04 September 2007

Premier Foods plc Interim Results 2007

Premier's year of transformation

Interim results for the six months to 30 June 2007

	Unaudited six months to 30 June 2007 £m	Unaudited six months to 1 July 2006 £m	Change
Turnover*	**899.1**	366.5	145.3%
Trading profit**	**96.8**	45.6	112.3%
Operating profit*	**52.2**	42.4	23.1%
Profit before tax*	**13.9**	27.6	(49.6%)
Profit after tax*	**21.9**	20.5	6.8%
Cash inflow from operating activities	**99.4**	52.3	90.1%
Basic earnings per share*	**3.1p**	6.6p	(53.0%)
Adjusted earnings per share***	**5.3p**	5.6p	(5.4%)
Dividend per share	**4.3p**	3.95p	8.9%

- Campbell's integration completed: £28m of annual cost synergies confirmed
- RHM integration proceeding at pace: £85m of annual cost synergies confirmed
- Core Premier trading profit** up 4.4%
- Good start to H2 sales, we expect to hit underlying sales growth targets for the full year
- Exciting new products coming to market
- Bread prices increased reflecting increased wheat costs
- Profit targets for the year remain unchanged
- Interim dividend up 8.9% to 4.3 pence per ordinary share

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

"We are delighted by the way that the integration of Campbell's has been successfully completed within 8 months of acquisition and the exciting innovation we have for the brands in the second half. The integration of RHM continues at pace and to plan and we remain confident that we will deliver the total of £113m of cost synergies targeted from these two acquisitions.

We have had a good start to trading for the second half where a combination of a strong programme of new product launches, improved promotional strategies across the enlarged Group and cooler weather has helped to drive sales growth. We remain confident that we will deliver underlying sales growth for the year in line with our 1.5-2% target. Wheat prices have seen an unprecedented level of increase over the last few weeks and we are pleased to have been able to implement price rises across our bread and flour products from the start of September. However, if current wheat prices persist additional bread and flour price increases will be required. Other raw material cost inflation is also significant, making price increases across many of our products necessary. Whilst mindful of the turbulence that we have seen in the bread market over the last few months, we anticipate that we will be able to meet our sales and trading profit growth targets for the year."

** Continuing operations*

***Trading profit is defined as operating profit from continuing operations before exceptional items, amortisation of intangible assets, the movement in the IAS39 valuation of forward foreign exchange contracts, which cannot be predicted and the pension credits or charges in relation to the difference between the expected return on pension assets and interest costs on pension liabilities. Core Premier trading profit has been calculated as the sum of trading profit for the Convenience, Pickles, Sauces & Meat-free and Spreads, Desserts & Beverages product groups and excludes Campbell's and Chivers Ireland. The year on year growth for the Core Premier trading profit has been calculated after reducing the trading profit for 2006 by £5.0m being the impact of the end of the Cadbury hot beverages licence.*

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

	2007 H1 £m	2006 H1 £m
Trading profit	**96.8**	45.6
Less net cash interest	**(42.1)**	(19.7)
Less regular amortisation of debt issuance costs	**(1.6)**	(0.6)
Adjusted profit before tax	**53.1**	25.3
Less tax at 30%	**(15.9)**	(7.6)
Adjusted profit after tax	**37.2**	17.7
Divided by:		
Average shares in issue (millions)	**699.7**	314.1
Adjusted earnings per share	**5.3p**	5.6p

As a consequence of the changes in commercial structure as a result of acquisitions and disposals, there are fundamental differences between the primary financial statements of the current and comparative periods. For this reason the Group has chosen to comment on trading performance on a pro forma basis alongside statutory financial information. The pro forma presentation treats acquired businesses as if they had been owned for the whole of the current and prior year reporting periods.

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A presentation to analysts will take place on 4th September 2007 at 9.00am at Haberdashers' Hall, 18 West Smithfield, London, EC1A 9HQ. In addition, the presentation will be available via webcast at www.premierfoods.co.uk

Operating review – continuing operations

£m	**2007 H1**	2006 H1	
Sales			
Grocery	**462.7**	366.5	26.2%
Bread Bakeries	**235.5**	-	-
Culinary Brands	**67.2**	-	-
Cakes	**73.5**	-	-
Customer Partnerships	**60.2**	-	-
Total sales	**899.1**	366.5	145.3%
Trading profit*	**96.8**	45.6	112.3%
Trading profit margin	***10.8%***	*12.4%*	
Amortisation of intangibles	**(12.5)**	(4.2)	197.6%
Foreign exchange valuation items credit/(charge)	**0.9**	(1.9)	-
Pension financing credit	**7.5**	1.6	-
Operating profit before exceptional items	**92.7**	41.1	125.5%
Exceptional items	**(40.5)**	1.3	-
Operating profit	**52.2**	42.4	23.1%

*Trading profit is defined as operating profit before exceptional items, amortisation of intangible assets, the revaluation of foreign exchange 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

The first half of 2007 has seen a transformation in the scale and breadth of Premier's operations following the acquisition of RHM plc in March 2007. This followed the acquisition of Campbell's in August 2006 and the pro forma sales of the combined Group has more than trebled the previously reported sales of Premier in H1 2006.

We are delighted by the progress we have made integrating these businesses. The Campbell's business has been integrated into our Grocery business within the Convenience Foods, Pickles, Sauces & Meat-free product group. The integration proceeded very smoothly and was completed in April 2007. We are on track to deliver the £28.0m of annual cost synergies that we identified at the time of the acquisition, of which £2.0m have been recorded in the first half of 2007. A further £5.0m of cost synergies are forecast to be delivered in the second half of 2007.

Similarly, the integration of RHM into Premier's operations has been proceeding to plan. We have made significant steps on the integration in the 5 months since acquisition: we have closed the RHM head office; combined the senior management teams into a single operating board; commenced the integration of the Culinary Brands division; completed a review of the combined manufacturing facilities and announced the proposal to close 6 factories; commenced the integration of all our operations in the Republic of Ireland into a single business unit; and integrated the management teams of our RF Brookes, Avana and Charnwood businesses. We have confirmed the total level of annual cost synergies at £85.0m, of which £10.0m are forecast to be delivered in the second half of 2007. We expect to complete the integration of RHM on schedule by the end of 2009. In addition, we are encouraged by the untapped organic growth and cost saving opportunities in the RHM business.

We have completed the external benchmarking of RHM's senior management group, a process we go through on all our major acquisitions, and we are pleased that the results confirm the high quality of the RHM team. Over 40% of the senior management positions in the enlarged Group have been filled by RHM managers. In addition, the RHM team has responded positively to the change from a divisional to a functional structure which has enabled synergies to be realised and provides additional growth opportunities.

Total sales from continuing operations increased by 145.3% to £899.1m, operating profit from continuing operations increased by 23.1% to £52.2m and trading profit increased by £51.2m or 112.3% to £96.8m. The comparative figures for 2006 exclude the Fresh Produce business, which was sold on 30 March 2007 and has been recorded within discontinued operations within these financial statements.

The increase in both sales and operating profit is primarily due to the acquisitions of Campbell's on 14 August 2006 and RHM on 16 March 2007.

Branded sales, on a pro forma basis, now represent 57% of sales, down from a reported 61% in the first half of 2006. This decrease is due to the inclusion of RHM, which, at acquisition, was approximately 50% branded, partly offset by inclusion of Campbell's, which, at acquisition was approximately 94% branded.

A traditional like-for-like analysis of the results for the period is of limited value given the scale of the transformation of Premier. Therefore, we have presented a pro forma analysis of the movements in sales and trading profit for each segment and product group to give a more detailed understanding of the trading of each. It must be noted, however, that the pro forma 2006 comparatives for Campbell's and RHM are for a period when the businesses were not under the control of Premier's management.

Grocery

"Grocery" comprises Premier Convenience Foods, Pickles, Sauces & Meat-free and Spreads Desserts & Beverages and includes the Campbell's and Chivers Ireland businesses. Sales of products by Premier to Chivers Ireland in 2006 have been reclassified to Chivers Ireland. Pro forma results include 6 months trading of Campbell's and Chivers Ireland in H1 2006 and a full 6 months of trading of Chivers Ireland in H1 2007.

