021** | **(44.4)** | **(221.5)** | **–** | **(3.9)** | **(269.8)** |
| Depreciation charge | **(2.2)** | **(15.0)** | **–** | **(2.0)** | **(19.2)** |
| Disposals | **1.4** | **7.5** | **–** | **0.9** | **9.8** |
| **At 2 April 2022** | **(45.2)** | **(229.0)** | **–** | **(5.0)** | **(279.2)** |
| **Net book value** | | | | | |
| At 3 April 2021 | 55.9 | 112.9 | 14.3 | 9.0 | 192.1 |
| **At 2 April 2022** | **56.2** | **119.0** | **8.6** | **7.1** | **190.9** |

## 10. Property, plant and equipment CONTINUED

Included in the right of use assets are the following:

| | Land and buildings £m | Plant, equipment & other[1] £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| Balance at 29 March 2020 | 10.3 | 3.9 | 14.2 |
| Additions | 0.5 | 0.5 | 1.0 |
| Disposals | (0.1) | (0.8) | (0.9) |
| Remeasurement | (1.4) | – | (1.4) |
| **At 3 April 2021** | **9.3** | **3.6** | **12.9** |
| **Balance at 4 April 2021** | **9.3** | **3.6** | **12.9** |
| Additions | **–** | **0.5** | **0.5** |
| Disposals | **(0.3)** | **(0.6)** | **(0.9)** |
| Remeasurement | **(0.4)** | **–** | **(0.4)** |
| **At 2 April 2022** | **8.6** | **3.5** | **12.1** |
| **Aggregate depreciation and impairment** | | | |
| At 28 March 2020 | (1.3) | (1.1) | (2.4) |
| Depreciation charge | (1.2) | (1.0) | (2.2) |
| Disposals | 0.1 | 0.7 | 0.8 |
| Impairment charge | (0.1) | – | (0.1) |
| **At 3 April 2021** | **(2.5)** | **(1.4)** | **(3.9)** |
| Depreciation charge | **(1.1)** | **(0.9)** | **(2.0)** |
| Disposals | **0.3** | **0.6** | **0.9** |
| **At 2 April 2022** | **(3.3)** | **(1.7)** | **(5.0)** |
| Net book value | | | |
| At 3 April 2021 | 6.8 | 2.2 | 9.0 |
| **At 2 April 2022** | **5.3** | **1.8** | **7.1** |

1 Included in Plant, equipment & other are vehicles with a cost of £0.2m (2020/21: £0.2m) and NBV of £0.0m (2020/21: £0.1m)

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

## 11. Goodwill

| | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|
| **Carrying value** | | |
| Opening balance | **646.0** | 646.0 |
| **Closing balance** | **646.0** | 646.0 |

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

### Key assumptions

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

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

### Cash flow assumptions

The cash flows used in the value in use calculation are post-tax cash flows based on the latest Board-approved budget for the first year and the latest Board-approved forecasts in respect of the following two years which include consideration of the impact on the Group of climate change and actions the Group are taking to reduce carbon emissions. An estimate of capital expenditure required to maintain these cash flows is also made.

Two of the key assumptions when forecasting cash flows are revenue growth and divisional contribution margin.

Revenue growth is forecast based on known or forecast customer sales initiatives, including, to the extent agreed, customer business plans or agreements for the next period, current and forecast new product development, promotional and marketing strategy, and specific category or geographical growth. External factors, including the consumer environment, are also taken into account in the more short-term forecasts. The compound revenue growth rate over the three-year forecast period is 4.9% (2020/21: 0.7%). The compound annual growth rate has increased from 0.7% in prior period as a result of change in baseline revenue in the current period compared to a higher baseline revenue due to Covid-19 related volumes in prior period.

Divisional contribution margin is forecast based on the projected mix of branded and non-branded sales, raw material input costs, purchasing initiatives and marketing and distribution costs. Management have performed sensitivities on inflationary pressures driven by disruption in global supply chain as a result of Covid-19 and conflict in Ukraine and were within the range of Group's existing sensitivities as disclosed within the table below.

### Long term growth rate assumptions

For the purposes of impairment testing, the cash flows are extrapolated into perpetuity using growth assumptions relevant for the business sector. The growth rate applied of 1.3% (2020/21: 1.1%) is based on the long-term growth in UK GDP as the directors expect food consumption to follow GDP growth. This is not considered to be higher than the average long-term industry growth rate.

### Discount rate assumptions

The discount rate applied to the cash flows is calculated using a post-tax rate based on the weighted average cost of capital ('WACC') which would be anticipated for a market participant in the Group.

The Group has considered the impact of the current economic climate in determining the appropriate discount rate to use in impairment testing. In the current period, the post-tax rate used to discount the forecast cash flows has been determined to be 7.4% (2020/21: 7.5%). On a pre-tax basis a discount rate of 9.4% (2020/21: 9.1%) would have been applied.

### Sensitivity analysis

An illustration of the sensitivity to reasonably possible changes in key assumptions in the impairment test for the Grocery CGU is as follows:

| | Reasonably possible change in assumption | Impact on value in use |
|---|---|---|
| Revenue growth | Increase/decrease by 1.5% | Increase/decrease by £87.5m/£85.1m |
| Divisional contribution margin | Increase/decrease by 2.0% | Increase/decrease by £165.1m |
| Long-term growth rate | Increase/decrease by 0.5% | Increase/decrease by £121.1m/£102.6m |
| Discount rate | Increase/decrease by 0.5% | Decrease/increase by £112.0m/£132.2m |

Under each of the above sensitivities no individual scenarios would trigger an impairment for the Grocery CGU. Under a combination of reasonably possible scenarios and taking into account mitigating actions, no impairment would be triggered.

### Goodwill impairment charge

There has been no goodwill impairment charge recognised in 2021/22 (2020/21: £nil).

## 12. Other intangible assets

| | Software £m | Licences[1] £m | Brands[1] £m | Customer relationships £m | Assets under construction £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 28 March 2020 | 144.1 | 28.0 | 665.2 | 134.8 | 3.3 | 975.4 |
| Additions | 2.9 | – | – | – | 3.1 | 6.0 |
| Disposals | (0.5) | – | – | – | – | (0.5) |
| Reclassified (to)/from property, plant & equipment | (0.1) | – | – | – | 0.5 | 0.4 |
| Transferred into use | 2.9 | – | – | – | (2.9) | – |
| **At 3 April 2021** | **149.3** | **28.0** | **665.2** | **134.8** | **4.0** | **981.3** |
| Additions | **1.7** | **–** | **–** | **–** | **1.8** | **3.5** |
| Disposals | **(19.9)** | **–** | **–** | **–** | **–** | **(19.9)** |
| Reclassified to property, plant & equipment | **–** | **–** | **–** | **–** | **(0.2)** | **(0.2)** |
| Transferred into use | **3.6** | **–** | **–** | **–** | **(3.6)** | **–** |
| **At 2 April 2022** | **134.7** | **28.0** | **665.2** | **134.8** | **2.0** | **964.7** |
| | | | | | | |
| **Accumulated amortisation and impairment** | | | | | | |
| At 28 March 2020 | (128.8) | (28.0) | (342.5) | (134.8) | – | (634.1) |
| Disposals | 0.5 | – | – | – | – | 0.5 |
| Amortisation charge | (6.7) | – | (23.7) | – | – | (30.4) |
| Impairment charge | (0.1) | – | – | – | – | (0.1) |
| **At 3 April 2021** | **(135.1)** | **(28.0)** | **(366.2)** | **(134.8)** | **–** | **(664.1)** |
| Disposals | **19.9** | **–** | **–** | **–** | **–** | **19.9** |
| Amortisation charge | **(7.1)** | **–** | **(19.9)** | **–** | **–** | **(27.0)** |
| **At 2 April 2022** | **(122.3)** | **(28.0)** | **(386.1)** | **(134.8)** | **–** | **(671.2)** |
| | | | | | | |
| **Net book value** | | | | | | |
| At 3 April 2021 | 14.2 | – | 299.0 | – | 4.0 | 317.2 |
| **At 2 April 2022** | **12.4** | **–** | **279.1** | **–** | **2.0** | **293.5** |

[1] Updated to disclose brands and licences separately

All amortisation is recognised within administrative costs.

Included in the assets under construction additions for the period are £1.3m (2020/21: £1.1m) in respect of internal costs.

The Group's borrowings are secured on the assets of the Group including other intangible assets.

The material brands held on the balance sheet are as follows:

| | Carrying value at 2 April 2022 £m | Estimated useful life remaining Years |
|---|---|---|
| *Bisto* | 89.5 | 15 |
| *Oxo* | 67.1 | 24 |
| *Batchelors* | 46.6 | 14 |
| *Mr Kipling* | 34.8 | 15 |
| *Sharwood's* | 19.5 | 15 |

## 13. Retirement benefit schemes

### Defined benefit schemes

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

### (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 interim actuarial valuations for the new Premier Foods and Premier Grocery Products Sections as at 31 March 2021 have been agreed and show a combined reduction in their deficits of £125m since April 2019. This has allowed the recovery plans for both Sections to be shortened by two years. There is no change to the rate of deficit contributions paid in the short term.

The triennial valuation cycle continues with effect from 31 March 2022 for all three Sections of the RHM Pension Scheme.

The exchange rates used to translate the overseas euro based schemes are £1.00 = €1.1774 (2020/21: £1.00 = €1.1215) for the average rate during the period, and £1.00 = €1.1881 (2020/21: £1.00 = €1.1740) 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.

## 13. Retirement benefit schemes CONTINUED

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 draft and 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. Both the Premier Foods and Premier Grocery Products Sections are currently hedged to 80% for interest rates and 80% to inflation.

The liabilities of the schemes are approximately 45% in respect of former active members who have yet to retire and approximately 55% in respect of pensioner members already in receipt of benefits.

The average duration of the pension liabilities for the three Sections of the RHM Pension Scheme is 16.0 years (16.0 years for the RHM Section; 15.5 years for the PF Section and 15.5 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 2 Apr 2022** | | At 3 Apr 2021 | |
|---|---|---|---|---|
| | **Premier Schemes** | **RHM Schemes** | Premier Schemes | RHM Schemes |
| Discount rate | **2.75%** | **2.75%** | 2.00% | 2.00% |
| Inflation – RPI | **3.60%** | **3.60%** | 3.25% | 3.25% |
| Inflation – CPI | **3.20%** | **3.20%** | 2.80% | 2.80% |
| Future pension increases | | | | |
| – RPI (min 0% and max 5%) | **3.35%** | **3.35%** | 3.10% | 3.10% |
| – CPI (min 3% and max 5%) | **3.65%** | **3.65%** | 3.40% | 3.40% |

For the smaller overseas schemes, the discount rate used was 1.75% (2020/21: 1.1%) and future pension increases were 2.6% (2020/21: 1.6%).

At 2 April 2022 and 3 April 2021, 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% (2020/21: 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 (2020/21: 0.0% 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 0.40% (2020/21: 0.45%) per annum. The estimated impact of the reduction in the difference between RPI and CPI is approximately £9.2m increase in defined benefit obligation in respect of the schemes.

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. 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 2% has been applied, which reflects the expected long term negative outlook from the impact of Covid-19 on future life expectancy. The estimated impact of the addition to the mortality scaling factors is approximately 0.5% decrease in defined benefit obligation in respect of the schemes.

