28 August 2008

Premier Foods plc

Building a platform for growth

Interim results for the six months to 28 June 2008

	Unaudited six months to 28 June 2008 £m	Unaudited six months to 30 June 2007 £m	Change
Turnover[1]	**1,290.1**	899.1	43.5%
Trading profit[2]	**121.5**	101.5	19.7%
Operating profit[1]	**47.8**	43.4	10.1%
Profit before tax[1]	**3.6**	5.1	(29.4%)
Adjusted profit before tax[3]	**60.0**	57.8	3.8%
Basic (loss)/earnings per share[1]	**(0.1p)**	3.5p	-
Adjusted earnings per share[3]	**5.0p**	5.8p	(13.8%)

- Pro forma Group turnover up 7%[4]
- Price rises achieved across the Group to recover cost inflation
- Group trading profit[2] in the first half in line with expectations
- Synergies of £26m delivered in first half
- Group integration plan and synergy delivery accelerated
- *Hovis* relaunch commenced
- On course to deliver our profit expectations for the full year
- Interim dividend per share of 2.2p

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

"Despite the challenging consumer environment that we find ourselves in, we have delivered our profit target. At the same time we have continued to lay down the foundations for Premier's transformation into a modern, integrated and very competitive UK food group. Our vision remains on track.

"Specifically, the integration of RHM and Campbell's is now ahead of plan, and we have closed six out of the nine factories scheduled for closure. We are revolutionising our management systems with the seamless introduction of a single SAP IT platform. We have achieved the key price increases that were needed to recover input cost inflation seen to date and have continued to invest behind our unrivalled portfolio of brands and staple food products to ensure they prosper through the current difficult economic conditions.

"Now we have commenced the rejuvenation of *Hovis*, our largest brand, with significant quality improvements and an exciting marketing campaign that starts next month, which we believe will return it to growth.

"Our expectations for the year as a whole remain unchanged, with progress weighted towards the second half as the benefit of all these fundamental actions begin to flow through. The Group will reap the fuller rewards from this strong platform in 2009 and beyond as our focus shifts towards further brand building and innovation."

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.

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

	2008 H1 £m	2007 H1 £m
Trading profit[2]	**121.5**	101.5
Less net cash interest[5]	**(58.1)**	(42.1)
Less regular amortisation of debt issuance costs	**(3.4)**	(1.6)
Adjusted profit before tax	**60.0**	57.8
Less underlying tax at 29%/30%	**(17.4)**	(17.3)
Adjusted profit after tax	**42.6**	40.5
Divided by:		
Average shares in issue (millions)	**844.6**	699.7
Adjusted earnings per share	**5.0p**	5.8p

4 As a consequence of the changes in commercial structure as a result of acquisitions and disposals, there are fundamental differences between the primary financial information 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. Businesses sold since the start of the prior period have been classified under Discontinued Operations and excluded from pro forma results. The pro forma comparatives exclude the effects of fair value adjustments arising on the acquisition of RHM.

5 Net cash interest is defined to exclude the amortisation of debt issuance costs, exceptional write-off of financing costs, fair value adjustments on interest rate swaps and the unwind of the discount on provisions.

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A presentation to analysts will take place on 28 August 2008 at 9.00am at the City Presentation Centre, 4 Chiswell Street, Finsbury Square, London, EC1Y 4UP. 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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Operating review – continuing operations

£m	2008 H1	2007 H1	
Turnover			
Grocery	**630.5**	521.5	20.9%
Hovis	**462.7**	235.5	96.5%
Chilled & Ireland	**196.9**	142.1	38.6%
Total turnover	**1,290.1**	899.1	43.5%
Trading profit*	**121.5**	101.5	19.7%
Amortisation of intangibles	**(40.4)**	(26.0)	55.4%
Foreign exchange valuation items (charge)/credit	**(1.1)**	0.9	-
Pension financing credit	**8.1**	7.5	8.0%
Operating profit before exceptional items	**88.1**	83.9	5.0%
Exceptional items	**(40.3)**	(40.5)	(0.5%)
Operating profit	**47.8**	43.4	10.1%

*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.

