Full Year Results 2013 and Capital Restructuring

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Premier Foods plc

Full Year results for the year ended 31 December 2013

Major Capital Restructuring Announced

- **2013 Underlying Trading profit in line with market expectations**
- **Adjusted PBT, adjusted eps and Net debt all ahead of expectations**
- **Transformational new capital structure - £353m equity issue, £475m high yield bond, £300m Revolving Credit Facility**
- **Landmark new pensions framework agreement**

Premier Foods today announces its Full Year results for 2013, and a major capital restructuring.

Gavin Darby, Chief Executive Officer of Premier Foods, said:

"I am very pleased to report a strong 18% growth in Trading profit and significant underlying earnings progression in 2013. Through our category based strategy, we have delivered Grocery Power Brands sales growth of 2.0%, some good market share performances and progressively stronger customer partnerships. We continue to reduce business complexity through our disciplined approach to our cost base and have successfully reduced our Net debt by £120 million during the year."

"I'm delighted we have concluded our capital structure review and are announcing a transformational new deal which includes an underwritten equity issue of approximately £353m, a landmark pension schemes agreement, a high yield bond of £475m and a new lending agreement with a smaller banking group. This new capital structure will liberate Premier Foods from its past and provides a great platform on which to execute our category based strategy.

"Following the announcement to simplify the Group through the Hovis joint venture, we are now focused on growing a high quality branded Grocery business, with its strong underlying cash flows. While consumer spending trends are currently subdued, we are confident in our expectations for 2014."

	2013	2012	Change
Continuing operations			
Revenue (£m)	**856.2**	**1,070.9**	**(20.1%)**
Trading profit (£m)[2]	**139.5**	**159.1**	**(12.3%)**
Operating profit before profit on disposals (£m)	**55.0**	**50.6**	**8.7%**
Adjusted earnings per share (pence)	**25.9**	**28.2**	**(8.2%)**
Underlying business			
Sales (excl Milling) (£m)	**1,282.5**	**1,297.4**	**(1.1%)**
Grocery Power Brand sales (£m)	**543.5**	**533.1**	**2.0%**
Trading profit (£m)[2]	**145.2**	**123.4**	**17.7%**
Adjusted profit before tax (£m)[4]	**86.8**	**53.9**	**61.0%**
Adjusted earnings per share (pence)	**27.7**	**17.0**	**63.7%**

Measures above are defined on page 3 and reconciled to statutory measures in the appendices, where necessary

A presentation to investors and analysts will take place today, 4 March 2014, at 9.30am at The Brewery, Chiswell Street, London, EC1Y 4SD. The presentation will be webcast at www.premierfoods.co.uk. A recording of the webcast will be available on the Company's website later in the day.

A factsheet of the Full Year results and Capital Restructuring is available at www.premierfoods.co.uk/investor-relations/results-centre

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Click on, or paste the following link into your web browser, to view the associated PDF document.

http://www.rns-pdf.londonstockexchange.com/rns/4535B_1-2014-3-4.pdf

- Ends -

Underlying business

The Company's results for the year ended 31 December 2013 are presented on an **'Underlying business'** basis, unless otherwise stated. 'Underlying business' excludes the results of previously completed business disposals, Milling (sales only), and non-core, discrete contract losses. The tables below illustrate these items for 2013 and 2012 results.

The purpose of using the 'Underlying business' basis for measuring performance is to reflect the performance of the core business of the Company. With the Company having undergone a year of restructuring in 2012, this basis better reflects underlying business performance.

On 27 January 2014, the Group announced a joint venture of its Bread Business with The Gores Group. Given its status as an asset held for sale at 31 December 2013, it is treated as a discontinued operation in the financial statements.

'**Continuing operations'** includes the results of disposed businesses for the respective periods until disposal was completed. For example, the Vinegar and Sour Pickles business disposal completed on 28 July 2012; therefore the results of the continuing operations for 2012 include seven months results of the Vinegar and Sour Pickles business.

£m	Continuing operations[9]	Add: Bread Business	Less: Disposals[5]	Less: Milling sales[6]	Sub-Total	Less: Contract Withdrawals[7]	Underlying business
2013							
Sales	856.2	654.6	(6.4)	(221.9)	1,282.5	-	1,282.5
Trading profit[2]	139.5	6.3	(0.6)	N/A	145.2	-	145.2
EBITDA[3]	156.8	21.9	(0.6)	N/A	178.1	-	178.1
2012							
Sales	1,070.9	685.3	(211.0)	(191.4)	1,353.8	(56.4)	1,297.4
Trading profit[2]	159.1	(4.4)	(31.3)	N/A	123.4	0.0	123.4
EBITDA[3]	182.5	11.8	(35.7)	N/A	158.6	0.0	158.6

Further disclosure on disposals can be found in the appendices.

Notes to editors:

1. The accounting period is from 1 January 2013 to 31 December 2013.
2. Trading profit is defined as operating profit before refinancing costs, restructuring costs, profits and losses associated with divestment activity, amortisation and impairment of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension credits or charges in relation to the difference between expected return on pension assets, administration costs and interest costs on pension liabilities.
3. EBITDA is Trading profit excluding depreciation.
4. Adjusted profit before tax is defined as Trading profit less net regular interest. Adjusted earnings per share is defined as Adjusted profit before tax less a notional tax charge of 23.25% (2012: 24.5%) divided by the weighted average of the number of shares of 239.8 million. Net regular interest is defined as total net interest excluding write-off of financing costs, fair value adjustments on interest rate swaps and other financial liabilities at fair value through profit or loss and the unwind of the discount on provisions.
5. Disposals are defined as Canned grocery, Vinegar and Sour Pickles, Elephant Atta Ethnic Flour, Sweet Spreads and Jellies and Sweet Pickles and Table Sauces.
6. Due to the cost plus pricing nature of the Milling business, fluctuations in the cost of wheat have a direct impact on reported sales, but not necessarily on Trading profit. As a result, the Milling business is excluded from the definition of 'Underlying business' for sales only.
7. In 2013, the Company withdrew from a high cost to serve Bread contract and in 2012, one other non-core discrete contract. This contract finished at the end of April 2013, and therefore 8 months results of this contract are excluded from underlying business in 2012.
8. Trading profit estimate uses reasonable, consistent, but unaudited allocations of Group SG&A costs.
9. Continuing operations for 2012 is restated
10. The cash interest range assumes (i) completion of the Capital Refinancing Plan; (ii) in relation to Q1 2014, the interest rate in respect of the Current facilities; (iii) in relation to the remainder of 2014, the interest rate in respect of the New Bonds and the interest rate in respect of the New Revolving Facility (as applicable on a proportionate basis); (iv) no close-out of any interest rate swap arrangements and (v) securitisation funding under the new facility agreed in December 2013.
11. Recurring cash flow is stated after deducting depreciation, other non-cash items (typically including share-based payments), net interest paid, taxation paid, pension deficit contributions, administration costs associated with the pension schemes and government pension scheme levies, cash capital expenditure in the year and working capital flows from Underlying business Trading profit. Free cash flow is stated after deducting cash flows from disposed businesses, cash restructuring activity, disposal proceeds net of costs received from property, plant and equipment and sale of businesses and financing fees and finance lease cash costs from recurring cash flows.

A Premier Foods image gallery is available using the following link:

www.premierfoods.co.uk/media/image-gallery/

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

The medium-term guidance set out in this announcement (the "**Guidance**") is based upon the historical audited consolidated results of the Group for the years ended 31 December 2013, 2012 and 2011. In order to prepare the Guidance, management has reviewed the historical volumes, prices, input costs and gross margin per brand to assess the basis of future growth.

If the joint venture for the Bread Business is not completed, the annual reported results of the Group for its next full financial year will include the trading of the Bread Business, which will be treated as a discontinued operation. The Guidance does not include any costs related to the Bread Business joint venture.

The Guidance has been prepared based on a number of assumptions and estimates that, while presented with numerical specificity and considered reasonable by the Company when taken as a whole, inherently are subject to significant business, economic, competitive, regulatory and operational uncertainties, contingencies and risks, all of which are difficult to predict and many of which are beyond the control of Premier. The Guidance is necessarily speculative in nature because unanticipated events and circumstances are likely to occur and, as a result, it can be expected that one or more of the assumptions underlying the Guidance may prove not to be valid. Actual results may vary from the financial forecasts and those variations may be material.

Assumptions within the control or influence of the Directors

The main assumptions within the control or influence of the Directors are:

- there will be no material acquisitions or disposals during the financial year ending 31 December 2014 other than those already reported, including in relation to the Bread Business joint venture;
- investments in existing and new product lines will drive Group revenue growth; and
- the Group will be able to reduce costs in line with expectations.

Assumptions outside the control or influence of the Directors

The main assumptions outside the control or influence of the Directors include, among others:

- there will be no material changes to the general trading and economic conditions in each of the markets or jurisdictions in which the relevant businesses of the Group operate from that which is currently prevailing and/or anticipated by the Directors which would cause a material change in levels of demand;
- there will be no material litigation or customer dispute that may arise in the period other than those that are currently prevailing and/or anticipated by the Company;
- there will be no change to legislation or regulatory environments in which the relevant businesses of the Group operate that would materially impact on the operations or accounting policies of the relevant business;
- there will be no major disruption to the relevant businesses of the Group, their suppliers or customers due to natural disasters, terrorism, extreme weather conditions, industrial disruption, civil disturbance or government action;
- there will be no material changes in interest, inflation or exchange rates;
- there will be no material change in the present management or control of the businesses of the Group or their existing operational strategy, other than as already reported; and
- each of the businesses of the Group will continue to enjoy the goodwill and confidence of present and potential customers, and of its strategic partners.

