Premier Foods plc

5 August 2009

Premier Foods plc

Half year results for the six months to 27 June 2009

Trading profit growth and market share gains

Financial highlights

- Group turnover[1] up 3.5% to £1,248.2m
- Group turnover[1] excluding bulk flour up 6.2%
- Group trading profit[1,2] up 5.6% to £123.6m
- Group operating profit[1] £26.8m (H1 2008: £46.2m)
- Net debt reduced to £1,475m (June 2008: £1,806m) following successful fund raising
- On course to deliver our full year profit expectations

Operational highlights

- Premier's Grocery division gains 1.6ppts market share in tough trading environment
- Key Grocery brands grew sales by 8.3%:
    - Sales of Branston up 41%
    - Sales of Loyd Grossman up 35%
    - Sales of Batchelors up 14%
    - Sales of Hartley's up 12%
- Successful relaunch of Hovis bread continues
    - Sales up 17%
    - Market share up 3.6ppts to 26.3%, highest level for over two years

Robert Schofield, Chief Executive of Premier Foods plc, said:

"Now that we have substantially completed the integration of RHM and Campbell's and successfully refinanced the Group, we have been able to embark on targeted investment behind our key market-leading brands. Against the backdrop of an exceptionally tough trading environment, we are pleased with our progress with increased market share through co-ordinated programmes of innovation, advertising and promotional activity. We are delighted by the continued success of Hovis which has grown its sales by 17% and reached its highest market share for over 2 years.

"We expect the consumer environment to remain tough but we will continue to invest in and support our brands to drive market share growth. Cost inflation remains an issue which we will continue to offset through pricing and efficiency savings. Our integration programme, which is nearing completion, remains on track. We continue to focus on cash generation and debt reduction and we are on course to deliver our full year profit expectations."

Premier Foods plc

	Unaudited Half year to 27 June 2009 £m	Unaudited Half year to 28 June 2008 £m	Change
Turnover[1]	**1,248.2**	1,205.7	3.5%
Trading profit[1,2]	**123.6**	117.1	5.6%
Operating profit[1]	**26.8**	46.2	(42.0%)
(Loss)/profit before tax[1]	**(30.0)**	2.0	-
Adjusted profit before tax[1,3]	**45.9**	55.6	(17.4%)
Basic loss per share[1]	**(1.3p)**	(0.2p)	-
Adjusted earnings per share[1,3]	**1.9p**	4.4p	(56.8%)

1 Continuing operations

2 Trading profit is defined as operating profit from continuing operations before exceptional items, amortisation of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS39 and pension credits or charges in relation to the difference between the expected return on pension assets and interest costs on pension liabilities. A reconciliation between Trading profit and Operating profit is set out below:

	H1 2009 £m	H1 2008 £m	
Trading profit	**123.6**	117.1	5.6%
Amortisation of intangible assets	**(38.2)**	(37.6)	1.6%
Foreign exchange valuation items (charge)	**(14.4)**	(1.1)	-
Pension financing (expense)/credit	**(2.1)**	8.1	-
Operating profit before exceptional items	**68.9**	86.5	(20.3%)
Exceptional items	**(42.1)**	(40.3)	4.5%
Operating profit	**26.8**	46.2	(42.0%)

3 Adjusted earnings per share is calculated as set out below:

	H1 2009 £m	H1 2008 £m
Trading profit[2]	**123.6**	117.1
Less net regular interest[4]	**(77.7)**	(61.5)
Adjusted profit before tax	**45.9**	55.6
Less notional tax at 28%/29%	**(12.9)**	(16.1)
Adjusted profit after tax	**33.0**	39.5
Divided by:		
Average shares in issue (millions)	**1,743.9**	905.3
Adjusted earnings per share	**1.9p**	4.4p

4 Net regular interest is defined as total net interest excluding exceptional write-off of financing costs, fair value adjustments on interest rate swaps and other financial liabilities at fair value through profit or loss and the unwind of the discount on provisions.

Premier Foods plc

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A presentation to analysts will take place on 5 August 2009 at 9.00am at RBS, 250 Bishopsgate, London, EC2M 4AA. In addition, the presentation will be webcast at www.premierfoods.co.uk.

Copies of this condensed set of financial information will not be mailed to shareholders. Copies can be obtained from the Premier Foods plc website www.premierfoods.co.uk or by contacting the Investor Relations department at the Company's registered office (see below).

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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 owns iconic British brands such as Hovis, Mr. Kipling, Batchelor's, Quorn, Bisto, Ambrosia, Sharwood's, Branston, Oxo, Hartley's and many more. The business employs around 16,000 people and operates from over 60 sites across the UK and Ireland.

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

Premier Foods plc

Operating review – continuing operations

£m	2009 H1	2008 H1	
Turnover			
Grocery	**713.5**	669.1	6.6%
Hovis	**372.4**	384.7	(3.2%)
Chilled	**162.3**	151.9	6.8%
Total turnover	**1,248.2**	1,205.7	3.5%
Trading profit*	**123.6**	117.1	5.6%
Amortisation of intangible assets	**(38.2)**	(37.6)	1.6%
Foreign exchange valuation items (charge)	**(14.4)**	(1.1)	-
Pension financing (expense)/credit	**(2.1)**	8.1	-
Operating profit before exceptional items	**68.9**	86.5	(20.3%)
Exceptional items	**(42.1)**	(40.3)	4.5%
Operating profit	**26.8**	46.2	(42.0%)

*Trading profit is defined as operating profit from continuing operations before exceptional items, amortisation of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS39 and pension credits or charges in relation to the difference between the expected return on pension assets and interest costs on pension liabilities.

Introduction

Group Turnover increased by 3.5% to £1,248.2m in the period to 27 June 2009, a £42.5m increase on the prior period. Excluding bulk flour, Turnover increased by 6.2% in the period, due largely to rollover pricing activity from 2008 and volume and mix growth in the Hovis division and UK Grocery. Trading profit increased by 5.6% to £123.6m in the period, reflecting synergy development and volume gains, partly offset by investments in price, promotions and consumer activity and reduced profitability in our Meat-free and Irish businesses. Operating profit has declined by 42.0% in the period to £26.8m due to non cash items, primarily the mark to market impact of foreign exchange hedging as Sterling has strengthened against the US dollar and Euro and a movement in the pension financing adjustment, more than offsetting the increase in Trading profit.

The successful capital raising in March has provided the Group with significant liquidity and covenant headroom, has extended the duration of our banking facilities and has fixed the pension scheme contributions in principle until April 2014. The revised capital structure provides the platform on which to deliver organic growth through leveraging the scale that the Group has created. Cash generation remains a high priority for the Group.

The economic environment and markets in which the Group operates continue to be tough as the consumer consistently explores ways to purchase good quality branded products for great value. During the first half of the year, Premier has been successful in growing market share in its categories through coordinated programmes of new product launches, investment in consumer marketing and increased promotional activity.

Following the integration of the RHM and Campbell's businesses, the Grocery business has progressed well in the first half of 2009, with a wide range of new products launched, subsequent market share gains and volume growth. We are very pleased by the continued progress of Hovis following the relaunch last year; market share has now reached 26.3%*, the highest level for over two years. In our Chilled division, the ready meals and cake businesses have performed well, whilst the profitability of the Meat-free business has declined due to increased consumer investment and higher manufacturing costs.

* Source IRI Infoscan, Total Grocery Pre-packaged bread, Value share, 12 w/e 11 July 2009

Grocery

£m	**2009 H1**	2008 H1	Change
Turnover	**713.5**	669.1	6.6%
Trading profit	**101.4**	92.8	9.3%

The Grocery division manufactures and sells "ambient" or shelf stable food products under our brands and retailer brands. Amongst the brands in this division are Mr. Kipling, Branston, Ambrosia, Loyd Grossman, Sharwood's, Batchelor's, Hartley's, Bisto and Oxo. The Grocery division comprises our UK Grocery business and our operations in the Republic of Ireland.

Turnover in our Grocery division increased by 6.6% to £713.5m compared to £669.1m in the first half of 2008. In the UK, turnover increased by 7.6% with 6.0% of the increase due to the effect of price increases achieved in 2008 and 1.6% was due to increased volumes and improved sales mix. Turnover for our business in Ireland was 6.0% below the same period in 2008.

