PREMIER FOODS PLC

INTERIM RESULTS FOR THE HALF YEAR ENDED 25 JUNE 2011

5 August 2011

Key figures (£m)

	2011	2010	%
Total pro forma sales from ongoing business	974	982	(0.9)
Trading profit from ongoing business	67	94	(28.7)
Operating profit for continuing operations	42	63	(33.3)
Loss before tax for continuing operations	(3)	(58)	94.8
Net debt	1,139	1,364	16.5

Highlights

- **Challenging trading conditions due to consumer environment and raw material cost inflation;**
- **Pricing implemented to cover raw material inflation albeit with a £25m total cost of both a timing lag and a temporary customer dispute;**
- **Sale of Meat-free business completed in the Half Year and Canning business completed in July raising a total of £362m;**
- **Net debt £1,139m, down £225m year on year. Average debt to EBITDA 4.45x. Pro forma net debt £972m once Canning proceeds received. Average debt to EBITDA 4.00x on a pro forma basis after disposals;**
- **Logistics and head office restructuring will yield £20m in annual savings by 2013;**
- **Mike Clarke joins on 1 September as Chief Executive Officer.**

Commenting on the results, Chief Financial Officer, Jim Smart said:

"This was a challenging period not only for Premier Foods but also for the food industry as a whole. We faced a combination of reduced consumer spending and significant raw material inflation. We were further hampered by a temporary pricing dispute with one of our major customers which has since been resolved and by underperformance at Brookes Avana.

"We were successful in passing on the majority of our higher input costs, completed two significant disposals and reduced our borrowings. We have continued to deliver efficiencies in line with our targets and have now commenced a further cost saving programme."

Premier Foods plc

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A presentation to analysts and investors will take place on Friday 5 August 2011 at 9.00am at City Presentation Centre, 4 Chiswell Street, London, EC1Y 4UP. The presentation will also be webcast at www.premierfoods.co.uk.

1. The accounting period is from 1 January 2011 to 25 June 2011. The comparative is based on 1 January 2010 to 26 June 2010. The 2011 period thus contains one fewer trading day. In order to present consistent information, we also present pro forma sales information for the 6 months to 30 June.
2. In the interests of clarity the results of the Group excluding the Meat-free and Canning businesses are shown as Ongoing Business. In the financial information the results of the Meat-free business are shown as discontinued operations and the results of the Canning business are included within continuing operations within the Grocery segment.
3. Trading profit is defined as operating profit before exceptional items, amortisation 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.
4. Pro forma adjusted profit after tax is defined as trading profit less pro forma net regular interest payable less a notional tax charge at 26.0% (2010: 28.0%).
5. Pro forma net regular interest is defined as net interest after excluding non-cash items, namely exceptional write-off of financing costs, accelerated amortisation of debt issuance costs, fair value adjustments on interest rate financial instruments and the unwind of the discount on provisions, adjusted to show the effect as if the disposals of the Meat-free and canning businesses had happened on 1 January 2010.
6. Pro forma adjusted EPS is defined as pro forma adjusted profit divided by the weighted average number of ordinary shares of the Company.
7. Net debt is defined as net borrowings less obligations due under finance leases.
8. Comparatives have been restated to reflect the classification of the Meat-free business as a discontinued operation.

Notes for editors

Premier Foods is the UK's largest food producer, which manufactures, sells and distributes a wide range of branded and retailer branded foods. We supply a broad range of customers including the major multiple retailers, wholesalers, foodservice providers and other food manufacturers. Premier Foods owns iconic British brands such as Hovis, Mr Kipling, Batchelor's, Bisto, Ambrosia, Sharwood's, Branston, Oxo, Hartley's and many more. The business employs around 14,000 people and operates from nearly 60 sites across the UK and Ireland.

For high resolution images, please go to www.premierfoods.co.uk/media/image-gallery/

OPERATING AND FINANCIAL REVIEW

Introduction

The accounting period being reported is for 1 January 2011 to 25 June 2011 versus 1 January 2010 to 26 June 2010. Hence the 2011 consolidated interim financial information contains one fewer trading day. In the interest of consistency, pro forma information on sales is also included on a 1 January to 30 June basis. Full details are shown in the appendices. Profit and loss analyses are based on the statutory reporting period. Sales analyses use the pro forma basis.

In the statutory accounts, the Meat-free business is treated as Discontinued and the Canning business, as it was not a separate operating segment, is reported within the Grocery segment as continuing. In the interests of clarity, the results of the Group excluding both Meat-free and Canning businesses are shown as Ongoing Business. A full reconciliation is provided in the appendices. In summary the Group's P&L is as follows:

	2011 H1	2010 H1	11 v 10 %
Ongoing business trading profit	67	94	(28.7)
Canning trading profit	7	11	(36.4)
Continuing operations trading profit	**74**	**105**	**(29.5)**
Non trading items including Amortisation and Derivatives	(32)	(42)	23.8
Operating profit for continuing operations	**42**	**63**	**(33.3)**
Net regular interest	(59)	(77)	23.4
Other interest	(1)	(1)	-
Fair value movement on interest rate financial instruments	15	(43)	134.9
Loss before taxation for continuing operations	**(3)**	**(58)**	**94.8**
Taxation	5	15	66.7
Profit/(loss) after taxation for continuing operations	**2**	**(43)**	**104.7**
Meat free profit	-	4	
Loss on sale of operations	(14)	-	
Taxation on Meat-free	-	(1)	
Loss attributable to shareholders	**(12)**	**(40)**	**70.0**

All figures in this statement relate to the Ongoing Business unless otherwise stated.

Premier Foods plc

Summary

	2011 H1	2010 H1	11 v 10 %
Ongoing sales - statutory period (£m)	946	960	(1.5)
Pro forma branded sales (£m)	632	652	(3.2)
Pro forma ongoing sales (£m)	974	982	(0.9)
Branded market share – volume (%)	32.5	33.3	(0.8)pp
Branded market share – value (%)	30.9	32.4	(1.5)pp
Trading profit (£m)	67	94	(28.7)
Pro forma adjusted profit before tax – ongoing business(£m)	13	23	(43.5)
Pro forma adjusted EPS – ongoing business (pence)	0.4	0.7	(42.9)
Recurring cash flow from ongoing business (£m)	(38)	(13)	(192.3)
EBITDA (rolling 12 months) – total group	323	354	(8.8)
Net debt (£m)	1,139	1,364	16.5
Average debt (rolling 12 months)	1,438	1,607	10.5

Trading Profit

	2011 H1 £m	2010 H1 £m	11 v 10 %
Sales	946	960	(1.5)
Cost of sales	(674)	(647)	(4.2)
Gross profit	**272**	**313**	**(13.1)**
Gross margin %	28.8	32.6	(3.8)pp
Operating expenses	(205)	(219)	6.4
Trading profit	67	94	(28.7)

Trading profit declined by 28.7% to £67m. Trading profit was affected by four major factors:

First, commodity costs increased by 14% year on year; equivalent to a £150m increase in costs in a full year. Although we have successfully repriced our products to reflect this, there was an inevitable time lag before the prices took effect, which led to a one-off cost of £15m in Q1.

Second, in addition, as a direct result of our successful repricing exercise, one of our major customers delisted a significant number of our Grocery lines. This cost Premier Foods around £10m in Q2 but the issue has now been fully resolved and the affected lines have been relisted.

Third, there was an unprecedented decline year on year in our markets, with both the Grocery and Bread markets falling by 4%, due to the depressed consumer environment exacerbated by unseasonably warm weather. The consequent decline in volumes reduced profit in both the Grocery and Hovis businesses.

Fourth, Brookes Avana recorded an £11m decline in profit year on year in the first half. This includes a £4m charge for restructuring in relation to asset write offs and redundancy costs following the decision from Marks and Spencer to remove a significant pie contract in stages over the next year.

In total, the year on year decline in profit caused by these factors weighed more heavily on the earlier months of the first half. Margins in Q2 improved as the new prices came into effect and as our extensive cost efficiency programmes yielded positive results. As a consequence, Q2 saw a substantial improvement in trading results over Q1. Q2 also contained £14m of one-off decline associated with the customer issue and the Brookes Avana restructuring charge. Therefore, we have an improving trend as we move into the second half.

The above factors were mitigated by a £11m credit from a reduction in pension liabilities consequent on the closure of the pension schemes.

Sales (Pro Forma Basis)

	2011 H1 £m	2010 H1 £m	11 v 10 %
Branded	632	652	(3.2)
Non branded	342	330	3.8
Total sales	**974**	**982**	**(0.9)**
Total branded sales (%)	64.9	66.4	(1.5)pp

Total sales in the first half declined by 0.9% of which volumes were down 4.9% with price and mix contributing 4.0%. Branded sales in the Half Year were down 3.2% at £632m and now represent 64.9% of total sales, down from 66.4% on 2010 H1.

In total, our promotional spend in H1 was down 2% on that spent in H1 of 2010. During this period, the promotional intensity in the market as a whole has increased by around 5%. We intend to increase our promotional spend in H2 to increase volumes.

Sales were adversely affected by a temporary dispute with a major customer which is now resolved.

Sales from new products introduced over the last two years were 5.7% of branded sales (2010: 6.0%) with good contributions from Hovis Hearty Oats, Loyd Grossman for One and Ambrosia puds.

Branded Sales – Pro forma	**2011 H1 £m**	**2010 H1 £m**	**11 v 10 Sales %**	**11 v 10 Volume %**
Hovis	182	174	5.0	
Mr Kipling	59	62	(4.5)	
Ambrosia	38	39	(3.8)	
Sharwood's	32	32	(0.6)	
Hartley's	28	27	2.7	
Loyd Grossman	15	21	(29.6)	
Sub total – Drive brands	**354**	**355**	**(0.4)**	**(5.0)**
Batchelor's	45	50	(10.6)	
Bisto	36	38	(3.9)	
Branston	16	19	(14.9)	
Cadbury Cakes	30	27	9.8	
Oxo	14	18	(22.3)	
Sub total – Core brands	**141**	**152**	**(7.2)**	**(9.5)**
Defend brands	**137**	**145**	**(5.9)**	**(8.8)**
Total branded	**632**	**652**	**(3.2)**	**(6.4)**

Drive Brands

The Group saw a decrease in Drive brand sales of 0.4% in H1. In volume, sales of Drive brands were down 5.0%. Within this, Hovis volumes were down 2.7% in a market down 4.5%. Other brand volumes were down 10.6%. In this period, market volumes in the categories were down 4.2%.

Ambrosia, Sharwood's and Loyd Grossman sales were particularly affected by the customer dispute. Loyd Grossman and Mr Kipling sales in other customers were also affected by lower promotional spend.

Core Brands

Core brands fell by 7.2%. Volumes were down 9.5%. Market volumes fell 2.9% in these categories. Cadbury Cakes benefited from new products and good promotions. Batchelors, Oxo and Branston sales were particularly affected by the customer dispute. Batchelors was also affected by competitor promotions and product launches.

Defend Brands

Defend brand sales declined by 5.9%. Sales volumes were down 8.8% against a market fall of 3.6%. The main declines were in Homepride sauces as a result of the customer dispute and Lyons cake owing to a loss of distribution. Saxa volumes were lower as a result of warmer weather in January 2011 versus severe snowfall in January 2010.