Chief Executive Officer Statement

Premier Foods Investment Proposition

When I joined the Company in February 2013, I had four goals in mind. Firstly it was important to focus on our operational performance and deliver results in line with market expectations. I'm delighted we've been able to do that despite a challenging consumer environment. Looking further ahead, I was keen we find a sustainable solution for the Hovis business and additionally address our capital structure and pension deficit in a way that would create greater certainty and confidence in the future. Finally, I believed it was important to map out a clear strategy to continue to grow Premier Foods in the coming years through evolving our brand-centric strategy to one based on driving category growth. I'm proud that we've been able to announce a proposal to deliver on all these goals.

I believe there are strong reasons to invest in the Company. Premier Foods is a high-quality, branded Grocery business with strong EBITDA margins, operating cash flows and growth prospects. Our investment proposition, set out below, highlights the strengths and opportunities of the new Premier Foods.

1. Focus on Growth Categories

The Group is focused on the largest and fastest growing part of the total food market, ambient food. Ambient food grew 2.3% in value last year compared to 1.7% growth in the total market. Within ambient food, Premier Foods operates in two broad and growing segments, being savoury meal making and sweet foods, which have average growth rates over the past two years of 4.4% and 3.2% respectively. Our leading position in the five specific categories in which we operate of Flavourings & Seasonings, Ambient Desserts, Ambient Cake, Easy Eating and Cooking Sauces & Accompaniments, gives us a significant advantage and opportunity to drive overall growth in these categories as well as our share. This is the essence of our category growth strategy. For example, through stepping up our investment in marketing and innovation, we've been able to drive growth in the Ambient Desserts and Flavourings & Seasoning categories for the two years ended 28 December 2013 by 3.1% and 4.6% respectively, and outperform this growth with our own brands with growth rates of 7.1% and 5.8%.

2. Broad stable of leading brands driving category growth through marketing and innovation

The Group has a broad stable of well-known brands with over 95% of households purchasing one or more of our brands per annum. Innovation and marketing are key to the future growth of our brands and central to our category strategy. In addition to developing new products, we look for new ways to improve our existing products, encourage new uses and create innovative ways to communicate about our brands. The launch of *Ambrosia* Devon Dream is a good example of how we have stretched the *Ambrosia* brand into the summer months with a lighter dessert topping. *Oxo* Shake & Flavour is another innovation that helps take the *Oxo* brand from traditional stock cubes to a versatile range of seasonings. Over the past two years, we've stepped up our marketing to support this innovation and remind consumers about how great our products taste. *Ambrosia* custard was back on TV for the first time in a decade in 2013 and *Batchelors* was advertised on TV for the first time in five years. We have also been investing in other ways to advertise and promote our brands through digital channels and creative partnerships.

3. Diverse manufacturing processes provide wide scope to innovate

We have considerable scale in our manufacturing facilities enabling us to operate efficiently and also leverage our diverse processes and technologies to offer different products and packaging formats to meet evolving customer and consumer needs. For example, we currently offer products in a variety of formats and sizes, including cans, pots, tetra pak, snack-pack, flow wrap, pouches, drums, packets and jars. This flexibility gives us scope to develop new products and different formats in support of our category growth strategy and we continue to invest in our manufacturing infrastructure in support of these opportunities. For example, we recently announced a major investment of approximately £20m in a new line at our Carlton factory in Barnsley to more than double the capacity of the successful Mr. Kipling snack-pack product.

4. Strong capabilities to serve today's multi-format retail environment

The strength and breadth of our brand portfolio, together with our manufacturing and supply chain capabilities gives us an advantage in serving today's multi format retail environment. Most of our sales remain with the major supermarkets and we work hard to strengthen our partnership with these customers through developing joint business plans. But we also have opportunities and plans to grow in other channels, which although a smaller part of the market, are becoming increasingly popular. These include convenience & smaller store formats, on-line shopping, food service and branded discounters. Our flexibility to produce different pack and case sizes and offer tailored product formats under the banner of our Support brands, such as *Paxo* gravy or *Bird's* rice pudding, gives us broad scope to meet the different requirements of these customers.

5. Continued cost reduction supports brand investment

Continuing to improve our efficiency and effectiveness is important to be able to fund the investment needed in our innovation and marketing activities. Over the past few years we've been very good at reducing our overhead costs and maintaining a tight rein over manufacturing and logistic costs. Between 2011 and 2013, the Group reduced its SG&A cost base by 44% from £147.0m to £82.9m and has reduced its manufacturing controllable cost base by approximately 5% per annum. In 2013 we initiated a further focus on reducing complexity throughout the business as a way to step-change our thinking. As a result, we committed to cutting our supplier base in half by the end of 2014 through developing fewer, longer-term strategic partnerships. We also looked at the profitability and strategic fit of every one of our products resulting in the expected elimination of 700 low-margin products from the portfolio by the end of 2014. There are many other opportunities to go after that will help support our medium term commitment increase our marketing investment by double digit % year on year.

6. Strong operational cash flows

Our core Grocery business is strongly cash generative with total cash flow conversion of 73% in 2013. The Group's lean overhead cost base, disciplined capital expenditure and relatively flat management structure, provide a strong platform from which we can drive category growth and to maintain strong margins in the future.

7. Committed and experienced management team

Our senior management team has considerable knowledge and experience of the food and drink industry, and brings extensive marketing, manufacturing and general management experience to the business, particularly with respect to the UK food market. Together, we are committed to deliver results.

These strengths, together with the new capital structure, pension deficit contribution arrangements and agreement on the Hovis joint venture, provide a positive foundation to drive future growth to the benefit of all stakeholders.

Gavin Darby
Chief Executive Officer

Capital Restructuring

The Board has now completed its review of the Group's capital structure and is proposing to diversify its sources of finance to provide a solid foundation on which it can drive future growth through its category based strategy and leverage its strengths as outlined in the Chief Executive's statement. This transformational capital restructure includes a fully underwritten equity raise of approximately £353m (gross of fees) through a placing and rights issue, the issue of £475m senior secured loan notes and a new £300m revolving credit facility with a smaller bank syndicate. Significantly, the Group has also reached a new pensions framework agreement with the Pension Scheme trustees following the triennial actuarial valuation which provides the platform for this new capital structure to be put in place.

Equity Issue

The Group announces it is raising approximately £353m gross proceeds by way of a fully underwritten placing of approximately 77 million shares at 130 pence per share to raise £100m, and a fully underwritten 8 for 5 rights issue of approximately 507 million shares at 50 pence per share to raise approximately £253m. This issuance will reduce the indebtedness of the Group and substantially strengthens the balance sheet.

Pensions Agreement

The Group has agreed what it considers to be a comprehensive and significant agreement with the Pension Scheme trustees. The pension deficit contribution schedule will, on completion of the capital restructuring, be revised, with the impact of reducing cash payments when compared to the previous schedule by £161m over the next six years. Committed deficit contributions are fixed until December 2019 and set out in the table titled 'Capital Refinancing Terms'. Under the new arrangements, the Pension Schemes will be granted security up to £450m (in aggregate) and will have certain dividend matching rights for any dividends paid by the Group up to 2019.

Revolving Credit Facility and Securitisation Facility

The Group's existing term loan and revolving credit facilities will be repaid to the respective lenders on completion of the recapitalisation. These facilities will be replaced by Senior Secured Notes and a revolving credit facility of £300m which is due to mature in March 2019 and attracts an initial bank margin of 3.50% above LIBOR. The Group has agreed with the lenders of the new revolving credit facility that dividends are permitted to be distributed to shareholders when the Group's Net debt/EBITDA ratio falls below a ratio of 3.0x. This facility has been arranged with a significantly smaller group of lenders than was the case previously and includes an appropriate covenant package, the details of which are set out in the table titled 'Capital Refinancing Terms'.

Following completion of the joint venture transaction, the Group's ability to draw on its existing securitisation facility of £120m is expected to reduce to around £60m and attracts a margin of 2.75% above the cost of commercial paper.

Senior Secured Notes

To achieve its objective of diversifying its sources of finance, the Group is also today announcing its intention to raise £475m of senior secured notes. This programme will extend the maturity of this tranche of the Group's debt by up to seven years and will bring in a new and diversified investor base. The notes are likely to be issued as a combination of fixed and floating rates, although in the case of floating rate notes the Group intends to use plain vanilla interest rate swaps to eliminate the net interest rate exposure. The Group has also entered into a backstop arrangement on standard market terms under which issuance of these notes is effectively underwritten.

General Meeting

The capital restructuring plan is subject to among other conditions, approval of shareholders in a general meeting to be held at Doubletree by Hilton London West End, 92 Southampton Row, London WC1B 4BH on 20 March 2014. A circular convening the general meeting and a prospectus in relation to the equity issue are expected to be published on the same date as this announcement.