We have been particularly pleased by the development of the *Loyd Grossman* brand, where a new advertising campaign, new packaging and new products combined with an increased level of promotional activity and in-store marketing have driven increased household penetration levels up 66% compared to the same time last year. This approach is central to our strategy of generating organic growth through consumer, brand and promotional investment, in turn driving market share, volume, and ultimately profitable growth. Under the *Branston* brand, we introduced 'Mayo with a Twist', a range of flavoured mayonnaise products which, in only 3 months since launch, has gained nearly 6% market share. The *Branston* brand now includes baked beans, table sauces, relishes, and mayonnaise in addition to the traditional sweet pickle, illustrating the brand's capacity to expand successfully into adjacent categories. The *Sharwood's* brand has also enjoyed growth; a successful TV advertising campaign together with a range of new products such as side of plate dishes and microwaveable noodles have grown sales and market share.

Across our sweet brand portfolio, *Hartley's* has grown sales by 12% compared to the same period in 2008, with continued success of the Low Calorie Jelly pots following their launch last year. *Ambrosia* sales are also up, and we look forward to further progress in H2 with the launch of a new range of twin pot desserts planned. In our cake portfolio, *Mr. Kipling* has gained market share, especially in the seasonal events category whilst the *Lyons* brand has won share as consumers look for value offerings.

Trading profit for the division has increased by 9.3% to £101.4m compared to the first half of 2008, primarily as a result of cost synergies partly offset by increased promotional investment and instore marketing.

Hovis

£m	**2009 H1**	2008 H1	Change
Turnover	**372.4**	384.7	(3.2%)
Trading profit	**14.6**	12.3	18.7%

The Hovis division comprises our baking, milling and frozen pizza base operations.

Sales for our baking operations were ahead 4.9% driven by a 12.4% increase in sales of branded bread, partly offset by lower sales of own label bread and morning goods. Sales by our milling operations were 20.7% lower primarily due to the exit from a low margin flour contract in the latter part of 2008.

We are pleased by the continued progress of Hovis since the relaunch last year. For the 12 weeks ending 11 July, Hovis market share was 26.3%, a 15.9% increase on 22.7% market share recorded for the same period last year. Hovis' market share is now at its highest level for over two years and particularly pleasing is its strong position in the 'Major Multiples and Co-Ops' market. This continued growth has been driven by a consistent focus on quality, new advertising and packaging supported by a strong programme of in store marketing and promotional activity.

Trading profit in the period was £14.6m, a 18.7% increase on the £12.3m in the first half of 2008. The profit growth is primarily due to increased volumes from market share gains and the improvement in the branded sales mix. We look forward to further progress for Hovis in the second half, with more innovation planned and continued consumer investment behind the brand.

Chilled

£m	2009 H1	2008 H1	Change
Turnover	**162.3**	151.9	6.8%
Trading profit	**7.6**	12.0	(36.7%)

The Chilled division comprises the retailer branded chilled ready meals and cakes businesses and the Meat-free business incorporating the Quorn and Cauldron brands. These businesses are aggregated and reported as the 'Other' reporting segment in the notes to this condensed financial information.

Turnover for our Chilled division increased by 6.8% to £162.3m, from £151.9m in the first half of 2008. This is due to pricing and increased volumes in the ready meals and cakes businesses and increased sales of Quorn, which were ahead 5.4% in the period.

Both the chilled ready meals and cakes businesses have benefited from contract wins over the last twelve months, which have contributed to volume gains during the period. These businesses are seasonally weighted to the second half of the year and the solid performance to date is encouraging.

We relaunched the *Quorn* brand with a new advertising campaign and packaging, which has further strengthened its position as the market leader in the £207m Meat-free category. As with many other organic brands, sales of *Cauldron* products have been impacted by the tougher consumer environment. Trading profit in the first half of this year has also been adversely impacted by increased manufacturing costs, primarily as a result of inefficiencies at the Methwold site which are currently being addressed.

Outlook

We expect the consumer environment to remain tough but we will continue to invest in and support our brands to drive market share growth. Cost inflation remains an issue which we will continue to offset through pricing and efficiency savings. Our integration programme, which is nearing completion, remains on track. We continue to focus on cash generation and debt reduction and we are on course to deliver our full year profit expectations.

Robert Schofield
Chief Executive
4 August 2009

Financial review

The Group is presenting its interim financial information for the six months to 27 June 2009 with comparative information for the six months to 28 June 2008 and the year ended 31 December 2008.

Group structure

Due to the first time application of IFRS 8, "Operating Segments", the Group is reporting under its new segmental structure of Grocery, Hovis and Other. The "Other" reporting segment comprises the Retailer Branded Chilled and Meat-free operations. The impact of the application of IFRS 8 is set out in note 4 to the interim financial information.

During the period, the Group disposed of its speciality bakery businesses, Martine Spécialités S.A.S. ("Martine"), Le Pain Croustillant ("LPC") and Sofrapain S.A.S. ("Sofrapain") for total consideration of £47.5m before disposal costs.

The results of these businesses are set out in note 10 to the interim financial information. The income statement for the period to 28 June 2008 has been restated to reflect these businesses as discontinued operations. All commentary on the performance of the Group included below refers to the continuing business unless otherwise stated.

Income statement

Turnover from continuing operations was £1,248.2m, an increase of £42.5m, or 3.5% as compared to the period to 28 June 2008. The primary reason for the increase is due to price increases achieved in 2008 in order to recover input cost inflation and sales volume and mix growth in the Hovis and UK Grocery segment.

Operating profit

Operating profit for the continuing business before exceptional items was £68.9m, a 20.3% decrease on the period to 28 June 2008. This decrease was largely due to a £10.2m reduction in the pension financing credit/charge and a £13.3m increase in the fall in the mark to market value of unsettled foreign exchange contracts in comparison to the prior year, partly offset by a £17.0m improvement in gross profit.

Trading profit for the continuing business is £123.6m, a 5.6% increase in comparison to the period to 28 June 2008, with synergy benefits and volume gains partly offset by investments in promotional and consumer activity.

Operating profit after exceptional items fell to £26.8m for the first half of 2009 from a profit of £46.2m in the period to 28 June 2008 due to the reasons outlined above.

Exceptional items – restructuring costs

Consistent with its ongoing approach to financial reporting, the Group has classified all significant non-recurring integration and restructuring costs incurred in order to capture synergy benefits from the acquisitions of RHM plc and Campbell's UK business as exceptional items, the full impact of which is set out in note 6 to the interim financial information.

Overall exceptional items associated with integration and restructuring and refinancing for the period resulted in a net charge of £42.1m (28 June 2008: £40.3m). Of the total exceptional cost incurred, £25.3m (28 June 2008: £40.3m) related to restructuring expenditure and £16.8m related to refinancing costs. Overall total cash spend on exceptional items in the period was £51.0m (28 June 2008: £60.9m).

During the period, we have reduced our investment and restructuring expenditure following the completion of our major administrative integration and manufacturing rationalisation programmes. Costs relating to the remaining elements of our restructuring and integration programmes, and costs associated with the recent refinancing of the Group, are the primary factor behind exceptional costs during the period.

We have incurred £16.9m of costs in the period in relation to the integration of RHM's UK operations. The closure programme has been completed but residual costs continued to be incurred from the commissioning of equipment and production transferred to the remaining Group manufacturing sites. Redundancy and restructuring costs have also been incurred relating to the ongoing move of existing administrative functions to a group-wide shared service centre in Manchester and the integration of certain warehousing facilities into other Group warehouses.

Exceptional costs in relation to the restructuring of our Meat-free business and commissioning of our chilled facility at Methwold, and the integration of our Irish operations into a single business, have ceased during the period due to completion of these projects.

The integration of the Campbell's business is complete, however £1.7m of costs were incurred during the period primarily related to an increase in an onerous property lease provision to reflect the current adverse property market.

We have also incurred £4.6m of costs (28 June 2008: £10.1m) relating to the Hovis business, with a number of restructuring projects in 2009 involving headcount reductions resulting from organisational and structural changes, various compliance related initiatives, implementation of new warehouse technology and operating methods and supply chain management restructuring initiatives.

Other exceptional costs include redundancy and restructuring costs relating to cost reduction initiatives associated with our warehousing network, factory transformation programme and other supply chain initiatives. It also includes training linked to the implementation of our new ERP software, professional fees and production commissioning costs.

The integration programme resulted in a number of assets becoming available for sale and during the period the Group disposed of its site in King's Lynn. A net gain of £3.3m was recognised on these disposals.

During the period, £16.8m of advisory fees have been incurred relating to the recent equity raising, amended lending agreements, renegotiation of interest rate swaps and new pensions framework agreement.

Refinancing and capital restructuring

On 5 March 2009, the Group announced revised financing arrangements including a share issuance along with changes to lending agreements to provide greater covenant and liquidity headroom and the extension of the maturity of the facility. These revised financing arrangements were approved by ordinary shareholders at an extraordinary general meeting on 23 March 2009.