£m	**2007 H1**	2006 H1	
Reported			
Sales			
Convenience Foods, Pickles, Sauces & Meat-free	**216.5**	224.4	(3.5%)
Spreads, Desserts & Beverages	**117.0**	137.8	(15.1%)
Campbell's	**120.1**	-	-
Chivers Ireland	**9.1**	4.3	-
Total Grocery	**462.7**	366.5	26.2%
Trading profit			
Convenience Foods, Pickles, Sauces & Meat-free	**16.7**	16.2	3.1%
Spreads, Desserts & Beverages	**25.7**	29.4	(12.6%)
Campbell's	**21.2**	-	-
Chivers Ireland	**(0.1)**	-	-
Total Grocery	**63.5**	45.6	39.3%

£m	**2007 H1**	2006 H1	2006 Adjustments*	2006 Adjusted	
Pro forma					
Sales					
Convenience Foods, Pickles, Sauces & Meat-free	**216.5**	224.4	-	224.4	(3.5%)
Spreads, Desserts & Beverages	**117.0**	137.8	(14.2)	123.6	(5.3%)
Campbell's	**120.1**	119.8	-	119.8	0.3%
Chivers Ireland	**10.2**	9.5	-	9.5	7.4%
Total Grocery	**463.8**	491.5	(14.2)	477.3	(2.8%)
Trading profit					
Convenience Foods, Pickles, Sauces & Meat-free	**16.7**	16.2	-	16.2	3.1%
Spreads, Desserts & Beverages	**25.7**	29.4	(5.0)	24.4	5.3%
Campbell's	**21.2**	26.5	(6.1)	20.4	3.9%
Chivers Ireland	**(0.1)**	0.5	-	0.5	-
Total Grocery	**63.5**	72.6	(11.1)	61.5	3.3%

* The adjustments to 2006 represent our estimate of the additional sales and profit contribution from the Cadbury hot beverages licence which ended in May 2006 and non-recurring trading distortions from the pre-acquisition period in Campbell's.

Convenience Foods, Pickles, Sauces & Meat-free

Sales of Convenience Foods, Pickles, Sauces & Meat-free decreased by £7.9m compared to the first half of 2006 due to reduced sales of branded baked beans, which were heavily promoted during the launch of *Branston* beans in 2006 and lower sales of own label convenience foods, partly offset by increased sales of our market-leading Meat-free brand, *Quorn*, *Branston* relishes and *Loyd Grossman* cooking sauces.

Our Meat-free business has continued to grow albeit at a temporarily slower rate during the first half of this year. This was the consequence of reduced promotional activity behind the *Quorn* and *Cauldron* brands during the commissioning of our new chilled manufacturing facility at Methwold in Norfolk. The plant is now fully operational and we have seen the rate of sales growth since the start of the second half return to its previous higher levels. We have also announced an investment of £35.0m in a new fermentation plant at our Belasis factory, which will significantly increase its capacity to support the continued rapid growth of *Quorn*.

We expect the second half of 2007 to show good year-on-year improvement following the successful launches of "*Branstein Beans*" with Omega 3 oils and "*Bloomin Big Beans*", whilst *Loyd Grossman* stir in sauces and foodservice sauces are set to be launched in the latter half of 2007.

Spreads, Desserts & Beverages

Sales in our Spreads, Desserts & Beverages product group decreased by 15.1% to £117.0m, primarily as a result of the end of the *Cadbury* hot beverages licence in May 2006 and the exit from a number of low margin own label spreads contracts. We estimate that the *Cadbury* hot beverages licence contributed sales of £14.2m and trading profit of £5.0m to results for the first half of 2006. Adjusting for this, like-for-like sales declined by 5.3%, primarily because of the reduced own label sales, whilst like-for-like trading profit increased by 5.3%, primarily because of an improved cost performance.

During the second half of 2007, we will continue to focus on driving increased sales of individual desserts. The acquisition of RHM has added some fantastic brands to our spreads brand portfolio. Following the integration of the Culinary Brands marketing team into Premier in H1, the focus for the second half of 2007 will be on optimising the brand strategies across the enlarged branded portfolio.

Campbell's

We are pleased by the performance of the Campbell's business in the first half of 2007, having arrested the 4.0% rate of sales decline at the time of acquisition whilst also completing the integration of the business into Premier in only 8 months. Pro forma results include 6 months trading of Campbell's in H1 2006. We have seen strong growth of *Oxo* and *Fray Bentos,* have stabilised sales of *Batchelor's* and reduced the rate of decline of *Homepride.* The 2006 pro forma trading profit for Campbell's business includes the effect of trading distortions as the business was being prepared for sale by its previous owners. We estimate that these trading distortions increased trading profit in H1 2006 by £6.1m and that the comparable trading profit figure would have been £20.4m.

We have been working hard at rejuvenating the Campbell's brands and are excited by the prospects for the second half of 2007, particularly the launch of *Batchelor's Soupfulls* ready-to-eat soups and *Oxo* liquid stock.

Chivers Ireland

We acquired Chivers Ireland, a leading supplier of preserves to Ireland's retail grocery and foodservice markets and the distributor of Premier's brands in the Republic of Ireland, in January 2007. For 2006, we have classified under Chivers Ireland the sales Premier made to Chivers Ireland prior to its acquisition. The increase in reported sales from 2006 to 2007 primarily reflects the addition of sales of Chivers Ireland's own products to the sales of Premier products that they distribute.

Bread Bakeries

£m	2007 H1	2006 H1	
Reported			
Sales	**235.5**	-	
Trading profit	**9.6**	-	
Pro forma			
Sales	**398.4**	402.8	(1.1%)
Trading profit	**19.0**	37.9	(49.9%)

Pro forma results include 6 months trading of RHM in H1 2006 and 2007.

Pro forma sales in our Bread Bakeries segment decreased by £4.4m to £398.4m, which reflects lower bread volumes, partly offset by higher prices. Pro forma trading profit for the Bread Bakeries segment decreased by £18.9m to £19.0m. This was a result of significantly higher wheat prices in the first half of 2007 compared to the same period in 2006, increased distribution costs and overheads and reduced contribution from the lower bread volumes, partly offset by increased prices. The decreased volumes were a result of a general decline in the consumption of bread in the UK and increased competitor activity.

We recently announced proposals to close our bakery in Bradford and distribution depot in Telford. We are mindful of the impact that such plant closures have but it is essential that we take action to remain competitive in the market place.

In the second half, we have already seen a successful advertising campaign behind our market leading *Hovis Best of Both* bread which is a white loaf that has the nutritional benefits of wheatgerm. *Hovis Seed Sensations* was successfully launched in July and we look to continue to build on the strong track record of innovative new product development of the brand.

Over the summer the price of wheat has seen an unprecedented level of increase, rising in a matter of weeks to a level approximately double that of 2006. This is a significant issue for the whole of the food industry, not just Bread baking. We are pleased to have achieved price increases from the start of September which should recover a significant part of the cost increase. If wheat prices remain at or above the current levels, then further increases in our bread and flour prices may be required.

Culinary Brands

£m	**2007 H1**	2006 H1	
Reported			
Sales	**67.2**	-	
Trading profit	**11.2**	-	
Pro forma			
Sales	**119.5**	123.3	(3.1%)
Trading profit	**18.5**	24.2	(23.6%)

Pro forma results include 6 months trading of RHM in H1 2006 and 2007.

Pro forma sales in our Culinary Brands segment decreased by £3.8m to £119.5m. The decrease was principally due to reduced promotional activity in the first half of 2007 compared to 2006 and trade loading. Pro forma trading profit for the Culinary Brands segment decreased by £5.7m to £18.5m as a result of the lower sales and increased raw material costs.

We are delighted by the strong start that Culinary Brands has made to the second half of 2007. We have launched a new *Sharwood's* Thai range, which should consolidate *Sharwood's* position as the number one brand in Asian Meal Solutions, which comprises a variety of cooking sauces, stir fry sauces, noodles and dressings and we will be looking for good growth from *Bisto,* which is scheduled to be back on TV in H2 with a new advertising campaign.

Culinary Brands' head office is scheduled for closure at the end of the year and plans are progressing for the integration of the administrative centre. We are pleased to have completed the integration of all commercial teams into Premier's Grocery operations and as a consequence the Culinary Brands portfolio is now represented by the Premier Grocery sales force and we expect to see both cost and commercial benefits from this during the second half of the year.

The strong portfolio of brands in this division, such as *Sharwood's, Bisto, Robertson's, Frank Cooper* and *Paxo* perfectly complement those already in the Premier stable – *Loyd Grossman, Oxo, Hartley's* and *Rose's*. During the second half, we will be focussing on how to optimise the positioning of these brands in their categories to ensure we maximise the growth opportunities.

Cakes

£m	**2007 H1**	2006 H1	
Reported			
Sales	**73.5**	-	
Trading profit	**6.1**	-	
Pro forma			
Sales	**121.6**	112.6	8.0%
Trading profit	**7.8**	7.6	2.6%

Pro forma results include 6 months trading of RHM in H1 2006 and 2007.