Capital Refinancing Terms

Key terms and details				
Equity	Firm placing:		£100m	
	Rights issue:		c.£253m	
	Gross issue proceeds:		c.£353m	
	Net issue proceeds:		c.£344m	
Pension	Contributions fixed until 2019, revised deficit contribution schedule as follows:			
		New schedule	Old schedule	Reduction/ (Increase)
	2014	£35m	£83m	£48m
	2015	£9m	£80m	£71m
	2016	£42m	£79m	£37m
	2017	£50m	£47m	(£3m)

	2018	£44m	£47m	£3m
	2019	£42m	£47m	£5m
	Total	£222m	£383m	£161m
	Recovery period extended to 2032			
Lending facilities	Revolving credit facility (RCF)		£300m	
	RCF maturity		March 2019	
	RCF margin		3.50% + LIBOR	
	Commitment fee on undrawn facilities		40% of applicable margin	
	Securitisation facility & margin		£120m at 2.75% + cost of commercial paper	
Covenants	Net debt / EBITDA		EBITDA / Interest	
	June 2014	5.50x	June 2014	2.25x
	Dec 2014	5.50x	Dec 2014	2.25x
	June 2015	5.25x	June 2015	2.45x
	Dec 2015	5.00x	Dec 2015	2.50x
	June 2016	4.90x	June 2016	2.55x
	Dec 2016	4.60x	Dec 2016	2.65x
	June 2017	4.30x	June 2017	2.70x
	Dec 2017	4.20x	Dec 2017	2.75x
	June 2018	3.85x	June 2018	2.80x
	Dec 2018	3.65x	Dec 2018	3.00x
Senior Secured Notes	Amount		£475m	
	Tenor		6 year floating / 7 year fixed	
	Coupon/margin		To be confirmed on pricing	

Operating review

Underlying business

Underlying business excludes all disposals announced in 2012, strategic contract withdrawals and Milling sales. The following commentary is based on Underlying business unless otherwise stated. The 2013 performance of the Bread business is included in the following review, as the proposed joint venture with The Gores Group LLC, announced on 27 January 2014 has not yet completed.

£m	2013	2012	Change
Sales			
Grocery	837.4	854.1	(2.0%)
Bread	445.1	443.3	0.4%
Total	1,282.5	1,297.4	(1.1%)
Grocery divisional contribution	196.7	195.5	0.6%
Bread divisional contribution	31.4	26.9	16.7%
SG&A	(82.9)	(99.0)	16.3%
Total Trading profit	145.2	123.4	17.7%

Introduction

Underlying business sales decreased by 1.1% to £1,282.5m in the year, a decrease of £14.9m compared to the prior year. Underlying business Trading profit increased by £21.8m, or 17.7% to £145.2m in the year.

Grocery division

£m	2013	2012	Change
Power Brands	543.5	533.1	2.0%
Support brands	196.2	206.3	(4.9%)
Total Branded	739.7	739.4	0.1%
Non-branded	97.7	114.7	(14.9%)
Sales	837.4	854.1	(2.0%)
Divisional Contribution	196.7	195.5	0.6%

Total sales in Grocery were £837.4m, down 2.0%, while Divisional Contribution increased £1.2m to £196.7m. This relatively low growth at Divisional Contribution was impacted by the hot summer of 2013 and was offset by significant reductions in SG&A at the Group level. The Group estimates that for the ongoing underlying Grocery business, Trading profit[8] increased from £131m to £139m between 2012 and 2013. Grocery Power Brands sales increased by 2.0% in the year to £543.5m, while Branded sales were up marginally to £739.7m, reflecting slower Support brands sales in the second and third quarters. The Grocery proportion of branded sales increased by 1.8ppts to 88.3% in the year, as the Group maintained a disciplined approached to Non-branded business, which declined by 14.9%.

In the five main categories the business participates in, particularly strong performances were seen in Ambient Desserts and Flavourings & Seasonings, with the Group outperforming the market in both categories. In Ambient Desserts, *Ambrosia* benefitted from a successful television advertising campaign 'This is Pudding' and also the launch of 'Devon Dream'. *Bisto* and

Oxo also delivered good performances in the year, with *Oxo* sales supported by the Shake & Flavour product while *Bisto* benefitted from sales of Stock Melts and continues to consolidate its strong category position.

The Group's market share of the Cake category was over 25% for the 52 weeks ended 28 December 2013, and while overall Mr. Kipling sales were down in the year, the snack pack slices format continues to perform well, with manufacturing utilisation very high. In recognition of this, the Group is investing approximately £20m in a new snack pack line to significantly increase current capacity. This new line is expected to deliver additional and different packaging sizes and provide the platform to extend into the wider 'Sweet Treats' category.

In the support brand portfolio, sales declined by 4.9% during the year reflecting a strongly competitive promotional environment in the cooking sauces category which affected sales of *Homepride,* while *McDougall's* was also impacted by intense competition. In the fourth quarter of 2013, Grocery support brands grew by 1.1% supported by revenue growth of *Angel Delight*, *Bird's* and *McDougall's* and reflecting early benefits of the Group's category based strategy. Non-branded sales were impacted in the year by contract withdrawals in desserts and powdered beverages.

While consumer marketing investment was slightly lower than the prior year, the Group had some successful advertising campaigns with improved buying efficiency. Over the medium term, the Group is committed to increasing both the quantum and efficiency of its consumer marketing expenditure, to support growth of its branded portfolio.

During the year manufacturing controllable costs were lower and savings were delivered through reducing business complexity. Over the medium term, savings in manufacturing controllable costs are expected to continue, with these savings partly re-invested in growing the Group's brands.

Bread division

£m	2013	2012	Change
Branded bread sales	346.6	340.1	1.9%
Non branded bread sales	98.5	103.2	(4.6%)
Total bread sales	445.1	443.3	0.4%
Milling sales	221.9	191.4	15.9%
Total sales	667.0	634.7	5.1%
Divisional contribution	31.4	26.9	16.7%

Sales for the Bread division excluding Milling increased 0.4% to £445.1m in the year while total sales for the division increased by 5.1% to £667.0m. Divisional contribution rose by 16.7%, or £4.5m, to £31.4m in the year.

Power Brands sales for 2013 increased by 2.1% to £326.7m, reflecting a good finish to the year through progressively stronger customer partnerships following a slower third quarter due to the hot weather. *Hovis* continues to deliver strong market share performances in most major retailers, reflecting strengthening customer partnerships, product quality and brand heritage.

The Divisional contribution increase of 16.7% was due to improved manufacturing efficiencies in the supply chain while the business also benefitted from an improved second half performance, particularly reflecting stronger customer partnerships.

This year, the Bread business has focused on a major restructuring programme, involving the closure of three bakeries, two mills and a significantly reconfigured logistics network. The Greenford bakery closed in the third quarter and production at the Barry Mill finished in October. Restructuring costs associated with this programme were £29.1m in the year. Cash proceeds from the disposal of these closed sites were received earlier than expected and realised £14.8m in the fourth quarter of the year.

Milling sales of £221.9m were up 15.9% compared to the prior year, reflecting higher pricing for the first three quarters of the year.

On 27 January 2014, the Group announced a proposed stand-alone joint venture for the Bread business with The Gores Group. This arrangement, once the transaction has completed, will facilitate a significant increase in investment in the Bread business both to improve the efficiency of its infrastructure and to reinvigorate the *Hovis* brand, building on its strong heritage. Premier Foods and The Gores Group will invest up to £45.0m cash to unlock a £200m five year investment programme for *Hovis*.

The Group will retain a 49% interest in the joint venture and expects to receive £30.0m consideration, £15.0m of which is due on completion of the transaction and £15.0m is deferred and contingent on future business performance. A working capital benefit of £28.7m will be retained by the Group following the completion of the transaction and of the £45.0m combined cash investment Premier Foods will contribute an initial £15.7m. Consequently, the net short-term cash benefit to the Group is £28.0m.

Cost Savings Programme and SG&A costs

£m	2013	2012	Change
Total SG&A	82.9	99.0	16.3%

The major restructuring of the SG&A cost base has delivered savings of over £64m since 2011 and this new level now better reflects the size of the Group following the disposal of non-core businesses. Within the £16.1m savings delivered in 2013, people-related costs reduced by over £20m, partly offset by other non-people related charges in the SG&A cost base. These SG&A savings has been a significant contributor to the Trading profit performance in 2013, with SG&A at the end of 2013 reducing to 5.5% of underlying sales including Milling.

Cash restructuring costs associated with the reduction in the SG&A cost base in 2013 were £10.9m. Over the medium term, and subject to changes arising from the Bread business joint venture transaction, the SG&A cost base is expected to remain broadly in line with current levels, although management incentives schemes to drive improved performance are to be re-set at more realistic levels.

Net regular interest

£m	2013	2012	Change
Bank debt & securitisation interest	28.5	39.1	27.1%
Swap contract interest	7.2	17.3	58.4%
	35.7	56.4	36.7%
Amortisation and deferred fees	22.7	13.1	(73.3%)
Net regular interest	58.4	69.5	16.0%

Net regular interest charge was £58.4m in the year, an £11.1m reduction from the previous year and ahead of management guidance of £60-£65m. This lower charge versus prior year reflects both lower average Net debt in 2013 following the pay down of debt due to business disposals and the introduction of lower coupon interest rate swaps in the second quarter of 2012.

Amortisation and deferred fees of £22.7m were non-cash items in 2013 and in line with management expectations.

Cash flow

£m	2013	2012
Underlying business Trading profit	145.2	123.4
Depreciation	32.9	37.5
Other non-cash items	5.0	8.8
Interest	(35.9)	(52.5)
Taxation	-	0.3
Pension contributions	(11.4)	(17.7)
Capital expenditure	(33.9)	(56.4)
Working capital	(15.1)	6.6
Recurring cash inflow	86.8	50.0

Group recurring cash inflow before non-recurring items such as restructuring activity, financing fees and the impact of disposals was £86.8m in the year.

Underlying business Trading profit increased by £21.8m to £145.2m in 2013 for the reasons described above, while depreciation was £4.6m lower reflecting a lower fixed cost base following business disposals in 2012. Other non-cash items of £5.0m in 2013 principally include the add-back of share based payments.

Cash interest was significantly lower in the year owing to the close out of the higher rate interest rate swaps due to the re-financing agreement of March 2012 and lower average Net debt following non-core business disposals. Cash interest for 2014 is expected to be in the range of £45-£50m[10], but is dependent upon the pricing of the senior secured notes. The Group did not pay any corporation tax in the year as a result of utilising a proportion of the brought forward losses available to it and does not expect to pay corporation tax in the medium-term.