On 24 March 2009, the Group raised approximately £379.6m, net of expenses, through the issue of 1,553,416,776 new 1 pence ordinary shares. The issue was structured as a placing and open offer of 1,055,756,006 new ordinary shares at a price of 26 pence per share, and a firm placing of 497,660,770 new ordinary shares at a price of 26 pence per share.

The amendments to the Group's Term and Revolving Credit Facilities included a rephasing of the facilities to provide additional liquidity and covenant headroom and an extension of the maturity date to December 2013. The total facility as at 27 June 2009 was £1,830m and will be amortised by £50m in December 2009 and then by £50m in both June and December of each year until December 2013.

On 5 March 2009, the Group restructured two of its interest rate swaps into one new swap. The new swap has been presented within a new class of liabilities 'Other financial liabilities at fair value through profit or loss'. This has had no effect on the net assets or results of the Group.

Interest

Net interest payable for the first half of 2009 was £56.8m, compared with £44.2m for the first half of the prior year. This increase is primarily due to an increased margin on the new facilities as a result of the refinancing announced on 5 March 2009 and a higher average swap rate on the derivatives that convert our floating rate liabilities to fixed rate.

Net regular interest costs are £77.7m, versus £61.5m, an increase of £16.2m, reflecting the factors noted above.

Interest rate swaps

The Group has interest rate swaps in place so as to economically hedge the movements in interest rates on its borrowing. At the end of the period a total of £1,670m of interest rate swaps were in place. £465m was swapped into short-dated fixed rate swaps, £600m into long-dated callable swaps, £350m was hedged by swaps with a cap and collar structure, and £255m was hedged by other callable swaps.

The Group is currently over-hedged as the swaps were all in place prior to the recent fund-raising, however the swaps portfolio will reduce to £1,330m by the end of the year as some of the short dated swaps mature.

Based on the LIBOR rate as at 31 December 2008, the average hedge rate was 4.7%. As at the current date, the average hedge rate has increased to 5.7%.

Taxation

The taxation credit for the first half of 2009 is £6.8m (28 June 2008: £3.5m charge). This comprises a £2.6m charge on the profit from underlying activities and a credit of £9.4m on allowable elements of exceptional items. The £2.6m charge represents an effective rate of 22.0% made up of a rate on continuing UK operations of 28.1%, and a charge on overseas operations at a rate of 12.5%.

The credit on exceptional items is lower than the UK corporate rate due to costs that are not tax deductible.

It is not anticipated that any UK taxation will be payable during 2009 due to the availability of taxation losses and other timing differences.

Earnings per share

Basic loss per share of 1.3 pence (28 June 2008: 0.2 pence) on continuing operations has been calculated by dividing the loss attributed to ordinary shareholders of £23.2m (28 June 2008: £1.5m) by the weighted average number of shares in issue during the period.

Adjusted earnings per share for the continuing business is 1.9 pence (28 June 2008: 4.4 pence). Adjusted EPS on continuing operations has been calculated by dividing the adjusted earnings (defined as trading profit less regular interest payable and notional taxation) attributed to ordinary shareholders of £33.0m (28 June 2008: £39.5m) by the weighted average number of ordinary shares in issue during each period. These earnings have been calculated by reflecting tax at a notional rate of 28% (28 June 2008: 29%).

Cash flow and borrowings

During the period, the net borrowings of the Group decreased from £1,766.8m at 1 January 2009 to £1,475.3m, a decrease of £291.5m. Of this movement, the cash and non-cash elements were £304.9m and (£13.4m) respectively. The non-cash movement related to foreign exchange differences and debt issuance costs.

The key drivers of the reduction in net debt were the equity raising on 24 March 2009 where the Group raised approximately £379.6m, net of expenses, through the issue of new ordinary shares via a placing and open offer and firm placing, and the sale of the Group's speciality bakery businesses, which generated gross proceeds of £47.5m, before disposal costs of £5.7m.

The cash outflow from operating activities was £75.8m (28 June 2008: £76.6m). This comprises cash outflow from operations of £4.5m (28 June 2008: £26.3m). Net cash interest paid of £72.0m was £19.2m up on the 2008 payment of £52.8m due to a higher margin post refinancing and also due to different phasing of interest payments.

The improvement in cash flow from operating activities from £26.3m outflow in the first half of 2008 to £4.5m outflow is primarily due to tighter management of inventory and receivables balances.

During the period the Group continued to take advantage of the non-recourse securitisation programme on certain trade receivables, all of which was drawn at the end of the period. The programme provided the Group with a saving in interest costs of around 75bps on amounts drawn of £90.0m.

Net capital expenditure in the period was £47.1m compared to £58.7m for 2008 reflecting the winding down of the post-acquisition restructuring programme.

Pension schemes

At 27 June 2009 the Group's pension schemes showed a gross deficit of £300.6m (31 December 2008: £11.5m). This comprises a £189.5m deficit in relation to Premier schemes and a deficit of £111.1m in relation to the RHM schemes.

This deterioration in the IAS 19 pension valuation is the result of two factors. There has been a reduction in plan asset values as a result of changes in the financial market conditions during the interim period, together with an increased long term outlook for inflation which has increased the scheme liabilities.

Together with the refinancing of Group, we have agreed new arrangements with our four main pension schemes (RHM Pension Scheme, Premier Foods Pension Scheme, Premier Ambient Products Pension Scheme and Premier Group Products Pension Scheme) regarding deficit payments. The key terms of this agreement provide greater certainty on deficit payments by fixing the deficit payments from 2009 to April 2014 and agreeing that any incremental deficits arising from 2010 and 2013 valuations will be recovered over a 12 year period.

The total charge to operating profit in respect of our defined benefit and defined contribution schemes for the six months was £7.5m (28 June 2008: £3.0m).

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 16 to 19 of the Group's annual financial statements for 31 December 2008. 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; disruption to operational capabilities due to current business integration projects; the impact of new legislation and regulation on the food industry; the cost of servicing current debt levels and foreign currency rate fluctuations.

Paul Thomas
Finance Director
4 August 2009

Premier Foods plc

The Directors confirm to the best of their knowledge that this condensed consolidated 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 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 financial statements for 31 December 2008. Since the date of publication of the annual financial statements for 2008, Mr Charles Miller Smith was appointed as a Director on 16 June 2009. Mr Paul Thomas will be retiring from the Board in August 2009.

By order of the Board

Robert Schofield	**Paul Thomas**
Chief Executive	**Finance Director**

Independent review report to Premier Foods plc

Introduction

We have been engaged by the Company to review the condensed set of financial information in the half-yearly financial report for the six months ended 27 June 2009, which comprises the income statement, statement of comprehensive income, balance sheet, statement of cash flows, 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 27 June 2009 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 2009**

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.

Consolidated income statement (unaudited)

	Note	Half year ended 27 Jun 2009 £m	Half year ended 28 Jun 2008 (Restated)[1] £m	Year ended 31 Dec 2008 (Restated)[2] £m
Continuing operations				
Turnover	4	1,248.2	1,205.7	2,603.6
Cost of sales		(888.6)	(863.1)	(1,819.5)
Gross profit		359.6	342.6	784.1
Selling, marketing and distribution costs		(177.5)	(176.1)	(351.0)
Administrative costs		(137.8)	(117.8)	(479.1)
Net other operating (expenses)/income	5	(17.5)	(2.5)	4.6
Operating profit / (loss)		26.8	46.2	(41.4)
Before exceptional items		68.9	86.5	255.1
Impairment of goodwill	6	-	-	(194.4)
Other exceptional items	6	(42.1)	(40.3)	(102.1)
Interest payable and other financial charges	7	(93.6)	(86.7)	(186.1)
Interest receivable and other financial income	7	3.0	12.8	41.6
Net movement on fair valuation of interest rate financial instruments	7	33.8	29.7	(218.9)
(Loss) / profit before taxation for continuing operations		(30.0)	2.0	(404.8)
Taxation credit/(charge)	8	6.8	(3.5)	30.6
Loss after taxation for continuing operations		(23.2)	(1.5)	(374.2)
(Loss)/profit from discontinued operations	10	(12.7)	2.8	(70.5)
(Loss) / profit for the period attributable to equity shareholders		(35.9)	1.3	(444.7)
Basic and diluted (loss)/earnings per share (pence)[3]		(2.0)	0.1	(49.1)
Basic and diluted loss per share (pence) - continuing[3]		(1.3)	(0.2)	(41.3)
Basic and diluted (loss)/earnings per share (pence) - discontinued[3]		(0.7)	0.3	(7.8)
Adjusted earnings per share (pence)[3,4]		1.9	4.4	14.4

[1] The 28 June 2008 comparatives have been restated to reflect the reclassification of Martine Spécialités S.A.S., Le Pain Croustillant and Sofrapain S.A.S. as discontinued operations.
[2] The 31 December 2008 comparatives have been restated to reflect an increased share based payment charge following the amendment to IFRS 2.
[3] Comparatives have been restated to reflect the impact of the Placing and Open Offer and Firm Placing in the period.
[4] Adjusted earnings per share is defined as trading profit less net regular interest payable, less a notional tax charge at 28% (28 June 2008: 29%, 31 December 2008: 28.5%) divided by the weighted average number of ordinary shares of the Company.