Non-Branded

Non-Branded Sales – Pro forma	**2011 H1 £m**	**2010 H1 £m**	**11 v 10 %**
Grocery	91	97	(6.3)
Hovis	158	144	10.5
Brookes Avana	93	89	3.9
Total	**342**	**330**	**3.8**

Non-branded sales comprise retailer brand and business to business products including milling. In total, sales revenue was up 3.8%.

The Grocery business saw a reduction in non branded sales of 6.3% due to market decline and contract losses of table sauces and jellies.

In Hovis, the increase in non branded sales revenue was 10.5%. Baking revenue was down 9.0% reflecting market declines and some own label contract losses. Milling revenue was up 31.3%. Volume was up 1.0% with price inflation contributing the remainder.

In Brookes Avana, sales increased by 3.9% as a result of volumes up 5.6%. Better pricing was offset by mix of contracts.

Gross Profit

	2011 H1	2010 H1	11 v 10 %
Gross profit (£m)	**272**	**313**	**(13.1)**
Gross margin %	28.8	32.6	(3.8)pp
Gross margin movement (bp):			
Effect of pricing recovering cash margin	(190)		
Branded product mix, manufacturing efficiency and procurement	(20)		
Commodity costs, pricing and promotions	(170)		
Total change (bp)	**(380)**		

Gross margin fell by 380bp in H1 to 28.8%.

Price recovery aimed to recover the cash cost of the commodity inflation. This has the effect of leaving gross profit unchanged but increases turnover hence depressing the reported percentage margin. This inflationary effect is equivalent to 190bp.

Lower manufacturing controllable costs, procurement efficiency delivery were offset by a poorer branded sales mix. In total, this reduced gross margin by 20bp.

Commodity costs, pricing and promotion reduced gross margin by 170bp. The decline relates to commodity inflation which was unrecovered in Q1 offset by lower promotional costs year on year.

Lower sales revenue and the lower gross margin left gross profit down £41m at £272m.

Trading Operating Expenses

	2011 H1 £m	2010 H1 £m	11 v 10 %
Consumer and in-store marketing	(36)	(37)	2.7
Distribution	(93)	(98)	5.1
Support functions and corporate costs	(76)	(84)	9.5
Trading operating expenses	**(205)**	**(219)**	**6.4**

Operating expenses were down £14m to £205m. Pension costs were down £11m owing to past service credits. Restructuring costs in the half year were £6m which is down £4m on last year. The costs in the first half are in support of restructuring Hovis supply chain.

Consumer and in-store marketing costs have been maintained at around last year’s level despite the difficult environment.

Distribution costs reduced by £5m or 5.1% in H1 due to lower volumes and efficiency savings from both the Grocery and Hovis businesses.

DIVISIONAL ANALYSIS

Grocery

	2011 H1 £m	2010 H1 £m	11 v 10 %
Branded sales	429	459	(6.5)
Non branded sales	91	97	(6.3)
Total sales (pro forma basis)	**520**	**556**	**(6.5)**
Trading profit	**72**	**81**	**(11.1)**
Volume market share %	**22.0**	**23.4**	**(1.4)pp**
Value market share %	**23.2**	**25.0**	**(1.8)pp**

The Grocery market has been dominated by commodity cost inflation, subdued consumer demand and higher promotional intensity.

Our priority was to achieve price increases to cover the 14% inflation in commodity costs year on year. This has now been achieved. As the pricing was effective from Q2, Q1 suffered a stagger effect of the higher commodity costs.

In Q1, branded volumes were down 7.2% with price and mix negative by 1.6%. In Q2, price and mix contributed 9.1% reflecting the benefit of the new pricing. Volumes were, however, down 13.1% owing to a temporary dispute with a major customer and lower promotional spend. This matter has now been resolved.

Demand in the market was subdued throughout the period. Volumes in our category markets were down 3.4% year on year. June was more favourable with the market flat year on year.

Promotional intensity in the market was up 5% year on year from 32.0% in H1 2010 to 33.5% in H1 2011. However, our costs were down 2% as we concentrated on achieving pricing and as a result of the dispute with a major customer.

As a consequence of these factors, our branded volumes were down 10.2% in the Half Year and market shares declined. As these matters are behind us, we plan a stronger promotional programme for the second half.

Grocery Trading Profit

	£m
Trading profit – 2010	**81**
Volume / mix	(22)
Procurement gains	11
Input costs / pricing / promotions	(14)
Manufacturing efficiencies	4
Consumer and in-store marketing	-
Restructuring costs	4
Pension costs	7
Other costs	1
Trading profit – 2011	**72**

Trading profit was down 11% to £72m owing to lower volumes and higher commodity costs. These effects were partly offset by efficiencies and lower pension costs.

The effect on profit of the 11.0% reduction in total volume was mitigated by an improvement in mix as non branded sales volumes fell faster than branded volumes. In total, volume and mix reduced trading profit by £22m.

Procurement gains added £11m from a combination of reducing the number of active suppliers and from working with suppliers to achieve recipe and packaging efficiencies.

Input costs experienced significant inflation and pricing was achieved in Q2 to offset these costs leaving a negative stagger. Promotional costs were down year on year despite increased promotional activity in the market. The combination of these factors reduced profit by £14m.

Our strategy is to enhance gross margin by improving the efficiency of the manufacturing operations by 4% per annum. In the Half Year manufacturing controllable costs have reduced by 4% which contributed £4m to profit by improving labour efficiencies and reducing waste levels.

Other operating expenses were down £12m. Pension costs were £7m lower as a result of closing our final salary pension schemes. Restructuring costs were down £4m. Other SG&A costs were down £1m.

Hovis

	2011 H1 £m	2010 H1 £m	11 v 10 %
Branded bakery sales	190	183	4.0
Retailer brand bakery sales	67	74	(9.0)
Total bakery sales	**257**	**257**	**0.2**
Milling sales	104	80	29.2
Total sales (pro forma basis)	**361**	**337**	**7.1**
Trading profit	**8**	**15**	**(46.7)**
Hovis branded bread volume market share %	**25.4**	**25.2**	**0.2pp**
Hovis branded bread value market share %	**25.1**	**25.3**	**(0.2)pp**

Competition in the bread market, as previously indicated, has increased during the first half of the year. Sales values for both Bakery and Milling have increased year on year by inflation in the cost of wheat. Hovis has increased its market share through successful marketing and product innovation. The market is however down 4.5% in volume year on year so, despite the growth in market share, the volume of bread baked is down 6.3% year on year. In a highly fixed cost business, this has reduced profitability. Margins in Milling are lower as a result of new capacity entering the market. Volumes have been maintained but at the expense of profit. Consequently, profitability for Hovis is therefore down year on year.

Hovis Trading Profit

	£m
Trading profit – 2010	**15**
Volume / mix	(6)
Input costs / manufacturing / pricing / promotions	(5)
Distribution and other costs	4
Trading profit – 2011	**8**

The effect of the 6.3% fall in Bakery volumes was partially offset by an improved mix of sales as Hovis branded bread was down 3.4% while non branded bread declined 13.3%. In total, the net effect reduced trading profit by £6m.

Higher wheat prices and higher promotional activity were partially offset by increased pricing although additional industry capacity reduced prices in Milling. This reduced profit by £5m.

Improved efficiency in distribution and overheads offset inflation. Lower pension costs added £4m to trading profit.

Brookes Avana

	2011 H1 £m	2010 H1 £m	11 v 10 %
Total sales (pro forma basis)	**93**	**89**	**3.9**
Trading loss	**(13)**	**(2)**	

Sales in Brookes Avana were up 3.9%. We have concluded our pricing discussions with Marks and Spencer, our main customer. This resulted in significant repricing at the start of Q2 as well as certainty over future sales volumes over the medium term. This entails some considerable churn in contracts. We have won more business in Indian ready meals but have lost some Italian and potato business and a pie contract worth £30m which will be removed in stages over the next year. This requires us to restructure the Leicester site. A charge of £4m is included for redundancies and asset write-offs. We have secured new business from other customers and have launched a number of branded products. The majority of the new business wins are in our Welsh sites. We continue to seek new business to replace the pie volume in the Leicester site before the remainder of the contract is lost.

Trading loss for the business was £13m, up £11m on the prior year reflecting lower margins as a result of contract churn, the three month delay in achieving pricing and the restructuring provision. High contract churn and development of new customer ranges adds inefficiency in the short-term. As a consequence, we expect to continue to incur losses in the second half.

Meat-free and Canning

	2011 H1 £m	2010 H1 £m	11 v 10 %
Meat-free	21	66	(67.5)
Canning	154	163	(5.3)
Total sales (pro forma basis)	**175**	**229**	**(23.2)**
Trading profit	**8**	**16**	**(50.0)**
Cash flow from trading	**(13)**	**14**	

Meat-free sales were £21m for the period until completion on 7 March 2011. The Canning business reported sales down 5.3% in line with the market.

Trading profit for the two businesses was £8m, down from £16m last year owing to the shorter period of ownership of Meat-free and the decline in sales and higher raw material costs in Canning.

Cash flow from the businesses in the Half Year was an outflow of £13m. Trading profit was lower and stock and capital expenditure was higher in 2011 in line with the plan agreed with Prince's.

	Meat-free	Canning
Completion date	**7 March 2011**	**23 July 2011**
Proceeds	**205**	**182**
Costs and working capital adjustments	**(10)**	**(15)**
Cash flow from disposal	**195**	**167**
Loss on sale	**14**	**5**

The Meat-free business was sold on 7 March 2011. Proceeds were £205m from which costs and working capital adjustments of £10m were deducted. This generated a net cash inflow of £195m. This cash flow was subject to agreeing completion accounts which has now been done and will lead to a further £2m cash inflow in the second half. The loss on sale recognised in H1 2011 is £14m. Taking into account the impairment charge of £25m recognised in 2010 and the additional £2m of proceeds, the overall loss on disposal is £37m.

The Canning business was sold on 23 July 2011. Proceeds were £182m from which costs, dilapidations and working capital adjustments of £15m were deducted. This is expected to generate a £5m loss on sale and resulted in a net cash inflow of £167m. This cash flow is subject to agreeing completion accounts which may lead to a minor adjustment later in the year.

PLANS FOR H2

Cost saving programme

Now that the Canning sale is complete, we have the opportunity to significantly simplify the business. The Logistics operation for the Grocery business can be remodelled as Canning accounted for half the volumes carried. The new supply chain will have smaller warehouses located nearer to the remaining Grocery manufacturing sites. This will entail some onerous lease costs and dilapidations for the old warehouses, redundancy or relocation costs for the affected people and set up costs for the new sites.

In addition, the Head Office can be reduced in size now that SAP is in operation and that processes can be simplified now that Meat-free and Canning operations are sold. This will entail onerous lease costs for closing our Windsor offices, redundancy or relocation costs for the affected people and systems costs for changing and automating processes.