Pro forma sales for the Cakes segment increased by £9.0m to £121.6m. This increase was due to increased market share with improved sales of branded and own label cakes. Pro forma trading profit for the Cakes segment increased by £0.2m to £7.8m, reflecting the increased sales, largely offset by higher marketing expenditure.

We are anticipating that the current performance will continue into the seasonally stronger second half of the year. We are pleased by the innovative brand development processes that we have found in the Cakes division, as exemplified by the relaunched *Cadbury* branded range of cakes. We have also announced the exit from the Manor Bakeries van sales operation given the uneconomic cost to serve this route to market. We anticipate that this may slow sales growth in the second half but we do not expect any trading profit impact. Integration of the Cakes business into the Premier business will commence in the latter part of 2007.

Customer Partnerships

£m	**2007 H1**	2006 H1	
Reported			
Sales	**60.2**	-	
Trading profit	**6.4**	-	
Pro forma			
Sales	**103.4**	96.3	7.4%
Trading profit	**11.5**	11.4	0.9%

Pro forma results include 6 months trading of RHM in H1 2006 and 2007 and exclude the trading of RHM Frozen Foods, which has been classified within discontinued operations.

Pro forma sales in our Customer Partnerships segment increased by £7.1m to £103.4m, primarily reflecting the successful launch of new product lines. Pro forma trading profit for the Customer Partnerships segment increased by £0.1m to £11.5m reflecting the increased sales, partly offset by higher raw material costs.

As part of our ongoing review of the Group's activities, we decided in June to dispose of the RHM frozen foods business due to its poor competitive position. This business manufactures primarily retailer label products in the frozen pies, ready meals and desserts categories. We are pleased to have already concluded the sale of certain assets of the ready meals division and hope to reach a rapid conclusion on the disposal of the remaining parts of the business.

The RF Brookes, Charnwood and Avana cake businesses have been organised into a single management structure. Avana cakes' results have been reported within the Cakes division, in line with previous reporting.

Outlook

We have had a good start to trading for the second half where a combination of a strong programme of new product launches, improved promotional strategies across the enlarged Group and cooler weather has helped to drive sales growth. We remain confident that we will deliver underlying sales growth for the year in line with our 1.5-2% target. Wheat prices have seen an unprecedented level of increase over the last few weeks and we are pleased to have been able to implement price rises across our bread and flour products from the start of September. However, if current wheat prices persist additional bread and flour price increases will be required. Other raw material cost inflation is also significant making price increases across many of our products necessary. Whilst mindful of the turbulence that we have seen in the bread market over the last few months, we anticipate that we will be able to meet our sales and trading profit growth targets for the year.

The integration of RHM continues at pace and we are confident that we will deliver the targeted cost synergies on schedule. During the second half, we will complete the integration of the Culinary Brands business into Premier and commence the integration of the Cakes business. We have started preparing our manufacturing sites for the transfer of production from those sites, which are scheduled to close during 2008 and 2009.

We will issue our first Interim Management Statement by mid November, which will cover trading for the third quarter of 2007. This will provide us with an opportunity to comment on trading from July to September, the impact of any further changes to wheat prices and further progress on the integration of RHM.

Robert Schofield
Chief Executive

Financial review

The Group is presenting its interim results for the six months to 30 June 2007 with comparative information for the six months ended 1 July 2006. In the current period, the presentation of these interim financial statements is significantly different to that of the prior period, a reflection of the changes in the commercial structure of the Group, the primary elements of which are set out below. Accounting policies have been consistently applied in the interim financial statements on the basis set out in Group's financial statements for the year ended 31 December 2006 on pages 68 to 72.

Following the announcement on 4 December 2006, the Group acquired RHM plc ("RHM") on 16 March 2007 for a consideration of £1,336.5m. The acquisition was achieved under a scheme of arrangement resulting in the exchange of one new ordinary Premier share and 83.2p in cash for each RHM share in issue. In addition, on 19 January 2007, Premier acquired Chivers Ireland Limited ("Chivers"), a leading supplier of preserves to Ireland's retail grocery and foodservice markets and the distributor of Premier's brands in the Republic of Ireland, under license, for £22.0m.

On 30 March 2007, the Group disposed of MBM Limited ("MBMG"), a supplier of fresh produce, to Abbanoy Produce Holdings Limited and on 28 May 2007, the Group disposed of Erin Foods Limited ("Erin"), a supplier of grocery products based in Ireland, for a total consideration of £25.2m. The Group has also announced its intention to dispose of its interest in RHM Frozen Foods, a supplier of frozen pies, ready meals and desserts to the UK grocery business. On 21 August 2007, certain assets of the Ready Meals division of RHM Frozen Foods were sold for £1.1m.

In accordance with the requirements of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the results of MBMG and Erin are presented as discontinued operations in both the current and the prior periods. The results of RHM Frozen Foods are presented within discontinued operations for the current period only, being the relevant period of ownership by the Group.

The acquisition of RHM has led to the addition of four new segments to the Group's operations: Bread Bakeries, Culinary Brands, Cakes and Customer Partnerships. The final segmental presentation of the enlarged Group is in the process of being defined. However, at least until the end of the current financial year, the former RHM divisions will continue to be reported as segments. As a consequence of the disposal of MBMG, the Group no longer has a Fresh Produce segment.

Income Statement – continuing operations

Sales and operating expenses

In the first half of 2007, sales from continuing operations increased by 145.3% to £899.1m. The most significant components of this movement are the trading results of the RHM divisions, which contributed £436.4m in the 15-week period from 16 March 2007. Of this, 54.0% related to Bread Bakeries, 16.8% to Cakes, 15.4% to Culinary Brands and 13.8% to Customer Partnerships. In addition, the Campbell's businesses contributed sales of £120.1m in the first half, of which 94.5% related to its UK operations.
Gross profit increased by 184.0% to £270.4m, largely as a result of acquisitions. The Group's gross profit margin improved by 4.1% to 30.1% (2006: 26.0%). This improvement in margin is primarily a result of the inclusion of the RHM and Campbell's businesses. Within RHM, the cost structure of Bread Bakeries, in particular, results in a higher gross margin contribution which is required to offset the additional distribution costs arising from daily nationwide deliveries of bread and morning goods. Within Premier and Campbell's, the movement away from certain own label contracts has also improved overall gross margins.

Similarly, selling, marketing and distribution costs increased due to the inclusion of the acquired businesses. These costs were £131.7m for the first half of 2007, a fourfold increase compared with 2006. As a proportion of sales, selling, marketing and distribution costs have increased to 14.6% from 8.7% in 2006, reflecting the higher distribution costs attributable to Bread Bakeries within RHM, which are recovered by the related higher gross margins referred to previously.

Administrative expenses increased from £20.4m to £86.2m. This increase reflects the inclusion of the administrative costs for the acquired businesses but also includes restructuring, redundancy and other costs associated with the integration of Campbell's and RHM. Stripping out the impact of £31.1m of exceptional administrative costs in the current period and a £1.3m credit in the previous period, underlying administrative expenses have increased from £21.7m to £55.1m, reflecting the impact of the two acquisitions. While significant progress has been made in the integration of the administrative back office of Campbell's, with approximately £2.0m of savings delivered in the first half, the benefits from the RHM integration will only begin to flow in the second half.

Other operating expenditure of £0.3m includes a gain in the fair values of unsettled forward foreign exchange contracts of £0.9m (2006: £1.9m loss), offset by a loss on settled forward exchange contracts for the period of £1.2m (2006: £0.6m gain).

Operating profit

Operating profit before exceptional items for the continuing business was £92.7m for the first half of 2007, an increase of £51.6m, or 125.5%, compared to the same period in 2006. The principal elements of this increase is the addition of the RHM divisions, which contributed £32.1m since their acquisition. Of this, 28.4% related to Bread Bakeries, 19.3% to Cake, 30.8% to Culinary Brands and 21.5% to Customer Partnerships. The Campbell's business contributed to an operating profit before exceptional items of £18.3m. Statutory operating profit increased by 23.1% to £52.2m.

Exceptional items

While IFRS does not explicitly address exceptional items, the Group presents separately certain items of sufficient financial significance in order to assist in understanding of the financial performance achieved and in making projections of future results. These items relate to events or circumstances that are non-recurring in nature. Each of these items are set out in more detail in note 6.