The notes on pages 18 to 36 form an integral part of the condensed consolidated interim financial information.

Consolidated statement of comprehensive income (unaudited)

	Note	Half year ended 27 Jun 2009 £m	Half year ended 28 Jun 2008 £m	Year ended 31 Dec 2008 (Restated)[1] £m
(Loss)/profit for the period		(35.9)	1.3	(444.7)
Other comprehensive income				
Actuarial (losses)/gains on pensions	13	(323.0)	(64.8)	56.2
Deferred tax credit/(charge) on actuarial (losses)/gains on pensions		90.4	17.1	(18.8)
Exchange differences on translation		1.2	(4.9)	10.8
Fair value movement on net investment hedge		(1.0)	4.0	(19.9)
Translation reserves relating to disposals	12	(4.7)	-	-
Net investment hedge relating to disposals	12	7.2	-	-
Total other comprehensive income for the period		**(229.9)**	**(48.6)**	**28.3**
Total comprehensive income attributable to owners of the Company		**(265.8)**	**(47.3)**	**(416.4)**

[1] Comparatives have been restated to reflect an increased share based payment charge following the amendment to IFRS 2.

The notes on pages 18 to 36 form an integral part of the condensed consolidated interim financial information.

Consolidated balance sheet (unaudited)

	Note	As at 27 Jun 2009 £m	As at 28 Jun 2008 £m	As at 31 Dec 2008 £m
ASSETS:				
Non-current assets				
Property, plant and equipment		634.7	646.0	638.9
Goodwill		1,371.3	1,649.5	1,371.3
Other intangible assets		1,136.1	1,213.3	1,159.5
Retirement benefit assets	13	-	5.7	163.7
Other non-current assets		-	2.7	-
Total non-current assets		3,142.1	3,517.2	3,333.4
Current assets				
Assets held for sale	11	2.8	7.6	124.4
Inventories		267.3	254.1	238.8
Trade and other receivables		306.9	338.8	337.0
Financial assets – derivative financial instruments		3.3	19.1	21.2
Cash and cash equivalents	15	25.0	90.0	40.6
Total current assets		605.3	709.6	762.0
Total assets		3,747.4	4,226.8	4,095.4
LIABILITIES:				
Current liabilities				
Trade and other payables		(452.0)	(507.3)	(539.8)
Dividends payable	9	-	(18.6)	-
Financial liabilities				
– short term borrowings		(91.0)	(44.7)	(174.8)
– derivative financial instruments		(175.2)	(7.9)	(250.3)
– other financial liabilities at fair value through profit or loss		(37.6)	-	-
Accrued interest payable		(23.0)	(19.6)	(22.8)
Provisions		(25.8)	(35.8)	(23.6)
Current income tax liabilities		(3.9)	(13.5)	(4.1)
Liabilities held for sale	11	-	-	(56.5)
Total current liabilities		(808.5)	(647.4)	(1,071.9)
Non-current liabilities				
Financial liabilities				
– long term borrowings		(1,409.3)	(1,850.9)	(1,632.6)
Retirement benefit obligations	13	(300.6)	(159.4)	(175.2)
Provisions		(28.9)	(13.8)	(28.1)
Other liabilities		(5.1)	(3.2)	(2.7)
Deferred tax liabilities		(87.9)	(192.2)	(193.1)
Total non-current liabilities		(1,831.8)	(2,219.5)	(2,031.7)
Total liabilities		(2,640.3)	(2,866.9)	(3,103.6)
Net assets		1,107.1	1,359.9	991.8
EQUITY:				
Capital and reserves				
Share capital	14	24.0	8.5	8.5
Share premium	14	1,124.7	760.6	760.6
Merger reserve		890.7	890.7	890.7
Other reserves		(16.8)	0.9	(23.0)
Profit and loss reserve		(915.6)	(300.9)	(645.1)
Capital and reserves attributable to the Company's equity shareholders		1,107.0	1,359.8	991.7
Minority interest		0.1	0.1	0.1
Total shareholders' funds		1,107.1	1,359.9	991.8

The notes on pages 18 to 36 form an integral part of the condensed consolidated interim financial information.

Consolidated statement of cash flows (unaudited)

	Note	Half year ended 27 Jun 2009 £m	Half year ended 28 Jun 2008 £m	Year ended 31 Dec 2008 £m
Cash (outflow) / generated from operating activities	15	(4.5)	(26.3)	189.4
Interest paid		(75.3)	(64.3)	(150.4)
Interest received		3.3	11.5	45.0
Taxation received		0.7	2.5	0.1
Cash (outflow) / inflow from operating activities		(75.8)	(76.6)	84.1
Sale of subsidiaries	12	45.2	-	-
Purchase of property, plant and equipment		(41.3)	(68.4)	(129.8)
Purchase of intangible assets		(14.8)	(14.6)	(31.2)
Sale of property, plant and equipment		9.0	24.3	26.4
Cash outflow from investing activities		(1.9)	(58.7)	(134.6)
Repayment of borrowings		(313.7)	-	(178.7)
Proceeds from borrowings		-	231.7	291.6
Proceeds from securitisation programme		-	20.4	22.4
Financing costs		(23.1)	(15.3)	(20.2)
Proceeds from share issue	14	403.9	-	-
Share issue costs	14	(24.3)	-	-
Dividends paid		-	(36.3)	(54.7)
Cash inflow from financing activities		42.8	200.5	60.4
Net (outflow) / inflow of cash and cash equivalents		**(34.9)**	**65.2**	**9.9**
Cash and cash equivalents at beginning of period		33.7	23.8	23.8
Cash and cash equivalents at end of period	15	**(1.2)**	**89.0**	**33.7**

The notes on pages 18 to 36 form an integral part of the condensed consolidated interim financial information.

Consolidated statement of changes in equity (unaudited)

	Share capital £m	Share premium reserve £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	Minority interest reserve £m	Total £m
At 1 January 2009	8.5	760.6	890.7	(23.0)	(645.1)	0.1	991.8
Loss for the period	-	-	-	-	(35.9)	-	(35.9)
Other comprehensive income	-	-	-	6.2	(236.1)	-	(229.9)
Shares issued	15.5	388.4	-	-	-	-	403.9
Cost of shares issued	-	(24.3)	-	-	-	-	(24.3)
Share based payments	-	-	-	-	1.6	-	1.6
Tax on share based payments	-	-	-	-	(0.1)	-	(0.1)
At 27 June 2009	24.0	1,124.7	890.7	(16.8)	(915.6)	0.1	1,107.1
At 1 January 2008	8.5	760.6	890.7	(3.1)	(196.5)	0.1	1,460.3
Profit for the period	-	-	-	-	1.3	-	1.3
Other comprehensive income	-	-	-	4.0	(52.6)	-	(48.6)
Dividends paid	-	-	-	-	(54.9)	-	(54.9)
Share based payments	-	-	-	-	2.3	-	2.3
Tax on share based payments	-	-	-	-	(0.5)	-	(0.5)
At 28 June 2008	8.5	760.6	890.7	0.9	(300.9)	0.1	1,359.9
At 1 January 2008	8.5	760.6	890.7	(3.1)	(196.5)	0.1	1,460.3
Loss for the period[1]	-	-	-	-	(444.7)	-	(444.7)
Other comprehensive income	-	-	-	(19.9)	48.2	-	28.3
Dividends paid	-	-	-	-	(54.7)	-	(54.7)
Share based payments[1]	-	-	-	-	3.1	-	3.1
Tax on share based payments	-	-	-	-	(0.5)	-	(0.5)
At 31 December 2008	8.5	760.6	890.7	(23.0)	(645.1)	0.1	991.8

[1] Comparatives have been restated to reflect an increased share based payment charge of £0.9m following the amendment to IFRS 2.

The notes on pages 18 to 36 form an integral part of the condensed consolidated interim financial information.