Pension cash outflows in the year of £11.4m largely reflect payments associated with the administration of the schemes and standard government levies. Monthly pension deficit contributions resumed in January 2014 with payments being made under the schedule previously agreed until the new revised schedule is effective, as outlined above.

Capital expenditure reduced to £33.9m in the year, a little lower than management guidance of approximately 2.5% of sales. Capital expenditure for 2014 is expected to be in the range of £35-40m, approximately half of which is major investment in a new cake slices snack-pack line at the Group's cake factory in Carlton, Barnsley. Over the medium-term, ongoing capital expenditure is expected to be broadly in line with depreciation. The Group expects working capital to be a cash outflow of approximately £30m in 2014.

£m	2013	2012
Recurring cash inflow	86.8	50.0
Cash flows from disposed businesses	0.0	5.8
Restructuring activity	(40.0)	(21.6)
Operating cash flow from total Company	46.8	34.2
Disposal proceeds	105.6	312.2
Financing fees & finance leases	(27.5)	(24.0)
Free cash flow	124.9	322.4

Free cash flow, before repayment of borrowings, was £124.9m in the year, compared to £322.4m in 2012. Restructuring activity was an outflow of £40.0m, comprising £29.1m of costs relating to the major Bread restructuring programme and £10.9m from access costs associated with the SG&A savings delivered in the year.

Disposal proceeds of £105.6m in the year include £90.8m of net proceeds (£92.5m of gross proceeds) from the sale of the Sweet Pickles and Table Sauces business and £14.8m from the sale of five closed Bread sites associated with the Bread restructuring. Financing fees in 2013 were £27.5m, slightly lower than management guidance and refer to deferred fees associated with the bank facility agreement prior to March 2012.

Net debt

	£m
Reported Net debt at 31 December 2012	950.7
Movement in cash 2013	(124.9)
Other non-cash items	5.0
Reported Net debt at 31 December 2013	830.8
Equity issue	(353.0)
Underwriting, bank, bond and advisory fees	41.3
Deferred bank fees	22.0
Bread disposal proceeds	(28.0)
Adjusted Net debt at 31 December 2013	513.1

Group Net debt at 31 December 2013 was £830.8m. The Group today announces a proposed gross equity issue of £353.0m. After total fees of £63.3m including; equity fees of approximately £9m, deferred bank fees arising from the 2012 re-financing of approximately £22m and other bank, bond and advisory fees of approximately £32m and Bread disposal proceeds of £28.0m, adjusted Net debt at 31 December 2013 was £513.1m.

Pensions

At 31 December 2013 the Company's pension schemes under the IAS 19 accounting valuation showed a gross deficit of £603.3m, compared to £466.8m at 31 December 2012. The valuation at 31 December 2013 comprised a£217.8m deficit in respect of the RHM schemes and a deficit of £385.5m in relation to the Premier Foods schemes.

The deficit increase reflects an increase in the scheme liabilities of £145.6m to £3,821.7m, slightly offset by an increase in the valuation of assets of £9.1m to £3,218.4m. The adverse movement in liabilities is partly due a reduction in the discount rate from 4.45% at 31 December 2012 to 4.40% at 31 December 2013 but also reflects an increase in the inflation rate assumption from 2.95% to 3.35%. The slight increase in the valuation of the scheme assets is due to underlying asset performance offset by benefits paid in the year.

Cash paid relating to pension schemes in the year was £22.9m. The schemes were closed to future accrual on 30 September 2013. The triennial actuarial valuation of the Group's pension schemes has now concluded and as at 5 April 2013, the deficit on this basis was £1,062m. It is important to note that at the valuation date, discount rates were at a particular low point and have since increased which, other assumptions remaining constant, would have the effect of materially reducing this headline valuation.

Pensions (£m)	31 Dec 2013	31 Dec 2012
Assets		
Equities	299.7	411.3
Government bonds	515.7	588.4
Corporate bonds	384.1	608.8
Property	181.7	105.3
Absolute return products	1,268.2	712.1
Cash	192.3	503.0
Infrastructure funds	193.5	153.2
Swaps	(116.6)	(194.6)
Private equity	190.2	185.9
Other	109.6	135.9
Total Assets	3,218.4	3,209.3
Liabilities		
Discount rate	4.40%	4.45%
Inflation rate (RPI/CPI)	3.35%/2.35%	2.95%/2.15%
Total Liabilities	(3,821.7)	(3,676.1)
Gross deficit (IAS 19)	(603.3)	(466.8)
Deferred tax (23.25%/24.5%)	140.3	114.4
Net deficit (IAS 19)	(463.0)	(352.4)

Following the 2012 refinancing agreement, the Group and the Pension Schemes trustees agreed that pension deficit contribution payments would be suspended from March 2012 to December 2013. These deficit contribution payments resumed in January 2014. A new pension deficit contribution schedule has been agreed with the Pension Schemes trustees which provides improved affordability for the Group and certainty of cash flows for the next six years.

The Group acknowledges the significance of the pension valuation in determining a fair reflection of the Group's Enterprise value. While there are a number of different methodologies to value a pension scheme deficit, the Group notes that one approach is to discount the post tax future cash flows of the revised pension deficit contribution schedule. On this basis, the valuation of the pension schemes deficit is £405m. This is based on the assumption that the Group has a tax shield available to it in the early years of an agreed 19 year recovery period. Details of the revised pension deficit contribution schedule are outlined in the section titled 'Capital Restructuring'.

Outlook

The simplification of the Group through the Hovis joint-venture and the capital structure represent significant steps forward for Premier Foods. Completion of these projects will allow Management to focus its full attention on the Grocery business, which the Board believes is well positioned to deal with the challenges of 2014.

The Group expects Grocery Power Brand sales to be slightly negative in the first Quarter reflecting the colder weather in the comparative period, the move of Easter from Q1 to Q2 and subdued consumer spending in the grocery market. Grocery Power Brand sales are expected to improve in Q2 and into the second half reflecting planned new product introductions, increased half-on-half consumer marketing, and assuming a return to more typical average summer temperatures. For the full year, the Board is targeting Grocery Power Brand growth in the range of 2-3%. Support brands are expected to grow modestly in 2014 as a result of targeted marketing activity while non-branded sales will decline reflecting the Group's focus on higher margin branded sales. The Group continues to manage costs tightly and remains confident in its expectations for the Full Year.

Over the medium term, the Group is targeting Grocery Power Brand revenue growth of between 2% and 3% per annum and total branded revenue growth of 1-2%. The Group continues to work on reducing complexity in the business through SKU reductions and rationalising its supplier base and this, together with mix benefits, means it is targeting gross margins to grow faster than revenues. It will continue to target manufacturing controllable cost reductions in manufacturing of between 2% and 3% per annum and to hold SG&A at broadly current levels. It expects to increase consumer marketing spend by double-digit % increments over the medium term.

Financial review

The Company presents its financial results for the year ended 31 December 2013 with comparative information for the year ended 31 December 2012. The Bread business is treated as a discontinued operation in the 2013 financial statements, reflecting its status as an asset held for sale at the balance sheet date and is therefore excluded from continuing operations. Comparatives have been restated to reflect the reclassification of the Bread business as a discontinued operation.

Company structure

In 2012, the Company completed the disposals of the following businesses: Irish brands, Vinegar and Sour Pickles, Elephant Atta Ethnic Flour and Sweet Spreads and Jellies. On 2 February 2013, the Company completed the disposal of its Sweet Pickles and Table Sauces business.

All commentary on the performance of the Company included below refers to continuing operations unless otherwise stated and therefore reflects the respective periods that the Company maintained ownership of the businesses disposed in 2012 and 2013. For example, the Vinegar and Sour Pickles business disposal completed on 28 July 2013; therefore the results of the continuing operations include seven months results of the Vinegar and Sour Pickles business in 2012.

Income statement

Revenue from continuing operations was £856.2m, a decrease of £214.7m compared to the prior year. The major driver of the decline is attributed to the disposals of Vinegar and Sour Pickles and Sweet Spreads and Jellies businesses, partly offset by growth of the Group's Power Brands. Gross profit was £300.1m, a reduction of £49.2m, which principally reflects the effect of the business disposals made in 2012, partly offset by Power Brands growth and manufacturing efficiencies. Gross margin % grew from 32.6% in 2012 to 35.1% in 2013 due to increased sales of higher margin Power Brands sales while sales of lower margin Non-branded products declined in the year.

Operating profit

Operating profit for continuing operations was £52.6m, a reduction of £31.1m compared to 2012. This was mainly due to the profit on disposal of the Sweet Spreads and Jellies business completed in 2012. Before impairment and profit on disposal of operations, Operating profit was £55.0m, an increase of £4.4m on the prior year.

Trading profit was £139.5m in the year, a decline of £19.6m, principally reflecting the impact of the businesses disposed during 2012, partly offset by significant savings in the SG&A overhead cost base in the underlying business. The Group considers underlying profit, as set out in the Operating review, to be a more useful measure of assessing business performance. Trading profit % of revenue increased from 14.9% in 2012 to 16.3% in 2013 largely as a result of SG&A cost savings in the year.

Restructuring costs and losses associated with disposal activity were £7.3m in the year, significantly down on the £31.3m reported in the prior year, and reflecting the completion of the disposal activity programme. The charges in the year principally relate to redundancy costs associated with the Group's cost savings programme.

Amortisation of intangible assets was £43.8m in the year, a reduction of £6.6m from the prior year. This reflects the impact of disposals made during 2012. The financial statements reflect the updated IAS19 accounting standard on pensions accounting, which includes a restatement for 2012. In Operating profit for 2013 the Group reports a charge for net interest on pensions and administrative expenses of £31.3m and £27.7m for the prior year. The net interest charge in 2013 was £19.6m, is non-cash in nature and are not reported in Trading profit.