Exceptional items for the period reflect the aggregate effect of a number of such items, resulting in a net cost of £40.5m (2006: £1.3m credit). The principal components of this exceptional cost include £24.4m of costs relating to the integration of RHM and £7.7m of costs relating to the integration of Campbell's. A further £7.3m was incurred in relation to restructuring and commissioning costs of our new Meat-free production facility in Methwold.

Finance costs

On 16 March 2007, the Group re-financed its borrowing arrangements to fund the acquisition of RHM. As a consequence, the Group's borrowings are provided by a five-year term and revolving credit facility of £2.1bn, comprising fixed term loans of £1.6bn and a revolving facility of £0.5bn. In addition, the Group has a £100.0m acquisition facility. The term loans are repayable over a five-year period, with the first payment due on 31 December 2007 and annually thereafter. As a consequence of these new borrowing arrangements, in the first half, the Group incurred higher cash interest charges and debt issuance amortisation costs.

In aggregate, net finance costs for the period were £38.3m, compared with £14.8m in 2006, an increase of £23.5m. Within this, net cash interest increased by £22.4m, from £19.7m to £42.1m, due primarily to the acquisition funding cost. The balance of the movement on finance costs reflects fair value of interest rate swaps, the amortisation of debt issuance costs and the write-off of un-amortised debt issuance costs of £3.6m in relation to pre-existing credit facilities of Premier and £4.8m related to the RHM debt at acquisition, which was repaid by Premier.

The term and revolving credit facilities mature in March 2012 and are subject to a variable interest rate based on LIBOR plus a margin based on the leverage of the business tested at six monthly intervals. This is currently set at 110 basis points. In order to manage the Group's exposure to interest rate volatility, as at 4 September 2007, the Group has fixed or capped a total of £1,617.4m of its exposure to interest rate movements. Of this, £917.4m is swapped into fixed rate instruments at an average interest rate of 4.6% plus the applicable margin, with £717.4m of this total maturing between May 2008 and May 2010. The Group has also put in place a collar structure on a further £700.0m of its borrowings. This instrument, which matures in March 2012, caps our exposure on this £700.0m at 6.2% plus the applicable margin. As a result, the Group had only £122.0m (7.0%) of its aggregate net debt at fully floating rates.

As stated at the time of the adoption of IFRS, the Group has decided not to adopt hedge accounting and so reflects the difference between the market value of such instruments at the start and end of an accounting period in the income statement.

Taxation

The taxation credit for the first half of 2007 is £8.0m (2006 £7.1m charge) and consists of a tax charge on profit before tax of £3.5m offset by the release of provisions of £7.3m for prior year liabilities following the resolution of issues with HMRC and a credit of £4.2m resulting from the restatement of opening and acquired net deferred tax liabilities arising from the reduction of the tax rate to 28%. The tax charge of £3.5m on profit before tax is made up of a charge of £15.4m on operating profit before exceptional items, resulting in an effective tax rate of 28.4% on operating profit before exceptional items, and a tax credit on allowable exceptional costs of £11.9m. The effective rate is determined after taking account of items which are disallowable for tax purposes but is lower than the standard rate of 30% due to movements in deferred tax being calculated at 28% to reflect the reduction in the UK corporation tax rate and the lower rate of tax applied to overseas profits.

Dividend

In line with our stated dividend policy, on 3 September 2007 we declared an interim dividend of 4.30p per share, an increase of 8.9% on the equivalent restated interim dividend for 2006, resulting in a total interim dividend of £36.3m payable on 4 January 2008 to shareholders on the register of members at 23 November 2007. The shares will be marked ex-dividend on 21 November 2007. Under IFRS, interim dividends are recorded in the period in which they are paid and final dividends are recorded in the period in which they are approved.

Cash flow and borrowings

During the period, the net debt of the Group increased from £641.4m at 1 January 2007 to £1,739.4m at 30 June 2007, an increase of approximately £1.1bn. The bulk of this movement relates to the cash acquisition cost of RHM and is made up of the cost of the cash element paid for RHM shares of £289.8m and the debt acquired of £793.5m.

Net cash generated from operations was £128.8m (2006: £75.9m), an increase primarily attributable to the acquisition of RHM and improvements in, and the timing of working capital flows. Aggregate cash interest paid of £41.6m (2006: £18.6m) and tax receipts of £12.2m (2006: £5.0m paid), arising as a result of the high level of prior year integration costs, resulted in the Group generating an overall cash inflow from operating activities of £99.4m.

Net capital expenditure in the period was £45.8m (2006: £13.9m), again reflecting the capital cash flows of RHM and Campbell's businesses post acquisition. In the period, the Group paid dividends of £39.7m (2006: £nil), including the first interim dividend for 2006 and a second interim dividend at the announcement of the acquisition of RHM.

Pension schemes

Consistent with all public companies, the Group reviews actuarial assumptions used in calculating its pension obligations on a regular basis. It is our objective to ensure that the balance between the cash flow risk to the business and our responsibilities to our current and former employees is fully and regularly understood and that the impact of changes to the composition of the business on our pension obligation is known in advance.

In this context, the Group monitors on a regular and ongoing basis the scheme-specific demographic characteristics of members, along with the assumptions relating to discount rates, returns on equity, inflation and assumptions about the rate of future salary increases. As a result we have revised the assumptions used in determining the IAS19 liabilities at 30 June 2007 to reflect changes in the circumstances. These assumptions are show in detail in note 16 of the interim financial statements.

As a consequence, at 30 June 2007, and on an IAS19 basis, the Group's pension schemes showed a net deficit of £89.1m (2006: £46.4m). This comprised £30.2m in relation to the existing Premier schemes, £12.1m in relation to the schemes associated with Campbell's and £46.8m in relation to the schemes associated with RHM. The increase, which is due to the acquisition of schemes in the Campbell's and RHM businesses, has been offset by an underlying reduction in the deficit on these schemes due to the movement in market rates for bond yields at the relevant dates.

Paul Thomas
Finance Director

Consolidated income statement (unaudited)

	Note	Half year ended 30 June 2007 £m	Half year ended 1 July 2006 £m	Year ended 31 December 2006 £m
Continuing operations				
Turnover	4	899.1	366.5	840.7
Cost of sales		(628.7)	(271.3)	(596.7)
Gross profit		270.4	95.2	244.0
Selling, marketing and distribution costs		(131.7)	(32.0)	(65.2)
Administrative costs		(86.2)	(20.4)	(75.1)
Other operating expenditure	5	(0.3)	(0.4)	(3.2)
Operating profit		52.2	42.4	100.5
Before exceptional items		92.7	41.1	119.9
Exceptional items	6	(40.5)	1.3	(19.4)
Interest payable and other financial charges	7	(62.9)	(23.2)	(56.3)
Interest receivable and financial income	7	24.6	8.4	14.8
Profit before taxation from continuing operations		13.9	27.6	59.0
Taxation credit/(charge)	8	8.0	(7.1)	(11.1)
Profit after taxation from continuing operations		21.9	20.5	47.9
(Loss)/profit from discontinued operations	13	(19.4)	0.1	(0.8)
Profit for the period		**2.5**	**20.6**	**47.1**
Earnings per share (pence)	9			
Basic		0.4	6.6	12.7
Diluted		0.4	6.6	12.7
Basic – continuing		3.1	6.6	12.9
Diluted		3.1	6.6	12.9
Basic – discontinued		(2.7)	0.0	(0.2)
Diluted		(2.7)	0.0	(0.2)
Dividends	10			
Final dividend (£m)		-	-	12.6
Declared interim dividend (£m)		36.3	12.4	39.7
Final dividend (pence)		-	-	2.55
Declared interim dividend (pence)		4.30	3.95	9.45

Comparatives have been restated to reflect the disposal of the Fresh produce business on 30 March 2007 and Erin Foods Limited on 28 May 2007.

Earnings per share and dividend comparatives have been restated to reflect the impact of the rights issue in August 2006.