Premier Foods plc
Notes to the financial information (unaudited)

1. General information

Premier Foods plc (the "Company") is a public limited Company incorporated in the United Kingdom under the Companies Act 1985. 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 16 of the Group's annual financial statements for the year ended 31 December 2008.

2. Significant accounting policies

Basis of preparation

This condensed consolidated interim financial information comprises the balance sheet as at 27 June 2009 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 2008, which were approved by the Board of Directors on 5 March 2009, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified but contained an emphasis of matter in respect of the Group's ability to continue as a going concern. The material uncertainty as described in note 2.1 of the Group's financial statements for the year ended 31 December 2008, has been addressed following the resolution passed at the Extraordinary General Meeting on 23 March 2009 to approve the placing and open offer and firm placing. See notes 14 and 16 for further details.

The financial statements for the year ended 31 December 2008 did not contain statements under section 237(2) or (3) of the Companies Act 1985. These sections address whether 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 27 June 2009 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 27 June 2009 should be read in conjunction with the Group's financial statements for the year ended 31 December 2008 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.

This financial information was approved for issue on 4 August 2009.

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 2008, 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.

As a result of restructuring two of the Group's interest rate swaps into one new swap, the new swap has been presented within a new class of liabilities "Other financial liabilities at fair value through profit or loss". This has had no effect on the net assets or results of the Group. For further information see note 16.

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

IAS 1 (Revised) – "Presentation of Financial Statements"
IFRS 2 – "Amendment – Vesting Conditions and Cancellations"
IFRS 8 – "Operating Segments"
IAS 23 (Revised) – "Borrowing Costs"
IFRS1/IAS 27 – "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
IFRIC 13 – "Customer Loyalty Programmes"
IFRIC 14 – "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

The application of IAS 1 (Revised) has resulted in the Group presenting both a consolidated statement of comprehensive income and a consolidated statement of changes in equity as primary statements. The consolidated statement of changes in equity presents all changes in equity, and the consolidated statement of comprehensive income presents all changes in financial position other than through transactions with owners. This presentation has been applied in this condensed consolidated interim financial information for the period ended 27 June 2009. Comparative information has been represented so that it is also in conformity with the revised standard.

IFRS 2 "Amendment – Vesting Conditions and Cancellations" has been implemented during the period and the prior period results have been restated. The effect of this restatement has been to increase administrative costs and therefore increase the operating loss for the year ended 31 December 2008 by £0.9m and to increase the charge to the profit and loss reserve by the same amount.

The impact of the application of IFRS 8 is disclosed in note 4.

The application of the remaining 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 27 June 2009. 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.

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.

Where necessary, adjustments are made to the financial results of subsidiaries to bring the accounting policies used into line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated on consolidation.

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 expected long-term rate of return on invested funds, 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 3.4%. Each of the underlying assumptions is set out in more detail in note 13.

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 addressed 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 non-recurring in nature, such as a major restructuring, disposal of a business or asset, or integration of an acquisition. 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 and Finance Director as they are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. Previously, segments were determined and presented in accordance with IAS 14, "Segment Reporting".

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 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 and interest costs on pension liabilities.

Following the adoption of IFRS 8, the Group has revised its operating and reporting segments. The Group's operating segments are "Grocery", "Hovis", "Retailer Branded Chilled", "Ireland" and "Meat-free". Certain of these operating segments have been aggregated and the Group reports on three continuing segments within the business: "Grocery", "Hovis", and "Other".

The Grocery and Ireland operating segments have been aggregated into the Grocery reporting segment. The Group's Irish operations have been transferred from the former Chilled & Ireland segment into the Grocery reporting segment as this reflects the fact that the businesses have similar economic characteristics, sell similar products using similar distribution methods and share common customer types.

The Hovis reporting segment comprises the Hovis operating segment, which now includes the Charnwood Foods frozen pizza base business from the former Chilled & Ireland segment.

The Other reporting segment comprises the Retailer Branded Chilled and Meat-free operating segments, both from the former Chilled & Ireland segment. These businesses have been included in the Other reporting segment as they do not meet the relevant quantitative thresholds and do not have similar economic characteristics and therefore can not be aggregated into their own separate reporting segment under IFRS 8.

Comparative information has been restated to reflect these new segments.

The Grocery segment sells ambient food products. The Hovis segment sells bread, morning goods, flour products and frozen pizza bases and the Other segment includes businesses which sells chilled ready meals and cakes and Meat-free products.

The segment results for the half years ended 27 June 2009 and 28 June 2008 and for the year ended 31 December 2008 and the reconciliation of the segment measures to the respective statutory items included in the interim financial information are as follows:

Premier Foods plc
Notes to the financial information (unaudited)

	Half year ended 27 Jun 2009			
	Grocery	**Hovis**	**Other**	**Total for Group**
	£m	**£m**	**£m**	**£m**
Turnover from continuing operations				
External	713.5	372.4	162.3	1,248.2
Inter-segment	1.7	13.3	2.3	17.3
Result				
Trading profit	**101.4**	**14.6**	**7.6**	**123.6**
Amortisation				(38.2)
Fair value movements on foreign exchange and other derivative contracts				(14.4)
Pension financing charge				(2.1)
Operating profit before exceptional items				**68.9**
Exceptional items				(42.1)
Operating profit				**26.8**
Interest payable and other financial charges				(93.6)
Interest receivable and other financial income				3.0
Net movement on fair valuation of interest rate financial instruments				33.8
Loss before taxation for continuing operations				**(30.0)**
Balance sheet				
Segment assets	2,420.1	713.1	577.3	3,710.5
Unallocated assets				36.9
Consolidated total assets				3,747.4

	Half year ended 28 Jun 2008 (Restated)[1]			
	Grocery	**Hovis**	**Other**	**Total for Group**
	£m	**£m**	**£m**	**£m**
Turnover from continuing operations				
External	669.1	384.7	151.9	1,205.7
Inter-segment	1.8	20.8	2.1	24.7
Result				
Trading profit	**92.8**	**12.3**	**12.0**	**117.1**
Amortisation				(37.6)
Fair value movements on foreign exchange and other derivative contracts				(1.1)
Pension financing credit				8.1
Operating profit before exceptional items				**86.5**
Exceptional items				(40.3)
Operating profit				**46.2**
Interest payable and other financial charges				(86.7)
Interest receivable and other financial income				12.8
Net movement on fair valuation of interest rate financial instruments				29.7
Profit before taxation for continuing operations				**2.0**

[1] Comparatives have been restated to reflect the reclassification of Martine Spécialités S.A.S., Le Pain Croustillant and Sofrapain S.A.S. as discontinued operations and to reflect the new segmental reporting requirements under IFRS 8.

Balance sheet				
Segment assets	2,428.1	1,109.6	569.4	4,107.1
Unallocated assets				119.7
Consolidated total assets				4,226.8

	Year ended 31 Dec 2008 (Restated)[1]			
	Grocery	**Hovis**	**Other**	**Total for Group**
	£m	**£m**	**£m**	**£m**
Turnover from continuing operations				
External	1,502.2	770.0	331.4	2,603.6
Inter-segment	3.6	43.8	4.2	51.6
Result				
Trading profit	**250.7**	**24.2**	**34.4**	**309.3**
Amortisation				(76.7)
Fair value movements on foreign exchange and other derivative contracts				6.9
Pension financing credit				15.6
Operating profit before exceptional items				**255.1**
Exceptional items				(296.5)
Operating loss				**(41.4)**
Interest payable and other financial charges				(186.1)
Interest receivable and other financial income				41.6
Net movement on fair valuation of interest rate financial instruments				(218.9)
Loss before taxation for continuing operations				**(404.8)**

[1] Comparatives have been restated to reflect the new segmental reporting requirements under IFRS 8 and the increased share based payment charge following the amendment to IFRS 2.

Balance sheet				
Segment assets	2,482.1	929.8	616.0	4,027.9
Unallocated assets				67.5
Consolidated total assets				4,095.4

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.

The Group primarily supplies the United Kingdom 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 turnover, which is allocated on the basis of geographical market destination.

Continuing operations - turnover	**Half year ended 27 Jun 2009**	**Half year ended 28 Jun 2008 (Restated)[1]**	**Year ended 31 Dec 2008**
	£m	**£m**	**£m**
United Kingdom	1,167.8	1,125.9	2,433.5
Other Europe	67.5	68.5	144.6
Rest of world	12.9	11.3	25.5
Total for Group	1,248.2	1,205.7	2,603.6

[1] Comparatives have been restated to reflect the reclassification of Martine Spécialités S.A.S., Le Pain Croustillant and Sofrapain S.A.S. as discontinued operations.