In discontinued operations an impairment of £234.4m is recognised in the year to 31 December 2013 and reflects the write down of the Bread business to its fair value following the announcement of the Bread business joint venture on 27 January 2014.

Finance expense

Net finance cost in the year to 31 December 2013 was £48.2m, compared to £91.7m in the prior year. Net regular interest reduced from £69.5m to £58.4m, partly due to the conversion of higher rate interest rate swaps into additional term loan at a significantly lower interest rate in addition to lower levels of Net debt following the disposal of businesses during the prior year. In the year, there was a positive movement in the fair valuation of interest rate derivatives of £11.6m compared to an adverse movement of £9.7m in the prior year. Additionally, there was a charge of £10.8m recognised in 2012 relating to the write-off of debt issuance costs associated with the previous financing agreement.

Profit before taxation

The Company made a profit before tax of £4.4m, compared to a prior year loss of £8.0m. Operating profit in the year was £52.6m due to the reasons outline above and net finance expense was £48.2m. The prior year loss of £8.0m was principally due to higher interest charges, partly offset by profit on disposal of operations.

Taxation

The taxation charge for the year was £51.1m (31 December 2012: £18.0m credit). The applicable rate of corporation tax for the year was 23.25% (31 December 2012: 24.5%). At 31 December 2013, the Bread Business was treated as an asset held for sale, while the IAS 19 valuation of the pension deficit was higher than the prior year. Both these items would otherwise have increased the deferred tax assets of the Group by £52.2m. The Group has recognised a closing deferred tax asset value of £72.7m at 31 December 2013 and as a result, a non-cash charge of £51.1m was recognised in the continuing operations for the year. It is expected that the recognised deferred tax assets will be utilised against the future profits of the Group.

The corporation tax rate for 2014 is expected to be 21.5%. The deferred tax rate is expected to be 20.0% for the tax year ended 5 April 2014.

Earnings per share

Basic loss per share of 19.5 pence for the year on continuing operations is calculated by dividing the loss attributed to ordinary shareholders of £46.7m (31 December 2012: £10.0m profit) by the weighted number of shares in issue during the year. This compares to earnings per share of 4.2p for the prior year.

Adjusted earnings per share for continuing operations was 25.9 pence (31 December 2012: 28.2 pence). Adjusted earnings per share on continuing operations has been calculated by dividing the adjusted earnings (defined as Trading profit less net regular interest payable and notional taxation) attributed to ordinary shareholders of £62.2m (31 December 2012: £67.6m) by the weighted number of ordinary shares in issue during each period. These earnings have been calculated by reflecting tax at a notional rate of 23.25% (31 December 2012: 24.5%).

At the Annual General Meeting held on 3 May 2012, a resolution was passed for a 10:1 share consolidation of the issued share capital of the Company. Accordingly, the weighted number of shares in issue for the period reduced from 2,398.0 million to 239.8 million; the latter being used for earnings per share calculations.

Cash flow and borrowings

Company net borrowings as at 31 December 2013 were £830.8m, a decrease of £119.9m since 31 December 2012. The cash inflow from operating activities to 31 December 2013 was £123.4m (31 December 2012: £56.4m). This included cash inflow from continuing operations of £108.7m (31 December 2012: £44.6m) and cash inflow from discontinued operations of £14.7m (31 December 2012: £11.8m). Additionally, net cash interest paid was £35.9m (31 December 2012: £52.5m) due to lower bank margins following the re-financing agreement concluded in March 2012 and lower average Net debt levels in the year. There was no taxation paid in the year (31 December 2012: £0.3m received).

Sale of subsidiaries and property, plant and equipment in the year amounted to £105.6m (31 December 2012: £312.4m) following the completion of the Sweet Pickles and Table Sauces disposal and sale of Bread business sites disposed in the year. Net capital expenditure on tangible and intangible assets in the year was £40.4m (31 December 2011: £66.6m), of which £33.9m relates to Underlying business.

Financing fees and other costs of finance were £27.5m (31 December 2012: £24.0m) reflect deferred financing fees associated with the previous banking facilities.

Retirement benefit schemes

At 31 December 2013 the Company's pension schemes under the IAS 19 accounting valuation showed a gross deficit of £603.3m, compared to £466.8m at 31 December 2012. The valuation at 31 December 2013 comprised a£217.8m deficit in respect of the RHM schemes and a deficit of £385.5m in relation to the Premier Foods schemes. Further detail on the pension schemes is provided in the Operating review.

Financial year end date

The Group intends to change its financial year end from 31 December to 31 March and therefore expects to prepare its next annual financial statements for the 15 months ended 31 March 2015. It plans to report on the Group's trading performance by way of an Interim Management Statement for the 12 months ended 31 December 2014 in early 2015.

Alastair Murray
Chief Financial Officer

APPENDICES

'**Continuing operations'** includes the results of disposed businesses for the respective periods until disposal was completed.

'Underlying business' excludes the results of previously announced business disposals, Milling (sales only) and non-core, discrete, contract losses.

Continuing operations earnings per share is calculated as set out below:

	2013 £m	2012 £m
Continuing Trading profit	**139.5**	**159.1**
Amortisation of intangible assets	**(43.8)**	**(50.4)**
Foreign exchange valuation items	**(1.9)**	**2.0**

Net interest on pension and administrative expenses	(31.3)	(27.7)
Restructuring costs relating to divestment activity	(7.3)	(31.3)
Re-financing costs	(0.2)	(1.1)
Profit/(Loss) on disposal	(2.4)	33.1
Impairment of intangible and tangible assets	-	-
Operating profit	52.6	83.7
Net finance expense	(48.2)	(91.7)
Profit/(Loss) before tax	4.4	(8.0)
Taxation (charge)/credit	(51.1)	18.0
Profit/(loss) after tax	(46.7)	10.0
Divided by:		
Average shares in issue (millions)	239.8	239.8
Basic earnings/(loss) per share	(19.5p)	4.2p

Adjusted earnings per share is calculated as set out below:

	2013 £m	2012 £m
Continuing Trading profit	145.2	123.4
Less net regular interest	(58.4)	(69.5)
Adjusted profit before tax	86.8	53.9
Less notional tax at 23.25%/24.5%	(20.2)	(13.2)
Adjusted profit after tax	66.6	40.7
Divided by:		
Average shares in issue (millions)	239.8	239.8
Adjusted earnings per share	27.7p	17.0p

Retained Grocery business summary P&L

£m	2011	2012	2013 H1	2013
Power Brands sales	512.6	533.1	253.2	543.5
Support brands sales	214.6	206.3	91.8	196.2
Total branded sales	727.2	739.4	345.0	739.7
Non-branded sales	100.3	126.6	42.9	110.1
Total sales	827.5	866.0	387.9	849.8
Trading profit	118.7	131.1	47.1	138.9
EBITDA	137.3	150.1	55.8	156.2

1. Basis of preparation

The financial information in this announcement does not constitute the Group's statutory accounts for the years ended 31 December 2013 or 2012. The preliminary results for the year ended 31 December 2013 and 2012 have been extracted from audited consolidated financial statements.

The consolidated financial statements of Premier Foods plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union, International Financial Reporting Interpretation Committee ("IFRIC") interpretations, and the Companies Act 2006 applicable to Companies reporting under IFRS and on the historical cost basis.

Basis for preparation of financial statements on a going concern basis

On 4 March 2014, the Group announced its proposal to diversify its sources of finance as part of a capital restructuring. This transformational capital restructuring includes a fully underwritten equity offering of approximately £350m (gross of fees) through a placing and rights issue, the issue of £475m senior secured loan notes and a new £300m revolving credit facility with a smaller bank syndicate. Significantly, the Group has also reached a pensions framework agreement with the Pension Scheme trustees following the triennial actuarial valuation, which provides the platform for this new capital structure to be put in place. In order for the capital restructuring to proceed, and for the funds to be available, Shareholders will be required to vote at the General Meeting in order to (amongst other things) authorise the Board to allot shares in the Company under the Placing and Rights Issue.

Although the Board has concluded it is likely that the relevant Shareholder resolutions will be passed, nevertheless there is some theoretical uncertainty as to whether sufficient shareholders will vote in favour of such resolutions to enable the capital restructuring to proceed. Under accounting standards, this constitutes a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The directors believe that adopting the going concern basis in preparing the financial statements is appropriate and the financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

The auditor's report on the financial statements contains an unmodified audit opinion. However, it includes an emphasis of matter in respect of going concern.

2. Critical accounting policies, estimates and judgements

The following are areas of particular significance to the Group's financial statements and include the use of estimates and the application of judgement.

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.

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). Key assumptions used are mortality rates, discount rates and inflation set with reference to bond yields. Each of the underlying assumptions is set out in more detail in note 11.

Goodwill and other intangible assets

Impairment reviews in respect of goodwill are performed annually unless an event indicates that an impairment review is necessary. Impairment reviews in respect of intangible assets are performed when an event indicates that an impairment review is necessary. Examples of such triggering events include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or a significant reduction in cash flows. The recoverable amounts of CGU's are determined based on the higher of net realisable value and value in use calculations. These calculations require the use of estimates.

The Group has considered the impact of the assumptions used on the calculations and has conducted sensitivity analysis on the impairment tests of the CGU's carrying values.

Acquired trademarks, brands and customer relationships are considered to have finite lives that range from 7 to 40 years. The determination of the useful lives takes into account certain quantitative factors such as sales expectations and growth prospects, and also many qualitative factors such as history and heritage, and market positioning, hence the determination of useful lives are subject to estimates and judgement.