Consolidated balance sheet (unaudited)

	Note	As at 30 June 2007 £m	As at 1 July 2006 £m	As at 31 December 2006 £m
ASSETS:				
Non-current assets				
Property, plant and equipment		657.4	198.3	254.7
Goodwill	12	1,994.0	259.2	477.0
Other intangible assets	12	712.5	166.1	389.6
Investments		-	0.1	-
Retirement benefit assets and other receivables		5.6	0.3	-
Current assets				
Inventories		201.8	83.1	120.6
Trade and other receivables		348.9	102.5	170.6
Financial assets - derivatives		26.8	5.8	6.9
Cash and cash equivalents		53.9	28.8	7.8
Assets classified as held for sale	11	16.9	-	-
Total assets		**4,017.8**	**844.2**	**1,427.2**
LIABILITIES:				
Current liabilities				
Trade and other payables		(399.9)	(147.5)	(177.9)
Dividends payable		(21.5)	(23.5)	-
Financial liabilities				
- short term borrowings		(83.7)	(24.3)	(131.5)
- loan notes		-	(3.3)	-
- derivatives		(2.8)	(2.5)	(3.5)
Interest payable		(3.8)	(2.1)	(3.7)
Provisions		(28.8)	(1.6)	(7.7)
Current tax liabilities		(3.1)	(19.6)	(6.9)
Liabilities classified as held for sale	11	(4.8)	-	-
Non-current liabilities				
Financial liabilities - long-term borrowings		(1,709.6)	(536.1)	(517.7)
Retirement benefit obligations	16	(90.7)	(46.4)	(84.7)
Provisions		(12.5)	(0.4)	(0.5)
Other liabilities		(3.4)	(0.1)	-
Deferred tax liabilities		(113.5)	(31.7)	(32.1)
Total liabilities		**(2,478.1)**	**(839.1)**	**(966.2)**
Net assets		**1,539.7**	**5.1**	**461.0**
EQUITY:				
Capital and reserves				
Share capital		8.4	2.5	5.0
Share premium		1,785.9	321.5	760.6
Merger reserve		(136.8)	(136.8)	(136.8)
Profit and loss reserve		(117.9)	(182.1)	(167.8)
Capital and reserves attributable to the Company's equity Shareholders		1,539.6	5.1	461.0
Minority interest		0.1	-	-
Total equity		**1,539.7**	**5.1**	**461.0**

Consolidated cash flow statement (unaudited)

	Note	Half year ended 30 June 2007 £m	Half year ended 1 July 2006 £m	Year ended 31 December 2006 £m
Net cash generated from operating activities	14	128.8	75.9	91.9
Interest paid		(52.8)	(22.5)	(49.2)
Interest received		11.2	3.9	9.7
Taxation received/(paid)		12.2	(5.0)	(12.3)
Cash inflow from operating activities		**99.4**	**52.3**	**40.1**
Acquisition of RHM	12	(303.2)	-	-
Acquisition of Chivers Ireland	12	(21.2)	-	-
Acquisition of Campbell's	12	(0.3)	-	(380.3)
Sale of subsidiaries/businesses	15	17.0	-	-
Purchase of property, plant and equipment		(37.9)	(12.8)	(44.7)
Purchase of intangible assets		(8.0)	(5.3)	(12.3)
Sale of property, plant and equipment		0.1	4.2	4.5
Cash outflow from investing activities		**(353.5)**	**(13.9)**	**(432.8)**
Repayment of borrowings	14	(751.3)	(22.8)	(29.1)
Proceeds from new borrowings	14	1,901.5	-	86.0
Proceeds from share issue		-	-	458.6
Share issue costs		(2.1)	-	(17.0)
Debt issuance costs		(18.1)	-	(4.4)
Repayment of debt and interest acquired with RHM		(793.5)	-	-
Repayment of debt acquired with Campbell's		-	-	(88.6)
Dividends paid		(39.7)	-	(23.5)
Cash inflow / (outflow) from financing activities		**296.8**	**(22.8)**	**382.0**
Net inflow / (outflow) of cash and cash equivalents		**42.7**	**15.6**	**(10.7)**
Cash and cash equivalents at beginning of period		2.5	13.2	13.2
Cash and cash equivalents at end of period	14	**45.2**	**28.8**	**2.5**

Note: Acquisition cash flows are stated net of cash acquired.

Consolidated statement of recognised income and expense (unaudited)

	Note	Half year ended 30 June 2007 £m	Half year ended 1 July 2006 £m	Year ended 31 December 2006 £m
Profit for the period		**2.5**	**20.6**	**47.1**
Actuarial gains and losses		148.3	35.9	16.1
Deferred tax on actuarial gains and losses		(42.2)	(11.0)	(5.1)
Deferred tax on share options		1.2	-	1.5
Net gain not recognised in income statement		107.3	24.9	12.5
Total recognised income in the period		**109.8**	**45.5**	**59.6**

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 report and accounts for the year ended 31 December 2006.

2. Accounting policy

Basis of preparation

This financial information comprises the consolidated balance sheet as at 30 June 2007 and related consolidated income statement, consolidated condensed statement of cash flows, statement of recognised income and expense and supporting notes for the period then ended of Premier Foods plc (hereinafter referred to as "financial information").

This financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority and on the basis of the accounting policies set out in the Group's 2006 annual report which were prepared in accordance with IFRS as adopted by 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 consolidated interim financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. These interim results are unaudited but have been reviewed by our auditors. The statutory accounts for the year ended 31 December 2006, which are prepared under IFRS, have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and 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 statutory accounts are in agreement with those records and whether the auditors have obtained all the information and explanations necessary for the purposes of their audit.

Basis of consolidation

The consolidated interim financial statements include the financial statements of Premier Foods plc and entities controlled by the Company (its subsidiaries) up to 30 June 2007. 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 during the period 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 statements 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 statements and include the application of judgement, which is fundamental to the completion of a set of financial statements.

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 and company 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. Based upon the assumptions regarded as appropriate as at 30 June 2007, the aggregate net deficit on the Group's pension schemes was £89.1m (1 July 2006: £46.4m). The increase, which is due to the acquisition of schemes in the Campbell's and RHM businesses, has been offset by an underlying reduction in the deficit on these schemes due to the movement in market rates for bond yields at the relevant dates.

The Group is aware of, and alert to, the need to inform the Pensions Regulator to the extent that the Group is involved in any corporate activity that affects the rights of pension scheme members and the carrying value of the pension schemes.

Goodwill and other intangible assets

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

Acquired trademarks, brands, recipes and similar assets are considered to have finite lives that range from 20 to 40 years. The determination of these 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 is 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 may be accrued based 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 where a particular campaign is used more than once. In this case it is 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 or integration of an acquisition.

4. Segmental analysis

The results below for all periods are divided into continuing and discontinued operations. Following the acquisition of RHM, and the disposal of the Fresh Produce business, the Group, for at least the remainder of the current year, will continue to report upon five continuing segments within the business: Grocery, and the segments which RHM used to report under, which comprise Bread Bakeries, Cakes, Customer Partnerships and Culinary Brands.

These segments are the basis on which the Group reports its primary segment information. Inter-segment transfers or transactions are entered into under the same terms and conditions that would be available to unrelated third parties. Comparative period results for the Fresh Produce segment, which was disposed of on 30 March 2007, are presented as discontinued operations.

The segment results for the half years ended 30 June 2007 and 1 July 2006, and for the year ended 31 December 2006 are as follows:

Segmental analysis - primary

	Half year ended 30 June 2007						
	Grocery £m	**Bread Bakeries £m**	**Culinary Brands £m**	**Cakes £m**	**Customer Partnerships £m**	**Unallocated £m**	**Total for Group £m**
Turnover							
Total turnover from continuing operations	462.7	235.5	67.2	73.5	60.2	-	899.1
Result							
Operating profit before exceptional items	60.6	9.1	9.9	6.2	6.9	-	92.7
Exceptional items	(16.6)	(5.2)	(14.4)	(2.2)	(2.1)	-	(40.5)
Interest payable and other financial charges	-	-	-	-	-	(62.9)	(62.9)
Interest receivable	-	-	-	-	-	24.6	24.6
Profit/(loss) before taxation for continuing operations	44.0	3.9	(4.5)	4.0	4.8	(38.3)	13.9
Taxation	-	-	-	-	-	8.0	8.0
Profit/(loss) after taxation for continuing operations	**44.0**	**3.9**	**(4.5)**	**4.0**	**4.8**	**(30.3)**	**21.9**
Discontinued operations	-	-	-	-	-	(19.4)	(19.4)
Profit/(loss) for the period	**44.0**	**3.9**	**(4.5)**	**4.0**	**4.8**	**(49.7)**	**2.5**

	Grocery	Bread Bakeries	Culinary Brands	Cakes	Customer Partnerships	Unallocated	Total for Group
							Half year ended 1 July 2006
	£m	£m	£m	£m	£m	£m	£m
Turnover							
Total turnover from continuing operations	366.5	-	-	-	-	-	366.5
Result							
Operating profit before exceptional items	41.1	-	-	-	-	-	41.1
Exceptional items	1.3	-	-	-	-	-	1.3
Interest payable and other financial charges	-	-	-	-	-	(23.2)	(23.2)
Interest receivable	-	-	-	-	-	8.4	8.4
Profit/(loss) before taxation for continuing operations	42.4	-	-	-	-	(14.8)	27.6
Taxation	-	-	-	-	-	(7.1)	(7.1)
Profit/(loss) after taxation for continuing operations	**42.4**	**-**	**-**	**-**	**-**	**(21.9)**	**20.5**
Discontinued operations	-	-	-	-	-	0.1	0.1
Profit/(loss) for the period	**42.4**	**-**	**-**	**-**	**-**	**(21.8)**	**20.6**