Premier Foods plc
Notes to the financial information (unaudited)

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/(income)

	Half year ended 27 Jun 2009 £m	Half year ended 28 Jun 2008 £m	Year ended 31 Dec 2008 £m
Loss/(gain) on mark-to-market valuation of foreign exchange contracts and other derivatives	14.4	1.1	(6.9)
Loss on disposal of fixed assets	0.7	0.6	1.3
Net other operating expenses	2.4	0.8	1.0
Total net other operating expenses/(income)	17.5	2.5	(4.6)

6. Exceptional items

During the period, the Group has seen a reduction in its restructuring expenditure following the completion of its major administrative integration and manufacturing rationalisation programmes. Expenditure relating to the remaining elements of its restructuring and integration programmes, in order to capture synergy benefits from the acquisitions of RHM plc and Campbell's UK business, and costs associated with the recent refinancing of the Group, are the primary factors behind total non-recurring integration and exceptional costs during the period.

		Half year ended 27 Jun 2009 £m	Half year ended 28 Jun 2008 £m	Year ended 31 Dec 2008 £m
Exceptional items – continuing operations				
Integration of RHM UK operations	(a)	16.9	19.8	60.6
Integration of Campbell's UK operations	(b)	1.7	5.9	6.3
Integration of Irish operations	(c)	0.1	3.9	6.0
Restructure of Meat-free operations	(d)	-	2.3	3.5
Hovis restructuring and other costs	(e)	4.6	10.1	21.1
Other restructuring costs	(f)	5.3	2.9	4.2
Gain on property disposals	(g)	(3.3)	(4.6)	(2.1)
Goodwill impairment	(h)	-	-	194.4
Total operating exceptional items		25.3	40.3	294.0
Refinancing costs	(i)	16.8	-	2.5
Total exceptional items		42.1	40.3	296.5

(a) *Integration of RHM UK operations*

On 16 March 2007, the Group acquired RHM plc. In order to achieve the planned synergy benefits from the acquisition, the remaining elements of the integration of RHM has resulted in restructuring expenditure and integration costs in 2009 relating to the following key initiatives:

- Redundancy and restructuring costs have been incurred relating to the ongoing move of existing administrative functions to a group-wide shared service centre in Manchester.

- On 2 July 2007, the Group announced the results of a review of its combined manufacturing facilities which identified six RHM sites that were to close. The closure programme has been completed but residual costs continued to be incurred from the commissioning of equipment and production transferred to the remaining Group manufacturing sites.

- The Group has continued with the restructure and integration of certain warehousing facilities which resulted in restructuring and consultancy costs being incurred during the period.

- A charge during the period to increase onerous property lease provisions to reflect the current adverse market conditions.

(b) ***Integration of Campbell's UK operations***

On 14 August 2006, the Group acquired Campbell's Grocery Products Limited. The charge during the period primarily related to an increase in an onerous property lease provision to reflect the current adverse market conditions. The integration of the manufacturing operations and warehousing facilities at King's Lynn into the existing operations of the Group was largely completed in the previous year.

(c) ***Integration of Irish operations***

Following the acquisitions of Campbell's Grocery Products Ireland Limited in August 2006, Chivers Ireland Limited in January 2007 and the RHM Ireland business in March 2007, the Group has significantly increased its operational and commercial presence in Ireland. In the previous year, the Group completed the principal phases of integrating these companies and has created a single operating business, in order to generate future cost and operating synergy benefits in Ireland.

(d) ***Restructure of Meat-free operations***

During 2006, the Group announced plans for the closure of its factory at Portishead and the purchase and development of a new chilled facility at Methwold to enable the integration of chilled production for *Quorn* and *Cauldron* products on a single site. The Methwold facility is fully operational and commissioning costs of the new plant have ceased from April 2008.

(e) ***Hovis restructuring and other costs***

The Hovis business has continued with a number of restructuring projects in 2009 which involved headcount reductions through organisational and structural changes, new warehouse technology and operating methods and supply chain management restructuring initiatives and various compliance related initiatives. The previous year exceptional charges also included an impairment of assets and redundancy costs relating to the closure of our Rotherham mill, onerous lease costs for properties and impairment recognised against certain plant and machinery relating to discontinued production lines.

(f) ***Other restructuring costs***

This category incorporates a variety of other exceptional costs, including redundancy and restructuring costs relating to other cost reduction initiatives associated with our warehousing network, factory transformation programme and other supply chain initiatives. It also includes training linked to the implementation of our new ERP software, professional fees and production commissioning costs.

The previous year exceptional charges relate to costs associated with general business restructuring and factory transformation, the restructuring of our warehousing network and supply chain, training and a number of compliance related initiatives.

(g) *Gain on property disposals*

The net disposal gain of £3.3m in the period primarily relates to the disposal of the site at King's Lynn. The gain in the previous year relates to the disposal of sites and plant and equipment in Bristol, Droylsden, Middlewich, Wythenshawe and Stoke in the UK and Thurles in the Republic of Ireland.

(h) *Goodwill impairment*

An impairment charge of £194.4m was recognised in the year ended 31 December 2008 against the goodwill allocated to the Hovis CGU due to the significant increase in the discount rate used to calculate the recoverable amount of the Hovis CGU.

(i) *Refinancing costs*

Advisory fees have been incurred during the period relating to the recent placing and open offer and firm placing (see note 14), amended lending agreements (see note 16), renegotiation of interest rate swaps and new pensions framework.

7. Interest

	Half year ended 27 Jun 2009	Half year ended 28 Jun 2008 (Restated)[1]	Year ended 31 Dec 2008
	£m	**£m**	**£m**
Interest payable on bank loans and overdrafts	6.2	6.9	35.0
Interest payable on term facility	37.5	45.6	96.0
Interest payable on revolving facility	8.0	18.4	29.6
Interest payable on interest rate derivatives	23.3	-	-
Interest payable on interest rate financial liabilities designated as other liabilities at fair value through profit or loss	0.5	-	-
Unwind of discount on provisions	0.4	0.3	0.9
Amortisation of debt issuance costs	5.2	3.4	7.6
	81.1	**74.6**	**169.1**
Exceptional write-off of financing costs	2.7	12.1	17.0
Accelerated amortisation of debt issuance costs	9.8	-	-
Total interest payable and other financial charges	**93.6**	**86.7**	**186.1**
Interest receivable on bank deposits	(2.3)	(2.9)	(16.8)
Interest receivable on derivative financial liabilities	(0.7)	(9.9)	(24.8)
Total interest receivable and other financial income	**(3.0)**	**(12.8)**	**(41.6)**
Movement on fair valuation of interest rate derivatives	(71.4)	(29.7)	218.9
Movement on fair valuation of interest rate financial liabilities designated as other financial liabilities at fair value through profit or loss	37.6	-	-
Net movement on fair valuation of interest rate financial instruments	**(33.8)**	**(29.7)**	**218.9**
Net interest	**56.8**	**44.2**	**363.4**

[1] Comparatives have been restated to reflect the reclassification of Martine Spécialités S.A.S., Le Pain Croustillant and Sofrapain S.A.S. as discontinued operations.

8. Tax on loss on ordinary activities

The taxation credit for the first half of 2009 is £6.8m (28 June 2008: £3.5m charge as restated).

This comprises a £2.6m charge on the profit from underlying activities and a credit of £9.4m on allowable elements of exceptional items. The £2.6m charge represents an effective rate of 22.0% made up of a rate on continuing UK operations of 28.1%, and a charge on overseas operations at a rate of 12.5%. The credit on exceptional items is lower than the UK corporate rate due to costs that are not tax deductible. It is not anticipated that any UK taxation will be payable during 2009 due to the availability of taxation losses and other timing differences.

9. Dividends

The Board has decided that no interim dividend will be proposed for the period ended 27 June 2009.

As announced on 18 November 2008, the Board considered it appropriate to suspend dividend payments. The Board is committed to resuming dividend payments when possible but the future payment of dividends will be dependent upon the Company's ability to reduce its level of debt, the limitations on payment of future dividends imposed by the Company's lending agreements and the condition of the credit markets at the relevant time, with any final dividend being subject to the approval of the Group's Shareholders at a general meeting. The Amended Term and Revolving Credit Facilities Agreement imposes restrictions on the ability to propose dividends which are subject to a leverage test and an interest cover test, with the payment being restricted to no more than 50 per cent of retained earnings.