An adjustment to the base mortality tables has been made for the Premier Foods schemes to reflect the latest scheme mortality studies which were commissioned by the trustee in 2021. The life expectancy assumptions are as follows:

| | **At 2 Apr 2022** | | At 3 Apr 2021 | |
|---|---|---|---|---|
| | **Premier Schemes** | **RHM Schemes** | Premier Schemes | RHM Schemes |
| Male pensioner, currently aged 65 | **86.6** | **85.2** | 87.2 | 85.4 |
| Female pensioner, currently aged 65 | **88.3** | **87.7** | 89.4 | 87.8 |
| Male non-pensioner, currently aged 45 | **87.5** | **86.5** | 87.8 | 86.6 |
| Female non-pensioner, currently aged 45 | **89.8** | **89.3** | 90.4 | 89.4 |

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 £65.9m/£66.9m |
| Inflation | Increase/decrease by 0.1% | Increase/decrease by £29.2m/£19.0m |
| Assumed life expectancy at age 60 (rate of mortality) | Increase/decrease by 1 year | Increase/decrease by £225.3m/£215.9m |

The sensitivity information has been derived using projected cash flows for the Schemes valued using the relevant assumptions and membership profile as at 2 April 2022. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

## 13. Retirement benefit schemes CONTINUED

| | Premier Schemes £m | % of total % | RHM Schemes £m | % of total % | Total £m | % of total |
|---|---|---|---|---|---|---|
| **Assets with a quoted price in an active market at 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%** |
| Assets with a quoted price in an active market at 3 April 2021: | | | | | | |
| Government bonds | 45.1 | 5.7 | 1,527.7 | 34.3 | 1,572.8 | 29.9 |
| Cash | 14.8 | 1.9 | 64.9 | 1.5 | 79.7 | 1.5 |
| Assets without a quoted price in an a ctive market at 3 April 2021[2]: | | | | | | |
| UK equities | 0.6 | 0.1 | 0.3 | 0.0 | 0.9 | 0.1 |
| Global equities | 8.1 | 1.0 | 5.9 | 0.1 | 14.0 | 0.3 |
| Government bonds | 34.3 | 4.3 | 18.3 | 0.4 | 52.6 | 1.0 |
| Corporate bonds | 1.0 | 0.1 | – | – | 1.0 | 0.0 |
| UK Property | 84.6 | 10.7 | 278.8 | 6.2 | 363.4 | 6.9 |
| European property | 20.6 | 2.6 | 83.9 | 1.9 | 104.5 | 2.0 |
| Absolute return products | 228.2 | 28.8 | 883.9 | 19.8 | 1,112.1 | 21.1 |
| Infrastructure funds | 19.3 | 2.5 | 302.2 | 6.8 | 321.5 | 6.1 |
| Interest rate swaps | – | – | 464.2 | 10.4 | 464.2 | 8.8 |
| Inflation swaps | – | – | 21.2 | 0.5 | 21.2 | 0.4 |
| Private equity | 22.3 | 2.8 | 218.3 | 4.9 | 240.6 | 4.6 |
| LDI | 191.2 | 24.1 | – | – | 191.2 | 3.6 |
| Global credit | 16.9 | 2.1 | 301.7 | 6.8 | 318.6 | 6.1 |
| Illiquid credit | 47.1 | 5.9 | 127.8 | 2.9 | 174.9 | 3.4 |
| Cash | 0.1 | 0.0 | – | – | 0.1 | 0.0 |
| Other[1] | 58.3 | 7.4 | 160.3 | 3.5 | 218.6 | 4.2 |
| Fair value of scheme assets as at 3 April 2021 | 792.5 | 100 | 4,459.4 | 100 | 5,251.9 | 100 |

1 Included in Other in the RHM Schemes is £111.2m (2020/21: £106.3m) of assets which were sold in the prior period and await settlement at the year-end date.

2 Updated to provide enhanced disclosure on the assets within the Other category.

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

Where pensions asset valuations were not available at 31 March 2022, as is usual practice, valuations at 31 December 2021 have been rolled forward for cash movements to end of March 2022 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 applied movements in the market indexes most comparable between 31 December 2021 and 1 April 2022 to project a valuation for assets where the lagged value approach is to be taken. Pension asset valuations are therefore subject to estimation uncertainty due to market volatility, which could result in a material movement in asset values over the next 12 months.

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

| | At 2 April 2022 | | | At 3 April 2021 | | |
|---|---|---|---|---|---|---|
| | Premier Schemes £m | RHM Schemes £m | Total £m | Premier Schemes £m | RHM Schemes £m | Total £m |
| Present value of funded obligations | (1,020.2) | (3,134.9) | (4,155.1) | (1,175.1) | (3,536.9) | (4,712.0) |
| Fair value of scheme assets | 826.3 | 4,273.7 | 5,100.0 | 792.5 | 4,459.4 | 5,251.9 |
| **(Deficit)/surplus in schemes** | (193.9) | 1,138.8 | 944.9 | (382.6) | 922.5 | 539.9 |

The aggregate surplus of £539.9m has increased to a surplus of £944.9m in the current period. This increase of £405.0m (2020/21: £690.5m decrease) is primarily due to 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 13 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 13 reconcile to those disclosed on the balance sheet as shown below:

| | At 2 April 2022 | | | At 3 April 2021 | | |
|---|---|---|---|---|---|---|
| | Premier Schemes £m | RHM Schemes £m | Total £m | Premier Schemes £m | RHM Schemes £m | Total £m |
| Schemes in net asset position | 9.9 | 1,138.8 | 1,148.7 | 12.2 | 922.5 | 934.7 |
| Schemes in net liability position | (203.8) | – | (203.8) | (394.8) | – | (394.8) |
| **Net (Deficit)/surplus in schemes** | (193.9) | 1,138.8 | 944.9 | (382.6) | 922.5 | 539.9 |

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 28 March 2020 | (1,049.6) | (3,240.0) | (4,289.6) |
| Interest cost | (22.8) | (60.4) | (83.2) |
| Past service cost | (0.4) | (2.5) | (2.9) |
| Settlement | 27.4 | 57.8 | 85.2 |
| Remeasurement loss | (171.6) | (442.8) | (614.4) |
| Exchange differences | 2.6 | 1.5 | 4.1 |
| Benefits paid | 39.3 | 149.5 | 188.8 |
| **Defined benefit obligation at 3 April 2021** | (1,175.1) | (3,536.9) | (4,712.0) |
| 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) |

## 13. Retirement benefit schemes CONTINUED

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

| | Premier Schemes £m | RHM Schemes £m | Total £m |
|---|---|---|---|
| **Fair value of scheme assets at 28 March 2020** | 774.7 | 4,745.3 | 5,520.0 |
| Interest income on scheme assets | 16.2 | 81.4 | 97.6 |
| Remeasurement gains/(losses) | 16.7 | (152.6) | (135.9) |
| Administrative costs | (6.8) | (3.9) | (10.7) |
| Settlement | (18.1) | (61.1) | (79.2) |
| Contributions by employer | 45.5 | 1.5 | 47.0 |
| One-off contribution by employer[1] | 7.0 | – | 7.0 |
| Exchange differences | (3.4) | (1.7) | (5.1) |
| Benefits paid | (39.3) | (149.5) | (188.8) |
| **Fair value of scheme assets at 3 April 2021** | **792.5** | **4,459.4** | **5,251.9** |
| 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[2] | **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** |

1 One-off contribution by employer is related to Hovis disposal proceeds due to the Premier Schemes

2 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 28 March 2020** | (274.9) | 1,505.3 | 1,230.4 |
| Amount recognised in profit or loss | (4.5) | 11.3 | 6.8 |
| Remeasurements recognised in other comprehensive income | (154.9) | (595.4) | (750.3) |
| Contributions by employer | 45.5 | 1.5 | 47.0 |
| One-off contribution by employer | 7.0 | – | 7.0 |
| Exchange differences recognised in other comprehensive income | (0.8) | (0.2) | (1.0) |
| **(Deficit)/surplus in schemes at 3 April 2021** | **(382.6)** | **922.5** | **539.9** |
| 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** |

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:

| | 2021/22 | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| | Premier Schemes £m | RHM Schemes £m | Total £m | Premier Schemes £m | RHM Schemes £m | Total £m |
| Remeasurement gain/(loss) on scheme liabilities | 139.7 | 333.5 | 473.2 | (171.6) | (442.8) | (614.4) |
| Remeasurement gain/(loss) on scheme assets | 17.5 | (133.4) | (115.9) | 16.7 | (152.6) | (135.9) |
| **Net remeasurement gain/(loss) for the period** | 157.2 | 200.1 | 357.3 | (154.9) | (595.4) | (750.3) |

The actual return on scheme assets was a £13.3m loss (2020/21: £38.3m loss), which is £115.9m less (2020/21: £135.9m less) than the interest income on scheme assets of £102.6m (2020/21: £97.6m).

The remeasurement gain on liabilities of £473.2m (2020/21: £614.4m loss) comprises a gain due to changes in financial assumptions of £413.3m (2020/21: £575.1m loss), a loss due to member experience of £3.2m (2020/21: £6.7m gain) and a gain due to demographic assumptions of £63.1m (2020/21: £46.0m loss).

The Group expects to contribute between £4m and £6m annually to its defined benefit schemes in relation to expenses and government levies and £37-39m of additional annual contributions to fund the scheme deficits up to 2 April 2023.

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:

| | 2021/22 | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| | Premier Schemes £m | RHM Schemes £m | Total £m | Premier Schemes £m | RHM Schemes £m | Total £m |
| **Operating profit** | | | | | | |
| Past service cost | (0.1) | (0.2) | (0.3) | (0.4) | (2.5) | (2.9) |
| Settlement (costs)/credits | (0.1) | – | (0.1) | 9.3 | (3.3) | 6.0 |
| Administrative costs | (4.2) | (2.5) | (6.7) | (6.8) | (3.9) | (10.7) |
| Net interest (cost)/credit | (7.4) | 18.4 | 11.0 | (6.6) | 21.0 | 14.4 |
| **Total (cost)/credit** | (11.8) | 15.7 | 3.9 | (4.5) | 11.3 | 6.8 |

### 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 £8.0m (2020/21: £7.8m) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

## 14. Stocks

| | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|
| Raw materials | 18.5 | 14.9 |
| Work in progress | 2.8 | 2.5 |
| Finished goods and goods for resale | 56.8 | 51.4 |
| **Total stocks** | 78.1 | 68.8 |

Stock write-offs in the period amounted to £3.7m (2020/21: £7.1m). The decrease in the current period is primarily related to one-off write-offs in the prior period due to customers that primarily serve out of home sectors.

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

## 15. Trade and other receivables

| | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|
| Trade receivables | **71.4** | 55.0 |
| Trade receivables provided for | **(2.6)** | (3.5) |
| Net trade receivables | **68.8** | 51.5 |
| Prepayments | **16.3** | 17.6 |
| Other tax and social security receivable | **11.2** | 13.9 |
| Other receivables | **0.2** | 0.4 |
| **Total trade and other receivables** | **96.5** | 83.4 |

The borrowings of the Group are secured on the assets of the Group including trade and other receivables.

During the period, the Group continued to operate the trade receivable purchase arrangement. This is a non-recourse arrangement and therefore amounts are derecognised when sold. As at 2 April 2022, £28.5 million was drawn (2020/21: £27.7 million) under the non-recourse arrangement.