Advertising and promotion costs

Trade spend and promotional activity is dependent on market conditions and negotiations with customers. Trade spend is charged to the statement of profit or loss according to the substance of the agreements with customers and the terms of any contractual relationship. Promotional support is generally charged to the statement of profit or loss at the time of the relevant promotion. These costs are accrued on best estimates. The actual costs may not be known until subsequent years when negotiations with customers are concluded. Such adjustments are recognised in the year when the liability becomes probable.

Expenditure on advertising is charged to the statement of profit or loss when incurred, except in the case of airtime costs when a particular campaign is used more than once. In this case they are charged in line with the airtime profile.

3. Segmental analysis

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the CODM. The CODM has been determined to be the Chief Executive Officer and Chief Financial Officer as they are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The CODM uses divisional contribution as the key measure of the segments' results; it is defined as gross profit after marketing and distribution costs and is a consistent measure within the Group and reflects the segments' underlying trading performance for the period under evaluation. The reporting of this measure at the monthly business review meetings, which are organised according to product types, has been used to identify and determine the Group's operating segments.

The Group uses trading profit to review overall group profitability. Trading profit is defined as operating profit before re-financing costs, restructuring costs, profits and losses associated with divestment activity, amortisation and impairment of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension administration costs and net interest on the net defined benefit liability.

The Group's operating segments are 'Grocery' and 'Discontinued operations'. The Grocery segment, which has been redefined to include all continuing operations, sells both sweet and savoury ambient food products. The Discontinued operations segment primarily sells bread, morning goods and flour products. During the year the Group realigned how it reported divisional results to the CODM in line with updated internal reporting lines; 2012 comparatives have been restated to reflect this change. In 2013 the Group's operating segments have been monitored below divisional contribution for strategic purposes, however, going forward it is expected that operating segments will be monitored to divisional contribution.

During 2012 the Group completed the disposal of the four Irish Brands (Chivers, Gateaux, McDonnells and the Erin licence), the Elephant Atta Ethnic Flour business, the Vinegar and Sour Pickles business and the Sweet Spreads and Jellies business and during 2013, the Group completed the disposal of the Sweet Pickles and Table Sauces business; the results of these businesses have not been reported separately as they were fully integrated within the Grocery and Bread segments in 2012.

On 27 January 2014 the Group announced the conditional sale of its majority share in the Bread business. The assets and associated liabilities to be sold with the transaction are held for sale in the financial statements. As a result of the transaction, the Bread business has been classified as a discontinued operation as it was a separate major component of the Group; 2012 comparatives have been restated to reflect this change.

The segment results for the year ended 31 December 2013 and for the year ended 31 December 2012 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial statements are as follows:

Revenues, on a continuing basis, of £173.7m and £143.7m (2012: £226.9m and £174.6m) are derived from two external customers.

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

The Group primarily supplies the UK market, although it also supplies certain products to other European countries and a number of other countries. 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.

4. Finance income and costs

The net movement on fair valuation of interest rate financial instruments relates to a £11.6m favourable movement on interest rate swaps held (2012: £19.2m adverse). In 2012 there was an additional £9.5m favourable movement in swaps held before re-financing in March 2012.

5. Taxation

Current tax

Analysis of the credit for the year is:

Income tax charge for the year

As a result of the 2012 Finance Act provision to reduce the UK corporation tax rate from 24% to 23% from 1 April 2013 the applicable rate of corporation tax for the year is 23.25%. As a result of the 2013 Finance Act provision to reduce the UK corporation tax rate to 20% from 1 April 2015 deferred tax balances have been restated at 20%, the rate at which they are expected to reverse.

Tax relating to items recorded in OCI for continuing operations was:

The tax charge for the year differs from the standard rate of corporation tax in the United Kingdom of 23.25% (2012: 24.5%).The reasons for this are explained below:

6. Earnings/(loss) per share

Basic loss per share has been calculated by dividing the loss attributable to owners of the parent of £245.9m (2012: £17.9m loss) by the weighted average number of ordinary shares of the Company.

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. 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 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.

Given that the Group made a loss in the year there is no dilutive effect of share options.

Adjusted earnings per share ("Adjusted EPS")

Adjusted earnings per share is defined as trading profit less net regular interest payable, less a notional tax charge at 23.25% (2012: 24.5%) divided by the weighted average number of ordinary shares of the Company.

Net regular interest payable is defined as net interest after excluding non-cash items, including write-off of financing costs, fair value adjustments on interest rate financial instruments and other interest.

Trading profit and Adjusted EPS have been reported as the directors believe these provide an alternative measure by which the shareholders can better assess the Group's underlying trading performance.

7. Discontinued operations

Income and expenditure incurred on discontinued operations during the year predominantly comprises the Bread business, in light of the announcement of the conditional sale of the Group's majority share in this business on 27 January 2014, in addition to other operations that were disposed of in prior years.

During the year, discontinued operations contributed to a net inflow of £14.7m (2012: £11.8m inflow) to the Group's operating cash flows, a net inflow of £3.8m (2012: £14.6m inflow) to investing activities and £nil (2012: £34.0m outflow) to financing activities.

8. Disposal of businesses

On 2 February 2013, the Group completed its sale of the Sweet Pickles and Table Sauces business to Mizkan for £92.5m before disposal costs. This is not a discontinued operation as it was previously integrated and reported as part of the Grocery business.

9. Assets and liabilities held for sale

As at 31 December 2013, the assets and associated liabilities relating to the Bread business were held for sale in light of the announcement of the conditional sale of the Group's majority share in this business on 27 January 2014. The disposal is expected to be completed in the second quarter of 2014. On recognition of the assets and liabilities as held for sale, an impairment loss of £234.4m was recognised in order to write down the disposal group to fair value less costs to sell. Management has assessed fair value less costs to sell based on the initial cash consideration of £15.0m being received for 51% of the business, less estimated costs to sell.

The Bread business is presented in the "Discontinued operations" reportable segment in accordance with *"IFRS8 Operating Segments"*.

As at 31 December 2012, the assets and associated liabilities relating to the Sweet Pickles and Table Sauces business were held for sale in light of the announcement of the conditional sale of this business on 30 October 2012. The disposal completed on 2 February 2013 for consideration of £92.5m.

10. Bank and other borrowings

The borrowings are secured by a floating charge over all assets of the Group.

Cash and bank deposits and short-term borrowings have been offset to the extent possible in accordance with the Group's banking agreements.

The total facility as at 31 December 2013 was £1,036.3m (2012: £1,142.4m).

(a) Senior Term Credit Facility and Revolving Credit Facility Arrangement

The term loan and revolving credit facility mature on 30 June 2016. The current applicable bank margin is 3.25%. Additionally, amortisations will occur semi-annually from 30 June 2014. Banking covenants of net debt / EBITDA and EBITDA / interest are in place and are tested biannually.

A floating to fixed amortising swap with an initial nominal value of £745m is in place, attracting a swap rate of 1.59%.

All term loan and securitised debt attract interest charges based on LIBOR.

(b) Securitisation facility

The debtors securitisation facility is secured against the Group's trade receivables. It is a three year programme maturing in December 2016, with a £120m facility priced at 2.75% above the cost of commercial paper.See note 14 for details of the Group's capital restructuring.

11. Retirement benefit schemes

Defined benefit schemes

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

(a) The Premier schemes, which comprise:

Premier Foods Pension Scheme ("PFPS")
Premier Ambient Products Pension Scheme ("PAPPS")
Premier Grocery Products Pension Scheme ("PGPPS")
Premier Grocery Products Ireland Pension Scheme ("PGPIPS")
Chivers 1987 Pension Scheme
Chivers 1987 Supplementary Pension Scheme.

(b) The RHM schemes, which comprise:

RHM Pension Scheme
Premier Foods Ireland Pension Scheme

The most recent full actuarial valuation of both the PFPS and RHM pension schemes was carried out on 31 March 2010 / 5 April 2010. Valuations as at 31 March 2013 / 5 April 2013 are currently being carried out and are due to be completed in 2014.

The exchange rates used to translate the overseas Euro based schemes are £1.00 = 1.1796 Euros for the average rate during the year, and £1.00 = 1.2006 Euros for the closing position at 31 December 2013.

In July 2010, the UK government announced changes to the inflation index used for statutory pension increases (both for pensions in payment and pensions in deferment) to apply to private sector pension schemes. In 2012 a credit to past service costs of £46.4m in respect of the RHM pension scheme was recognised.

In March 2012, as part of the Group's re-financing package, trustees of the Group's UK pension schemes agreed to defer deficit contribution payments until 1 January 2014.

On 30 September 2013 the Group's UK defined benefit pension schemes closed to future accrual. The future pension provision for these members is now made through the Group's defined contribution pension scheme. In accordance with IAS 19 (Revised), the scheme obligations were re-valued by the scheme actuaries immediately prior to the change and assumptions reviewed at that date. The resulting change of £18.2m has been credited to the income statement within past service costs.

All defined benefit plans 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 and the UK schemes have appointed a professional independent Trustee as Chair of the boards. The members of the trustee boards undertake regular training and development to ensure that they are equipped appropriately to fulfil their function as trustees. In addition each trustee board has appointed professional advisers to give them the specialist expertise they need to support them in the areas of investment, funding, legal, covenant and administration.

The trustee boards of the UK schemes generally meet at least 4 times a year to conduct their business. To support these meetings the Trustees have delegated certain aspects of the schemes' operation to give specialist focus (e.g. investment, administration and compliance) to committees for which further meetings are held as appropriate throughout the year. These committees regularly report to the full trustee boards.

The schemes invest through investment managers appointed by the trustees in a broad range of assets including UK and Global equities and Corporate and Government bonds. The plan 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 pension schemes hold a security over the assets of the Group which rank pari passu with the banks in the event of insolvency.