The acquisitions of Campbell's and RHM in 2006 and 2007 respectively, started a process that will transform Premier's competitiveness through its broad range of category leading brands, scale and efficiency. During 2007, we made significant progress on the integration of the administrative functions of the three businesses but during the second half of 2007 the food industry was hit by unforeseen levels of input cost inflation making trading more challenging as we entered 2008. In response to this, we set ourselves the following priorities: to substantially complete the integration of the three businesses and deliver the synergies identified, to recover the higher levels of cost inflation we were experiencing through pricing and efficiency and to regain momentum for *Hovis*.

We continue to make excellent progress on the integration of the businesses and, following the integration of administrative functions in 2007, we implemented a new divisional structure from the start of 2008. The increase in the scale of Premier over the last few years has necessitated the replacement of our information systems with SAP, an enterprise-wide information system. The implementation of the core elements of the SAP information system in our Grocery division has proceeded smoothly with the "orders to cash" module, which brings everything from order intake to invoicing and billing onto a single IT platform, going live over Easter. Further modules will be implemented across the business during 2008 and 2009. We have accelerated the manufacturing rationalisation programme announced last year and have already closed six of the nine factories that were scheduled to close with the remaining three factories now due to close by the end of 2008. Both the SAP implementation and manufacturing rationalisation programme have limited the degree of promotional activity that we have been able to undertake during the first half of 2008.

The benefits of the integration programme are being delivered against the backdrop of a significantly more challenging trading environment. The significant cost inflation that emerged in the second half of 2007 has continued through 2008 and the "credit crunch" has sharply reduced economic growth over the last few months. We are pleased to have now fully recovered the cost inflation that we have seen to date and have good visibility of future cost inflation. This will enable us to take pricing action early enough to minimise any under-recovery of further cost inflation. We consider that our broad portfolio of staple food products and leading brands supplied through a wide range of customers gives us a resilient base as consumer buying patterns evolve in a deteriorating economic climate.

Following a review of our bread business in 2007 to address concerns we had about the decline in our market share over 2007, we developed a new strategy to rebuild our volumes. During the first half of the year we focussed on improving our *Hovis* white bread, which had seen the most significant decline in market share. By the end of 2008, we will have invested nearly £15m in capital and recipe improvements to improve product quality, which, combined with new advertising, packaging and an extended product range, we believe will return *Hovis* to growth during the second half of this year.

Total turnover increased by 43.5% to £1,290.1m, trading profit increased by 19.7% to £121.5m and operating profit increased by 10.1% to £47.8m. These increases are primarily due to the acquisition of RHM on 16 March 2007 and the price inflation which has been driven by the need to recover significant raw material cost inflation. Branded sales represent 56% of Group sales with retailer branded sales representing a further 35%. The remaining 9% comprise business to business supply of ingredients, principally flour.

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, to give a more detailed understanding of trading we have presented a pro forma analysis of the movements in turnover and trading profit for each division. It must be noted, however, that the pro forma 2007 comparatives include the results for RHM when the businesses were not under the control of Premier's management for the full period. The pro forma comparatives exclude the effects of fair value adjustments arising on the acquisition of RHM.

New Divisional Structure

As previously announced, we implemented a new divisional structure, effective from 1 January 2008, following the acquisition and integration of the Campbell's and RHM businesses. We have defined three divisions namely "Grocery", "Hovis" and "Chilled & Ireland" with the primary drivers of the structure being the commonality of the categories we operate in and the supply chain to service them.

Grocery

£m	**2008 H1**	2007 H1	Change
Reported			
Turnover	**630.5**	521.5	20.9%
Trading profit	**89.0**	73.7	20.8%
Pro forma			
Turnover	**630.5**	616.4	2.3%
Trading profit	**89.0**	84.1	5.8%

The Grocery division comprises the original Premier business with the exception of the Meat-free business, the Campbell's business, RHM's Culinary Brands division, Ledbury Preserves from RHM's Customer Partnerships division and Manor Bakeries from the RHM Cakes division. Pro forma results include six months trading of RHM in H1 2007. These have not been adjusted for the effects of fair value adjustments arising on the acquisition of RHM.