## 16. Notes to the cash flow statement

### Reconciliation of profit before tax to cash flows from operations

| | 52 weeks ended 2 Apr 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| Profit before taxation | **102.6** | 122.8 |
| Net finance cost | **28.5** | 29.8 |
| **Operating profit** | **131.1** | 152.6 |
| Depreciation of property, plant and equipment | **19.2** | 19.1 |
| Amortisation of intangible assets | **27.0** | 30.4 |
| Loss on disposal of non-current assets | **0.7** | 0.4 |
| Impairment of tangible assets | **–** | 0.3 |
| Impairment of intangible assets | **–** | 0.1 |
| Fair value movements on foreign exchange and other derivative contracts | **(4.4)** | 2.3 |
| Reversal of impairment losses on financial assets[1] | **–** | (15.7) |
| Profit on disposal of investment in associate[1] | **–** | (16.9) |
| Equity settled employee incentive schemes | **3.4** | 3.1 |
| GMP equalisation and past service cost related to defined benefit pension schemes | **0.3** | 2.9 |
| Increase in inventories | **(9.3)** | (0.8) |
| (Increase) / Decrease in trade and other receivables | **(13.1)** | 5.7 |
| Increase / (Decrease) in trade and other payables and provisions | **4.1** | (1.6) |
| Additional employer contribution[2] | **(2.5)** | – |
| Movement in retirement benefit obligations | **(45.6)** | (63.7) |
| **Cash generated from operations** | **110.9** | 118.2 |

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

2 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 2 Apr 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| Net inflow / (outflow) of cash and cash equivalents | **53.2** | (176.8) |
| Movement in lease liabilities | **2.5** | 2.9 |
| (Increase) / decrease in borrowings | **(10.0)** | 275.0 |
| Debt issuance costs in the period | **8.5** | – |
| Other non-cash movements | **(6.5)** | (4.2) |
| **Decrease in borrowings net of cash** | **47.7** | 96.9 |
| Total net borrowings at beginning of period | **(332.7)** | (429.6) |
| **Total net borrowings at end of period** | **(285.0)** | (332.7) |

### Analysis of movement in borrowings

| | As at 3 Apr 2021 £m | Cash flows £m | Non-cash interest expense £m | Other non-cash movements £m | As at 2 Apr 2022 £m |
|---|---|---|---|---|---|
| Bank overdrafts | (3.1) | 3.1 | – | – | **–** |
| Cash and bank deposits | 4.2 | 50.1 | – | – | **54.3** |
| **Net cash and cash equivalents** | 1.1 | 53.2 | – | – | **54.3** |
| Borrowings – Senior Secured Fixed Rate Notes maturing October 2023 | (300.0) | 300.0 | – | – | **–** |
| Borrowings – Senior Secured Fixed Rate Notes maturing October 2026 | – | (330.0) | – | – | **(330.0)** |
| Borrowings – Senior Secured Floating Rate Notes maturing July 2022 | (20.0) | 20.0 | – | – | **–** |
| Lease liabilities | (18.6) | 3.3 | (0.7) | (0.1) | **(16.1)** |
| Gross borrowings net of cash[1] | (337.5) | 46.5 | (0.7) | (0.1) | **(291.8)** |
| Debt issuance costs[2] | 4.8 | 8.5 | – | (6.5) | **6.8** |
| Total net borrowings[1] | (332.7) | 55.0 | (0.7) | (6.6) | **(285.0)** |
| **Total net borrowings excluding lease liabilities[1]** | (314.1) | 51.7 | – | (6.5) | **(268.9)** |

1 Borrowing exclude derivative financial instruments.

2 The non-cash movement in debt issuance costs relates to the amortisation of capitalised borrowing costs only.

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

| | **As at 2 Apr 2022** | | | As at 3 Apr 2021 | | |
|---|---|---|---|---|---|---|
| | **Offset asset** | **Offset liability** | **Net offset asset** | Offset asset | Offset liability | Net offset asset |
| Cash, cash equivalents and bank overdrafts | **8.1** | **0.0** | **8.1** | 138.2 | (141.3) | (3.1) |

## 17. Trade and other payables

| | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|
| Trade payables | **(137.4)** | (126.1) |
| Commercial accruals | **(75.1)** | (75.5) |
| Tax and social security payables | **(6.6)** | (6.0) |
| Other payables and accruals | **(34.9)** | (42.2) |
| **Total trade and other payables** | **(254.0)** | (249.8) |

## 18. Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (arising from adverse movements in foreign currency, commodity prices and interest rates), credit risk and liquidity risk. The Group uses a variety of derivative financial instruments to manage certain of these risks. The management of these risks, along with the day-to-day management of treasury activities is performed by the Group Finance function. The policy framework governing the management of these risks is defined by the Board. The framework for management of these risks is incorporated into a policies and procedures manual.

The Group also enters into contracts with suppliers for its principal raw material requirements, some of which are considered commodities, diesel and energy. These commodity and energy contracts are part of the Group's normal purchasing activities. Some of the risk relating to diesel is mitigated with the use of derivative financial instruments. The Treasury Risk Management Committee monitors and reviews the Group's foreign currency exchange, commodity price and energy price exposures and recommends appropriate hedging strategies for each.

### 18.1 Market risk

#### (i) Foreign exchange risk

The Group's main operating entities' functional currency and the Group's presentational currency is sterling although some transactions are executed in non-sterling currencies, principally the euro. The transactional amounts realised or settled are therefore subject to the effect of movements in these currencies against sterling. Management of these exposures is centralised and managed by the Group Finance function. It is the Group's policy to manage the exposures arising using forward foreign currency exchange contracts and currency options. Hedge accounting is not sought for these transactions.

The Group generates some of its profits in non-sterling currencies and has assets in non-sterling jurisdictions, principally the euro.

The principal foreign currency affecting the translation of subsidiary undertakings within the Group financial statements is the euro. The rates applicable are as follows:

| Principal rate of exchange: euro/sterling | 52 weeks ended 2 April 2022 | 53 weeks ended 3 April 2021 |
|---|---|---|
| Period ended | **1.1881** | 1.1740 |
| Average | **1.1774** | 1.1215 |

The majority of the Group's assets and liabilities are denominated in the functional currency of the relevant subsidiary.

The table below shows the Group's currency exposures as at 2 April 2022 and 3 April 2021 that gave rise to net currency gains and losses recognised in the consolidated statement of profit or loss as a result of monetary assets and liabilities that are not denominated in the functional currency of the subsidiaries involved.

| | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|
| Net foreign currency monetary assets: | | |
| – Euro | **(4.9)** | (3.4) |
| – US dollar | **1.6** | 1.1 |
| – Other | **(0.2)** | (0.1) |
| **Total** | **(3.5)** | (2.4) |

In addition, the Group also has forward foreign currency exchange contracts outstanding at the period end in order to manage the exposures above but also to hedge future transactions in foreign currencies. The sterling nominal amounts outstanding are as follows:

| | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|
| Euro | **(50.5)** | (50.3) |
| **Total** | **(50.5)** | (50.3) |

Sensitivities are disclosed below using the following reasonably possible scenarios:

If the US dollar were to weaken against sterling by 20 US dollar cents, with all other variables held constant, profit after tax would decrease by £0.2m (2020/21: £0.1m decrease).

If the US dollar were to strengthen against sterling by 20 US dollar cents, with all other variables held constant, profit after tax would increase by £0.2m (2020/21: £0.2m increase).

If the euro were to weaken against sterling by 10 euro cents, with all other variables held constant, profit after tax would decrease by £3.5m (2020/21: £3.0m decrease).

If the euro were to strengthen against sterling by 10 euro cents, with all other variables held constant, profit after tax would increase by £4.1m (2020/21: £3.6m increase).

### (ii) Commodity price risk

The Group purchases a variety of commodities for use in production and distribution which can experience significant price volatility, which include, inter-alia, dairy, wheat, cocoa, edible oils and energy. The price risk including inflation on these commodities is managed closely by the Group through the Treasury Risk Management Committee. It is the Group's policy to minimise its exposure to this volatility by adopting an appropriate forward purchase strategy or by the use of derivative instruments where they are available.

### (iii) Interest rate risk

The Group's borrowing facilities comprise senior secured notes and a revolving facility, in sterling. Interest on the revolving facility is charged at floating rates plus a margin on the amounts drawn down, and at 35% of the applicable margin for the non-utilised portion of the facility, hence the borrowings are sensitive to changes in interest rates.

Cash and deposits earn interest at floating rates based on banks' short-term treasury deposit rates. Short-term trade and other receivables are interest-free.

The Group's other financial assets and liabilities are not exposed to material interest rate risk.

## 18.2 Credit risk

The Group's principal financial assets are cash and cash equivalents and trade and other receivables.

Cash and cash equivalents are deposited with high-credit quality financial institutions and although a significant amount of sales is to a relatively small number of customers these are generally the major grocery retailers whose credit risk is considered low.

The ageing of trade and other receivables was as follows:

| | | Past due | | | | | |
|---|---|---|---|---|---|---|---|
| **At 2 April 2022** | **Fully performing £m** | **1-30 days £m** | **31-60 days £m** | **61-90 days £m** | **91-120 days £m** | **120+ days £m** | **Total £m** |
| **Trade and other receivables** | | | | | | | |
| Expected loss rate | **3.0%** | **5.9%** | **0.0%** | **1.1%** | **14.8%** | **37.4%** | **3.7%** |
| Gross carrying amount trade and other receivables | **63.9** | **4.1** | **0.0** | **2.2** | **0.4** | **1.0** | **71.6** |
| Loss allowance | **(1.9)** | **(0.2)** | **(0.0)** | **(0.0)** | **(0.1)** | **(0.4)** | **(2.6)** |
| | | | | | | | |
| **At 3 April 2021** | | | | | | | |
| **Trade and other receivables** | | | | | | | |
| Expected loss rate | 2.9% | 12.0% | 11.0% | 1.8% | 13.9% | 41.7% | 6.3% |
| Gross carrying amount trade and other receivables | 47.0 | 2.0 | 0.9 | 1.0 | 0.5 | 4.0 | 55.4 |
| Loss allowance | (1.4) | (0.2) | (0.1) | (0.0) | (0.1) | (1.7) | (3.5) |

## 18. Financial instruments CONTINUED

The total loss allowance includes provisions in relation to receivables from customers which are considered to be experiencing difficult economic situations.

The Group does not hold any collateral as security against its financial assets.

Movements in the provision for impairment of trade receivables are as follows:

| | 2021/22 £m | 2020/21 £m |
|---|---|---|
| As at 3 April 2021 / 28 March 2020 | 3.5 | 3.2 |
| Receivables written off during the period as uncollectable | (0.5) | (0.8) |
| Provision for receivables impairment (released)/raised | (0.4) | 1.1 |
| **As at 2 April 2022 / 3 April 2021** | **2.6** | 3.5 |

### 18.3 Liquidity risk

The Group manages liquidity risk through the Group Finance function. Cash flow forecasts are prepared and reviewed on a weekly basis, normally covering a period of three months.

In addition, cash flow forecasts are prepared as part of the Group's overall budgeting and forecasting processes and performance is monitored against this each month. This is intended to give the Board sufficient forward visibility of debt levels.