In total, the programme will reduce costs by £20m a year. Access costs will be around £22m of which cash costs will be around £18m. We anticipate the likely effect to be as follows:

	2011 £m	2012 £m	2013 £m
Savings	2	15	20
Access costs – accounting	(12)	(9)	(1)
Access costs – cash	(4)	(11)	(3)

Cashflow

We are also taking actions to defend recurring cash flows. We are reducing the planned capital expenditure programme in 2011 and are managing working capital. Our aim is to seek to mitigate the effect of the fall in trading profit during the year which will allow us to reduce net debt over the year.

OUTLOOK

Given the state of the economy and pressure on consumer spending, we expect these slow market conditions to improve on the first half but to continue to be down year on year in the second half. We also expect promotional intensity to increase year on year. Nevertheless, we have largely completed our repricing and have succeeded in obtaining a strong promotional programme which should help us resume taking market share.

Hovis trading should improve although the ongoing pressure on Milling margins may lead to a small year on year decline in the second half. The additional volumes and the benefits of efficiencies should allow the Grocery business to show year on year progress in the second half although it is unlikely that this will offset the first half profit decline in full. The outlook is, as in any year, dependent on the Christmas trading period.

FINANCIAL STRATEGY

Our financial strategy is:
- to reduce Average debt / EBITDA to below 3.25 over the medium term;
- to reduce the financial risks; and
- to diversify the sources and maturities of financing.

Reduce Average Debt / EBITDA To Below 3.25

The key objective is to manage down the financial indebtedness as measured by Average debt to EBITDA ratio.

	Jun 2011	**Dec 2010**	**Jun 2010**
Average bank borrowings – 12 month rolling	1,348	1,439	1,517
Securitisation	90	90	90
Average debt	**1,438**	**1,529**	**1,607**
EBITDA – 12 month rolling	**323**	**362**	**354**
Average debt / EBITDA	**4.45**	**4.22**	**4.54**

The combination of recurring cash flow and the sale of the Meat-free business have reduced average debt to £1,438m as at June 2011. The ratio of average debt to EBITDA has fallen to 4.45, down from 4.54 last year. On a proforma basis after disposals the average debt would be £1,137m, EBITDA would be £284m and average debt to EBITDA 4.00.

Reducing Financial Risk – Pensions

All defined benefit pension schemes have now been closed to new starters who are now eligible to join a money purchase scheme. The final salary schemes have now closed to future accrual and existing members now contribute to a career average scheme. In this way, the escalation of pension liabilities has been limited. As a result of closing the schemes, the actuary has reassessed the liability required for future pensionable salaries and for ill-health retirement benefits. These have been harmonised between the schemes and, as a result, a £12m release of liability is credited to continuing trading profit in the Half Year of which £11m is in the ongoing business.

During the H1, the actuarial valuation has been finalised. This sets the deficit at £535m. As part of reaching this conclusion, and as part of the agreement on security sharing, the company agreed to additional contributions to compensate for asset underperformance against the assumption in the last valuation. This increases payments by a total of £16m: £6m in 2012 and £10m in 2013. A schedule of contributions has been provisionally agreed but is subject to affordability at the time. The contributions beyond 2014 will, as a matter of course, be re-assessed once the March 2013 valuation is completed. The full schedule of estimated payments now agreed is as follows:

Year	Deficit Payment £m
2011	48
2012	47
2013	47
2014	51
2015	48
2016-2018	47 p.a.
2019-2021	45 p.a.

Diversify Sources and Maturities of Financing

The Group has agreed with the pension funds and the banks a new agreement on the terms under which security can be shared with any new providers of funds. We continue to discuss with our banks, the terms under which a new bank deal could be arranged. We also continue to monitor the bond market so we are in a position to issue a bond should the opportunity present itself. The Group will take steps at the appropriate time and as opportunities present themselves to move to a new financial structure between now and 2013.

OTHER FINANCIAL INFORMATION

This section gives details of the Group's interest, earnings, cash flow and its main financial obligations.

Interest

	2011 H1 £m	2010 H1 £m	11 v 10 %
Bank debt interest	22	31	
Securitisation interest	1	1	
Swap contract interest – conventional	29	26	
Amortisation and deferred fees	7	7	
Normal interest	**59**	**65**	**9.2**
Swap contract – additional interest	-	12	
Net regular interest cost	**59**	**77**	**23.4**

Normal interest cost was £59m, down from £65m last year. Interest on bank debt was lower reflecting lower debt level and lower interest rates. Swap contract interest for hedging purposes has increased £3m year on year.

The non-hedging portion of the swap portfolio resulted in an additional interest of £12m from the digital swaps in 2010 as a result of interest rates declining. This part of the portfolio was restructured in H2 of 2010. As a result of the restructuring, the additional interest has been incorporated into the swap rate and hence is spread evenly through the period to the end of 2013.

Premier Foods plc

Earnings Per Share

Earnings/(loss) per share	**2011 H1 £m**	**2010 H1 £m**	**11 v 10 %**
Basic EPS – continuing operations			
Profit/(loss) after tax - continuing operations	2	(43)	104.7
Basic EPS – continuing operations (pence)	0.1	(1.8)	-
Pro forma adjusted EPS – ongoing business			
Trading profit – ongoing business	67	94	(28.7)
Pro forma net regular interest	(54)	(71)	23.9
Notional tax at 26% (28%)	(4)	(6)	33.3
Pro forma adjusted profit – ongoing business	9	17	(47.1)
Pro forma adjusted EPS - ongoing business (pence)	0.4	0.7	(42.9)
Average shares in issue (m)	**2,398**	**2,398**	**-**

Cash Flow

	2011 H1 £m	**2010 H1 £m**
Trading profit – ongoing business	**67**	**94**
Depreciation	22	22
Non cash pension (credit) / charge	(1)	10
Pension contributions	(42)	(38)
Pro forma interest	(41)	(43)
Tax	-	(1)
Regular capital expenditure	(30)	(33)
Working capital	(16)	(26)
Other non cash items	3	2
Recurring cash flow from ongoing business	**(38)**	**(13)**

The Group's cash flow from ongoing business before non-recurring items was an outflow of £38m compared with an outflow of £13m in H1 2010. The reduction in trading profit and increased pension deficit payment was offset in part by lower capital expenditure and working capital.

Interest paid was lower than last year reflecting the reduction in debt and the swap restructuring completed in October 2010.

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	2011 H1 £m	2010 H1 £m
Recurring cash flow from ongoing business	**(38)**	**(13)**
Trading profit from disposed businesses	8	16
Other cash flow from disposed businesses	(21)	(2)
Recurring cash flow from total group (before non-recurring items)	**(51)**	**1**
Exceptional items (excluding financing fees)	(2)	(4)
Net disposal proceeds	196	4
One-off pension contribution on disposal of Meat-free	(1)	-
Settlement of finance leases to permit disposal of Canning business	(18)	-
Financing fees, discontinued operations and other non cash items	(2)	(2)
Reduction in net debt	**122**	**(1)**

During the Half Year, various finance leases were settled in order to be able to sell the assets of the Canning business. This had no effect on overall financial obligations, it merely transferred them to net debt. After this transfer, net debt fell by £122m.

Net Debt

	Jun 2011 £m	Dec 2010 £m	Jun 2010 £m
Gross debt	1,156	1,282	1,379
Deferred refinancing fees	(17)	(21)	(15)
Net debt – half year	**1,139**	**1,261**	**1,364**
EBITDA – 12 month rolling	**323**	**362**	**354**
Net debt / EBITDA	**3.53**	**3.48**	**3.85**

The Group's net debt was £1,139m at the end of H1 2011 which is £225m lower than in H1 2010.

Other Financial Obligations

	Jun 2011 £m	Dec 2010 £m	Jun 2010 £m
Finance lease obligations	1	19	1
Financial instruments MTM	108	123	202
Agreed swap settlements	112	112	40
Pension deficit	273	321	431
Other financial obligations – gross of tax	**494**	**575**	**674**
Other financial obligations – net of tax	**367**	**421**	**486**

Financial Instruments

	Jun 2011 £m	Dec 2010 £m	Jun 2010 £m
Nominal value of derivative interest rate related financial instruments	1,075	1,075	1,075
Mark to market on interest rate derivative financial instruments	108	123	202
Agreed settlement amounts on restructured swaps	112	112	40

The agreed swap settlements are due: £33m in 2012 and £79m in 2013. In the event of a bond issue, the £33m and £20m of the 2013 settlement is due to be settled from proceeds. The remainder is due in 2013.

Pensions

Total cash paid to the pension funds including deficit funding in 2011 will be approximately £77m. This comprises regular contributions of £29m and deficit funding of £48m. In the Half Year, the total cash contributions were £43m compared with £38m in 2010. Service costs credited to profit and loss were £2m, compared with a charge of £9m in 2010 as a result of £12m of past service credits. At 25 June 2011, the deficit was calculated to be £273m on an IAS19 basis, equivalent to £203m net of deferred tax.

Pensions	**Jun 2011 £m**	**Dec 2010 £m**	**Jun 2010 £m**
Liabilities	**(3,145)**	**(3,120)**	**(3,075)**
Discount rate	5.45%	5.45%	5.50%
Inflation rate	3.50%	3.45%	3.30%
Assets			
Equities	509	588	624
Bonds	462	445	412
Property	136	122	167
Absolute return	626	567	552
Cash & other	1,048	996	838
Swaps	91	81	51
Total assets	**2,872**	**2,799**	**2,644**
Gross deficit (IAS 19)	**(273)**	**(321)**	**(431)**
Deferred tax	70	89	119
Net deficit (IAS 19)	**(203)**	**(232)**	**(312)**

Debt Covenants

The position against the banking covenants is as follows:

Covenant headroom	H1 2011	H1 2010
Covenant indebtedness	1,131	1,366
Leverage covenant EBITDA	313	364
Covenant interest	110	138
Interest covenant EBITDA	326	364
Covenant tests:		
Leverage test	3.61	3.75
Maximum limit	4.25	4.50
Headroom	15%	17%
Interest cover test	2.96	2.64
Minimum limit	2.55	2.25
Headroom	16%	17%

In calculating the EBITDA for covenant purposes, the trading EBITDA is adjusted for share based payments, securitisation interest and one off restructuring costs. The EBITDA for interest covenant purposes also includes EBITDA from the Meat-free and Canning businesses. The maximum leverage ratio for year end 2011 is 3.90 and the minimum interest cover limit is 2.75.

The natural headroom from the Group's underlying trading and cash generation characteristics is reduced in the short term by additional interest from the swap portfolio which was not envisaged when the covenant limits were set. This has reduced interest covenant headroom by 8pp. In recognition of this, as part of the restructuring of the swap portfolio, the Group has agreed with its banks to reset the interest covenant headroom. This will come into operation when a bond is issued. In addition, given the low interest rates on bank debt, the sale of businesses at deleveraging proceeds further tightens the interest covenant while it improves the debt covenant.

To illustrate this, on a proforma basis, disposals would have reduced headroom on the interest covenant by a further 5pp owing to fees and swap settlements while it would have added 6pp to the debt covenant headroom. The disposals are approved by our lending banks who are aware of the effect on the interest covenant. On issuing a bond, the interest covenant headroom would be increased by 11pp while the leverage covenant headroom would fall by 5pp.

The Group will not be deflected from further disposals if they provide deleveraging proceeds regardless of the technical effects on the interest covenant.