Pro forma turnover for our Grocery division increased by 2.3% to £630.5m compared to the first half of 2007. This increase reflected price increases totalling 6.2% offset by a 3.3% decline in volume. The price increases have been driven by the need to offset the significant cost inflation that has occurred since the middle of 2007. We have seen good volume growth of branded products in the multiple retailers but this has been more than offset by softer retailer brand, cash and carry and convenience volumes. As mentioned previously, the manufacturing rationalisation programme and SAP implementation has limited our ability to promote during the first half and we have therefore prioritised our promotional activity behind our brands in the multiple retailers. With our manufacturing rationalisation programme nearing completion, we are now able to return promotional activity to normal levels and we expect volumes to improve in the second half.

The *Branston* brand continues to perform very well across both the relish and baked bean categories and the second half sees the launch of new seasonal product lines. In the desserts arena, *Ambrosia* has built on the success of the single serve format and *Hartley's* has displayed strong growth. *Mr. Kipling* has recently launched Cake Bites, with encouraging early sales alongside the brand's first major TV advertising campaign in three years, with the "exceedingly happy cakes" slogan.

The SAP 'orders to cash' implementation for the Grocery division has proceeded very smoothly; this is to be followed by further modular implementations across the business, in the second half of 2008 and into 2009. We have now closed six of the nine factories scheduled to close in our manufacturing rationalisation programme and have accelerated the programme so that the remaining three factories are now due to close by the end of 2008.

Pro forma trading profit for the division has increased by 5.8% to £89.0m primarily due to synergies from the administrative integration in 2007 offset by the lag in recovering 2007 cost increases and the lower volumes in the first half. We expect trading profit growth to improve during the second half as additional synergies from the manufacturing rationalisation programme begin to flow through.

Hovis

£m	**2008 H1**	2007 H1	Change
Reported			
Turnover	**462.7**	235.5	96.5%
Trading profit	**14.6**	12.0	21.7%
Pro forma			
Turnover	**462.7**	398.4	16.1%
Trading profit	**14.6**	19.0	(23.2%)

The Hovis division comprises the RHM Bread Bakeries division. It was initially named the "Bread & Milling" division but has been renamed as the "Hovis" division reflecting the division's principal brand. Pro forma results include six months trading of RHM in H1 2007. These have not been adjusted for the effects of fair value adjustments arising on the acquisition of RHM.

Pro forma turnover in our Hovis division increased by 16.1% to £462.7m, which reflects higher prices, partly offset by lower bread volumes. Pro forma trading profit for the Hovis division decreased by 23.2% to £14.6m, primarily a result of lower bread volumes in the first half of 2008 compared to the same period in 2007, partly offset by manufacturing, logistical and administrative efficiencies. Increased wheat and other costs were broadly offset by increased prices, which have been achieved across the whole of the division.

Our new strategy to rebuild volumes in our bread business after recent market share declines has helped to stabilise *Hovis'* market share. We will have invested nearly £15m during 2008 in capital and recipe improvements to enhance the texture and flavour of the bread to ensure that all our products meet consumer's expectations for a brand with as impressive a heritage as *Hovis*. Following these improvements, we launched our softest ever white loaf during the first half of the year, which supported by a strong advertising and promotional campaign has seen a good improvement in market share. In September we will relaunch the remainder of the *Hovis* range, with improved recipes to ensure that we retain consumer preference across the whole range, new packaging and a major new TV advertising campaign which we are confident will return *Hovis* to market share growth.

We recently announced proposals to close our mill in Rotherham. 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.

Chilled & Ireland

£m	2008 H1	2007 H1	Change
Reported			
Turnover	**196.9**	142.1	38.6%
Trading profit	**17.9**	15.8	13.3%
Pro forma			
Turnover	**196.9**	191.9	2.6%
Trading profit	**17.9**	17.2	4.1%

The Chilled & Ireland division comprises the RF Brookes and Charnwood chilled foods and pizza base businesses from RHM's Customer Partnerships division, Avana Bakeries from RHM's Cakes division, Premier's Meat-free business and all of our operations in the Republic of Ireland. Pro forma results include six months trading of RHM in H1 2007. These have not been adjusted for the effects of fair value adjustments arising on the acquisition of RHM.