The Group's Net debt level can vary from month to month and there is some volatility within months. This reflects seasonal trading patterns, timing of receipts from customers and payments to suppliers, patterns of inventory holdings and the timing of the spend on major capital and restructuring projects. For these reasons the debt levels at the period end date may not be indicative of debt levels at other points throughout the period.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the contractual undiscounted cash flows.

| | Within 1 year £m | 1 and 2 years £m | 2 and 3 years £m | 3 and 4 years £m | Total £m |
|---|---|---|---|---|---|
| **At 2 April 2022** | | | | | |
| Trade and other payables | (247.4) | – | – | – | (247.4) |
| Senior secured notes – fixed | (11.6) | (11.6) | (11.6) | (336.7) | (371.5) |
| **At 3 April 2021** | | | | | |
| Trade and other payables | (243.8) | – | – | – | (243.8) |
| Senior secured notes – fixed | (18.8) | (18.8) | (310.9) | – | (348.5) |
| Senior secured notes – floating | (1.0) | (20.3) | – | – | (21.3) |

The secured senior credit facility (revolving) is priced to SONIA, other liabilities are not re-priced before the maturity date.

At 2 April 2022, the Group had £182.0m (2020/21: £158.5m) of facilities not drawn, expiring between two to four years (2020/21: one to two years).

The borrowings are secured by a fixed and floating charge over all the assets of the Group.

The following table analyses the contractual undiscounted cash flows of interest on the fixed and floating rate debt to maturity. Floating rate is based on the indicative 1 month SONIA 0.7607% (2020/21: last fixed rate reset based on LIBOR of 0.08325%) plus applicable margin.

| | Within 1 year £m | 1 and 2 years £m | 2 and 3 years £m | 3 and 4 years £m | 4 and 5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|---|---|
| **At 2 April 2022** | 11.6 | 11.6 | 11.6 | 6.7 | – | – | 41.5 |
| At 3 April 2021 | 19.8 | 19.1 | 10.9 | – | – | – | 49.8 |

The following table analyses the Group's derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the undiscounted cash flows.

| | Within 1 year £m | 1 and 2 years £m | 2 and 3 years £m | 3 and 4 years £m | 4 and 5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|---|---|
| **At 2 April 2022** | | | | | | | |
| **Forward foreign exchange contracts:** | | | | | | | |
| – Outflow | **(52.2)** | **–** | **–** | **–** | **–** | **–** | **(52.2)** |
| – Inflow | **51.7** | **–** | **–** | **–** | **–** | **–** | **51.7** |
| **Commodities:** | | | | | | | |
| – Outflow | **(2.5)** | **(0.3)** | **–** | **–** | **–** | **–** | **(2.8)** |
| **Total derivative financial instruments** | **(3.0)** | **(0.3)** | **–** | **–** | **–** | **–** | **(3.3)** |
| **At 3 April 2021** | | | | | | | |
| **Forward foreign exchange contracts:** | | | | | | | |
| – Outflow | (50.2) | – | – | – | – | – | (50.2) |
| – Inflow | 47.9 | – | – | – | – | – | 47.9 |
| **Commodities:** | | | | | | | |
| – Outflow | (2.6) | (1.6) | – | – | – | – | (4.2) |
| Total derivative financial instruments | (4.9) | (1.6) | – | – | – | – | (6.5) |

## 18.4 Fair value

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

| | **As at 2 April 2022** | | As at 3 April 2021 | |
|---|---|---|---|---|
| | **Carrying amount £m** | **Fair value £m** | Carrying amount £m | Fair value £m |
| **Financial assets not measured at fair value:** | | | | |
| Cash and cash equivalents | **54.3** | **54.3** | 4.2 | 4.2 |
| **Financial assets at amortised cost:** | | | | |
| Trade and other receivables | **65.7** | **65.7** | 49.4 | 49.4 |
| **Financial assets at fair value through profit or loss:** | | | | |
| Trade and other receivables | **3.3** | **3.3** | 2.5 | 2.5 |
| Derivative financial instruments | | | | |
| – Forward foreign currency exchange contracts | **0.1** | **0.1** | – | – |
| – Commodity and energy derivatives | **2.3** | **2.3** | 0.1 | 0.1 |
| **Financial liabilities at fair value through profit or loss:** | | | | |
| Derivative financial instruments | | | | |
| – Forward foreign currency exchange contracts | **(0.3)** | **(0.3)** | (2.3) | (2.3) |
| **Financial liabilities at amortised cost:** | | | | |
| Trade and other payables | **(247.4)** | **(247.4)** | (243.8) | (243.8) |
| Senior secured notes | **(330.0)** | **(305.8)** | (320.0) | (326.6) |
| Bank overdraft | **–** | **–** | (3.1) | (3.1) |

## 18. Financial instruments CONTINUED

The following table presents the Group's assets and liabilities that are measured at fair value using the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

| | As at 2 April 2022 | | As at 3 April 2021 | |
|---|---|---|---|---|
| | Level 1 £m | Level 2 £m | Level 1 £m | Level 2 £m |
| **Financial assets at fair value through profit or loss:** | | | | |
| Derivative financial instruments | | | | |
| – Forward foreign currency exchange contracts | – | 0.1 | – | – |
| – Commodity and energy derivatives | – | 2.3 | – | 0.1 |
| **Financial liabilities at fair value through profit or loss:** | | | | |
| Derivative financial instruments | | | | |
| – Forward foreign currency exchange contracts | – | (0.3) | – | (2.3) |
| **Financial liabilities at amortised cost:** | | | | |
| Senior secured notes | (305.8) | – | (326.6) | – |

### Fair value estimation

### Derivatives

Forward exchange contracts are marked to market using prevailing market prices. Hedge accounting has not been applied to forward contracts and as a result the movement in the fair value of £2.2m has been credited to the statement of profit or loss in the period (2020/21: £3.3m charge).

Commodity derivatives are marked to market using prevailing prices and are also not designated for hedge accounting. As a result, the fair value movement of £2.2m has been credited to the statement of profit or loss (2020/21: £1.0m credit).

### Short and long-term borrowings, loan notes and interest payable

Fair value is calculated based on discounted expected future principal and interest rate cash flows. The fair value of the floating rate debt approximates the carrying value above.

### Trade and other receivables/payables

The carrying value of receivables/payables with a remaining life of less than one year is deemed to reflect the fair value given their short maturity. The fair values of non-current receivables/payables are also considered to be the same as the carrying value due to the size and nature of the balances involved.

## 18.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, or sell assets to reduce debt.

The directors propose final dividend of 1.2 pence per share for the period ended 2 April 2022 (2020/21: 1.0 pence).

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The gearing ratios at the balance sheet date were as follows:

| | As at 2 Apr 2021 £m | As at 3 Apr 2021 £m |
|---|---|---|
| Total borrowings | **(339.3)** | (336.9) |
| Less cash and bank deposits | **54.3** | 4.2 |
| Net debt | **(285.0)** | (332.7) |
| Total equity | **(1,506.9)** | (1,183.6) |
| Total capital | **(1,791.9)** | (1,516.3) |
| **Gearing ratio** | **16%** | 22% |

Gearing is lower year-on-year due to increased cash deposits.

Under the Group's financing arrangement, the Group is required to meet two covenant tests which are calculated and tested on a 12-month rolling basis at the half year and full year, each year. The Group has complied with these tests at 2 October 2021 and 2 April 2022.

### 18.6 Financial compliance risk

#### Risk

The Group continues to operate with a high level of Net debt of £285.0m (2020/21: £332.7m) and is subject to operating within banking covenants set out in its refinancing agreement agreed with its banking syndicate, which include Net debt/EBITDA and EBITDA/interest covenant tests. In the event these covenants are not met then the Group would be in breach of its financing agreement and, as would be the case in any covenant breach, the banking syndicate could withdraw their funding to the Group. The banking covenants relate to the Group's revolving credit facility, which was undrawn at 2 April 2022 (2020/21: undrawn).

In addition to covenant compliance the Group must ensure that it manages its liquidity such that it has sufficient funds to meet its obligations as they fall due.

It also supports three defined benefit pension schemes in the UK, which are set up as sections of the RHM Pension Scheme. Two of the three sections have significant technical funding deficits, which could have an adverse impact on the financial condition of the Group.

#### Mitigation

The Group has financing arrangements which provide funding until between 2024 and 2026. On 18 May 2022, 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. See note 28 for further details.

The Group reviews its performance on an ongoing basis and formally tests and reports on covenant compliance to the Group's banking syndicate at each reporting date. In the event of a forecast covenant breach the Group would seek a covenant waiver or amendment from its banking syndicate.

The Group manages liquidity risk through the Group Finance function. Cash flow forecasts are prepared and reviewed on a weekly basis, normally covering a period of three months. In addition, cash flow forecasts are prepared as part of the Group's overall budgeting and forecasting processes and performance is monitored against this each month.

The Group continues to monitor the pension risks closely, working with the trustee to ensure a collaborative approach.

## 19. Bank and other borrowings

| | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|
| **Current:** | | |
| Bank overdrafts | **–** | (3.1) |
| Lease liabilities | **(2.1)** | (2.3) |
| **Total borrowings due within one year** | **(2.1)** | (5.4) |
| | | |
| **Non-current:** | | |
| Lease liabilities | **(14.0)** | (16.3) |
| | **(14.0)** | (16.3) |
| Transaction costs[1] | **6.8** | 4.8 |
| | **6.8** | 4.8 |
| | | |
| Senior secured notes | **(330.0)** | (320.0) |
| | **(330.0)** | (320.0) |
| | | |
| **Total borrowings due after more than one year** | **(337.2)** | (331.5) |
| **Total bank and other borrowings** | **(339.3)** | (336.9) |

1 Included in transaction costs is £1.9m (2020/21: £2.6m) relating to the revolving credit facility.

### Secured senior credit facility – revolving

During the period, the Group entered into a new revolving credit facility (RCF) with an updated lending group for a period of three years from May 2021 with the option of extending for up to two additional years, which led to a write off of previously capitalised transaction fees of £2.3m. 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] |
|---|---|---|
| 2021/22 FY | 3.5x | 3.00x |
| 2022/23 FY | 3.5x | 3.00x |

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

On 18 May 2022, 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. See note 28 for further details.

### Senior secured notes

During the period, the Group issued new Senior Secured Fixed Rate Notes maturing October 2026. 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%. The gross proceeds were used to redeem £300m Senior Secured Fixed Rate Notes maturing October 2023, which led to the write off of previously capitalised transaction fees of £1.9m and an early redemption fee of £4.7m.

During the period, the Group also redeemed the remaining £20m Senior Secured Floating Rate Notes maturing July 2022. This redemption led to the write off of previously capitalised transaction fees of £0.1m.

### Lease liabilities

The following table analyses the Group's lease liabilities into relevant maturity groupings based on the contractual undiscounted cash flows.

| | Within 1 year £m | 1 and 2 years £m | 2 and 3 years £m | 3 and 4 years £m | 4 and 5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|---|---|
| **At 2 April 2022** | | | | | | | |
| Lease liabilities | **(2.9)** | **(2.6)** | **(2.5)** | **(2.2)** | **(1.5)** | **(19.1)** | **(30.8)** |
| **At 3 April 2021** | | | | | | | |
| Lease liabilities | (3.2) | (2.8) | (2.5) | (2.4) | (2.2) | (20.6) | (33.7) |

Cash outflows of £3.3m (2020/21: £2.7m) in relation to repayments of lease liabilities have been included in the consolidated statement of cash flows.