APPENDICES

1. Reported Sales Analysis (to 25 June 2011)

Sales Analysis 2011 H1	**Branded £m**	**Non Branded £m**	**Total £m**
Grocery	**417**	**88**	**505**
Hovis			
Bakery	184	66	250
Milling	12	89	101
Total Hovis	**196**	**155**	**351**
Brookes Avana	**-**	**90**	**90**
Total ongoing business	**613**	**333**	**946**
Canning	59	90	149
Total continuing business	**672**	**423**	**1,095**
Meat free	21	-	21
Total group	**693**	**423**	**1,116**

Sales Analysis 2010 H1	**Branded £m**	**Non Branded £m**	**Total £m**
Grocery	**448**	**95**	**543**
Hovis			
Bakery	179	73	252
Milling	10	68	78
Total Hovis	**189**	**141**	**330**
Brookes Avana	**-**	**87**	**87**
Total ongoing business	**637**	**323**	**960**
Canning	70	89	159
Total continuing business	**707**	**412**	**1,119**
Meat free	64	-	64
Total group	**771**	**412**	**1,183**

2. Pro forma Sales Analysis (to 30 June)

Pro forma Sales Analysis 2011 H1	**Branded £m**	**Non Branded £m**	**Total £m**
Grocery	**429**	**91**	**520**
Hovis			
Bakery	190	67	257
Milling	13	91	104
Total Hovis	**203**	**158**	**361**
Brookes Avana	**-**	**93**	**93**
Total ongoing business	**632**	**342**	**974**
Meat free	21	-	21
Canning	61	93	154
Total group	**714**	**435**	**1,149**

Pro forma Sales Analysis 2010 H1	**Branded £m**	**Non Branded £m**	**Total £m**
Grocery	**459**	**97**	**556**
Hovis			
Bakery	183	74	257
Milling	10	70	80
Total Hovis	**193**	**144**	**337**
Brookes Avana	**-**	**89**	**89**
Total ongoing business	**652**	**330**	**982**
Meat free	66	-	66
Canning	72	91	163
Total group	**790**	**421**	**1,211**

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3. Group P&L

2011 H1	Ongoing business	Canning	Continuing business
	£m	**£m**	**£m**
Sales	945.5	149.3	1,094.8
Cost of sales	(674.0)	(134.0)	(808.0)
Gross margin	**271.5**	**15.3**	**286.8**
Gross margin %	28.7%	10.2%	26.2%
Trading operating expenses	(204.7)	(7.8)	(212.5)
Trading profit	**66.8**	**7.5**	**74.3**
Pensions financing credit			9.2
Amortisation of intangible assets			(42.4)
Fair value movements on foreign exchange and other derivative contracts			1.3
Operating profit			**42.4**
Interest & financing costs			(45.5)
Loss before taxation for continuing operations			**(3.1)**
Taxation			5.6
Profit after taxation for continuing operations			**2.5**
Discontinued operations			(14.2)
Loss for the period			**(11.7)**

2010 H1	Ongoing business	Canning	Continuing business
	£m	**£m**	**£m**
Sales	960.0	159.2	1,119.2
Cost of sales	(647.4)	(137.1)	(784.5)
Gross margin	**312.6**	**22.1**	**334.7**
Gross margin %	32.6%	13.9%	29.9%
Trading operating expenses	(218.8)	(11.2)	(230.0)
Trading profit	**93.8**	**10.9**	**104.7**
Pensions financing credit			2.0
Amortisation of intangible assets			(39.5)
Fair value movements on foreign exchange and other derivative contracts			(4.2)
Operating profit			**63.0**
Interest & financing costs			(121.1)
Loss before taxation for continuing operations			**(58.1)**
Taxation			15.0
Loss after taxation for continuing operations			**(43.1)**
Discontinued operations			2.8
Loss for the period			**(40.3)**

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4. Pro forma adjusted earnings/(loss) per share

H1 2011	Ongoing business £m	Canning business £m	Continuing business £m	Discontinued operations £m	Total Group £m
Trading profit	**66.8**	**7.5**	**74.3**	**0.3**	**74.6**
Less pro forma net regular interest	(54.2)	(2.8)	(57.0)	(2.3)	(59.3)
Pro forma adjusted profit before tax	12.6	4.7	17.3	(2.0)	15.3
Notional tax at 26.0%	(3.3)	(1.2)	(4.5)	0.5	(4.0)
Pro forma adjusted profit after tax	**9.3**	**3.5**	**12.8**	**(1.5)**	**11.3**
Weighted average number of shares	2,398	2,398	2,398	2,398	2,398
Pro forma adjusted EPS (pence)	**0.39**	**0.14**	**0.53**	**(0.06)**	**0.47**
Pro forma net regular interest					
Pro forma net interest payable	40.4	2.8	43.2	2.3	45.5
Less exceptional write-off of financing costs	(0.4)	-	(0.4)	-	(0.4)
Less fair value adjustments on interest rate financial instruments	14.4	-	14.4	-	14.4
Less unwind of discount on provisions	(0.2)	-	(0.2)	-	(0.2)
Pro forma net regular interest	**54.2**	**2.8**	**57.0**	**2.3**	**59.3**

H1 2010	Ongoing business £m	Canning business £m	Continuing business £m	Discontinued operations £m	Total Group £m
Trading profit	**93.8**	**10.9**	**104.7**	**5.1**	**109.8**
Less pro forma net regular interest	(71.1)	(3.1)	(74.2)	(3.1)	(77.3)
Pro forma adjusted profit before tax	22.7	7.8	30.5	2.0	32.5
Notional tax at 28.0%	(6.3)	(2.2)	(8.5)	(0.6)	(9.1)
Pro forma adjusted profit after tax	**16.4**	**5.6**	**22.0**	**1.4**	**23.4**
Weighted average number of shares	2,398	2,398	2,398	2,398	2,398
Pro forma adjusted EPS (pence)	**0.68**	**0.23**	**0.91**	**0.07**	**0.98**
Pro forma net regular interest					
Pro forma net interest payable	114.7	3.1	117.8	3.3	121.1
Less exceptional write-off of financing costs	-	-	-	(0.2)	(0.2)
Less fair value adjustments on interest rate financial instruments	(42.8)	-	(42.8)	-	(42.8)
Less unwind of discount on provisions	(0.8)	-	(0.8)	-	(0.8)
Pro forma net regular interest	**71.1**	**3.1**	**74.2**	**3.1**	**77.3**

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5. Pro forma cash flow reconciliation

2011	Ongoing	Canning	Total Continuing	Discontinued	Total Group
Continuing operations					
Trading profit	66.8	7.5	74.3	0.3	74.6
Amortisation	(42.4)	-	(42.4)	-	(42.4)
Loss on the sale of Meat-free	-	-	-	(14.4)	(14.4)
Revaluation losses/(gains) on financial instruments	1.3	-	1.3	-	1.3
Pension financing credit on retirement benefit obligations	9.2	-	9.2	-	9.2
Operating profit/(loss)	**34.9**	**7.5**	**42.4**	**(14.1)**	**28.3**
Depreciation of property, plant and equipment	21.8	-	21.8	-	21.8
Amortisation of intangible assets	42.4	-	42.4	-	42.4
Loss on the sale of Meat-free	-	-	-	14.4	14.4
(Gain) on disposal of intangible assets	(0.2)	-	(0.2)	-	(0.2)
Revaluation losses/(gains) on financial instruments	(1.3)	-	(1.3)	-	(1.3)
Share based payments	2.6	-	2.6	-	2.6
Net cash inflow from operating activities before interest and tax and movements in working capital	**100.2**	**7.5**	**107.7**	**0.3**	**108.0**
Net working capital	(16.0)	(3.7)	(19.7)	(5.7)	(25.4)
Movement in net retirement benefit obligations	(52.2)	(1.4)	(53.6)	(1.1)	(54.7)
Cash generated/(outflow) from continuing operations	**32.0**	**2.4**	**34.4**	**-**	
Discontinued operations	-	-	-	(6.5)	
Cash (outflow)/generated from operating activities	**32.0**	**2.4**	**34.4**	**(6.5)**	**27.9**

Exceptional cashflow	(1.5)				

Cash (outflow)/generated from operating activities	**32.0**	**2.4**	**34.4**	**(6.5)**	**27.9**
Net interest payable	(41.1)	(2.7)	(43.8)	(2.3)	(46.1)
Cash (outflow)/inflow from operating activities	**(9.1)**	**(0.3)**	**(9.4)**	**(8.8)**	**(18.2)**
Proceeds from sale of subsidiaries	-	-	-	194.9	194.9
Purchase of property, plant and equipment	(29.6)	(2.8)	(32.4)	(1.0)	(33.4)
Sale of property, plant and equipment	1.0	-	1.0		1.0
Cash outflow from investing activities	**(28.6)**	**(2.8)**	**(31.4)**	**193.9**	**162.5**
Repayment of borrowings					**(194.9)**
Proceeds from/(repayment of) borrowings					**193.5**
Cash inflow from financing activities					**(1.4)**
Net (outflow)/inflow of cash and cash equivalents					**142.9**
Cash and cash equivalents at beginning of period					**(28.7)**
Effect of movement in foreign exchange					**0.1**
Cash and cash equivalents at end of period					**114.3**

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5. Pro forma cash flow reconciliation (continued)

2010	Ongoing	Canning	Total Continuing	Discontinued	Total Group
Continuing operations					
Trading profit	93.8	10.9	104.7	5.1	109.8
Amortisation	(39.4)	(0.1)	(39.5)	(1.7)	(41.2)
Loss on the sale of Meat-free	-	-	-	0.1	0.1
Revaluation losses/(gains) on financial instruments	(4.2)	-	(4.2)	-	(4.2)
Pension financing credit on retirement benefit obligations	2.0	-	2.0	-	2.0
Operating profit/(loss)	**52.2**	**10.8**	**63.0**	**3.5**	**66.5**
Depreciation of property, plant and equipment	21.7	1.9	23.6	1.8	25.4
Amortisation of intangible assets	39.4	0.1	39.5	1.7	41.2
(Gain) on disposal of intangible assets	0.3	-	0.3	-	0.3
Revaluation losses/(gains) on financial instruments	4.2	-	4.2	-	4.2
Share based payments	2.8	-	2.8	-	2.8
Net cash inflow from operating activities before interest and tax and movements in working capital	**120.6**	**12.8**	**133.4**	**7.0**	**140.4**
Net working capital	(29.3)	1.2	(28.1)	0.3	(27.8)
Movement in net retirement benefit obligations	(29.7)	-	(29.7)	-	(29.7)
Cash generated/(outflow) from continuing operations	**61.6**	**14.0**	**75.6**	**-**	
Discontinued operations	-	-	-	7.3	
Cash (outflow)/generated from operating activities	**61.6**	**14.0**	**75.6**	**7.3**	**82.9**

Exceptional cash flow included in working capital	(3.8)				

Cash (outflow)/generated from operating activities	**61.6**	**14.0**	**75.6**	**7.3**	**82.9**
Net interest payable	(43.1)	(3.1)	(46.2)	(3.3)	(49.5)
Taxation (paid)/received	(1.3)	-	(1.3)	-	(1.3)
Cash inflow from operating activities	**17.2**	**10.9**	**28.1**	**4.0**	**32.1**
Purchase of property, plant and equipment	(33.5)	(0.3)	(33.8)	(0.7)	(34.5)
Sale of property, plant and equipment	4.2	-	4.2	-	4.2
Cash outflow from investing activities	**(29.3)**	**(0.3)**	**(29.6)**	**(0.7)**	**(30.3)**
Cash inflow from financing activities					**3.6**
Net (outflow)/inflow of cash and cash equivalents					**5.4**
Cash and cash equivalents at beginning of period					(15.1)
Effect of movement in foreign exchange					(0.7)
Cash and cash equivalents at end of period					**(10.4)**

Premier Foods plc

The Directors confirm to the best of their knowledge that this condensed consolidated interim financial information has been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules (“DTR”) 4.2.7 and DTR 4.2.8 namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The Directors of Premier Foods plc are listed in the Premier Foods plc annual report and accounts for the year ended 31 December 2010. Since that date Mr David Wild was appointed non-executive director with effect from 7 March 2011 and Mr David Felwick retired as a senior independent director on 28 April 2011.