10. Discontinued operations

During the period, the Group disposed of its speciality bakery businesses, Martine Spécialités S.A.S. ("Martine"), Le Pain Croustillant ("LPC") and Sofrapain S.A.S ("Sofrapain"). The sale of Martine and LPC completed on 2 March 2009 and the sale of Sofrapain completed on 30 April 2009.

The results of the speciality bakery businesses are included in discontinued operations in the Group's consolidated income statement up to the date effective control was transferred. Effective control of Sofrapain was transferred on 6 February 2009 and for LPC and Martine on 28 February 2009. The speciality bakery businesses were sold for £47.5m before disposal costs. The results of discontinued operations for the period are as follows:

	Half year ended 27 Jun 2009	**Half year ended 28 Jun 2008 (Restated)[1]**	**Year ended 31 Dec 2008**
	£m	**£m**	**£m**
Turnover	21.4	84.4	173.0
Expenses	(24.2)	(80.9)	(240.4)
(Loss)/profit before taxation	(2.8)	3.5	(67.4)
Taxation charge	(0.7)	(0.7)	(3.1)
(Loss)/profit after taxation on discontinued operations for the period	**(3.5)**	**2.8**	**(70.5)**
Loss on disposal before taxation	(25.5)	-	-
Tax credit on loss on disposal	16.3	-	-
Loss on disposal after taxation	**(9.2)**	**-**	**-**
Total (loss)/profit arising from discontinued operations	**(12.7)**	**2.8**	**(70.5)**

[1] Comparatives have been restated to reflect the reclassification of Martine Spécialités S.A.S., Le Pain Croustillant and Sofrapain S.A.S. as discontinued operations.

The net income in the previous periods from discontinued operations include the results of speciality bakery businesses and property proceeds, which the Group was entitled to under the terms of the sale of our Netherlands based subsidiary, Jonker Fris BV, on 8 December 2005.

During the period, discontinued operations contributed to a net outflow of £6.8m (28 June 2008: £6.6m inflow) to the Group's net operating cash flows, and a £0.6m outflow to investing activities (28 June 2008: £1.5m outflow).

11. Assets and liabilities held for sale

As at 27 June 2009, the non-operational property at Hull was classified as an asset held for sale. This disposal has taken longer than anticipated due to adverse market conditions, however a contract for sale is in place and is expected to be completed in the second half of 2009.

As at 28 June 2008, non-operational properties at King's Lynn and Hull were classified as assets held for sale.

As at 31 December 2008, properties at King's Lynn and Hull and were classified as assets held for sale and assets and liabilities relating to the speciality bakery businesses were classified as held for sale following the receipt of firm offers for these businesses.

12. Disposal of subsidiaries / businesses

As referred to in note 10, the Group disposed of its speciality bakery businesses during the period. The impact on the results of the Group is disclosed in note 10. On the dates of disposal, the net assets of the businesses, the consideration and the loss on disposal were as follows:

	£m
Property, plant and equipment	36.5
Intangible assets and goodwill	42.8
Inventories	9.2
Trade and other receivables	24.0
Trade and other payables	(42.1)
Provisions and lease obligations	(4.7)
Pension obligation	(0.9)
Translation reserves relating to speciality bakery businesses	(4.7)
Net investment hedge relating to speciality bakery businesses	7.2
Net assets disposed	67.3
Less net consideration	(41.8)
Loss on disposal before tax	25.5
Deferred tax liabilities relating to disposals	(9.2)
Taxation credit on loss on disposal	(7.1)
Loss on disposal after tax	9.2

Net cash inflow arising on disposal:	
Initial consideration	47.5
Disposal costs	(2.3)
Net cash inflow for the period	45.2

In the previous year, £3.4m of disposal costs were paid for and classified within cash flow from operating activities.

13. Retirement benefit schemes

The Group operates a number of defined benefit schemes under which employees are entitled to retirement benefits which are based on final salary on retirement. 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 during the period. At 31 December 2008, the French Termination Indemnity Arrangements were included in the speciality bakery businesses disposal group following their classification as discontinued operations.

The exchange rates used to translate the overseas Euro based schemes are £1.00 = 1.1088 Euros for the average rate during the period, and £1.00 = 1.1726 Euros for the closing position at 27 June 2009.

Under all the schemes detailed above, the employees are entitled to retirement benefits which vary as a percentage of final salary on retirement. The assets of all 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 27 Jun 2009	As at 28 Jun 2008	As at 31 Dec 2008
Premier			
Discount rate	6.4%	6.4%	6.3%
Inflation	3.4%	3.8%	2.8%
Expected salary increases	4.4%	4.8%	3.8%
Future pension increases	2.2%	3.6%	2.0%
RHM			
Discount rate	6.4%	6.4%	6.3%
Inflation	3.4%	3.8%	2.8%
Expected salary increases	3.4%	3.8%	2.8%
Future pension increases	2.2%	3.6%	2.0%

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 27 Jun 2009 £m	As at 28 Jun 2008 £m	As at 31 Dec 2008 £m
Premier			
Present value of funded obligations	(606.5)	(583.5)	(587.7)
Fair value of plan assets	417.0	484.8	415.4
Deficit in scheme	(189.5)	(98.7)	(172.3)
RHM			
Present value of funded obligations	(2,007.5)	(2,054.3)	(1,952.1)
Fair value of plan assets	1,896.4	1,999.3	2,112.9
(Deficit) / surplus in scheme	(111.1)	(55.0)	160.8
TOTAL			
Present value of funded obligations	(2,614.0)	(2,637.8)	(2,539.8)
Fair value of plan assets	2,313.4	2,484.1	2,528.3
Deficit in scheme	(300.6)	(153.7)	(11.5)

Based upon the assumptions regarded as appropriate as at 27 June 2009, the aggregate deficit on the Group's pension schemes was £300.6m (31 December 2008: £11.5m). Included in the deficit at 31 December 2008 is a surplus of £163.7m on the RHM scheme.

The increase in the aggregate deficit since the year end is the result of two factors. There has been a reduction in plan asset values as a result of changes in financial market conditions during the interim period, together with an increase in the long term outlook for inflation which has increased the scheme liabilities.

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

	27 Jun 2009 £m	28 Jun 2008 £m	31 Dec 2008 £m
Premier			
Opening defined benefit obligation	(587.7)	(581.7)	(581.7)
Current service cost	(3.7)	(4.3)	(9.0)
Interest cost	(18.0)	(16.9)	(33.9)
Actuarial (losses)/gains	(14.9)	9.2	23.3
Exchange differences	5.4	(2.5)	(10.2)
Contributions by plan participants	(2.4)	(1.9)	(4.3)
Benefits paid	14.8	14.6	28.1
Closing defined benefit obligation	(606.5)	(583.5)	(587.7)
RHM			
Opening defined benefit obligation	(1,952.1)	(2,126.9)	(2,126.9)
Current service cost	(1.7)	(4.2)	(8.1)
Past service cost	(0.3)	(1.4)	(2.8)
Interest cost	(58.2)	(61.2)	(122.9)
Actuarial (losses)/gains	(44.4)	94.6	214.8
Exchange differences	2.1	(0.9)	(4.1)
Curtailments	0.9	(0.6)	(0.2)
Contributions by plan participants	(7.0)	(6.1)	(13.1)
Benefits paid	53.2	52.4	111.2
Closing defined benefit obligation	(2,007.5)	(2,054.3)	(1,952.1)
TOTAL			
Opening defined benefit obligation	(2,539.8)	(2,708.6)	(2,708.6)
Current service cost	(5.4)	(8.5)	(17.1)
Past service cost	(0.3)	(1.4)	(2.8)
Interest cost	(76.2)	(78.1)	(156.8)
Actuarial (losses)/gains	(59.3)	103.8	238.1
Exchange differences	7.5	(3.4)	(14.3)
Curtailments	0.9	(0.6)	(0.2)
Contributions by plan participants	(9.4)	(8.0)	(17.4)
Benefits paid	68.0	67.0	139.3
Closing defined benefit obligation	(2,614.0)	(2,637.8)	(2,539.8)