## 20. Provisions for liabilities and charges

| | Property £m | Other £m | Total £m |
|---|---|---|---|
| **At 28 March 2020** | (8.0) | (8.0) | (16.0) |
| Utilised during the period | – | 0.9 | 0.9 |
| Additional charge in the period | (1.3) | (0.6) | (1.9) |
| Reclassification | – | (0.3) | (0.3) |
| Unwind of discount | 1.1 | – | 1.1 |
| Released during the period | – | 1.6 | 1.6 |
| **At 3 April 2021** | **(8.2)** | **(6.4)** | **(14.6)** |
| Utilised during the period | **0.4** | **1.2** | **1.6** |
| Additional charge in the period | **(1.0)** | **–** | **(1.0)** |
| Unwind of discount | **0.9** | **–** | **0.9** |
| Released during the period | **–** | **2.5** | **2.5** |
| **At 2 April 2022** | **(7.9)** | **(2.7)** | **(10.6)** |

Property provisions primarily relate to provisions for dilapidations against leasehold properties and environmental liabilities. Other provisions primarily relate to insurance and legal matters and provisions for restructuring costs. These provisions have been discounted at rates between 1.37% and 1.73% (2020/21: 0.07% and 1.34%). The unwinding of the discount is charged or credited to the statement of profit or loss under finance cost.

| **Ageing of total provisions** | **As at 2 Apr 2022 £m** | As at 3 Apr 2021 £m |
|---|---|---|
| Within one year | **(2.3)** | (6.2) |
| Between 2 and 5 years | **(2.9)** | (3.3) |
| After 5 years | **(5.4)** | (5.1) |
| **Total** | **(10.6)** | (14.6) |

## 21. Other liabilities

| | **As at 2 Apr 2022 £m** | As at 3 Apr 2021 £m |
|---|---|---|
| Deferred income | **(5.7)** | (6.4) |
| Other accruals | **–** | (0.7) |
| **Other liabilities** | **(5.7)** | (7.1) |

Deferred income relates to amounts received in relation to a previously disposed business.

## 22. Reserves and share capital

### Share premium

The share premium reserve comprises the premium paid over the nominal value of shares for shares issued.

### Merger reserve

The merger reserve comprises the non-statutory premium arising on shares issued as consideration for acquisition of subsidiaries where merger relief applies, less subsequent realised losses relating to those acquisitions.

### Other reserves

Other reserves comprise the hedging reserve, which represents the effective portion of the gains or losses on derivative financial instruments that have historically been designated as hedges.

### Profit and loss reserve

The profit and loss reserve represents the cumulative profit or loss and the own shares reserve which represents the cost of shares in Premier Foods plc, purchased in the market and held by the Employee Benefit Trust on behalf of the Company in order to satisfy options and awards under the Company's incentive schemes. 2,989,069 shares in Premier Foods plc were held by the Employee Benefit Trust at 2 April 2022, with a market value of £3.5m (2020/21: 1,230,629 shares with a market value of £1.2m).

### Share capital

| | Number of shares | Ordinary shares @ nominal value (£0.10/ share) £m | Share premium £m | Total £m |
|---|---|---|---|---|
| At 28 March 2020 | 848,209,480 | 84.8 | 1,409.4 | 1,494.2 |
| Shares issued under share schemes | 6,917,325 | 0.7 | 1.0 | 1.7 |
| Capital reduction | – | – | (1,409.8) | (1,409.8) |
| **At 3 April 2021** | **855,126,805** | **85.5** | **0.6** | **86.1** |
| Shares issued under share schemes | **7,658,472** | **0.8** | **0.9** | **1.7** |
| **At 2 April 2022** | **862,785,277** | **86.3** | **1.5** | **87.8** |

### Share award schemes

The Company's share award schemes are summarised as follows:

1. A Long-Term Incentive Plan ('LTIP') for executive directors and senior managers, approved by shareholders in 2011 and a 10 year LTIP approved by shareholders in 2021. The LTIP is comprised of performance shares whereby participants have the right to subscribe for ordinary shares at nil cost. These awards are equity-settled and have a maximum term of three years. The vesting of the 2019, 2020 and 2021 Performance Share awards are conditional on achievement of a combination of absolute adjusted earnings per share targets (1/3) and relative TSR targets (2/3). During the period the EPS and TSR elements of the 2018 LTIP vested in full. The EPS and TSR targets for the 2019 LTIP award have been achieved which will result in full vesting in August 2022.
2. A Restricted Stock Plan ('RSP') which provides specific ad hoc share awards to managers. Awards are normally subject only to continued employment and may be equity-settled or cash-settled and normally have a retention term of two to three years for senior management.
3. A Share Incentive Plan ('SIP') for all employees. An award of free shares was made to all employees in 2014 by the Company under this HMRC tax-advantaged plan. Free shares are held by a trustee for a minimum of three years. Subject to continuing employment, participants may elect to remove shares from the trust after this three-year holding period, however, there are tax and National Insurance advantages for the employee should the shares be left in the trust for over five years. No further awards under this plan are currently anticipated.
4. A Deferred Bonus Plan ('DBP'). One third of any annual bonus payment awarded to executive directors is made in the form of shares. These shares are awarded under the terms of the DBP which was approved by shareholders in July 2017. Awards will normally be made within six weeks following the announcement of the Group's full year results in the form of nil cost options. The awards will normally vest on the third anniversary of grant and, if awarded in the form of nil cost options, will then be exercisable up until the tenth anniversary of grant.

Details of the share awards during the period are as follows:

At 2 April 2022, the maximum number of shares which could be awarded under the Group's Long-Term Incentive Plan schemes was 16,995,294 (2020/21: 18,794,893), of which 4,309,124 (2020/21: 858,067) had vested and were exercisable at the end of the period. During the period, conditional share awards were granted for 2,389,841 (2020/21: 5,129,025) shares and rights to 3,862,637 (2020/21: 6,297,633) shares lapsed or were forfeited.

At 2 April 2022, the maximum number of shares which could be awarded under the Group's Restricted Stock Plan schemes was 248,907 (2020/21: 1,500), of which 1,500 (2020/21: 1,500) had vested and were exercisable at the end of the period. During the period, awards were granted for 247,407 shares (2020/21: nil) and rights to nil (2020/21: 67,042) shares were transferred or sold.

At 2 April 2022, the number of shares outstanding under the Group's Share Incentive Plan was 426,157 (2020/21: 515,613), of which 426,157 (2020/21: 515,613) were exercisable at the end of the period. During the period, no (2020/21: no awards) awards were granted and rights to 80,456 (2020/21: 397,188) shares were exercised.

At 2 April 2022, the number of shares outstanding under the Group's Deferred Bonus Plan schemes was 674,752 (2020/21: 816,231), of which nil (2020/21: nil) had vested and were exercisable at the end of the period. During the period, awards were granted for 282,377 (2020/21: 172,543) shares and rights to 423,856 (2020/21: nil) shares were transferred or sold.

### Share option schemes

The Company's share option schemes are summarised as follows:

A Savings Related Share Option Scheme ('Sharesave Plan') for all employees. The employees involved in this HMRC tax-advantaged save as you earn scheme have the right to subscribe for up to 18.8 million ordinary shares. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below. These options are equity-settled, have a maximum term of 3.5 years and generally vest only if employees remain in employment to the vesting date.

At 2 April 2022, the number of shares outstanding under the Group's Sharesave Plan was 13,779,775 with a weighted average exercise price at the date of exercise of 56p (2020/21: 15,585,674 shares, 43p), including 574,680 shares which had vested and were exercisable at the end of the period with a weighted average exercise price of 31p (2020/21: 865,135 shares, 33p). The options outstanding at the end of the period had a range of exercise prices from 29p to 83p (2020/21: 29p to 72p) and a weighted average life of 1.6 years (2020/21: 1.8 years).

During the period, options were granted under the Sharesave Plan for 3,296,388 shares with a weighted average exercise price at the date of exercise of 83p (2020/21: 4,867,531 shares, 72p). During the period options were exercised for 4,158,472 shares with a weighted average exercise price of 31p (2020/21: 4,417,325 shares, 34p) and options for 943,835 shares with a weighted average exercise price of 50p lapsed or were forfeited (2020/21: 1,252,029 shares, 33p).

The Group uses the Black-Scholes model to determine the fair value of share options at grant dates offered under the Sharesave plan. Fair values determined from the model use assumptions that are revised for each share-based payment arrangement.

The expected Premier Foods plc share price volatility was determined using an average for food producers as at the date of grant. Current dividend yield and risk-free rate determined from market yield curves for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant.

In 2021/22, the Group recognised an expense of £3.4m (2020/21: £3.1m), related to all equity-settled share-based payment transactions.

## 23. Dividends

The following dividends were declared and paid during the period:

| | 52 weeks ended 2 Apr 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| Ordinary final of 1.0 pence per ordinary share (2020/21: nil) paid 30 July 2021 | 8.5 | – |

After the balance sheet date, a final dividend for 2021/22 of 1.2 pence per qualifying ordinary share (2020/21: 1.0 pence) was proposed for approval at the Annual General Meeting on 20 July 2022 and will be payable on 29 July 2022. Dividend distributions are recognised as a liability in the period in which the dividends are approved by Group's shareholders.

## 24. 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 2 April 2022 of £5.7m (2020/21: £6.3m).

## 25. Contingencies

There were no material contingent liabilities at 2 April 2022 (2020/21: none).

## 26. Related party transactions

The following transactions were carried out with related parties:

### 26.1 Key management compensation

Key management personnel of the Group are considered to be the executive and non-executive directors and the Executive Leadership Team. Details of their remuneration are set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual directors is provided in the audited section of the Directors' Remuneration Report on pages 79 to 95.

| | **52 weeks ended 2 Apr 2022 £m** | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| Short-term employee benefits | **5.5** | 4.8 |
| Share-based payments | **3.2** | 2.1 |
| **Total** | **8.7** | 6.9 |

### 26.2 Other related parties

As at 2 April 2022 the following are also considered to be related parties under the Listing Rules due to their shareholdings exceeding 10% of the Group's total issued share capital:

- Nissin Foods Holding Co., Ltd. ('Nissin') is considered to be a related party by virtue of its 19.06% (2020/21: 19.24%) equity shareholding in Premier Foods plc and its right to appoint a member to the Board of directors.

### Transactions with related parties

| | **52 weeks ended 2 Apr 2022 £m** | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| Sale of services: | | |
| – Hovis | **–** | 0.4 |
| – Nissin | **0.2** | – |
| Total sales | **0.2** | 0.4 |
| Purchase of goods: | | |
| – Nissin | **18.7** | 16.4 |
| **Total purchases** | **18.7** | 16.4 |

### 26.3 Retirement benefit obligations

As stated in note 13, the Group has entered into an arrangement with the Pension Scheme Trustees as part of the funding requirements for any actuarial deficit in the Scheme. Full details of this arrangement are set out in note 13 to these financial statements.