By order of the Board
4 August 2011

Robert Schofield	**Jim Smart**
Chief Executive Officer	**Chief Financial Officer**

Independent review report to Premier Foods plc

Introduction

We have been engaged by the Company to review the condensed consolidated set of financial information in the half-yearly financial report for the six months ended 25 June 2011, which comprises the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of cash flows, Consolidated statement of changes in equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial information in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial information in the half-yearly financial report for the six months ended 25 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
London
Chartered Accountants **4 August 2011**

Notes
(a) The maintenance and integrity of the Premier Foods plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Premier Foods plc

Consolidated income statement (unaudited)

	Note	Half year ended 25 Jun 2011	Half year ended 26 Jun 2010 (Restated)[1]	Year ended 31 Dec 2010
		£m	£m	£m
Continuing operations				
Revenue	4	1,094.8	1,119.2	2,438.0
Cost of sales		(808.0)	(784.5)	(1,690.9)
Gross profit		**286.8**	**334.7**	**747.1**
Selling, marketing and distribution costs		(151.3)	(160.3)	(314.6)
Administrative costs		(93.8)	(106.2)	(341.3)
Net other operating income/ (expense)	5	0.7	(5.2)	1.9
Operating profit	4	**42.4**	**63.0**	**93.1**
Before exceptional items		42.4	63.0	218.1
Impairment of goodwill	6	-	-	(125.0)
Interest payable and other financial charges	7	(63.5)	(83.3)	(160.1)
Interest receivable and other financial income	7	3.6	5.0	12.0
Net movement on fair valuation of interest rate financial instruments	7	14.4	(42.8)	(43.3)
Loss before taxation for continuing operations		**(3.1)**	**(58.1)**	**(98.3)**
Taxation credit	8	5.6	15.0	11.6
Profit/(loss) after taxation for continuing operations		**2.5**	**(43.1)**	**(86.7)**
(Loss)/profit from discontinued operations	9	(14.2)	2.8	(12.6)
Loss for the period attributable to equity shareholders		**(11.7)**	**(40.3)**	**(99.3)**
Basic and diluted (loss) per share (pence)		(0.5)	(1.7)	(4.1)
Basic and diluted earnings/(loss) per share (pence) - continuing		0.1	(1.8)	(3.6)
Basic and diluted (loss)/earnings per share (pence) - discontinued		(0.6)	0.1	(0.5)
Adjusted earnings per share (pence) [2]		0.5	1.0	5.0

[1] Comparatives have been restated to reflect the Meat- free business as a discontinued operation

[2] Adjusted earnings per share is defined as trading profit less net regular interest payable, less a notional tax charge at 26% (2010: 28%) divided by the weighted average number of ordinary shares of the company.

Consolidated statement of comprehensive income (unaudited)

	Note	Half year ended 25 Jun 2011	Half year ended 26 Jun 2010	Year ended 31 Dec 2010
		£m	£m	£m
Loss for the period		(11.7)	(40.3)	(99.3)
Other comprehensive income				
Actuarial (losses)/gains on pensions	12	(6.9)	(32.6)	46.4
Deferred tax credit/(charge) on actuarial losses/gains on pensions		-	9.1	(29.9)
Exchange differences on translation		1.3	(0.2)	(0.3)
Fair value movement on net investment hedge		-	1.4	0.8
Total other comprehensive (losses)/income for the period		(5.6)	(22.3)	17.0
Total comprehensive losses attributable to owners of the Company		(17.3)	(62.6)	(82.3)

The notes on pages 30 to 46 form an integral part of the condensed consolidated interim financial information.

Consolidated balance sheet (unaudited)

	Note	As at 25 Jun 2011 £m	As at 26 Jun 2010 £m	As at 31 Dec 2010 £m
ASSETS:				
Non-current assets				
Property, plant and equipment		530.0	620.8	538.6
Goodwill		1,096.1	1,371.3	1,096.1
Other intangible assets		922.5	1,078.5	963.7
Retirement benefit assets	12	0.4	-	-
Total non-current assets		**2,549.0**	**3,070.6**	**2,598.4**
Current assets				
Assets held for sale	11	166.1	-	406.3
Inventories		160.3	216.6	135.2
Trade and other receivables		308.4	320.1	356.3
Financial assets – derivative financial instruments		1.8	7.2	1.4
Cash and cash equivalents		115.9	20.7	1.9
Total current assets		752.5	564.6	901.1
Total assets		3,301.5	3,635.2	3,499.5
LIABILITIES:				
Current liabilities				
Trade and other payables		(444.9)	(425.4)	(496.2)
Financial liabilities				
– short term borrowings		(121.7)	(173.0)	(190.1)
– derivative financial instruments		(20.8)	(210.4)	(29.6)
– other financial liabilities at fair value through profit or loss		(199.8)	(40.5)	(206.3)
Accrued interest payable		(19.7)	(35.8)	(12.3)
Provisions		(11.0)	(16.0)	(10.5)
Current income tax liabilities		(2.5)	(1.3)	(2.0)
Liabilities held for sale	11	-	-	(48.8)
Total current liabilities		**(820.4)**	**(902.4)**	**(995.8)**
Non-current liabilities				
Financial liabilities				
– long term borrowings		(1,133.9)	(1,213.1)	(1,091.8)
Retirement benefit obligations	12	(273.7)	(430.6)	(320.9)
Provisions		(28.7)	(29.2)	(28.4)
Other liabilities		(20.2)	(13.6)	(17.0)
Deferred tax liabilities		(49.7)	(41.3)	(56.1)
Total non-current liabilities		(1,506.2)	(1,727.8)	(1,514.2)
Total liabilities		**(2,326.6)**	**(2,630.2)**	**(2,510.0)**
Net assets		**974.9**	**1,005.0**	**989.5**
EQUITY:				
Capital and reserves				
Share capital		24.0	24.0	24.0
Share premium		1,124.7	1,124.7	1,124.7
Merger reserve		890.7	890.7	890.7
Other reserves		(9.3)	(8.7)	(9.3)
Profit and loss reserve		(1,055.3)	(1,025.8)	(1,040.7)
Capital and reserves attributable to the Company's equity shareholders		**974.8**	**1,004.9**	**989.4**
Non-controlling interest		0.1	0.1	0.1
Total shareholders' funds		**974.9**	**1,005.0**	**989.5**

The notes on pages 30 to 46 form an integral part of the condensed consolidated interim financial information.

Consolidated statement of cash flows (unaudited)

	Note	Half year ended 25 Jun 2011 £m	Half year ended 26 Jun 2010 £m	Year ended 31 Dec 2010 £m
Cash generated from operating activities	13	**27.9**	**82.9**	**313.2**
Interest paid		(48.7)	(53.4)	(143.5)
Interest received		2.6	3.9	12.5
Taxation paid		-	(1.3)	(1.7)
Cash (outflow)/inflow from operating activities		**(18.2)**	**32.1**	**180.5**
Sale of subsidiaries		194.9	-	-
Purchase of property, plant and equipment		(31.3)	(19.1)	(51.1)
Purchase of intangible assets		(2.1)	(15.4)	(16.6)
Sale of property, plant and equipment		1.0	4.2	5.2
Sale of intangible assets		-	-	3.9
Cash inflow/(outflow) from investing activities		**162.5**	**(30.3)**	**(58.6)**
Repayment of borrowings		(194.9)	-	(116.2)
Proceeds from borrowings		193.5	3.6	-
Financing costs		-	-	(18.8)
Cash (outflow)/inflow from financing activities		**(1.4)**	**3.6**	**(135.0)**
Net inflow/(outflow) of cash and cash equivalents	13	**142.9**	**5.4**	**(13.1)**
Cash and cash equivalents at beginning of period		(28.7)	(15.1)	(15.1)
Effect of movement in foreign exchange		0.1	(0.7)	(0.5)
Cash and cash equivalents at end of period		**114.3**	**(10.4)**	**(28.7)**

The notes on pages 30 to 46 form an integral part of the condensed consolidated interim financial information.

Consolidated statement of changes in equity (unaudited)

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	Non-controlling interest £m	Total £m
At 1 January 2011	24.0	1,124.7	890.7	(9.3)	(1,040.7)	0.1	989.5
Loss for the period	-	-	-	-	(11.7)	-	(11.7)
Other comprehensive income	-	-	-	-	(5.6)	-	(5.6)
Share based payments	-	-	-	-	2.7	-	2.7
At 25 June 2011	24.0	1,124.7	890.7	(9.3)	(1,055.3)	0.1	974.9
At 1 January 2010	24.0	1,124.7	890.7	(10.1)	(964.5)	0.1	1,064.9
Loss for the period	-	-	-	-	(40.3)	-	(40.3)
Other comprehensive income	-	-	-	1.4	(23.7)	-	(22.3)
Share based payments	-	-	-	-	2.7	-	2.7
At 26 June 2010	24.0	1,124.7	890.7	(8.7)	(1,025.8)	0.1	1,005.0
At 1 January 2010	24.0	1,124.7	890.7	(10.1)	(964.5)	0.1	1,064.9
Loss for the year	-	-	-	-	(99.3)	-	(99.3)
Other comprehensive income	-	-	-	0.8	16.2	-	17.0
Share based payments	-	-	-	-	6.9	-	6.9
At 31 December 2010	24.0	1,124.7	890.7	(9.3)	(1,040.7)	0.1	989.5

The notes on pages 30 to 46 form an integral part of the condensed consolidated interim financial information.

1. General information

Premier Foods plc (the “Company”) is a public limited Company incorporated in the United Kingdom under the Companies Act 1985 (as amended and restated). The address of the registered office and principal place of business is Premier House, Centrium Business Park, Griffiths Way, St Albans, Hertfordshire AL1 2RE. The principal activity of the Company and its subsidiaries (the “Group”) is the supply of branded and own label food and beverage products as described in note 17 of the Group’s annual financial statements for the year ended 31 December 2010.

2. Significant accounting policies

Basis of preparation

This condensed consolidated interim financial information comprises the balance sheet as at 25 June 2011 and related income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and supporting notes (hereinafter referred to as "financial information").

The financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information has been reviewed, not audited. The Group’s financial statements for the year ended 31 December 2010, which were approved by the Board of Directors on 7 March 2011, have been reported on by the Group’s auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The financial statements for the year ended 31 December 2010 did not contain statements under section 498 (2) or (3) of the Companies Act 2006. These sections address whether or not proper accounting records have been kept, whether the Company’s financial statements are in agreement with those records and whether the auditors have obtained all the information and explanations necessary for the purposes of their audit.

The financial information for the period ended 25 June 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, “Interim Financial Reporting” as adopted by the European Union. The financial information for the period ended 25 June 2011 should be read in conjunction with the Group’s financial statements for the year ended 31 December 2010 which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union.

The results of operations for the half year periods are not necessarily indicative of the results to be expected for the full year.

The group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the group’s products; and (b) the availability of bank finance for the foreseeable future. The group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.

This financial information was approved for issue on 4 August 2011.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be expected to be applicable to total annual earnings in each tax jurisdiction.

The following accounting standards and interpretations became effective for the current reporting period:

IFRS 1 (Amendment) – 'First-time adoption', on financial instrument disclosures, Interim information, deemed cost exemption and rate regulated entities.
IAS 1 (Amendment) – 'Presentation of financial statements'
IFRS 3 (Amendment) – 'Business combinations' – contingent consideration, share-based payment transactions and non-controlling interests
IFRS 7 (Amendment) – 'Financial Instruments- disclosures' – nature and extent of risks arising from financial instruments
IAS 24 (Amendment) – 'Related party disclosures'
IAS 27 (Amendment) – 'Consolidated and separate financial statements'
IAS 32 (Amendment) – 'Financial Instruments: Presentation', on classification of rights issues
IAS 34 (Amendment) – 'Interim financial reporting'
IFRIC 13 (Amendment) – 'Customer loyalty programmes' – fair value
IFRIC 14 (Amendment) – 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'
IFRIC 19 - 'Extinguishing financial liabilities with equity instruments'

The application of these standards and interpretations has not had a material effect on the net assets, results and disclosures of the Group.

Basis of consolidation

The consolidated interim financial information includes the results of Premier Foods plc and entities controlled by the Company (its subsidiaries) for the period ended 25 June 2011. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The purchase method of accounting is used for all acquisitions.

On acquisition, the assets, liabilities and contingent assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recorded as goodwill.

The results of subsidiaries acquired or disposed of are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies used by the Group.

All inter-group transactions, balances, income and expenses are eliminated on consolidation.

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year are those detailed on pages 44 to 47 of the Group's annual financial statements for 31 December 2010. The Directors have considered the principal risks and uncertainties and believe that these have not changed in the interim period. These include, amongst others: responding to changes in consumer preference; brand protection; the Group's ability to pass on raw material price increases; the impact of new legislation and regulation on the food industry; the cost of servicing current debt levels and foreign currency rate fluctuations.

3. Critical accounting estimates and judgements

The following are areas of particular significance to the Group's interim financial information and include the application of judgement, which is fundamental to the completion of a set of condensed consolidated interim financial information.

Pensions

The present value of the Group's 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 IFRS. One such assumption is the assumption of mortality rates and how these are expected to change in the future. If the Group's assumption on the mortality of its members was amended to assume an increase of a further one year improvement in mortality, total liabilities would increase by approximately 3.8%. Each 0.1% decrease or increase in bond yields would increase or decrease the deficit by a further £51m/£49m. Each 0.1% increase or decrease in the assumed inflation rate would increase or decrease the deficit by a further £18m/£21m. Each of the underlying assumptions is set out in more detail in note 12.

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 than 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 cash-generating units ("CGU's") are determined based on the higher of realisable value and value-in-use calculations. These calculations require the use of estimates.

Acquired trademarks, brands, customer relationships, recipes and similar assets 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 income statement according to the substance of the agreements with customers and the terms of any contractual relationship. Promotional support is generally charged to the income statement 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 final agreement is reached.

Expenditure on advertising is charged to the income statement 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.

Exceptional items

Exceptional items are not explicitly defined under IFRS. Accordingly, the Group has defined exceptional items as those items of sufficient financial significance to be disclosed separately in order to assist in understanding the financial performance achieved and in making projections of future results. Each of these items relate to events or circumstances that are material and non-recurring in nature, such as integration of an acquisition, disposal of a business or asset, material impairments or refinancing related transactions. See note 6 for further details.

Securitisation

The Group has sold the rights and obligations relating to certain of its trade receivable balances under a receivables purchasing agreement in order to achieve an overall lower cost of funding and permanently accelerate the generation of cash from working capital. Accounting for a sale of this nature is judgemental and dependent on evidence of the substantive transfer of risk and reward from the Group to a third party. In this instance, transference of the two primary risks, those of late payment and credit default was achieved at the balance sheet date. The Group anticipates that the receivables purchasing agreement will remain in place over the medium term and that de-recognition of the receivables subject to it will continue to be achieved, dependent upon ongoing review of the assessment of risk and reward transfer.

Financial instruments

The Group uses a variety of derivative financial instruments to manage the risks arising from adverse movements in interest rates, commodity prices and foreign currency.

The Group has a policy of not applying hedge accounting to these derivatives (other than in the case of a net investment hedge against Euro denominated assets) and taking any gain or loss on the movement of the fair values of derivatives to the income statement.

4. Segmental analysis

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

The CODM uses trading profit, as reviewed at monthly business review meetings, as the key measure of the segments' results as it reflects the segments' underlying trading performance for the period under evaluation. Trading profit is a consistent measure within the Group and 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. Trading profit is defined as operating profit before exceptional items, 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 the expected return on pension assets, administration costs and interest costs on pension liabilities.

The Group's operating segments are "Grocery", "Hovis", "Retailer Branded Chilled" and "Meat-free". The Group previously aggregated and reported the Retailer Branded Chilled and Meat-free operating segments in the "Other" segment, as they did not meet the relevant quantitative thresholds and did not have similar economic characteristics and therefore could not be aggregated into their own separate reporting segment under IFRS 8. As a result of the Group's disposal of the Meat-free business in March 2011, results for the Meat-free operating segment are presented as discontinued operations in both the current year and prior year comparatives.

In February 2011, the Group announced that it had reached an agreement to sell its East Anglian canned grocery operations, which is part of the Grocery segment. The results of the East Anglian canned grocery operations for the half year ended 25 June 2011 and comparatives are included within continuing operations as it is not a separate operating segment.

The Group reports the remaining operating segments on three continuing segments within the business: "Grocery", "Hovis" and "Retailer Branded Chilled".

The Grocery segment sells ambient food products. The Hovis segment sells bread, morning goods, flour products and frozen pizza bases and the Retailer Branded Chilled segment includes businesses which sell chilled ready meals and cakes.

The segment results for the half years ended 25 June 2011 and 26 June 2010 and for the year ended 31 December 2010 and the reconciliation of the segment measures to the respective statutory items included in the interim financial information are as follows:

	Half year ended 25 Jun 2011			
	Grocery	Hovis	Other	Total for Group
	£m	£m	£m	£m
Revenue from continuing operations				
External	653.7	351.0	90.1	1,094.8
Inter-segment	1.4	10.8	0.8	13.0
Result				
Trading profit/(loss)	79.1	8.5	(13.3)	74.3
Amortisation of intangible assets				(42.4)
Fair value movements on foreign exchange and other derivative contracts				1.3
Pension financing credit				9.2
Operating profit				**42.4**
Interest payable and other financial charges				(63.5)
Interest receivable and other financial income				3.6
Net movement on fair valuation of interest rate financial instruments				14.4
Loss before taxation for continuing operations				**(3.1)**

Balance sheet				
Segment assets	2,229.9	697.4	144.6	3,071.9
Unallocated assets				229.6
Consolidated total assets				**3,301.5**

	Half year ended 26 Jun 2010 (Restated)[1]			
	Grocery	Hovis	Other	Total for Group
	£m	£m	£m	£m
Revenue from continuing operations				
External	702.0	329.9	87.3	1,119.2
Inter-segment	1.8	11.0	1.4	14.2
Result				
Trading profit/(loss)	91.9	15.1	(2.3)	104.7
Amortisation of intangible assets				(39.5)
Fair value movements on foreign exchange and other derivative contracts				(4.2)
Pension financing credit				2.0
Operating profit				**63.0**
Interest payable and other financial charges				(83.3)
Interest receivable and other financial income				5.0
Net movement on fair valuation of interest rate financial instruments				(42.8)
Loss before taxation for continuing operations				**(58.1)**

[1] Comparatives have been restated to reflect the classification of the Meat-free business as a discontinued operation.

Balance sheet				
Segment assets	2,372.8	677.7	555.7	3,606.2
Unallocated assets				29.0
Consolidated total assets				**3,635.2**

	Year ended 31 Dec 2010			
	Grocery	**Hovis**	**Other**	**Total for Group**
	£m	**£m**	**£m**	**£m**
Revenue from continuing operations				
External	1,546.8	687.6	203.6	2,438.0
Inter-segment	3.9	27.7	2.5	34.1
Result				
Trading profit/(loss)	256.2	38.8	(0.1)	294.9
Amortisation of intangible assets				(78.9)
Fair value movements on foreign exchange and other derivative contracts				(2.0)
Pension financing credit				4.1
Operating profit before exceptional items				**218.1**
Exceptional items				(125.0)
Operating profit				**93.1**
Interest payable and other financial charges				(160.1)
Interest receivable and other financial income				12.0
Net movement on fair valuation of interest rate financial instruments				(43.3)
Loss before taxation for continuing operations				**(98.3)**

Balance sheet				
Segment assets	2,297.2	663.1	424.1	3,384.4
Unallocated assets				115.1
Consolidated total assets				3,499.5

Inter-segment transfers or transactions are entered into under the same terms and conditions that would be available to unrelated third parties. As a consequence of extensive integration of the business, certain operating costs have been incurred centrally. These costs are allocated to reporting segments on an appropriate basis depending on the various cost drivers and therefore the total segment result is equal to the Group's total trading profit.

Segment assets comprise property, plant and equipment, goodwill and intangible assets, inventories, receivables and retirement benefit assets and exclude cash and cash equivalents, derivative assets and certain Corporate assets that are not able to be allocated to the Group's reporting segments.

Unallocated assets comprise cash and cash equivalents, taxation balances, derivative financial assets and head office assets. In 2010, this includes Group-wide software and hardware assets that were previously reported within the Grocery segment.

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 (excluding retirement benefit assets) by geographical location.

Continuing operations - revenue	**Half year ended 25 Jun 2011 £m**	**Half year ended 26 Jun 2010 (Restated)[1] £m**	**Year ended 31 Dec 2010 £m**
United Kingdom	1,034.2	1,061.5	2,314.7
Other Europe	42.8	48.2	100.6
Rest of world	17.8	9.5	22.7
Total for Group	**1,094.8**	**1,119.2**	**2,438.0**

[1] Comparatives have been restated to reflect the classification of the Meat-free business as a discontinued operation.

Seasonality of results

Consumer demand for convenience products tends to be higher in colder months of the year. Sales of certain products may therefore be affected by unseasonable weather conditions. Also certain products experience increased sales during the pre-Christmas period and this has an impact on working capital as production is higher and stock levels build in the run up to this period. Consequently, the results of operations for the half year periods are not necessarily indicative of the results to be expected for the full year.