Pro forma turnover for our Chilled & Ireland division increased by 2.6% to £196.9m and pro forma trading profit increased by 4.1% to £17.9m. These increases were principally due to strong sales growth of *Quorn,* an increase in the sterling value of sales and trading profit for our Irish business partly offset by lower sales by our chilled retailer brand business.

Our Meat-free business, which comprises the *Quorn* and *Cauldron* brands, saw a return to double digit sales growth, with UK sales up by 10% and international sales up by 21%. We have been delighted by the success of our new *Quorn* picnic eggs and pork pies which has extended *Quorn* into snacking formats.

The integration of our three businesses in Ireland was largely completed towards the end of 2007 and we are now benefiting from the resultant scale and cost synergies. Although the trading environment is challenging, we are benefiting from the decline of sterling against the euro since the start of the year. This is providing us with both competitive benefits as we manufacture all our products in the UK and benefits on translating the sales and profits back into sterling.

Sales during the first half by our chilled retailer brand business have been the most impacted by the changing economic environment leading to reduced turnover and trading profit. We expect a significant improvement by the business during the second half of the year as a result of recent contract gains.

Financial Position

Our net debt at the end of the period was £1,805.6m reflecting the seasonality of the business, the acceleration of the manufacturing rationalisation programme, lower property proceeds in the first half of the year than originally anticipated and the impact of commodity cost and price inflation on our working capital.

We met our financial covenant tests at 28 June and expect to continue to operate within them. We expect net debt to fall over the second half as we complete our manufacturing rationalisation programme, and cash flow strengthens from the actions we have undertaken. We are focussed on reducing the Group's debt levels and have commenced a number of initiatives to achieve that.

Outlook

We are seeing good growth of our brands in the multiple retailers and with a return to normal levels of promotional activity as we complete the manufacturing rationalisation programme we expect volumes to improve in the other channels. Whilst inflation remains a concern, we have good visibility of inflationary pressures and have plans in place to mitigate them. Our expectations for the year remain unchanged with trading profit growth weighted to the second half as the benefits of synergies from the manufacturing rationalisation programme, price increases achieved to date and the rejuvenation of *Hovis* flow through.

Robert Schofield
Chief Executive
27 August 2008

Financial review

The Group is presenting its interim financial information for the six months to 28 June 2008 with comparative information for the six months to 30 June 2007. The Group is reporting under its new segmental structure of Grocery, Hovis and Chilled & Ireland for the first time.

Consistent with its ongoing approach to financial reporting, the Group has classified all non-recurring integration costs as exceptional items, the full impact of which is set out in note 5 to the financial information.

Income statement – continuing operations

The six months results to 28 June 2008 reflect a full six months trading contribution for the RHM businesses. Comparative results reflect trading contribution from the date of acquisition of 16 March 2007 to 30 June 2007.

Pro forma results have been presented in this financial review to give comparable information.

Turnover

Group turnover increased by 43.5% to £1,290.1m for continuing operations. This primarily reflects a full six months of RHM trading in 2008 compared to the fifteen week post acquisition period in 2007 along with the impact of price increases to recover the high levels of input cost inflation experienced over the last twelve months.

Turnover on a pro forma basis increased by 6.9%. The increase is mainly a result of the price rises referred to above, offset by lower sales volumes.

Operating profit

Operating profit for the continuing business, before exceptional items was £88.1m, a 5% increase on the period to 30 June 2007. This increase was made up of a 19.7% increase in trading profit, from £101.5m to £121.5m, offset by the increased amortisation charge arising on the intangible assets acquired as part of the RHM acquisition.

Our pro forma trading profit increased by 1.0%[1] to £121.5m. Pro forma trading profit has been impacted by the net effect of rising input costs and the price increases secured to recover them, lower volumes, particularly in the Hovis business, and the synergy benefits generated by our integration programmes.