## 27. Investments

In accordance with Section 409 of the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015, a full list of subsidiary undertakings, associate undertakings and joint operations (showing the country of incorporation, registered address and effective percentage of equity shares held) as at 2 April 2022 is disclosed below.

| Company | % Held by Parent Company of the Group | % Held by Group companies, if different | Share Class | Country | Registered Address |
|---|---|---|---|---|---|
| Premier Foods Investments No.1 Limited | 100% | 100% | £1.00 Ordinary shares | England & Wales | Premier House<br>Griffiths Way<br>St Albans<br>Hertfordshire<br>AL1 2RE |
| Premier Foods Investments Limited | 100% | 100% | £1.00 Ordinary shares | | |
| Premier Foods Finance plc | 0% | 100% | £1.00 Ordinary shares | | |
| RHM Limited | 0% | 100% | £0.001 Ordinary shares | | |
| RHM Group Holding Limited | 0% | 100% | £0.10 Ordinary shares | | |
| RHM Group Two Limited | 0% | 100% | £0.01 Ordinary shares | | |
| RHM Group Three Limited | 0% | 100% | £0.01 Ordinary shares | | |
| Premier Foods Group Services Limited | 0% | 100% | £0.01 Ordinary shares | | |
| Premier Foods Group Limited | 0% | 100% | £0.25 Ordinary shares | | |
| Centura Foods Limited | 0% | 100% | £1.00 Ordinary shares | | |
| Premier Foods (Holdings) Limited | 0% | 100% | £1.00 Ordinary shares | | |
| H.L. Foods Limited | 0% | 100% | £1.00 Ordinary shares | | |
| Hillsdown Europe Limited | 0% | 100% | £1.00 Ordinary shares | | |
| Premier Financing Limited | 0% | 100% | £1.00 Ordinary shares | | |
| CH Old Co Limited | 0% | 100% | £1.00 Ordinary shares | | |
| Hillsdown International Limited | 0% | 100% | £1.00 Ordinary shares | | |
| Premier International Foods UK Limited* | 0% | 100% | £1.00 Ordinary shares | | |
| RH Oldco Limited* | 0% | 100% | £1.00 Ordinary shares | | |
| RHM Frozen Foods Limited | 0% | 100% | £1.00 Ordinary shares | | |
| RHM Overseas Limited | 0% | 100% | £1.00 Ordinary shares | | |
| Knighton Foods Investments Limited* | 0% | 100% | £1.00 Ordinary shares | | |
| Knighton Foods Limited | 0% | 100% | £1.00 Ordinary shares | | |
| Knighton Foods Properties Limited | 0% | 100% | £1.00 Ordinary shares | | |
| | | | £1.00 Ordinary shares | | |
| W & J B Eastwood Limited** | 0% | 100% | £1.00 Ordinary A shares<br>£1.00 Ordinary B shares | | |
| Vic Hallam Holdings Limited** | 0% | 100% | £0.25 Ordinary shares<br>£1.00 redeemable cumulative preference shares | | |
| DFL Oldco Limited** | 0% | 100% | £1.00 Ordinary shares | | |
| F.M.C. (Meat) Limited** | 0% | 100% | £0.25 Ordinary shares | | |
| Haywards Foods Limited** | 0% | 100% | £1.00 Ordinary shares | | |
| RLP Old Co Limited** | 0% | 100% | £1.00 Ordinary shares | | |
| Hillsdown Holdings Pension Trustees Limited* | 0% | 100% | £1.00 Ordinary shares | | |
| Premier Foods Group Life Plan Trustees Limited* | 0% | 100% | £1.00 Ordinary shares | | |
| Premier Foods Pension Scheme Trustees Limited* | 0% | 100% | £1.00 Ordinary shares | | |
| RHM Pension Trust Limited* | 0% | 100% | £1.00 Ordinary shares | | |
| Winsford Bacon Company Limited* | 0% | 100% | £1.00 Ordinary shares | | |
| The Specialist Soup Company Limited** | 0% | 100% | £1.00 Ordinary shares | | |
| Tiffany Sharwood's Frozen Foods Limited** | 0% | 100% | £1.00 Ordinary shares | | |
| James Robertson & Sons Limited** | 0% | 100% | £1.00 Ordinary shares | | |
| 00241018 Limited (formerly British Bakeries)** | 0% | 100% | £1.00 Ordinary shares | | |
| Daltonmoor Limited** | 0% | 100% | £1.00 Ordinary shares | | |
| PFF Old Co Limited ** | 0% | 100% | £1.00 Ordinary shares | | |
| RFB Old Co Limited** | 0% | 100% | £1.00 Ordinary shares | | |

## 27. Investments CONTINUED

| Company | % Held by Parent Company of the Group | % Held by Group companies, if different | Share Class | Country | Registered Address |
|---|---|---|---|---|---|
| Citadel Insurance Company Limited | 0% | 100% | £1.00 Ordinary Shares | Isle of Man | Ioma House Hope Street Douglas Isle of Man IM1 1AP |
| Woolgate Nitrovit Limited** | 0% | 100% | £0.25 Ordinary shares | England & Wales | 2 Woolgate Court St Benedicts Street Norwich Norfolk NR2 4AP |
| Diamond Foods Lebensmittelhandel GmbH | 0% | 100% | €0.5113 Ordinary shares | Germany | Gärtnerstraße 3, 25485 Hemdingen, Germany |
| Premier Brands Limited*<br>Beatties Northern Limited** | 0%<br>0% | 100%<br>100% | £1.00 Ordinary shares<br>£1.00 Ordinary shares | Scotland | Summit House 4-5 Mitchell Street Edinburgh Scotland EH6 7BD |
| Premier Foods, Inc. | 0% | 100% | US$0.01 Common Stock shares | United States | The Corporation Trust Company Corporation Trust Centre 1209 Orange Street, Wilmington DE 19801, USA |
| Premier Foods ROI Limited<br>Premier Foods Ireland Manufacturing Limited* | 0%<br>0% | 100%<br>100% | €1.00 Ordinary shares<br>€1.26 Ordinary shares | Ireland | 25-28 North Wall Quay Dublin 1 Ireland |
| G P Woolgate Limited** | 0% | 100% | £1.00 Ordinary shares | England & Wales | PWC LLP, Benson House 33 Wellington Street, Leeds, LS1 4JP |

*Dormant entities

**Restored companies

## 28. Subsequent events

On 18 May 2022 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. The covenant package attached to the RCF and tested bi-annually is unchanged (see note 19 for details).

On 18 May 2022, the directors have proposed a final dividend for the period ended 2 April 2022 for approval at the Annual General Meeting. See Note 23 for more details.

# Balance sheet

The following statements reflect the financial position of the Company, Premier Foods plc as at 2 April 2022 and 3 April 2021. The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a Company profit and loss account.

| | Note | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in Group undertakings | 4 | **1,114.8** | 1,112.5 |
| Debtors | 5 | **17.0** | – |
| | | **1,131.8** | 1,112.5 |
| **Current assets** | | | |
| Debtors | 5 | **10.7** | – |
| Deferred tax assets | 6 | **1.3** | 0.8 |
| Cash at bank and in hand | | **1.2** | 36.1 |
| **Total assets** | | **1,145.0** | 1,149.4 |
| Creditors: amounts falling due within one year | 7 | **(1.4)** | (1.2) |
| **Net current assets** | | **11.8** | 35.7 |
| **Total assets less current liabilities** | | **1,143.6** | 1,148.2 |
| **Equity** | | | |
| Called up share capital | 8 | **86.3** | 85.5 |
| Share premium account | | **1.5** | 0.6 |
| Profit and loss account[1] | | **1,055.8** | 1,062.1 |
| **Total shareholders' funds** | | **1,143.6** | 1,148.2 |

[1] The company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to publish its individual profit and loss account and related notes. During the period, the company made a loss of £1.0m (2020/21: £115.4m profit).

The notes on pages 159 to 162 form an integral part of the financial statements.

The financial statements on pages 157 to 162 were approved by the Board of directors on 18 May 2022 and signed on its behalf by:

**ALEX WHITEHOUSE**
Chief Executive Officer

**DUNCAN LEGGETT**
Chief Financial Officer

# Statement of changes in equity

| | Called up share capital £m | Share premium account £m | Profit and loss account £m | Total £m |
|---|---|---|---|---|
| **At 29 March 2020** | 84.8 | 1,409.4 | (466.6) | 1,027.6 |
| Profit for the period[1] | – | – | 115.4 | 115.4 |
| Share-based payments | – | – | 3.1 | 3.1 |
| Purchase of shares to satisfy share awards | – | – | (0.2) | (0.2) |
| Shares issued | 0.7 | 1.0 | – | 1.7 |
| Capital reduction[2] | – | (1,409.8) | 1,409.8 | – |
| Deferred tax movements on share-based payments | – | – | 0.6 | 0.6 |
| **At 3 April 2021** | 85.5 | 0.6 | 1,062.1 | 1,148.2 |
| **At 4 April 2021** | **85.5** | **0.6** | **1,062.1** | **1,148.2** |
| Loss for the period | **–** | **–** | **(1.0)** | **(1.0)** |
| Share-based payments | **–** | **–** | **3.4** | **3.4** |
| Purchase of shares to satisfy share awards | **–** | **–** | **(0.4)** | **(0.4)** |
| Shares issued | **0.8** | **0.9** | **–** | **1.7** |
| Dividends | **–** | **–** | **(8.5)** | **(8.5)** |
| Deferred tax movements on share-based payments | **–** | **–** | **0.2** | **0.2** |
| **At 2 April 2022** | **86.3** | **1.5** | **1,055.8** | **1,143.6** |

1 Profit for the prior period includes dividend income of £102.5m. During 2020/21, as part of a Group-wide capital re-organisation, the Company's debts worth £72.5m owed to Group undertakings were waived by way of dividends. In addition to this, the Company also received cash dividends worth £30m from its immediate subsidiary.

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

The Company has considered the profits available for distribution to shareholders. At 2 April 2022, the Company had retained earnings of £1.1bn, of which the unrealised profit element was £0.5bn. The Company had profits available for distribution of £0.6bn.

The notes on pages 159 to 162 form an integral part of the financial statements.

# Notes to the Company financial statements

## 1. Accounting policies

### Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

- Cash flow statements and related notes
- Presentation of comparative period reconciliations
- Share-based payments
- Financial instruments and capital management
- Standards not yet effective
- Disclosures in respect of compensation of key management personnel
- Certain disclosures regarding revenue
- Certain disclosures regarding leases

The loss for the period of £1.0m (2020/21: £115.4m profit) is recorded in the accounts of Premier Foods plc, which includes dividend income of £nil (2020/21: £102.5m). Dividends in the prior period included £72.5m in relation to the waiver of debts owed to Group undertakings and £30m received from the Company's immediate subsidiary.

The Company has ensured that its assets and liabilities are measured in compliance with FRS 101. The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

The directors consider that the accounting policies set out below are the most appropriate and have been consistently applied.

The Company is exempt as permitted under Financial Reporting Standard 101 from disclosing related party transactions with entities that are wholly owned subsidiaries of the Premier Foods plc Group.

### Investments

Investments are stated at cost less any provision for impairment in their value.

### Impairment of Non-financial assets (including investments)

The carrying amounts of the Company's non-financial assets, including investments in subsidiaries, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the profit and loss.

### Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## 1. Accounting policies CONTINUED

### Share-based payments

The Company operates a number of equity-settled share-based compensation plans. The fair value of employee share option plans is calculated using an option valuation model, taking into account the terms and conditions upon which the awards were granted. In accordance with International Financial Reporting Standard 2, Share-Based Payment ('IFRS 2'), the resulting expense is charged to the profit and loss account over the vesting period of the options for employees employed by the Parent Company, or treated as an investment in subsidiaries in respect of employees employed by the subsidiaries where the expense is recharged. The value of the charge is adjusted to reflect expected and actual levels of options vesting.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards/options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of share awards/options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of share awards/options that are expected to vest and recognises the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

### Dividends

Dividend distributions to shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders, and for interim dividends in the period in which they are paid. Dividend distributions are recognised as a liability in the period in which the dividends are approved by Company's shareholders.

### Financial guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

## 2. Significant estimates

### Investments in Group undertakings

Impairment reviews in respect of investments in Group undertakings are performed at least annually and more regularly if there is an indicator of impairment. The carrying amounts of the Company's non-financial assets, including investments in subsidiaries, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The key assumptions used in the impairment test which include long-term growth rates and discount rates are the same as that used for the Grocery CGU described further in note 11 of the consolidated financial statements.