5. Net other operating expenses

	Half Year ended 25 Jun 2011 £m	**Half year ended 26 Jun 2010 (Restated)[1] £m**	**Year ended 31 Dec 2010 £m**
(Gain)/loss on mark to market valuation of foreign exchange contracts and other derivatives	(1.3)	4.2	2.0
Loss/(gain) on disposal of fixed assets	0.5	0.4	(4.7)
Net other operating expenses	0.1	0.6	0.8
Total net other operating (income)/ expense	**(0.7)**	**5.2**	**(1.9)**

[1] Comparatives have been restated to reflect the classification of the Meat-free business as a discontinued operation.

6. Exceptional items

The Group has completed its major integration and manufacturing rationalisation programmes following the acquisitions of RHM and Campbell's. As a result, the Group has not incurred any exceptional expenditure during the year.

In the second half of 2010 a charge for £125.0m was recognised against the goodwill allocated to the Brookes Avana CGU thereby reducing the carrying value of this CGU to its recoverable amount. This impairment arose as a result of adverse trading conditions and an increase in discount rate. Any favourable change in assumptions in future periods will result in additional headroom however any adverse change would result in additional impairment.

7. Interest

	Half year ended 25 Jun 2011	Half year ended 26 Jun 2010 (Restated)[1]	Year ended 31 Dec 2010
	£m	**£m**	**£m**
Interest payable on bank loans and overdrafts	7.9	12.0	20.2
Interest payable on term facility	16.0	22.5	45.2
Interest payable on revolving facility	2.9	2.7	6.0
Interest payable on interest rate derivatives	9.5	37.4	59.5
Interest payable on interest rate financial liabilities designated as other liabilities at fair value through profit or loss	19.8	1.0	11.9
Unwind of discount on provisions	0.2	0.8	1.3
Amortisation of debt issuance costs and deferred fees	6.8	6.9	14.4
	63.1	**83.3**	**158.5**
Exceptional write-off of financing costs	0.4	-	1.6
Accelerated amortisation of debt issuance costs	-	-	-
Total interest payable and other financial charges	**63.5**	**83.3**	**160.1**
Interest receivable on bank deposits	(3.6)	(5.0)	(12.0)
Total interest receivable and other financial income	**(3.6)**	**(5.0)**	**(12.0)**
Movement on fair valuation of interest rate derivatives	(7.9)	39.1	(133.7)
Movement on fair valuation of interest rate financial liabilities designated as other financial liabilities at fair value through profit or loss	(6.5)	3.7	177.0
Net movement on fair valuation of interest rate financial instruments	**(14.4)**	**42.8**	**43.3**
Net interest payable	**45.5**	**121.1**	**191.4**

[1] Comparatives have been restated to reflect the classification of the Meat-free business as a discontinued operation.

8. Tax on loss on ordinary activities

The taxation credit for the first half of 2011 is £5.6m (June 2010 £15.0m credit). The tax credit is made up of a current tax charge of £0.4m, relating to profits earned in overseas subsidiaries and a deferred tax credit of £1.6m on the loss on UK operations together with a prior year restatement of opening deferred tax balances, giving a credit of £4.4m.

The current period credit differs from the standard UK rate of corporation tax of 26.25% as a result of lower tax rates applicable in Ireland and the reduction in the main rate of corporation tax.

A taxation charge of £0.1m arises on discontinued operations relating to trading activities prior to disposal. The disposal of Marlow Foods does not give rise to a tax credit as the loss in not allowable under Substantial Shareholding Exemption rules.

The Finance (No.3) Act 2011, which was substantively enacted on 19 July 2011, includes legislation reducing the main rate of corporation tax from 27% to 26% from 1 April 2011. The 1% reduction for the 2011 financial year has been reflected in the financial statements by restating the deferred tax liability at 31 December 2010 giving a credit of £4.4m. This is off-set by a charge to equity of £2.2m to reflect where the credits were originally made. In addition, the deferred tax movements in the period have been reflected at 26%, being the rate at which the liabilities are expected to reverse, which has resulted in a £0.1m increase to the income tax credit.

Further reductions to the main rate of corporation tax are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. However, as these further reductions in the main rate of corporation tax have not been substantially enacted at the balance sheet date they are not reflected in the deferred tax recognised on the balance sheet date.

9. Discontinued operations

On 7 March 2011, the Group completed the sale of its Meat-free business to Exponent Private Equity and Intermediate Capital Group.

The results of the Meat-free business for the period to 7 March 2011 are included in discontinued operations in the Group's consolidated income statement. Comparatives also include the results of the Meat-free business as below:

	Half year ended 25 Jun 2011 £m	Half year ended 26 Jun 2010 (Restated)[1] £m	Year ended 31 Dec 2010 £m
Revenue	21.3	64.1	128.8
Operating expenses	(21.0)	(60.6)	(141.1)
Operating profit/(loss) before taxation	**0.3**	**3.5**	**(12.3)**
Interest payable	-	-	(0.6)
Interest receivable	-	0.2	0.4
Profit/(loss) before taxation	0.3	3.7	(12.5)
Taxation charge	(0.1)	(0.9)	(0.1)
Profit/(loss) after taxation on discontinued operations for the period	**0.2**	**2.8**	**(12.6)**
Loss on disposal	(14.4)	-	-
Total (loss)/profit arising from discontinued operations	**(14.2)**	**2.8**	**(12.6)**

[1] Comparatives have been restated to reflect the classification of the Meat-free business as a discontinued operation.

Included in the operating expenses for the year ended 31 December 2010 above is an impairment charge of £25.0m, recognised against the goodwill allocated to the Meat-free CGU.

During the period to 25 June 2011, discontinued operations contributed to a net outflow of £6.5m (2010: £7.3m inflow) to the Group's net operating cash flows, and a £1.0m outflow to investing activities (2010: £0.7m outflow).

10. Disposal of business

On 7 March 2011, the Group completed the sale of its Meat-free business to Exponent Private Equity and Intermediate Capital Group for £205.0m, before disposal costs and working capital adjustments. The impact on the results of the Group results is closed in note 9. On the date of disposal, the net assets of the business, the consideration and the loss on disposal were as follows:

	Half year ended 25 Jun 2011 £m
Property, plant and equipment	68.4
Intangible assets and goodwill	139.7
Inventories	23.6
Trade and other receivables	24.9
Trade and other payables	(21.4)
Provisions and lease obligations	(26.2)
Net assets disposed	209.0
Less net consideration	(194.6)
Loss on disposal	**14.4**
Net cash inflow arising on disposal:	
Initial consideration	205.0
Working capital adjustments	(5.8)
Disposal costs	(4.6)
Net cash inflow for the year	**194.6**

11. Assets held for sale

As at 25 June 2011, the assets relating to the East Anglian canned grocery operations were held for sale prior to the completion of the sale to Princes Limited on 23 July 2011.

At 31 December 2010, the assets and liabilities relating to the Meat-free business and the East Anglian canned grocery operations were held for sale in light of the decision to sell these businesses.

	Half year ended 25 Jun 2011 £m	Half year ended 26 Jun 2010 £m	Year ended 31 Dec 2010 £m
Non-current assets:			
Property, plant and equipment	59.8	-	114.2
Goodwill	60.6	-	125.2
Other intangible assets	2.3	-	77.4
Current assets:			
Inventories	43.0	-	68.1
Trade and other receivables	0.4	-	21.4
Total assets held for sale	**166.1**	**-**	**406.3**
Current liabilities:			
Trade and other payables	-	-	(23.0)
Non-current liabilities:			
Deferred tax liabilities	-	-	(25.8)
Total liabilities held for sale	-	-	(48.8)
Net assets and liabilities held for sale	**166.1**	**-**	**357.5**

12. Retirement benefit schemes

The Group operates a number of defined benefit schemes and a number of defined contribution schemes. These are as follows:

a) Premier schemes

The Premier Foods Pension Scheme ("PFPS") was the principal funded defined benefit scheme within the old Premier Group which also operated a smaller funded defined benefit scheme, the Premier Ambient Products Pension Scheme ("PAPPS") for employees acquired with the Ambrosia business in 2001. As a result of the acquisition of Campbell's in 2006, the Group inherited the Premier Grocery Products Pension Scheme ("PGPPS") covering the employees of the Campbell's UK business, and the Premier Grocery Products Ireland Pension Scheme ("PGPIPS") covering the employees of Campbell's Ireland. The Group also acquired two further schemes with the acquisition of Chivers Ireland in January 2007, the Chivers 1987 Pension Scheme, and the Chivers 1987 Supplementary Pension Scheme. These schemes are presented together below as the Premier schemes.

b) RHM schemes

As a result of the acquisition of RHM, the Group also acquired the RHM Pension Scheme, the Premier Foods Ireland Employee Benefits Scheme (1994), the Premier Foods Ireland Van Sales Scheme and the French Termination Indemnity Arrangements. These schemes are presented together below as the RHM schemes, with the exception of the French Termination Indemnity Arrangements which was disposed of with the speciality bakery businesses in 2009 and the Premier Foods Ireland Van Sales Scheme which was wound up in 2010.

The exchange rates used to translate the overseas Euro based schemes are £1.00 = 1.1463 Euros for the average rate during the period, and £1.00 = 1.1269 Euros for the closing position at 25 June 2011.

Until 30 June 2011, the employees of the above schemes accrued retirement benefits which varied as a percentage of final salary on retirement. On 30 June 2011 the link to final salary was closed to future accrual for UK schemes and members' retirement benefits will now be linked to their salary on that date, index linked at Retail Price Index (subject to a 5% cap) until retirement date. From 1 July 2011 employees accrued career average benefits or chose to transfer to the new defined contribution scheme. Those contributing members of the PAPPS and PGPPS choosing career average benefits joined the PFPS on 1 July 2011 and transferred their past service entitlements to the scheme. Membership of the Group's defined benefit pension schemes is now closed to new employees, who are entitled to join the Group's main defined contribution scheme, the Group Personal Pension Plan.

The assets of all defined benefit schemes are held by the trustees of the respective schemes and are independent of the Group's finances.

The schemes invest through investment managers appointed by the trustees in UK and European equities and in investment products made up of a broader range of assets. 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.

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

	As at 25 Jun 2011 £m	As at 26 Jun 2010 £m	As at 31 Dec 2010 £m
Premier			
Discount rate	5.45%	5.50%	5.45%
Inflation	3.50%	3.30%	3.45%
Expected salary increases	4.50%	4.30%	4.45%
Future pension increases	2.20%	2.20%	2.20%
RHM			
Discount rate	5.45%	5.50%	5.45%
Inflation	3.50%	3.30%	3.45%
Expected salary increases	4.50%	4.30%	3.30%
Future pension increases	2.20%	3.30%	2.20%

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

	As at 25 Jun 2011 £m	As at 26 Jun 2010 £m	As at 31 Dec 2010 £m
Premier			
Present value of funded obligations	(742.7)	(705.0)	(748.0)
Fair value of plan assets	524.2	479.9	512.8
Deficit in scheme	(218.5)	(225.1)	(235.2)
RHM			
Present value of funded obligations	(2,402.0)	(2,369.8)	(2,372.3)
Fair value of plan assets	2,347.2	2,164.3	2,286.6
Deficit in scheme	(54.8)	(205.5)	(85.7)
TOTAL			
Present value of funded obligations	(3,144.7)	(3,074.8)	(3,120.3)
Fair value of plan assets	2,871.4	2,644.2	2,799.4
Deficit in scheme	(273.3)	(430.6)	(320.9)

Based upon the assumptions regarded as appropriate as at 25 June 2011, the aggregate deficit on the Group's pension schemes was £273.3m (31 December 2010: £320.9m).