	Grocery	Bread Bakeries	Culinary Brands	Cakes	Customer Partnerships	Unallocated	Total for Group
							Year ended 31 December 2006
	£m	£m	£m	£m	£m	£m	£m
Turnover							
Total turnover from continuing operations	840.7	-	-	-	-	-	840.7
Result							
Operating profit before exceptional items	119.9	-	-	-	-	-	119.9
Exceptional items	(19.4)	-	-	-	-	-	(19.4)
Interest payable and other financial charges	-	-	-	-	-	(56.3)	(56.3)
Interest receivable	-	-	-	-	-	14.8	14.8
Profit/(loss) before taxation for continuing operations	100.5	-	-	-	-	(41.5)	59.0
Taxation	-	-	-	-	-	(11.1)	(11.1)
Profit/(loss) after taxation for continuing operations	**100.5**	**-**	**-**	**-**	**-**	**(52.6)**	**47.9**
Discontinued operations	-	-	-	-	-	(0.8)	(0.8)
Profit/(loss) for the year	**100.5**	**-**	**-**	**-**	**-**	**(53.4)**	**47.1**

Segmental analysis - secondary

The Group primarily supplies the United Kingdom market, although we also supply certain products to mainland Europe and a number of other countries including the United States. These segments are the basis on which the Group reports its secondary segment information. 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		**Year ended**
	30 June 2007 £m	**1 July 2006 £m**	**31 December 2006 £m**
United Kingdom	855.2	343.1	786.3
Mainland Europe	34.5	17.2	45.3
Other countries	9.4	6.2	9.1
Total turnover	**899.1**	**366.5**	**840.7**

5. Other operating expenditure

	Half year ended		**Year ended**
	30 June 2007 £m	**1 July 2006 £m**	**31 December 2006 £m**
(Gain)/loss on mark–to–market valuation of foreign exchange contracts	(0.9)	1.9	3.3
Loss/(gain) on settled foreign exchange contracts	1.2	(0.6)	0.8
Business interruption income relating to Bury Fire	-	(0.9)	(0.9)
Net expenditure	**0.3**	**0.4**	**3.2**

6. Exceptional items

The Group defines 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. In the current period, the Group incurred the following:

		Half year ended		**Year ended**
		30 June 2007 £m	**1 July 2006 £m**	**31 December 2006 £m**
Integration of RHM	(a)	24.4	-	-
Integration of Campbell's	(b)	7.7	-	8.0
Restructure of Meat-free production	(c)	7.3	-	7.2
Costs of aborted acquisition of United Biscuits	(d)	0.1	-	4.5
Restructuring and other costs	(e)	1.0	0.9	1.9
Property disposal	(f)	-	(3.1)	(3.1)
Bird's transitional manufacturing and integration costs	(g)	-	0.9	0.9
Total exceptional costs/(income)		**40.5**	**(1.3)**	**19.4**

(a) *Integration of RHM*

On 16 March 2007 the Group acquired RHM plc. The administrative functions at RHM's head office and Culinary Brands sites at Addlestone and Middlewich are being integrated into the existing Grocery operations of the Group, resulting in the impairment of certain assets, redundancy and restructuring costs.

(b) *Integration of Campbell's*

On 14 August 2006 the Group acquired Campbell's Grocery Products Limited and Campbell's Ireland Grocery Products Limited. The administrative functions at Cambourne and Kings Lynn, as well as the manufacturing operations of Kings Lynn, are being integrated into the existing Grocery operations of the Group, resulting in the impairment of certain assets, redundancy and restructuring costs.

(c) *Restructure of Meat-free production*

During 2005 the Group acquired Marlow Foods Holdings Limited and Cauldron Foods Limited. During 2006 the Group announced plans for the closure of the Cauldron factory at Portishead and the purchase and development of a new chilled facility at Methwold, enabling the integration of chilled production for *Quorn* and *Cauldron* products. Start up and commissioning of the new plant has continued over the first half and as a result £7.3m of one-off restructuring costs have been incurred in the period.

(d) *Costs of aborted acquisition of United Biscuits*

In the previous year the Group entered into negotiations to acquire United Biscuits. In doing so significant costs were incurred including, inter alia, consultancy, banking, due diligence, and legal fees, before discussions with the Group were terminated.

(e) *Restructuring and other costs*

There are a variety of other exceptional costs including redundancy costs relating to business re-organisations, training costs associated with the implementation of a new ERP software suite, costs associated with the restructuring of our warehousing network, and costs relating to the government's "clean labelling" regime.

Prior year exceptional charges relate to costs associated with the restructuring of our warehousing network, costs relating to the "clean labelling" regime, and raw material write-offs resulting from their contamination in a third party warehouse.

(f) *Property disposal*

Disposal gains of £3.1m in 2006 relate to the disposal of our North Walsham factory which had previously been used for seasonal stock holding, and also an additional receipt relating to the sale of Langley Mill resulting from provisions in the disposal contract whereby the Group was entitled to a share of any profit made by the buyer on the subsequent sale of the property.

(g) *Bird's transitional manufacturing and integration costs*

Following the acquisition of the Bird's business from Kraft Foods Inc. the product range continued to be produced by Kraft's at their factory in Banbury under a series of transitional arrangements. In the previous year these arrangements were extended to ensure the continuity of supply and we have presented the additional cost of sourcing production from Kraft as exceptional costs.

7. Interest payable

	Half year ended		Year ended
	30 June 2007 £m	**1 July 2006 £m**	**31 December 2006 £m**
Interest payable on bank loans, senior notes and overdrafts	7.6	4.6	10.9
Interest payable on bridging loan facility	-	-	1.6
Interest payable on term facility	30.4	9.3	19.4
Interest payable on revolver facility	14.9	8.7	19.0
Amortisation of debt issuance costs	1.6	0.6	1.4
	54.5	23.2	52.3
Accelerated amortisation of debt issuance costs	8.4	-	4.0
Total interest payable and other financial charges	62.9	23.2	56.3
Fair valuation of interest rate swaps	(13.8)	(5.5)	(7.1)
Interest receivable – bank deposits	(10.8)	(2.9)	(7.7)
Total interest receivable and other financial income	(24.6)	(8.4)	(14.8)
Net interest payable	**38.3**	**14.8**	**41.5**

8. Tax on profit on ordinary activities

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement. Some of them have been substantively enacted in the 2007 Finance Act, including the reduction from April 2008 of the corporate tax rate to 28%, whilst others will be enacted in the 2008 Finance Act. The changes in the 2008 Finance Act have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes to be enacted in the Finance Act 2008 would be to increase the deferred tax liability provided at 30 June 2007 by £29.4m in 2008 and decrease the after tax profit for the year by the same amount. This increase in deferred tax is due to the phasing out of industrial buildings allowances from 2008 onwards.

The taxation credit for the first half of 2007 is £8.0m (2006 £7.1m charge) and consists of a tax charge on profit before tax of £3.5m offset by the release of provisions of £7.3m for prior year liabilities following the resolution of issues with HMRC and a credit of £4.2m resulting from the restatement of opening and acquired net deferred tax liabilities arising from the reduction of the tax rate to 28%. The tax charge of £3.5m on profit before tax is made up of a charge of £15.4m on operating profit before exceptional items, resulting in an effective tax rate of 28.4% on operating profit before exceptional items, and a tax credit on allowable exceptional costs of £11.9m. The effective rate is determined after taking account of items which are disallowable for tax purposes but is lower than the standard rate of 30% due to movements in deferred tax being calculated at 28% to reflect the reduction in the UK corporation tax rate and the lower rate of tax applied to overseas profits.

9. Earnings per share

Basic earnings per share have been calculated by dividing earnings from continuing operations attributable to ordinary shareholders of £21.9m (2006: £20.5m) by the weighted average number of ordinary shares of the Company in issue during that period.