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

	27 Jun 2009 £m	28 Jun 2008 £m	31 Dec 2008 £m
Premier			
Opening fair value of plan assets	415.4	506.2	506.2
Expected return	15.0	19.8	39.7
Administrative and life insurance costs	(1.3)	(1.3)	(2.2)
Actuarial losses	(4.1)	(41.0)	(131.6)
Contributions by employer	8.2	10.8	18.0
Contributions by plan participants	2.4	1.9	4.3
Exchange differences	(3.8)	3.0	9.1
Benefits paid	(14.8)	(14.6)	(28.1)
Closing fair value of plan assets	417.0	484.8	415.4
RHM			
Opening fair value of plan assets	2,112.9	2,079.2	2,079.2
Expected return	63.4	70.3	140.4
Administrative and life insurance costs	(3.0)	(2.6)	(5.5)
Actuarial losses	(259.6)	(127.6)	(50.3)
Contributions by employer	30.8	25.3	43.1
Contributions by plan participants	7.0	6.1	13.1
Exchange differences	(1.9)	1.0	4.1
Benefits paid	(53.2)	(52.4)	(111.2)
Closing fair value of plan assets	1,896.4	1,999.3	2,112.9
TOTAL			
Opening fair value of plan assets	2,528.3	2,585.4	2,585.4
Expected return	78.4	90.1	180.1
Administrative and life insurance costs	(4.3)	(3.9)	(7.7)
Actuarial losses	(263.7)	(168.6)	(181.9)
Contributions by employer	39.0	36.1	61.1
Contributions by plan participants	9.4	8.0	17.4
Exchange differences	(5.7)	4.0	13.2
Benefits paid	(68.0)	(67.0)	(139.3)
Closing fair value of plan assets	2,313.4	2,484.1	2,528.3

The amounts recognised in the income statement were as follows:

	Half year ended 27 Jun 2009 £m	Half year ended 28 Jun 2008 £m	Year ended 31 Dec 2008 £m
Premier			
Current service cost	3.7	4.3	9.0
Administrative and life insurance costs	1.3	1.3	2.2
Interest cost	18.0	16.9	33.9
Expected return on plan assets	(15.0)	(19.8)	(39.7)
Total expense	8.0	2.7	5.4
RHM			
Current service cost	1.7	4.2	8.1
Past service cost	0.3	1.4	2.8
Administrative and life insurance costs	3.0	2.6	5.5
Interest cost	58.2	61.2	122.9
Expected return on plan assets	(63.4)	(70.3)	(140.4)
(Gains)/losses on curtailment	(0.9)	0.6	0.2
Total income	(1.1)	(0.3)	(0.9)
TOTAL			
Current service cost	5.4	8.5	17.1
Past service cost	0.3	1.4	2.8
Administrative and life insurance costs	4.3	3.9	7.7
Interest cost	76.2	78.1	156.8
Expected return on plan assets	(78.4)	(90.1)	(180.1)
(Gains)/losses on curtailment	(0.9)	0.6	0.2
Total expense	6.9	2.4	4.5

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 £0.6m (28 June 2008: £0.6m) represents contributions payable to the plans by the Group at rates specified in the rules of the schemes.

14. Share capital

On 24 March 2009, the Group raised approximately £379.6m, net of expenses, through the issue of 1,553,416,776 new 1 pence ordinary shares. The issue was structured as a placing and open offer of 1,055,756,006 new ordinary shares at a price of 26 pence per share, and a firm placing of 497,660,770 new ordinary shares at a price of 26 pence per share.

15. Notes to the cash flow statement

Reconciliation of operating profit / (loss) to cash generated from operating activities

	Half year ended 27 Jun 2009 £m	Half year ended 28 Jun 2008 (Restated)[1] £m	Year ended 31 Dec 2008 (Restated)[2] £m
Continuing operations			
Operating profit/(loss)	26.8	46.2	(41.4)
Depreciation of property, plant and equipment	26.0	24.0	50.7
Amortisation of intangible assets	38.2	37.6	76.7
Impairment and (gain)/loss on disposal of property, plant and equipment	(2.6)	3.2	10.6
Impairment of goodwill	-	-	194.4
Revaluation losses/(gains) on financial instruments	14.4	1.1	(6.9)
Share based payments	1.8	2.3	2.3
Net cash inflow from operating activities before interest and tax and movements in working capital	104.6	114.4	286.4
Increase in inventories	(28.5)	(44.5)	(38.8)
Decrease/(increase) in trade and other receivables	33.1	(5.1)	(42.5)
(Decrease)/increase in trade and other payables and provisions	(74.8)	(67.3)	24.7
Movement in net retirement benefit obligations	(32.1)	(34.0)	(56.6)
Cash generated / (outflow) from continuing operations	2.3	(36.5)	173.2
Discontinued operations	(6.8)	10.2	16.2
Cash (outflow) / generated from operating activities	(4.5)	(26.3)	189.4
Exceptional items cash flow	(51.0)	(60.9)	(121.8)
Cash generated from operations before exceptional items	46.5	34.6	311.2

[1] The 28 June 2008 comparatives have been restated to reflect the reclassification of Martine Spécialités S.A.S., Le Pain Croustillant and Sofrapain S.A.S. as discontinued operations.
[2] The 31 December 2008 comparatives have been restated to reflect an increased share based payment charge following the amendment to IFRS 2.

Additional analysis of cash flows

	Half year ended 27 Jun 2009 £m	Half year ended 28 Jun 2008 £m	Year ended 31 Dec 2008 £m
Interest paid	(75.3)	(64.3)	(150.4)
Interest received	3.3	11.5	45.0
Financing costs	(23.1)	(15.3)	(20.2)
Return on financing	**(95.1)**	**(68.1)**	**(125.6)**
Sale of subsidiaries / businesses	45.2	**-**	**-**

Reconciliation of cash and cash equivalents to net borrowings

	Half year ended 27 Jun 2009 £m	Half year ended 28 Jun 2008 £m	Year ended 31 Dec 2008 £m
Net (outflow)/inflow of cash and cash equivalents	(34.9)	65.2	9.9
Decrease in finance leases	0.1	-	2.6
Decrease/(increase) in borrowings	339.8	(248.9)	(133.2)
Other non-cash changes	(13.5)	(3.4)	(27.6)
Decrease/(increase) in borrowings net of cash	**291.5**	**(187.1)**	**(148.3)**
Total borrowings net of cash at beginning of period	(1,766.8)	(1,618.5)	(1,618.5)
Total net borrowings at end of period	**(1,475.3)**	**(1,805.6)**	**(1,766.8)**

Analysis of movement in borrowings

	As at 1 Jan 2009 £m	Cash flow £m	Other non-cash changes £m	As at 27 Jun 2009 £m
Bank overdrafts	(6.9)	(19.3)	-	(26.2)
Cash and bank deposits	40.6	(15.6)	-	25.0
Net cash and cash equivalents	33.7	(34.9)	-	(1.2)
Borrowings - term facilities	(1,341.6)	11.6	-	(1,330.0)
Borrowings - revolving credit facilities	(450.0)	302.1	-	(147.9)
Finance leases	(1.7)	-	0.1	(1.6)
Other	(17.6)	3.0	-	(14.6)
Gross borrowings net of cash[1]	(1,777.2)	281.8	0.1	(1,495.3)
Debt issuance costs	10.4	23.1	(13.5)	20.0
Total net borrowings[1]	**(1,766.8)**	**304.9**	**(13.4)**	**(1,475.3)**

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

16. Financing

On 5 March 2009, the Group announced revised financing arrangements including a share issuance, changes to lending agreements to provide greater covenant and liquidity headroom and the extension of the maturity of the facility. These revised financing arrangements were approved by ordinary shareholders at an extraordinary general meeting on 23 March 2009.

The amendments to the Group's Term and Revolving Credit Facilities included a rephasing of the facilities to provide additional liquidity and covenant headroom and an extension of the maturity date to December 2013. The total facility as at 27 June 2009 was £1,830m and will be amortised by £50m in December 2009 and then by £50m in both June and December of each year until December 2013.

On 5 March 2009, the Group amended the break clauses in one of its long dated swaps to make it consistent with other long dated swaps.

At the same time the Group also restructured two other swaps into one new swap which resulted in an amendment to the payment terms and an amendment to the break clauses, being an optional break at August 2012 and a mandatory break at June 2013. The terms were also amended such that it will now settle at either break point for a mark to market payment to the counterparty bank. As a result of these amendments, a new contract was recognised which comprises both an underlying host as well as embedded derivatives. This hybrid instrument was classified within a new class of financial liabilities being "other financial liabilities at fair value through profit or loss".

17. Related parties

WP X Investments I Limited ("Warburg Pincus") is considered to be a related party of the Group by virtue of its 15.7% equity shareholding in Premier Foods plc and of its power to appoint a member to the Board of Directors, which has been exercised. There have been no transactions during the period.

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.

18. Contingencies

In April 2008, the UK Office of Fair Trading notified the Group of an inquiry into potential co-ordination of retail prices in sectors of the Grocery market. The Group is co-operating with the inquiry which is currently at the information gathering stage.

There were no other material contingent liabilities at 27 June 2009.