The reduction in the aggregate deficit since the year end is as a result of cash contributions made by the Group. In addition, the closure of the final salary link in the Group's UK pension schemes has resulted in a reduction in the scheme liabilities.

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

	As at 25 Jun 2011 £m	As at 26 Jun 2010 £m	As at 31 Dec 2010 £m
Premier			
Opening defined benefit obligation	(748.0)	(685.5)	(685.5)
Current service cost	(5.9)	(6.6)	(13.2)
Past service credit	16.9	-	6.7
Interest cost	(19.8)	(19.8)	(39.2)
Actuarial losses	1.5	(8.3)	(42.8)
Exchange differences	(1.1)	3.2	1.5
Curtailments	0.3	-	-
Contributions by plan participants	(2.6)	(2.5)	(5.1)
Benefits paid	16.0	14.5	29.6
Closing defined benefit obligation	(742.7)	(705.0)	(748.0)
RHM			
Opening defined benefit obligation	(2,372.3)	(2,273.0)	(2,273.0)
Current service cost	(4.3)	(3.8)	(7.5)
Past service (cost)/credit	(4.8)	-	4.9
Interest cost	(63.3)	(62.3)	(129.1)
Actuarial losses	(3.2)	(79.8)	(66.8)
Exchange differences	(0.5)	1.3	0.5
Curtailments	-	(0.1)	1.5
Contributions by plan participants	(6.9)	(5.7)	(10.8)
Benefits paid	53.3	53.6	108.0
Closing defined benefit obligation	(2,402.0)	(2,369.8)	(2,372.3)
TOTAL			
Opening defined benefit obligation	(3,120.3)	(2,958.5)	(2,958.5)
Current service cost	(10.2)	(10.4)	(20.7)
Past service credit	12.1	-	11.6
Interest cost	(83.1)	(82.1)	(168.3)
Actuarial losses	(1.7)	(88.1)	(109.6)
Exchange differences	(1.6)	4.5	2.0
Curtailments	0.3	(0.1)	1.5
Contributions by plan participants	(9.5)	(8.2)	(15.9)
Benefits paid	69.3	68.1	137.6
Closing defined benefit obligation	(3,144.7)	(3,074.8)	(3,120.3)

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

	As at 25 Jun 2011 £m	As at 26 Jun 2010 £m	As at 31 Dec 2010 £m
Premier			
Opening fair value of plan assets	512.8	477.1	477.1
Expected return	19.8	19.0	37.6
Administrative and life insurance costs	(1.5)	(1.1)	(3.1)
Actuarial (losses)/gains	(8.3)	(11.6)	2.8
Contributions by employer	13.7	11.2	24.1
Contributions by plan participants	2.6	2.5	5.1
Exchange differences	1.1	(2.7)	(1.2)
Benefits paid	(16.0)	(14.5)	(29.6)
Closing fair value of plan assets	524.2	479.9	512.8
RHM			
Opening fair value of plan assets	2,286.6	2,052.9	2,052.9
Expected return	75.6	67.9	141.4
Administrative and life insurance costs	(1.6)	(1.7)	(3.5)
Actuarial gains/(losses)	3.1	67.1	153.2
Assets disposed due to settlement	-	-	(1.6)
Contributions by employer	29.4	27.0	41.9
Contributions by plan participants	6.9	5.7	10.8
Exchange differences	0.5	(1.0)	(0.5)
Benefits paid	(53.3)	(53.6)	(108.0)
Closing fair value of plan assets	2,347.2	2,164.3	2,286.6
TOTAL			
Opening fair value of plan assets	2,799.4	2,530.0	2,530.0
Expected return	95.4	86.9	179.0
Administrative and life insurance costs	(3.1)	(2.8)	(6.6)
Actuarial gains/(losses)	(5.2)	55.5	156.0
Assets disposed due to settlement	-	-	(1.6)
Contributions by employer	43.1	38.2	66.0
Contributions by plan participants	9.5	8.2	15.9
Exchange differences	1.6	(3.7)	(1.7)
Benefits paid	(69.3)	(68.1)	(137.6)
Closing fair value of plan assets	2,871.4	2,644.2	2,799.4

The amounts recognised in the income statement were as follows:

	Half Year ended 25 Jun 2011 £m	Half Year ended 26 Jun 2010 £m	Year ended 31 Dec 2010 £m
Premier			
Current service cost	5.9	6.6	13.2
Past service credit	(16.9)	-	(6.7)
Administrative and life insurance costs	1.5	1.1	3.1
Interest cost	19.8	19.8	39.2
Expected return on plan assets	(19.8)	(19.0)	(37.6)
Gain on curtailment	(0.3)	-	-
Total (credit)/charge	**(9.8)**	**8.5**	**11.2**
RHM			
Current service cost	4.3	3.8	7.5
Past service cost/(credit)	4.8	-	(4.9)
Administrative and life insurance costs	1.6	1.7	3.5
Interest cost	63.3	62.3	129.1
Expected return on plan assets	(75.6)	(67.9)	(141.4)
Loss on curtailment	-	0.1	0.1
Total credit	**(1.6)**	**-**	**(6.1)**
Total			
Current service cost	10.2	10.4	20.7
Past service credit	(12.1)	-	(11.6)
Administrative and life insurance costs	3.1	2.8	6.6
Interest cost	83.1	82.1	168.3
Expected return on plan assets	(95.4)	(86.9)	(179.0)
(Gain)/loss on curtailment	(0.3)	0.1	0.1
Total (credit)/charge	**(11.4)**	**8.5**	**5.1**

Defined contribution schemes

A number of companies in the Group operate defined contribution schemes which are predominantly stakeholder arrangements. In addition a number of schemes are operated providing only life assurance benefits. The total expense recognised in the income statement of £0.1m (26 June 2010: £0.6m) represents contributions payable to the plans by the Group at rates specified in the rules of the schemes.

13. Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operating activities

	Half year ended 25 Jun 2011 £m	Half year ended 26 Jun 2010 (Restated)[1] £m	Year ended 31 Dec 2010 £m
Continuing operations			
Operating profit	42.4	63.0	93.1
Depreciation of property, plant and equipment	21.8	23.6	47.6
Amortisation of other intangible assets	42.4	39.5	78.9
Impairment and (gain) on disposal of property, plant and equipment	(0.2)	0.3	(0.2)
Gain on disposal of intangible assets	-	-	(3.9)
Impairment of goodwill	-	-	125.0
Revaluation losses on financial instruments	(1.3)	4.2	2.0
Share based payments	2.6	2.8	6.9
Net cash inflow from operating activities before interest and tax and movements in working capital	**107.7**	**133.4**	**349.4**
(Increase)/decrease in inventories	(24.1)	(7.8)	6.5
Decrease/(increase) in trade and other receivables	49.4	32.7	(25.2)
(Increase)/decrease in trade and other payables and provisions	(45.0)	(53.0)	25.1
Movement in net retirement benefit obligations	(53.6)	(29.7)	(60.9)
Cash generated from continuing operations	**34.4**	**75.6**	**294.9**
Discontinued operations	(6.5)	7.3	18.3
Cash generated from operating activities	**27.9**	**82.9**	**313.2**
Exceptional items cash flow	(1.5)	(3.8)	(6.9)
Cash generated from operations before exceptional items	29.4	86.7	320.1

[1] Comparatives have been restated to reflect the classification of the Meat-free business as a discontinued operation.

Reconciliation of cash and cash equivalents to net borrowings

	Half year ended 25 Jun 2011 £m	Half year ended 26 Jun 2010 £m	Year ended 31 Dec 2010 £m
Net inflow/(outflow) of cash and cash equivalents	142.9	5.4	(13.1)
Decrease/(increase) in finance leases	18.2	0.3	(17.7)
(Increase)/decrease in borrowings	(17.0)	(4.0)	121.7
Other non-cash changes	(3.8)	(2.0)	(5.8)
Decrease/(increase) in borrowings net of cash	**140.3**	**(0.3)**	**85.1**
Total net borrowings at beginning of the period	(1,280.0)	(1,365.1)	(1,365.1)
Total net borrowings at end of the period	**(1,139.7)**	**(1,365.4)**	**(1,280.0)**

Analysis of movement in borrowings

	As at 1 Jan 2011 £m	Cash flow £m	Other non-cash changes £m	As at 25 Jun 2011 £m
Bank overdrafts	(30.6)	29.0	-	(1.6)
Cash and bank deposits	1.9	113.9	0.1	115.9
Net cash and cash equivalents	**(28.7)**	**142.9**	**0.1**	**114.3**
Borrowings - term facilities	(1,180.0)	201.1	-	(978.9)
Borrowings - revolving credit facilities	(20.0)	(233.0)	-	(253.0)
Finance leases	(19.1)	18.1	0.1	(0.9)
Other	(53.5)	14.9	-	(38.6)
Gross borrowings net of cash[1]	**(1,301.3)**	**144.0**	**0.2**	**(1,157.1)**
Debt issuance costs	21.3	-	(3.9)	17.4
Total net borrowings[1]	**(1,280.0)**	**144.0**	**(3.7)**	**(1,139.7)**

[1] Borrowings excludes derivative financial instruments and other financial liabilities fair valued through profit or loss.

14. Related parties

WP X Investments I Limited ("Warburg Pincus") is considered to be a related party of the Group by virtue of its 15.8% equity shareholding in Premier Foods plc and its power to appoint a member to the Board of Directors under the relationship agreement between Warburg Pincus and the Company. Pursuant to the relationship agreement Mr Charles Miller Smith was appointed as a non-executive director on 16 June 2009 and subsequently appointed Deputy Chairman, with effect from 1 October 2010.

There have been no related party transactions during the period or changes in the make up of the Group's related parties as described in the last annual report, other than as described above, that could have a material effect on the financial position or performance of the Group during the period.

15. Contingencies

The Group has been in discussion with one of the Group Pension Schemes relating to the possibility that it may have to recognise some additional liability. The legal position and the potential methods of calculation of the liability is, as yet, uncertain. In the event that it materialises, the impact on net assets is not expected to be significant and the cash impact would be spread over several years in line with the agreed pension deficit recovery period for the Scheme agreed by the Group and Trustees.

There were no other material contingent liabilities at 25 June 2011.

16. Post balance sheet events

On 8 February 2011, the Group announced that it reached an agreement to sell its East Anglian canned grocery operation, which is part of the Grocery segment, to Princes Limited for £182.2m before disposal costs. This sale completed on 23 July 2011.

The results of the East Anglian canned grocery operations for the period ending 25 June 2011 are included within continuing operations as it is not a separate operating segment. At 25 June 2011, the assets of the operations were recognised within Assets held for sale.