## 3. Operating profit

Audit fees in respect of the Company are £nil (2020/21: £nil). Note 5.2 of the Group consolidated financial statements provides details of the remuneration of the Company's auditor on a Group basis.

At 2 April 2022, the Company had two employees (2020/21: two). Directors' emolument disclosures are provided in the Single Figure Table on page 83 of this annual report.

## 4. Investments in Group undertakings

| | **2021/22 £m** | 2020/21 £m |
|---|---|---|
| **Cost** | | |
| At 3 April 2021 / 29 March 2020 | **2,871.8** | 1,774.3 |
| Additions | **2.3** | 1,097.5 |
| **At 2 April 2022 / 3 April 2021** | **2,874.1** | 2,871.8 |
| **Accumulated impairment** | | |
| At 3 April 2021 / 29 March 2020 | **(1,759.3)** | (1,759.3) |
| At 2 April 2022 / 3 April 2021 | **(1,759.3)** | (1,759.3) |
| **NBV at 2 April 2022 / 3 April 2021** | **1,114.8** | 1,112.5 |

In 2021/22 a capital contribution of £2.3m (2020/21: £2.5m) was given in the form of share incentive awards to employees of subsidiary companies which were reflected as an increase in investments.

During the period as part of a Group-wide reorganisation, the Company's direct subsidiary, Premier Foods Investment No.1 Limited transferred its investment in Premier Foods Investment Limited to the Company. Following the transfer the Company allocated the value from Premier Foods Investment No.1 Limited to Premier Foods Investment Limited. There has been no change to value of investments held by the Company as a result of this transaction.

In FY 2020/21, as part of a Group-wide capital re-organisation, the directors passed a resolution to waive an intercompany debt along with accrued interest owed by Premier Foods Investment Limited, a group subsidiary undertaking, via capital contribution amounting to £1.1bn.

Refer to note 27 in the Group financial statements for a full list of the undertakings.

Impairment testing for the period ended 2 April 2022 has identified that the value in use of the investment in Premier Foods Investments Limited of £1.7bn is sensitive to reasonably possible changes in assumptions as set out in the table below.

The key assumptions used in the impairment test which include long-term growth rates and discount rates are the same as that used for the Grocery CGU described further in note 11 of the consolidated financial statements. An illustration of the reasonably possible changes in key assumptions in the impairment test for the investment in Premier Foods Investments Limited are as follows:

| | Reasonably possible change in assumption | Impact on headroom |
|---|---|---|
| Revenue growth | Increase/decrease by 1.5% | Increase/decrease by £109.4m/£106.4m |
| Divisional contribution margin | Increase/decrease by 2.0% | Increase/decrease by £256.1m |
| Long-term growth rate | Increase/decrease by 0.5% | Increase/decrease by £136.9m/£116.0m |
| Discount rate | Increase/decrease by 0.5% | Decrease/increase by £126.6m/£149.4m |

Under each of the above sensitivities no individual scenarios would trigger an impairment of the investment.

## 5. Debtors

| Amounts due less than one year | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|
| **Amounts owed by Group undertakings** | **10.7** | – |
| IFRS 9 ECL provision charge | **(0.0)** | – |
| **Total debtors** | **10.7** | – |

| Amounts due after more than one year | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|
| **Amounts owed by Group undertakings** | **17.1** | – |
| IFRS 9 ECL provision charge | **(0.1)** | – |
| **Total debtors** | **17.0** | – |

## 6. Deferred tax

| | 2021/22 £m | 2020/21 £m |
|---|---|---|
| At 4 April 2021 / 29 March 2020 | **0.8** | 0.1 |
| Credited to the statement of profit and loss | **0.3** | 0.1 |
| Credited to equity | **0.2** | 0.6 |
| **At 2 April 2022 / 2 April 2021** | **1.3** | 0.8 |

The deferred tax asset relates to share-based payments.

## 7. Creditors: amounts falling due within one year

| | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|
| Other payables | **(1.4)** | (1.2) |
| **Total creditors** | **(1.4)** | (1.2) |

The losses surrendered as Group Relief between UK members of the Group have been surrendered for no consideration.

# Notes to the Company financial statements

CONTINUED

## 8. Called up share capital and other reserves

### a) Called up share capital

| | As at 2 Apr 2022 £m | As at 3 Apr 2021 £m |
|---|---|---|
| **Authorised, issued and fully paid** | | |
| 862,785,277 (2020/21: 855,126,805) ordinary shares of 10 pence each | **86.3** | 85.5 |

All of the ordinary shares rank equally with respect to voting rights and the rights to receive dividends and distributions on a winding up.

### b) Share-based payments

The costs reflect the Company's share option schemes in operation. Further details are available in note 22 of the Group's consolidated financial statements.

The charge relating to employees of the Company amounted to £1.1m (2020/21: £0.6m). Further details of these schemes can be found in the Directors' Remuneration Report on page 79 to 95.

## 9. Dividends

The following dividends were declared and paid during the period:

| | 52 weeks ended 2 Apr 2022 £m | 53 weeks ended 3 Apr 2021 £m |
|---|---|---|
| Ordinary final of 1.0 pence per ordinary share (2020/21: nil) paid 30 July 2021 | **8.5** | – |

On 18 May 2022, the directors have proposed a final dividend of 1.2p per share for the period ended 2 April 2022 subject to the ratification at the AGM by the shareholders. Dividend distributions are recognised as a liability in the period in which the dividends are approved by Company's shareholders.

## 10. Contingencies and guarantees

Premier Foods plc has provided guarantees to third parties in respect of borrowings of certain subsidiary undertakings. The maximum amount guaranteed at 2 April 2022 is £0.5bn (2020/21: £0.5bn).

## 11. Subsequent events

On 18 May 2022 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. The covenant package attached to the RCF and tested bi-annually is unchanged (see note 19 of the Group financial statements for details).

On 18 May 2022, the directors have proposed a final dividend for the period ended 2 April 2022 for approval at the Annual General Meeting. See Note 9 for more details.

# Additional disclosures

## Enriching Life Plan Disclosure Table

**We will annually disclose information to demonstrate our progress against our Enriching Life Plan, and other key Environmental, Social and Governance measures. All targets are for 2030 against a 2020 baseline, unless otherwise stated. Several of these measures are newly developed and will evolve with improvements in data availability and information from suppliers and other parties. In some areas information from prior years may be updated if better information subsequently becomes available. Some measures are still under development and will be introduced as robust information becomes available.**

### Our Products - Making nutritious and sustainable food

| Commitment | KPI measure | Comments | 2020/21 baseline | 2021/22 |
|---|---|---|---|---|
| **Make great tasting, healthier and more nutritious food** | | | | |
| **More than double sales of products that meet high nutrition standards** | Value of sales of products meeting high nutritional standards in £m. | Total company branded sales of products of a high nutritional standard; defined as products scoring less than 4 on the UK Department of Health's Nutrient Profiling Model. Declines reflect the exceptional volumes experienced in the prior year, due to the elevated consumer demand observed during the peak of the Covid pandemic. | 320 | 286 |
| **More than 50% of our products will provide additional health or nutrition benefits** | Proportion of products which meet the requirements for a regulated health or nutrition claim. | Products with an additional health benefit are defined as products that qualify for a regulated health or nutritional claim. Calculated at a stock keeping unit (SKU) level. | 38% | 40% |
| **Support the nation's shift to plant-based diets** | | | | |
| **Grow sales of plant-based products to £250m per annum** | Value of sales of plant-based products in £m. | Total company branded sales of products made to a vegan recipe. They do not, by design, contain meat, dairy, eggs and other animal products, and all principal ingredients are plant-based. We have reassessed which existing Premier Foods brands and products should currently be classified as plant-based and revised the baseline announced at the time of the Enriching Life Plan launch in October 2021. Declines reflect the exceptional volumes experienced in the prior year, due to the elevated consumer demand observed during the peak of the Covid pandemic. | 157 | 149 |
| **Each core category has plant-based offering** | Number of core categories with a plant-based/ meat or dairy free offering. | We have 20 core ranges, defined as product ranges constituting at least 10% of the revenue of total category, as well as being distinctly different categories for consumers as defined by shopper insights. | 50% (10/20) | 55% (11/20) |
| **Reduce the environmental impact of our packaging** | | | | |
| **100% of packaging to be reusable, recyclable or compostable by 2025** | Percentage of total packaging (by weight) which meets the On-Pack Recycling Labelling Scheme (OPRL) recycled categories. | Primary, secondary and tertiary packaging which is recyclable either at kerbside, recycling points or front of store, using latest OPRL definitions. Based on tonnage. https://www.oprl.org.uk/ | 94% | 96% |
| **Reduce carbon impact of our packaging in line with our agreed climate commitments** | | Measurement under development for future disclosures. | | |

# Additional disclosures CONTINUED

## Enriching Life Plan Disclosure Table

### Our Planet - Contributing to a healthier planet

| Commitment | KPI measure | Comments | 2020/21 baseline | 2021/22 |
|---|---|---|---|---|
| **Take action on Climate Change** | | | | |
| **Develop validated Science-based Targets aligned with "Business Ambition for 1.5"** | Targets submitted to, and approved by, Science Based Targets Initiative (SBTi). | https://sciencebasedtargets.org/companies-taking-action | | Submission planned Summer 2022 |
| **Reduce scope 1 and 2 emissions by 42% by 2030 and achieve net zero by 2040** | Scope 1 emissions (tonnes of $CO_2e$). | | 39,113 * | 37, 621 |
| | Scope 2 emissions - gross location based (tonnes of $CO_2e$). | | 21,247 * | 18,567 |
| | Scope 2 emissions - net market based (tonnes of $CO_2e$). | This is driven by the purchase of Renewable Energy Guarantees of Origin. | 31,983 * | 4 |
| | Total Scope 1 & 2 gross location based (tonnes of $CO_2e$). | | 60,360 * | 56,188 |
| | Change in Scope 1 & 2 emissions since 2020/21 - gross location based (%). | | | -6.9% |
| | Total Scope 1 & 2 emissions net market based (tonnes of $CO_2e$). | | 71,096 * | 37,625 |
| | Change in Scope 1 & 2 emissions since 2020/21 - gross location based (%). | | | -47.1% |
| | Overall Scope 1 & 2 intensity (g $CO_2$ e per KG of product) - gross location based. | Improvements made in total emissions; reduction not in line with reduced production volumes, due to product mix and non volume related emissions. | 164.0 * | 168.6 |
| | Change in Scope 1 & 2 emissions since 2020/21 - gross location based (%). | | | 2.8% |
| | Overall Scope 1 & 2 intensity (g $CO_2$ e per KG of product) - net market based. | This is driven by the purchase of Renewable Energy Guarantees of Origin. | 193.2 * | 112.9 |
| | Change in Scope 1 & 2 emissions intensity since 2020/21 - net market based (%). | | | -41.6% |
| | | | | |
| | Total Energy Usage (MWh). | | 282,567 | 275,577 |
| | Energy use ratio (MWh/tonnes). | Improvements made in total energy usage; reduction not in line with reduced production volumes, due to product mix and non volume related energy usage. | 0.77 | 0.83 |
| | | | | |
| **Reduce scope 3 emissions by 25% by 2030 and target net zero by 2050** | Scope 3 emissions (tonnes of $CO_2e$). | See comments below ** | | 1,139,062 |
| | Reduction in Scope 3 emissions since 2020/21 (%). | | | |
| | Scope 3 intensity (KG $CO_2e$ per KG of product). | | | 3.4 |
| | Change in Scope 3 emissions intensity since 2020/21 (%). | | | |

We have adopted a new approach for the calculation of our emissions, with external support. We include assumptions for all material activities using the GHG Protocol. We plan to further refine and verify our approach and will continue to adopt better data as it becomes available.