Reported operating profit increased 10.1% from £43.4m to £47.8m, after recognising £40.3m (2007: £40.5m) of exceptional items.

Exceptional items

As identified above, the Group presents separately certain non-recurring costs in order to reflect underlying financial performance. In the current and prior periods, these items have primarily related to the significant integration programmes undertaken to achieve the cost savings and reshaping of the business following our recent strategic acquisitions.

We have accelerated the integration of our RHM UK operations and will now complete our factory closure programme during the second half. As a result of this we incurred £19.8m of charges in the first half. The integration of our Campbell's UK operations incurred £5.9m of costs associated with the closure of King's Lynn while the restructuring of our Meat-free business and the commissioning of the new chilled facility at Methwold resulted in costs of £2.3m.

A further £13.0m of exceptional costs were incurred in addition to the integration and restructuring costs referred to above, including impairment charges of £7.0m relating to the announcement of the closure of the Rotherham mill and other redundant assets across the Group.

[1] Pro forma comparatives exclude fair value restatements under IFRS3 Business Combinations.

Overall exceptional items for the period resulted in a net cost of £40.3m (2007: £40.5m). The total cash spend in the period was £60.9m (2007: £33.7m).

Interest

Net interest payable for the continuing business was £44.2m (2007: £38.3m). Net cash interest, made up of interest payable of £71.0m offset by interest receivable of £12.9m, has increased by 38% to £58.1m which reflects a full six months of higher debt due to the acquisition of RHM in March 2007, along with increased borrowings to fund the accelerated costs of integration. Amortisation of debt issuance costs have increased from £1.6m to £3.4m which reflects a full six months charge of those costs incurred from our 2007 re-financing and the amortisation of costs on the £125m ancillary facility entered into on 29 February 2008. Other interest costs include the exceptional element of financing costs incurred on 29 February 2008 of £12.1m, offset by the positive non-cash movement in the fair value of interest rate swaps held at the balance sheet date of £29.7m.

The Group has interest rate hedging in place for the majority of its borrowing. At the balance sheet date a total of £1,557m was hedged of which £1,057m is swapped into fixed rates at an average rate of 4.6% over a two year period and a further £500m of debt was subject to an interest rate collar structure which caps the interest rate payable at 6.20% until March 2012.

Dividend

The Group paid a total dividend for 2007 of 6.5 pence per ordinary share. Premier's normal dividend policy is to pay approximately one third of the total dividend for the year as an interim dividend.

The Board proposes an interim dividend of 2.2 pence per ordinary share, which will result in an interim dividend of £18.6m payable on 2 January 2009 to shareholders on the register of members at 28 November 2008. The shares will be marked ex-dividend on 26 November 2008.

Taxation

The taxation charge for the first half of 2008 is £4.2m (2007: £19.6m credit). This comprises a £13.9m charge on profit from underlying activities and a credit of £9.7m on allowable elements of exceptional items. The £13.9m charge represents an effective rate of 31.8% made up of a rate on continuing UK operations of 28.9%, a charge on overseas operations at a rate of 23.9% and an adjustment to reduce the deferred tax assets on share based payments to reflect the intrinsic value of the awards. The credit on exceptional items is lower than the UK corporate rate due to costs that are not tax deductible and others that are relieved at lower overseas rates of taxation. It is not anticipated that any UK taxation will be payable during 2008 due to the availability of taxation losses and other timing differences.

As previously reported a number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement. Some of these have been enacted and are reflected in this financial information. Others, contained in the 2008 Finance Act were not substantively enacted at the balance sheet date and, therefore, are not included in this financial information.

Had they been enacted, the effect of these changes, which are primarily due to the phasing out of Industrial Buildings Allowances from 2008 onwards, would have been to increase the deferred tax liability provided at 28 June 2008 by £28m and increase the after tax loss by the same amount. The Finance Act was substantively enacted on 2 July 2008. As a result, this increase in deferred tax will be reflected in the financial statements for the year to 31 December 2008.