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

- Liquidity risk - all schemes have significant technical funding deficits which could have an adverse impact on the financial condition of the Group. The Company does not pay dividends and is restricted from paying dividends under the terms of its financing arrangements. The Group is also restricted from raising additional forms of debt finance (other than a basket of c.£20m) and is not able to use free cash flow for acquisitions. Funding agreements were in place with the trustees of the pension schemes which mitigated our exposure in 2013. The current Schedule of Contributions in place following the 2010 actuarial valuations provide for the deficit contributions to resume from January 2014 and continue until 2022. The Group continues to monitor the pension risks closely working with the trustees to ensure a collaborative approach. See note 14 for details of the revised Schedule of Contributions, agreed as part of the capital restructuring.
- 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 both the scheme's assets and liabilities. However, the liabilities may grow by more in monetary terms, thus increasing the deficit in the scheme.
- Inflation risk - the majority of the scheme's liabilities increase in line with inflation and so if inflation is greater than expected, the liabilities will increase.

The schemes can limit or hedge their exposure to the yield and inflation risks described above 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 fully hedged interest rate and inflation exposure to the extent of its funding level. The PFPS is in the process of implementing a 30% hedging of its liabilities and has put in place a plan to increase the hedging level when market conditions are considered to be attractive.

The liabilities of the schemes are approximately 49% in respect of former active members who have yet to retire and approximately 51% in respect of pensioner members already in receipt of benefits. The mean duration of the liabilities is approximately 17 years.

IAS 19 (Revised) has been applied retrospectively from 1 January 2012. The principal change is that, expected returns on plan assets of defined benefit plans are not recognised in profit or loss. Instead, interest on the net defined benefit obligation is recognised in profit or loss, calculated using the discount rate used to measure the defined benefit obligation. In addition certain administration expenses are recognised in profit or loss rather than being deducted from the return on plan assets under the previous standard. Comparatives have been restated for the impact of the adoption of IAS 19 (Revised). IAS 19 (Revised) does not impact the balance sheet.

Impact of transition to IAS 19 (Revised) on consolidated statement of profit or loss

	As at 31 Dec 2013 £m	As at 31 Dec 2012 £m
Increase in pensions expense	**(37.9)**	**(40.2)**
Decrease in current tax expense	8.4	9.5
Net decrease in profit or loss for the year	**(29.5)**	**(30.7)**

Attributable to equity holders of the parent	(29.5)	(30.7)
Non-controlling interest	-	-

Increase in remeasurements in other comprehensive income	37.9	40.2
Increase in tax effect of remeasurements in other comprehensive income	(8.4)	(9.5)
Net increase in other comprehensive income	29.5	30.7
Net increase in total comprehensive income	-	-
Attributable to equity holders of the parent	-	-
Non-controlling interest	-	-

There was no material impact on the Group's consolidated statement of cash flows and consolidated balance sheet.

At the balance sheet date, the combined principal actuarial assumptions used for all the schemes were as follows:

	Premier schemes	RHM schemes
2013		
Discount rate	4.40%	4.40%
Inflation - RPI	3.35%	3.35%
Inflation - CPI	2.35%	2.35%
Expected salary increases	n/a	n/a
Future pension increases	2.15%	2.15%
2012		
Discount rate	4.45%	4.45%
Inflation - RPI	2.95%	2.95%
Inflation - CPI	2.15%	2.15%
Expected salary increases	3.95%	3.95%
Future pension increases	2.05%	2.05%

For the smaller overseas schemes the discount rate used was 3.50% (2012: 3.40%), expected salary increases are not applicable as closed to accrual (2012: 3.00%), and future pension increases of 1.75% (2012: 1.75%).

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

	Premier schemes	RHM schemes	Total
2013 Life expectancy			
Male pensioner, currently aged 65	87.8	86.3	86.7
Female pensioner, currently aged 65	90.0	88.5	88.8
Male non-pensioner, currently aged 45	89.2	87.6	88.0
Female non-pensioner, currently aged 45	91.5	90.0	90.3
2012 Life expectancy			
Male pensioner, currently aged 65	88.1	86.1	86.6
Female pensioner, currently aged 65	90.2	88.5	88.9
Male non-pensioner, currently aged 45	89.4	87.4	87.9
Female non-pensioner, currently aged 45	91.8	90.0	90.5

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

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £63m/£65m
Inflation - RPI	Increase/decrease by 0.1%	Increase/decrease by £27m/£26m
Inflation - CPI	Increase/decrease by 0.1%	Increase/decrease by £27m/£26m
Assumed life expectancy at age 60 (rate of mortality)	Increase by 1 year	Increase by £121m

The sensitivity information has been derived using projected cash flows for the Schemes valued using the relevant assumptions and membership profile as at 31 December 2013. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

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

Pension scheme assets	Premier schemes £m	% of total %	RHM schemes £m	% of total %	Total £m	% of total
Assets with a quoted price in an active market at 31 December 2013:						
UK equities	0.9	0.2	46.6	1.7	47.5	1.5
Global equities	19.3	3.6	232.9	8.8	252.2	7.8
Government bonds	12.1	2.3	503.6	18.7	515.7	16.0
Corporate bonds	60.3	11.3	323.8	12.1	384.1	11.9
Property	0.9	0.2	180.8	6.7	181.7	5.6
Absolute return products	370.2	69.7	898.0	33.4	1,268.2	39.4
Cash	9.1	1.7	183.2	6.8	192.3	6.0
Other	58.6	11.0	0.1	0.0	58.7	1.8
Assets without a quoted price in an active market at 31 December 2013:						
Infrastructure funds	-	-	193.5	7.2	193.5	6.0

Swaps	-	-	(116.6)	(4.3)	(116.6)	(3.6)
Private equity	-	-	190.2	7.1	190.2	5.9
Other	-	-	50.9	1.8	50.9	1.7
Fair value of scheme assets as at 31 Dec 2013	531.4	100	2,687.0	100	3,218.4	100
Assets with a quoted price in an active market at 31 December 2012:						
UK equities	0.7	0.1	95.3	3.6	96.0	3.0
Global equities	16.0	3.0	299.3	11.2	315.3	9.8
Government bonds	15.5	2.9	572.9	21.4	588.4	18.3
Corporate bonds	86.5	16.1	522.3	19.5	608.8	19.0
Property	1.0	0.2	104.3	3.9	105.3	3.3
Absolute return products	271.7	50.7	440.4	16.5	712.1	22.2
Cash	9.5	1.8	493.5	18.5	503.0	15.7
Other	135.0	25.2	-	-	135.0	4.2
Assets without a quoted price in an active market at 31 December 2012:						
Infrastructure funds	-	-	153.2	5.7	153.2	4.8
Swaps	-	-	(194.6)	(7.3)	(194.6)	(6.1)
Private equity	-	-	185.9	7.0	185.9	5.8
Other	-	-	0.9	0.0	0.9	0.0
Fair value of scheme assets as at 31 Dec 2012	535.9	100	2,673.4	100	3,209.3	100

The schemes invest in interest rate and inflation swaps to protect from fluctuations in interest and inflation.

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

	Premier schemes £m	RHM schemes £m	Total £m
2013			
Present value of funded obligations	(916.9)	(2,904.8)	(3,821.7)
Fair value of plan assets	531.4	2,687.0	3,218.4
Deficit in scheme	(385.5)	(217.8)	(603.3)
2012			
Present value of funded obligations	(871.1)	(2,805.0)	(3,676.1)
Fair value of plan assets	535.9	2,673.4	3,209.3
Deficit in scheme	(335.2)	(131.6)	(466.8)

The aggregate deficit has increased by £137m during the year (2012: £184m) primarily due to the increase in actuarial inflation assumptions used.

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

	Premier schemes £m	RHM schemes £m	Total £m
2013			
Opening defined benefit obligation	(871.1)	(2,805.0)	(3,676.1)
Current service cost	(3.4)	(7.6)	(11.0)
Past service credit	17.7	18.3	36.0
Interest cost	(37.3)	(121.3)	(158.6)
Remeasurement losses	(56.6)	(118.4)	(175.0)
Exchange differences	(1.3)	(0.4)	(1.7)
Contributions by plan participants	(2.2)	(4.0)	(6.2)
Benefits paid	37.3	133.6	170.9
Closing defined benefit obligation as at 31 Dec 2013	(916.9)	(2,904.8)	(3,821.7)
2012 (Restated)[1]			
Opening defined benefit obligation	(781.9)	(2,656.5)	(3,438.4)
Current service cost	(6.3)	(11.5)	(17.8)
Past service (cost)/credit	(18.6)	31.6	13.0
Interest cost	(37.3)	(124.0)	(161.3)
Remeasurement losses	(58.1)	(160.2)	(218.3)
Exchange differences	1.0	0.4	1.4
Contributions by plan participants	(3.8)	(6.8)	(10.6)
Benefits paid	33.9	122.0	155.9
Closing defined benefit obligation as at 31 Dec 2013	(871.1)	(2,805.0)	(3,676.1)

[1] Comparatives have been restated to reflect the adoption of IAS 19 (Revised)

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

	Premier schemes £m	RHM schemes £m	Total £m
2013			
Opening fair value of plan assets	535.9	2,673.4	3,209.3
Interest income on plan assets	22.9	116.1	139.0
Remeasurement gains	2.1	20.2	22.3
Administrative costs	(5.9)	(5.7)	(11.6)