* Based on our new calculations our scope 1 & 2 disclosures for 2020/21 have been updated from those shown in the 2020/21 annual report.

** Our scope 3 disclosure is the result of new work, with external support, scrutinising the emissions from key activities associated with our purchased goods and services. We have had a particular focus on ingredients, using the best available primary data, and industry data sources where this is not available. At the time of reporting we are developing more detailed modelling to improve our understanding of upstream transport and distribution. We are also validating data for 2020/21 which we will use as a baseline for future disclosures and comparison.

## Our Planet - Contributing to a healthier planet

| Commitment | KPI measure | Comments | 2020/21 baseline | 2021/22 |
|---|---|---|---|---|
| **Protect our natural resources** | | | | |
| **Zero deforestation and conversion free palm and meat supply chain by 2025** | Proportion of palm directly purchased which is RSPO Certified. | https://rspo.org/ | 100% | 100% |
| | *Percentage of palm products directly purchased which are RSPO certified, segregated.* | *As supply improves we intend to transition more of our palm to source segregated certified and using mass balance certification where this is not possible. Availability, pricing and sales mix will impact year-on-year performance.* | *57%* | *54%* |
| | *Percentage of palm directly purchased which is RSPO certified, mass balance.* | | *43%* | *46%* |
| | Percentage of meat products directly purchased which are from low risk origins or deforestation free certified. | | 86% | 90% |
| | Percentage of meat products purchased as part of an ingredient which are from low risk origins or deforestation free certified. | We are working with suppliers to develop a reporting methodology for future disclosures. | | |
| **Zero deforestation and conversion free across entire supply chain** | Percentage of soy products directly purchased which are from a low risk origin or RTRS certified. | https://responsiblesoy.org/ | 100% | 100% |
| | Percentage of soy sourced through certified credit schemes where purchased as part of an ingredient. | At time of reporting, we are in the process of purchasing certified credits to cover 100% of the soy used within our ingredients in 2021/22. | 100% | |
| | Percentage of soy sourced through certified credit schemes where used as feed in animal farming for products in our supply chain. | At time of reporting, we are in the process of purchasing certified credits to cover 100% of the soy used in animal feed in 2021/22. | 100% | |
| | Percentage of paper & board purchased directly which are from low risk origins or PEFC or FSC certified. | | 100% | 100% |
| | Percentage of sugar purchased directly which are from areas of low risk origin or are deforestation free certified. | Change in purchased mix from beet sugar to cane sugar, working with suppliers to better demonstrate deforestation free status. | 93% | 89% |
| | Percentage of cocoa purchased directly which are from areas of low risk origin or are deforestation free certified. | We are working with suppliers to develop a reporting methodology for future disclosures. | | |
| **Champion regenerative agricultural practices for key ingredients** | Number of initiatives supporting more sustainable agricultural practices. | We are working with suppliers to develop a reporting methodology for future disclosures. | | |

# Additional disclosures CONTINUED

## Enriching Life Plan Disclosure Table

### Our Planet - Contributing to a healthier planet

| Commitment | KPI measure | Comments | 2020/21 baseline | 2021/22 |
|---|---|---|---|---|
| **Reduce waste across our value chain** | | | | |
| **Halve our food waste** | Total food waste (tonnes) | Using Champions 12.3 methodology including anaerobic digestion, composting, land spreading, energy recovery and landfill. | 8,012* | 7,609 |
| | Change in total food waste since 2017 | | | -5.0% * |
| | Total food waste (% of production) | | 2.4% * | 2.2% |
| | Change since 2017 | | | -7.5% * |
| **Support our suppliers to halve their food waste** | | We are working with suppliers to develop a reporting methodology for future disclosures. | | |
| **Make better use of any food waste we do generate and redistribute 750t for human consumption** | Food waste redistributed for human consumption (tonnes per year) | Food redistributed to organisations who make available for human consumption. | 306 | 750 |
| **Use the strength of our brands to engage shoppers and consumers to reduce food waste in the home** | | We are developing a measure for future disclosures. | | |

* All food waste baseline figures and comparisons show 2017 data, as per Champions 12.3 commitment and data is based on calendar years.

| Commitment | KPI measure | Comments | 2020/21 baseline | 2021/22 |
|---|---|---|---|---|
| **Other key environmental and supply chain measures** | | | | |
| | Total production (tonnes) | | 367,992 | 333,260 |
| | Total water withdrawn ($m^3$) | All incoming water including abstraction (groundwater and surface water) and mains derived. | 776,026 | 720,749 |
| | Water usage ratio ($m^3$/tonne) | Improvements made in total water usage; reduction not in line with reduced production volumes due to product mix and non volume related water usage. | 2.11 | 2.16 |

## Our People - Nourishing the lives of our colleagues and communities

| Commitment | KPI measure | Comments | 2020/21 baseline | 2021/22 |
|---|---|---|---|---|
| **Create a diverse, healthy and inclusive culture** | | | | |
| **Gender balance in our senior leadership team** | Percentage of senior management roles which are held by women. | Senior management is considered to be our Executive Leadership Team and their direct reports. It is a population of c54. We would like to reach a position where females make up between 45% and 55%, reflecting that it is a relatively small team and therefore percentage measures can be impacted by short-term fluctuations in individual roles. This approach also recognises that some individuals do not identify with traditional binary gender definitions. | 28% | 37% |
| | Percentage of general management roles which are held by women. | | 43.5% | 46.0% |
| | Percentage of total colleagues that are women. | | 36.7% | 37.3% |
| | Mean gender pay gap (hourly). | | 8.4% | 6.8% |
| | Mean gender pay gap (bonus). | | 37.8% | 13.6% |
| **Our Diversity will reflect regional demographics** | Percentage of employees who are non-white compared with the national average. | Premier Foods data is compared against a UK working population of people from non-white backgrounds of 12.5% according to McGregor-Smith Review 2017. We plan to improve our external benchmarking to be more representative of our local communities. | 10.6% | 14.4% |
| | Percentage of employees who are self identifying as LGBTQ+ compared with the national average. | Premier Foods data is compared against figures from the Office of National Statistics 2017, stating that 4.6% of the UK population reports to be part of the LGBTQ+ community and that 4.1% of the population 'prefer not to say'. 4.2% of our colleagues reported to be part of the LGBTQ+ community with 6% 'prefer not to say'. This was not measured in previous years. | | 4.2% |

We plan to improve data capture on the diversity of our employees and use more representative local community data where available.

| Commitment | KPI measure | Comments | 2020/21 baseline | 2021/22 |
|---|---|---|---|---|
| **All sites will achieve platinum level Health and Wellbeing accreditation** | Number of sites achieving a Health and Wellbeing accreditation. | We will start a programme in 2023 to accredit our sites for Heath and Wellness provisions. | | |

# Additional disclosures CONTINUED

## Enriching Life Plan Disclosure Table

### Our People - Nourishing the lives of our colleagues and communities

| Commitment | KPI measure | Comments | 2020/21 baseline | 2021/22 |
|---|---|---|---|---|
| **Be a leading developer of people in the Food & Drink Industry** | | | | |
| **We will provide skills programmes and work opportunities for the young and excluded groups to enable a fulfilling career in the Food Industry** | Number of apprenticeships. | Total number of employees participating in an apprenticeship programme. Slight drop in intake due to Covid restrictions. | 87 | 78 |
| | Number of partnerships with local schools, colleges, charities or social enterprises developing employability skills. | Number of partnerships with groups (schools, colleges, charities, trade bodies) who can help us support the young and excluded groups into employment. | 2 | 2 |
| **Support employees to develop key skills with 75% of Science, Technology, Engineering and Maths (STEM) vacancies filled by internal candidates** | Percentage of STEM vacancies filled by internal candidates. | Percentage of all roles which require STEM skills which are filled by internal candidates, apart from first entry level. | | 30% |
| | Number of T-level placements. | Awaiting development of relevant T-level placements. Expect to start tracking from autumn 2022. | | |
| | Number of STEM apprenticeships. | Number of apprenticeships in roles developing STEM skills. | 43 | 37 |
| **80% of colleagues will feel they have opportunity to develop and grow** | Percentage of colleagues stating that they feel they have opportunities to develop and grow. | Direct responses from annual employee survey from 2022 . Percentage that agree or strongly agree with the statement. | | 53% |
| **Other key employee measures** | | | | |
| | LTA ('Lost Time Accidents') | | 0.10 | 0.16 |
| | RIDDOR ('Reporting of Injuries, Diseases and Dangerous Occurrences Regulations') | | 0.02 | 0.12 |
| **Be a caring community partner** | | | | |
| **We will donate 1 million meals per annum to those in food poverty** | Number of meals donated to charities. | Direct product and financial donations to programmes supporting food redistribution to those in food poverty and food insecurity.<br>1 meal = 420g for product donations, as per guidance from WRAP, and £0.25 for financial donations, as per guidance from FareShare.<br>In the future this will also include leveraged donations from employees, customers and suppliers, where supporting Premier Foods initiatives. | 593,859 | 616,772 |
| **Be more of a force for good in our communities by volunteering at least 1,000 colleague days each year** | Number of days volunteered by colleagues to charities or registered good causes. | 1 day is at least 8 hours of employee time from their paid hours. Recorded from 2022 onwards. | | 212 |
| | Total Community Investment contribution value. | All direct and leveraged contributions including financial, in-kind, product donations and volunteering.<br>In future, we will move towards reporting in line with the B4SI reporting standards. | £841,217 | £901,509 |

# Additional information

## Shareholder enquiries

The Company's Register of Members is maintained by our registrar, Equiniti. Shareholders with queries relating to their shareholding should contact Equiniti directly using the details given below:

Equiniti, Aspect House, Spencer Road, Lancing BN99 6DA.

Telephone – 0371 384 2030 (or +44 121 415 7047 if calling from outside the UK). Calls to this number are charged at a national rate. Lines are open 8.30 am to 5.30 pm Monday to Friday, excluding UK public holidays.

Or visit Equiniti's Shareview website: www.shareview.co.uk

## Company advisers

### Statutory Auditor

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London E14 5GL

## Joint corporate brokers

### Jefferies International

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London EC2N 4JL

### Peel Hunt LLP

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120 London Wall
London EC2Y 5ET

### Shore Capital

Cassini House
57 St James's Street
London SW1A 1LD

## Financial PR advisers

### Headland

Cannon Green
27 Bush Lane
London EC4R 0AA

## Trade marks

The Company's trademarks are shown in italics throughout this annual report. The Company has an exclusive worldwide licence to use the Loyd Grossman name on certain products. The Company has an exclusive licence to use the Cadbury trademark in the UK (and a non-exclusive licence for use in other specified territories) on a variety of ambient cake products. Cadbury is a trade mark of the Mondelēz International Group. Cup Noodles and Soba Noodles are trademarks of Nissin Foods Holding Co., Limited ('Nissin'), who is the Company's largest shareholder. The Company has entered into a co-operation agreement with Nissin to market and distribute certain Cup Noodles and Soba Noodles products in the UK and certain other jurisdictions.

## Cautionary Statement

The purpose of this annual report is to provide information to shareholders of Premier Foods plc ('the Company'). The Company, its directors, employees and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. It contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of the Company. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this annual report should be construed as a profit forecast.

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The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.

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