Earnings per share

Basic loss per share of 0.1p (2007: earnings 3.5p) on continuing operations has been calculated by dividing the loss attributed to ordinary shareholders of £0.6m (2007: profit £24.7m) by the weighted average number of shares in issue during the year.

Adjusted earnings per share of 5.0p (2007: 5.8p) on continuing operations has been calculated by dividing the adjusted earnings (defined as trading profit less net cash interest, regular amortisation of debt issuance costs and underlying taxation) attributed to ordinary shareholders of £42.6m (2007: £40.5m) by the weighted average number of ordinary shares in issue during each year. These earnings have been calculated by reflecting underlying tax at 29% for 2008 and 30% for 2007.

Financing
On 29 February 2008, the Group amended its Term and Revolving Credit Facilities by agreement with its lending banks to provide greater covenant headroom for the remainder of its financing period. In addition, the existing £100m acquisition line was converted to a working capital line. The Group also negotiated a further £125m of short-term facilities with three of its lending banks to provide additional liquidity headroom for the remainder of 2008.

Exceptional financing costs of £12.1m were incurred in respect of the renegotiation of the covenant facilities, which have been included within interest payable and other financial charges.

Cash flow and borrowings
Gross borrowings net of cash at the balance sheet date was £1,820.2m, an increase of £186.9m from 31 December 2007. Net debt, after capitalised debt issuance costs, was £1,805.6m, which is an increase of £187.1m from 31 December 2007.

The increase in gross debt of £186.9m is primarily made up of the cash outflow from operating activities of £26.3m, interest and financing fees of £68.1m, net capital expenditure of £58.7m and dividends of £36.3m.

The outflow of £26.3m from operating activities was made up of trading cashflows of £121.5m, offset by a payment to our pension schemes of £34.0m, a working capital movement of £114.5m and a cash inflow from discontinued operations of £0.7m. Approximately £25m of the working capital movement was the reduction in provisions associated with the RHM and Campbell's restructuring programme, a stock movement of £45.2m primarily due to the combined impact of rising input costs on our carrying value for stock and an increased level of safety stock held as part of the factory closure programme. The balance of the movement represents the normal seasonal movement in working capital.

Aggregate cash interest paid of £52.8m (2007: £41.6m) reflects the higher level of borrowing for a full six months compared to 2007 while beneficial tax receipts of £2.5m (2007: £12.2m) arise as a result of the high level of exceptional costs.

Net capital expenditure in the period was £58.7m (2007: £45.8m), reflecting the Group's investment in the delivery and execution of our integration plans along with our ongoing capital expenditure requirements. We also paid an interim dividend of £36.3m in January (2007: £39.7m).

Pension schemes
At 28 June 2008, the Group's defined benefit pension schemes showed a combined deficit of £153.7m (2007: £89.1m), an increase of £30.5m on the deficit of £123.2m as at 31 December 2007.

The increase in the deficit is due to a reduction in plan asset values as a result of changes in market conditions offset by an actuarial gain on liabilities. The gain on liabilities is predominantly due to an increased discount rate, also as a result of changing market conditions. In addition, liabilities have increased as a result of adopting more conservative mortality rates, the "Medium Cohort" assumption, for the RHM schemes. This is offset by aligning the treatment of the RHM schemes administrative costs with those of the Premier schemes. Previously the RHM schemes accounted for administrative costs by capitalising the liability on the balance sheet and charging interest annually. These costs are now taken to the income statement as they are incurred.

The Group has agreed a revised contribution payment schedule with the RHM Scheme Trustees and as a result deficit reduction payments will fall by approximately £25m per annum.

The total charge to operating profit in respect of our defined benefit and defined contribution schemes to operating profit for the six months was £3.0m (2007: £2.4m).

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

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 32 and 33 of the Group's annual financial statements for 31 December 2007. In light of the recent economic uncertainty we have reconsidered the principal risks and uncertainties and believe that these have not changed in the interim period. These include: successful sales and marketing strategies; 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.

A copy of the Group's annual financial statements for 2007 is available on the Group's website at www.premierfoods.co.uk.