	Half year ended 30 June 2007			Half year ended 1 July 2006 (restated)			Year ended 31 December 2006 (restated)		
	Basic EPS	Dilutive effect of share options	Diluted EPS	Basic EPS	Dilutive effect of share options	Diluted EPS	Basic EPS	Dilutive effect of share options	Diluted EPS
Continuing operations									
Profit after tax (£m)	21.9	-	21.9	20.5	-	20.5	47.9	-	47.9
Weighted average number of shares (million)	699.7	1.6	701.3	314.1	0.2	314.3	370.8	0.6	371.4
Earnings per share (pence)	3.1	-	3.1	6.6	-	6.6	12.9	-	12.9
Discontinued operations									
Profit after tax (£m)	(19.4)	-	(19.4)	0.1	-	0.1	(0.8)	-	(0.8)
Weighted average number of shares (million)	699.7	1.6	701.3	314.1	0.2	314.3	370.8	0.6	371.4
Earnings per share (pence)	(2.7)	-	(2.7)	0.0	-	0.0	(0.2)	-	(0.2)
Total									
Profit after tax (£m)	2.5	-	2.5	20.6	-	20.6	47.1	-	47.1
Weighted average number of shares (million)	699.7	1.6	701.3	314.1	0.2	314.3	370.8	0.6	371.4
Earnings per share (pence)	0.4	-	0.4	6.6	-	6.6	12.7	-	12.7

Comparatives have been restated to reflect the disposal of the Fresh produce business on 30 March 2007 and Erin Foods Limited on 28 May 2007.

The 2006 half year comparatives have been restated to reflect the impact of the rights issue in the previous year.

10. Dividends

The Board proposes an interim dividend of 4.30 pence per ordinary share payable on 4 January 2008 to shareholders on the Register of Members as at 23 November 2007. Final dividends are recognised in the period in which they are approved and an interim dividend is recognised in the period in which it is paid. The final dividend for 2006 of 2.55 pence per ordinary share was approved in the period and was paid on 6 July 2007.

11. Assets held for sale

The Group has announced that the RHM Frozen Foods business is to be sold. Assets and liabilities relating to RHM Frozen Foods have been reclassified as held for sale in the balance sheet. RHM Frozen Food's assets and liabilities were remeasured according to IFRS principles at the date of held for sale classification and as a result the carrying amounts of non-current assets were written down to their fair values. Accordingly, the results of RHM Frozen Foods have been classified as discontinued operations (refer note 13).

Subsequent to 30 June 2007 the Group sold the Ready Meals division of RHM Frozen Foods (refer note 17).

12. Acquisition of RHM, Chivers Ireland and Campbell's

RHM plc

On 16 March 2007 the Group completed the acquisition of 100% of RHM plc ("RHM") for a total net consideration of £1,336.5m. The consideration for the acquisition was one new ordinary Premier share and 83.2p in cash for each RHM share held. RHM contributed sales of £436.4m to the Group and an operating profit before exceptionals from continuing operations of £32.1m for the period from acquisition to 30 June 2007. If the acquisition had occurred on 1 January 2007, then RHM would have contributed a further £306.5m to the Group's sales and a further £22.6m to the Group's operating profit before exceptionals from continuing operations.

In accordance with International Financial Reporting Standard 3, Business Combinations, the initial accounting for the business combination has been determined provisionally. A full review is being undertaken to determine fair values. The only fair value adjustment is the initial recognition of deferred tax on the brands acquired. The goodwill arising on acquisition is stated on a provisional basis and will change on the completion of our fair value review.

The provisional fair values and book values of assets and liabilities acquired are as follows:

RHM plc	**RHM Provisional fair value £m**	**Book value £m**
Property, plant and equipment	422.0	422.0
Intangible assets	328.8	328.8
Inventories	88.9	88.9
Trade and other receivables	275.1	275.1
Other investments	0.6	0.6
Deferred tax (liability)/asset	(28.2)	70.4
Bank overdraft	(0.7)	(0.7)
Trade and other payables	(298.5)	(298.5)
Financial liabilities – borrowings and other loans	(780.5)	(780.5)
Retirement benefit obligations	(177.5)	(177.5)
Current tax liabilities	(1.9)	(1.9)
Net liabilities acquired	**(171.9)**	**(73.3)**

Purchase price	**RHM £m**
One new Premier share for each RHM share	1,031.9
Cash consideration for each RHM share	289.8
Debt and interest acquired	793.5
Purchase price	2,115.2
- Less debt acquired	(793.5)
- Direct costs relating to the acquisition	14.8
Purchase consideration	1,336.5
Bank overdraft in subsidiaries acquired	0.7
Total purchase consideration	1,337.2
Provisional fair value of net liabilities acquired	171.9
Goodwill	**1,509.1**

Chivers Ireland

On 19 January 2007 the Group completed the acquisition of 100% of Chivers Ireland and associated brands (collectively "Chivers Ireland") for a total consideration of £22.0m, inclusive of deferred consideration and £0.2m of acquisition related costs. The provisional fair value of the net assets acquired was £15.0m, resulting in goodwill of £7.0m. Chivers contributed sales of £9.1m to the Group and an operating profit before exceptionals from continuing operations of £nil for the period from acquisition to 30 June 2007. If the acquisition had occurred on 1 January 2007, then Chivers would have contributed a further £1.1m to the Group's sales and a further £0.1m to the Group's operating profit before exceptionals from continuing operations.

Campbell's

Subsequent to the year ended 31 December 2006, the Group has completed the exercise of attributing fair values to the assets and liabilities acquired with the Campbell's business. As a result, fair value adjustments have been made in relation to property, plant and equipment and trade and other payables. In addition a further £0.3m of acquisition related costs have been incurred, resulting in an increase of goodwill of £3.2m.

The final fair value and provisional fair value of assets and liabilities acquired are as follows:

	Campbell's	
	Provisional fair value £m	**Final fair value £m**
Property, plant and equipment	39.5	39.4
Intangible assets	223.4	223.4
Inventories	28.6	28.6
Trade and other receivables	30.1	30.1
Cash and bank deposits	2.5	2.5
Deferred tax asset	2.5	2.5
Trade and other payables	(40.1)	(42.9)
Financial liabilities – long term borrowings	(88.6)	(88.6)
Retirement benefit obligations	(25.5)	(25.5)
Current tax liabilities	(0.5)	(0.5)
Net assets acquired	**171.9**	**169.0**

Purchase price	**Campbell's £m**
Purchase price	460.0
- Less debt acquired	(88.6)
- Direct costs relating to the acquisition	9.2
Purchase consideration settled in cash	380.6
Cash and cash equivalents in subsidiaries acquired	2.5
Deferred consideration	7.0
Total purchase consideration	390.1
Fair value of net assets acquired	(169.0)
Goodwill	**221.1**

13. Discontinued operations

On 30 March 2007 the Group disposed of its Fresh Produce businesses and on 28 May 2007 the Erin Foods Limited business in Ireland. Additionally, the Group announced that the RHM Frozen Foods business was to be sold. The results of the discontinued operations for the period to the dates of disposal were as follows:

	30 June 2007 £m	**1 July 2006 £m**	**31 December 2006 £m**
Turnover	45.8	64.0	118.7
Expenses	(52.6)	(63.7)	(119.6)
(Loss)/profit before tax	(6.8)	0.3	(0.9)
Taxation credit/(charge)	2.0	(0.2)	0.1
(Loss)/profit after tax on discontinued operations for the period	(4.8)	0.1	(0.8)
Loss on disposal before tax	(14.6)	-	-
Tax on loss on disposal	-	-	-
Loss on disposal after taxation	(14.6)	-	-
Total (loss)/profit arising from discontinued operations	**(19.4)**	**0.1**	**(0.8)**

A net cash inflow of £17.0m (2006: £nil) arose on the disposal of discontinued businesses and during the period discontinued businesses contributed a net outflow of £1.2m (2006: £2.7m net inflow) to the Group's net operating cash flows, paid £nil (2006: £1.0m) in respect of investing activities and paid £nil (2006: £nil) in respect of financing activities.

The carrying amounts of the assets and liabilities at the dates of disposals are disclosed in note 15.