Contributions by employer	**10.8**	**12.1**	**22.9**
Contributions by plan participants	**2.2**	**4.0**	**6.2**
Exchange differences	**0.7**	**0.5**	**1.2**
Benefits paid	**(37.3)**	**(133.6)**	**(170.9)**
Closing fair value of plan assets as at 31 Dec 2013	**531.4**	**2,687.0**	**3,218.4**
2012 (Restated)[1]			
Opening fair value of plan assets	**514.2**	**2,641.8**	**3,156.0**
Interest income on plan assets	**24.4**	**124.4**	**148.8**
Remeasurement gains	**14.1**	**12.8**	**26.9**
Administrative costs	**(1.8)**	**(12.9)**	**(14.7)**
Contributions by employer	**16.1**	**23.0**	**39.1**
Contributions by plan participants	**3.8**	**6.8**	**10.6**
Exchange differences	**(1.0)**	**(0.5)**	**(1.5)**
Benefits paid	**(33.9)**	**(122.0)**	**(155.9)**
Closing fair value of plan assets as at 31 Dec 2012	**535.9**	**2,673.4**	**3,209.3**

[1] Comparatives have been restated to reflect the adoption of IAS 19 (Revised)

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

	Premier schemes £m	RHM schemes £m	Total £m
2013			
Deficit in schemes at beginning of period	**(335.2)**	**(131.6)**	**(466.8)**
Amount recognised in profit or loss	**(6.0)**	**(0.2)**	**(6.2)**
Remeasurements recognised in other comprehensive income	**(54.5)**	**(98.2)**	**(152.7)**
Contributions by employer	**10.8**	**12.1**	**22.9**
Currency (losses)/gains	**(0.6)**	**0.1**	**(0.5)**
Deficit in schemes at end of period	**(385.5)**	**(217.8)**	**(603.3)**
2012 (Restated)[1]			
Deficit in schemes at beginning of period	**(267.7)**	**(14.7)**	**(282.4)**
Amount recognised in profit or loss	**(39.6)**	**7.6**	**(32.0)**
Remeasurements recognised in other comprehensive income	**(44.0)**	**(147.4)**	**(191.4)**
Contributions by employer	**16.1**	**23.0**	**39.1**
Currency losses	**-**	**(0.1)**	**(0.1)**
Deficit in schemes at end of period	**(335.2)**	**(131.6)**	**(466.8)**

[1] Comparatives have been restated to reflect the adoption of IAS 19 (Revised).

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

	Premier Schemes £m	RHM Schemes £m	Total £m
2013			
Remeasurement loss on plan liabilities	**(56.6)**	**(118.4)**	**(175.0)**
Remeasurement gain on plan assets	**2.1**	**20.2**	**22.3**
Net remeasurement loss for the year	**(54.5)**	**(98.2)**	**(152.7)**
2012			
Remeasurement loss on plan liabilities	**(58.1)**	**(160.2)**	**(218.3)**
Remeasurement gain on plan assets	**14.1**	**12.8**	**26.9**
Net remeasurement loss for the year	**(44.0)**	**(147.4)**	**(191.4)**

The actual return on plan assets was a £161.3m gain (2012: £175.7m gain), which is £22.3m more (2012: £26.9m more) than the interest income on plan assets of £139.0m (2012: £148.8m) at the start of the relevant periods.

The remeasurement loss on liabilities of £175.0m (2012: £218.3m loss) comprises a loss on member experience of £45.0m (2012: £33.6m loss), and a loss due to changes in actuarial assumptions of £130.0m (2012: £184.7 loss).

The net remeasurement loss taken to the consolidated statement of comprehensive income was £152.7m (2012: £191.4m loss). These were £124.4m (2012: £148.9m) net of taxation (with tax at 23.25% for UK schemes, and 12.5% for Irish schemes).

The Group expects to contribute approximately £8.8m to its defined benefit plans in 2014 in relation to expenses and government levies (2013: £25.6m, including regular contributions) and £83m (2013:£2.0m) of additional contributions to fund the scheme deficits under the 2012 Schedule of Contributions. The increase in future deficit funding is a result of the revised re-financing package whereby the Trustees of the Group's UK pension schemes have agreed to the suspension of deficit contribution payments until 1 January 2014. See note 14 for details of the revised Schedule of Contributions, agreed as part of the capital restructuring.

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

	Premier schemes £m	RHM schemes £m	Total £m
2013			
Operating profit			
Current service cost	**(3.4)**	**(7.6)**	**(11.0)**
Past service credit	**17.7**	**18.3**	**36.0**

Administrative costs	(5.9)	(5.7)	(11.6)
Net interest cost	(14.4)	(5.2)	(19.6)
Total	(6.0)	(0.2)	(6.2)
2012 (Restated)[1]			
Operating profit			
Current service cost	(6.3)	(11.5)	(17.8)
Past service (cost)/credit	(18.6)	31.6	13.0
Administrative costs	(1.8)	(12.9)	(14.7)
Net interest (cost)/income	(12.9)	0.4	(12.5)
Total	(39.6)	7.6	(32.0)

[1] Comparatives have been restated to reflect the adoption of IAS 19 (Revised)

Defined contribution schemes

A number of companies in the Group operate defined contribution schemes, predominantly stakeholder arrangements. 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 £3.4m (2012: £0.8m) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

12. Notes to the cash flow statement

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.

13. Contingencies

There were no material contingent liabilities at 31 December 2013.

14. Subsequent events

Disposal of Bread business

On 27 January 2014 the Group announced that it had agreed to sell a majority share in the Bread business to The Gores Group LLC. The disposal is expected to be completed in the second quarter of 2014.

The disposal is subject to and conditional upon: (i) the passing of the resolutions by shareholders at the General Meeting; (ii) Premier Foods plc obtaining certain consents and/or waivers from the lenders under the Group's finance facilities; (iii) Premier Foods plc obtaining certain consents and/or waivers from the trustees of each of the pension schemes; and (iv) obtaining competition approval from the European Commission. Conditions (ii) and (iii) will be satisfied upon completion of the capital refinancing plan.

Premier Foods plc has agreed to pay The Gores Group LLC reasonable out-of-pocket costs if the disposal does not complete due to a failure to satisfy the conditions (except that, where the disposal does not complete due to a failure to satisfy the competition condition, Premier Foods plc will only be liable for The Gores Group LLC's costs if it is responsible for such failure). The costs indemnity is capped at the lower of The Gores Group LLC's costs and 1% of Premier Foods plc's market capitalisation at the time of signing the disposal agreement.

Capital Restructuring

On 4 March 2014 the Group announced its proposal to diversify its sources of finance to provide a solid foundation on which it can drive future growth through its category based strategy and leveraging its strengths. This transformational capital restructure includes a fully underwritten equity raise of approximately £350m (gross of fees) through a placing and rights issue, the issue of £475m senior secured loan notes and a new £300m revolving credit facility with a smaller bank syndicate. Significantly, the Group has also reached a pensions framework agreement with the Pension Scheme trustees following the triennial actuarial valuation which provides the platform for this new capital structure to be put in place.

Equity Issue

The Group announced it is proposing to raise new equity of approximately £350m gross of fees. The issue will be fully underwritten by a group of lending banks. This issuance will reduce the indebtedness of the Group and substantially strengthens the balance sheet.

Pensions Agreement

The Group has agreed what it considers to be a comprehensive and significant agreement with the Pension Scheme trustees. The pension deficit contribution schedule will, on completion of the capital restructuring, be revised, with the impact of reducing cash payments when compared to the previous schedule by £161m over the next six years. Committed deficit contributions are fixed until December 2019 and set out in the "Capital Refinancing Terms" table below. Under the new arrangements, the Pension Schemes will be granted security up to £450m (in aggregate) and will have certain dividend matching rights for any dividends paid by the Group up to 2019.

Revolving Credit Facility and Securitisation Facility

The Group's existing term loan and revolving credit facilities will be repaid to the respective lenders on completion of the recapitalisation. These facilities will be replaced by senior secured notes and a revolving credit facility of £300m which is due to mature in March 2019 and attracts an initial bank margin of 3.50% above LIBOR. The Group has agreed with the lenders of the new revolving credit facility that dividends are permitted to be distributed to shareholders when the Group's Net debt/EBITDA ratio falls below a ratio of 3.0x. This facility has been arranged with a significantly smaller group of lenders than was the case previously and includes an appropriate covenant package, the details of which are set out in the "Capital Refinancing Terms" table below.

Following completion of the joint venture transaction, the Group's ability to draw on its existing securitisation facility of £120m is expected to reduce to around £60m and attracts a margin of 2.75% above the cost of commercial paper.

Senior Secured Notes

To achieve its objective of diversifying its sources of finance, the Group also announced its intention to raise approximately £475m of senior secured notes. This programme will extend the maturity of this tranche of the Group's debt by up to seven years and will bring in a new and diversified investor base. The notes are likely to be issued as a combination of fixed and floating rates, although in the case of floating rate notes the Group intends to use plain vanilla swaps to eliminate the net interest rate exposure. The Group has also entered into a backstop arrangement on standard market terms under which issuance of these notes is effectively underwritten.

Capital Refinancing Terms

Key terms and details		
Equity	**Approximate firm placing:**	**£100m**
	Approximate rights issue:	**£250m**
	Approximate gross issue proceeds:	**£350m**
Pension	**Contributions fixed until 2019, revised deficit contribution schedule as follows:**	
	2014	**£35m**
	2015	**£9m**
	2016	**£42m**
	2017	**£50m**
	2018	**£44m**
	2019	**£42m**
	Total	**£222m**
	Recovery period extended to 2032	
Lending facilities	**Revolving credit facility (RCF)**	**£300m**
	RCF maturity	**March 2019**
	RCF margin	**3.50% + LIBOR**
	Commitment fee on undrawn facilities	**40% of applicable margin**
	Securitisation facility & margin	**£120m at 2.75% + cost of commercial paper**
Senior Secured Notes	**Amount**	**£475m**
	Tenor	**6 year floating / 7 year fixed**

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