14. Reconciliation of operating profit to cash generated from operating activities

	Half year ended 30 June 2007 £m	Half year ended 1 July 2006 £m	Year ended 31 December 2006 £m
Continuing operations			
Operating profit	52.2	42.4	100.5
Depreciation of property, plant and equipment	25.5	8.6	18.0
Amortisation of intangible assets	12.5	4.2	10.9
Amortisation of debenture stock	-	-	0.1
Impairment/(gain on disposal) of property, plant and equipment	4.8	(2.7)	1.3
Impairment of intangible assets	-	-	0.1
Revaluation (gains)/losses on financial instruments	(0.9)	2.2	3.8
Share based payments	2.1	0.3	1.6
Net cash inflow from operating activities before interest, tax (paid)/received and movements in working capital	96.2	55.0	136.3
Decrease/(increase) in inventories	0.3	4.0	(1.0)
Decrease in receivables	73.8	40.1	2.4
Decrease in other payables and provisions	(13.1)	(22.5)	(27.3)
Movement in net retirement benefit obligations	(26.8)	(2.4)	(9.1)
Cash generated from continuing operations	130.4	74.2	101.3
Discontinued operations	(1.6)	1.7	(9.4)
Cash generated from operations	128.8	75.9	91.9
Exceptional items cash flow	(33.7)	1.6	(9.2)
Cash generated from operations before exceptional items	162.5	74.3	101.1

Additional analysis of cash flows

	Half year ended 30 June 2007 £m	Half year ended 1 July 2006 £m	Year ended 31 December 2006 £m
Interest received	11.2	3.9	9.7
Interest paid	(52.8)	(22.5)	(49.2)
Issue costs of new bank loan	(18.1)	-	(4.4)
Return on financing	**(59.7)**	**(18.6)**	**(43.9)**
Sale of subsidiaries/businesses	17.0	-	-
Sale of subsidiaries/businesses	**17.0**	**-**	**-**

Reconciliation of cash and cash equivalents to net borrowings

	Half year ended 30 June 2007 £m	Half year ended 1 July 2006 £m	Year ended 31 December 2006 £m
Net inflow/(outflow) of cash and cash equivalents	42.7	15.6	(10.7)
Debt acquired with RHM	(0.5)	-	-
Unamortised debt issuance acquired with RHM	4.8	-	-
Debt acquired with Campbells	-	-	(88.6)
(Increase)/decrease in borrowings	(1,135.0)	22.8	36.1
Other non-cash changes	(10.0)	(1.2)	(6.1)
(Increase)/decrease in borrowings net of cash	**(1,098.0)**	**37.2**	**(69.3)**
Total borrowings net of cash at beginning of period	(641.4)	(572.1)	(572.1)
Total borrowings net of cash at end of period	**(1,739.4)**	**(534.9)**	**(641.4)**

Analysis of movement in borrowings

	As at 1 January 2007 £m	Cashflow £m	Other non cash changes £m	As at 30 June 2007 £m
Short term borrowings	(5.3)	(3.4)	-	(8.7)
Cash and bank deposits	7.8	46.1	-	53.9
Cash and cash equivalents net of borrowings	2.5	42.7	-	45.2
Borrowings - term	(300.0)	(1,199.8)	-	(1,499.8)
Borrowings - revolver	(346.0)	49.6	-	(296.4)
Finance leases	(1.6)	-	(2.9)	(4.5)
Other	(0.1)	(0.5)	-	(0.6)
Borrowings	(645.2)	(1,108.0)	(2.9)	(1,756.1)
Debt issuance costs	3.8	22.9	(10.0)	16.7
Total net borrowings	**(641.4)**	**(1,085.1)**	**(12.9)**	**(1,739.4)**

15. Disposal of subsidiaries / businesses

As referred to in note 13, the Group disposed of both its Fresh Produce businesses and the Erin Foods business during the period. The impact on the results of the Group is disclosed in note 13. On the dates of disposal, the net assets of the businesses were as follows:

	£m
Property, plant and equipment	16.5
Intangible assets and goodwill	3.9
Inventories	6.2
Trade and other receivables	20.6
Cash and bank deposits	1.5
Trade and other payables	(12.4)
Deferred tax liabilities	(1.1)
Net assets disposed of	35.2
Net consideration	(20.6)
Loss on disposal	**(14.6)**

Net cash inflow arising on disposal:	
Initial consideration	25.2
Deferred loan notes consideration	(5.1)
Disposal costs	(1.6)
	18.5
Cash and cash equivalents in business disposed of	(1.5)
Net cash inflow for the period	**17.0**

The determination of the Erin Foods Limited consideration includes a provision for contract manufacturing losses of £0.4m.

16. Retirement benefit schemes

Most Group companies participate in the Premier Foods Pension Scheme, the principal funded defined benefit scheme operated by the Group. The Group also operates a smaller funded defined benefit scheme, the Premier Ambient Products Pension Scheme for employees in the Ambrosia business. Under the schemes, employees are entitled to retirement benefits which vary as a percentage of final salary on retirement. No unfunded post-retirement benefits exist.

On 14 August 2006 the Group inherited two further funded defined benefit pension schemes as a result of the acquisition of Campbell's, the Premier Grocery Products Pension Scheme for the UK business, and the Premier Grocery Products Ireland Pension Scheme for the Irish business.

On 16 March 2007 the Group inherited four further funded defined benefit pension schemes as a result of the acquisition of RHM.

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 comprising 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 as follows:

	30 June 2007 %	**1 July 2006 %**	**31 December 2006 %**
Discount rate	5.80	5.50	5.20
Inflation	3.20	2.75	3.00
Expected salary increases	3.40	3.75	4.00
Future pension increases	2.60	2.75	3.00

The mortality assumptions used in the Group's actuarial valuations at 30 June 2007 were consistent with those used as at 31 December 2006 as described in the Group's 2006 Annual Report.

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

	30 June 2007 £m	**1 July 2006 £m**	**31 December 2006 £m**
Present value of funded obligations	(2,576.0)	(384.6)	(550.4)
Fair value of plans' assets	2,486.9	338.2	465.7
Net deficit in schemes	**(89.1)**	**(46.4)**	**(84.7)**

Included in the net deficit in schemes above is a net surplus of 2 schemes of £1.6m.

	30 June 2007 £m
Opening defined benefit obligation at 1 January 2007	(550.4)
Acquisition of subsidiary undertakings	(2,186.7)
Current service cost	(7.8)
Past service cost	(0.8)
Interest cost	(47.3)
Actuarial gain	177.8
Curtailments	0.2
Contributions by plan participants	(6.1)
Benefits paid	45.1
Closing defined benefit obligation	**(2,576.0)**

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

	30 June 2007 £m
Opening fair value of plan assets at 1 January 2007	465.7
Acquisition of subsidiary undertakings	2,007.2
Expected return	54.8
Administrative and life insurance costs	(0.9)
Actuarial losses	(29.5)
Contributions by employer	28.6
Contributions by plan participants	6.1
Benefits paid	(45.1)
Closing fair value of plan assets	**2,486.9**

The amounts recognised in the income statement are as follows:

	Half year ended 30 June 2007 £m	1 July 2006 £m	Year ended 31 December 2006 £m
Current service cost	7.8	3.0	7.2
Past service cost	0.8	-	0.1
Administrative and life insurance costs	0.9	-	1.4
Interest costs	47.3	10.4	23.3
Expected return on plan assets	(54.8)	(12.0)	(28.0)
Gains on curtailment	(0.2)	-	(0.9)
Total expense	**1.8**	**1.4**	**3.1**

Defined contribution schemes

A number of companies in the Group operate defined contribution schemes, predominantly Stakeholder arrangements. In addition a number of schemes providing life assurance benefits only are operated. The total expense recognised in the income statement of £0.6m (2006: £0.6m) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

Other post retirement benefits

The Group does not provide any other post retirement benefits.

17. Post balance sheet events

On 2 July 2007 the Group announced that, following the acquisition of RHM, a review had been undertaken of its combined manufacturing facilities. The result will be a restructuring programme, which will involve the closure of six sites and the potential loss of up to 900 jobs. Provision for any impairment is being assessed and will be made in the second half. Redundancy provisions will be provided when appropriate.

On 21 August 2007 the Group sold the Ready Meals division of RHM Frozen Foods. Inventory, plant and machinery and certain intellectual property were sold for £1.1m to Rye Valley Foods Limited. Plant and machinery had already been subject to an impairment charge as at 30 June 2007 which reduced their carrying value to a realisable value of £0.8m. Assets and liabilities of RHM Frozen Foods as at 30 June 2007 have been classified as assets and liabilities held for sale (refer note 11).

On 22 August 2007 the Group announced the proposed closures of a bakery in Bradford and a depot in Telford, Shropshire with the potential loss of up to 430 jobs.

Independent review report to Premier Foods plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the consolidated interim balance sheet as at 30 June 2007 and the related consolidated interim statements of income, cash flows and recognised income and expense for the six months then ended and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis set out in Note 2.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

PricewaterhouseCoopers LLP 4 September 2007
Chartered Accountants
London

Notes:

a) The maintenance and integrity of the Premier Foods plc web site 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 interim report since it was initially presented on the web site.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.