Paul Thomas
Finance Director
27 August 2008

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 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 2007. Since the date of publication of the annual financial statements for 2007, Ms Sharon Hintze retired as a Director on 16 May 2008 and Mr Tim Kelly was appointed as a Director on 30 June 2008.

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 28 June 2008, which comprises the income statement, balance sheet, statement of recognised income and expense, cash flow statement 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 28 June 2008 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 **27 August 2008**

Notes

(a) The maintenance and integrity of the Premier Foods plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since they were initially presented on the website.

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

Premier Foods plc

Consolidated income statement (unaudited)

	Note	Half year ended 28 June 2008	Half year ended 30 June 2007 (Restated)*	Full year ended 31 Dec 2007
		£m	£m	£m
Continuing operations				
Turnover	4	**1,290.1**	899.1	2,247.6
Cost of sales		**(927.5)**	(624.0)	(1,569.6)
Gross profit		**362.6**	275.1	678.0
Selling, marketing and distribution costs		**(189.1)**	(131.7)	(318.3)
Administrative costs		**(123.1)**	(99.7)	(286.1)
Net other operating (expenditure)/income		**(2.6)**	(0.3)	2.5
Operating profit	4	**47.8**	43.4	76.1
Before exceptional items		**88.1**	83.9	234.8
Exceptional items	5	**(40.3)**	(40.5)	(158.7)
Interest payable and other financial charges	6	**(86.8)**	(62.9)	(176.4)
Interest receivable and other financial income	6	**42.6**	24.6	26.8
Profit/(loss) before taxation for continuing operations		**3.6**	5.1	(73.5)
Taxation (charge)/credit	7	**(4.2)**	19.6	37.7
(Loss)/profit after taxation for continuing operations		**(0.6)**	24.7	(35.8)
Profit/(loss) from discontinued operations	9	**1.9**	(14.5)	(27.5)
Profit/(loss) for the period attributable to equity shareholders		**1.3**	10.2	(63.3)
Basic and diluted earnings/(loss) per share (pence)		**0.1**	1.5	(8.2)
Basic and diluted (loss)/earnings per share (pence) - continuing		**(0.1)**	3.5	(4.6)
Basic and diluted earnings/(loss) per share (pence) - discontinued		**0.2**	(2.0)	(3.6)

* The 30 June 2007 comparatives have been restated for the acquisition of RHM Plc.

The notes on pages 19 to 35 form an integral part of the condensed consolidated interim financial information.

Consolidated balance sheet (unaudited)

	Note	As at 28 June 2008	As at 30 June 2007 (Restated)*	As at 31 Dec 2007 (Restated)*
		£m	£m	£m
ASSETS:				
Non-current assets				
Property, plant and equipment		646.0	643.1	607.1
Goodwill	11	1,649.5	1,649.5	1,649.5
Other intangible assets		1,213.3	1,279.1	1,237.8
Retirement benefit assets	12	5.7	1.6	-
Other non-current assets		2.7	4.0	-
Current assets				
Assets held for sale	10	7.6	16.6	30.6
Inventories		254.1	196.6	208.4
Trade and other receivables		338.8	345.5	328.9
Financial assets – derivative financial instruments		19.1	26.8	8.5
Cash and cash equivalents	14	90.0	53.9	23.9
Total assets		4,226.8	4,216.7	4,094.7
LIABILITIES:				
Current liabilities				
Trade and other payables		(507.3)	(401.5)	(538.5)
Dividends payable		(18.6)	(21.5)	-
Financial liabilities				
– short term borrowings		(44.7)	(83.7)	(112.7)
– derivative financial instruments		(7.9)	(2.8)	(25.6)
Accrued interest payable		(19.6)	(3.8)	(12.9)
Provisions		(35.8)	(28.8)	(56.6)
Current income tax liabilities		(13.5)	-	(8.1)
Liabilities held for sale	10	-	(4.8)	-
Non-current liabilities				
Financial liabilities – long term borrowings		(1,850.9)	(1,709.6)	(1,529.7)
Retirement benefit obligations	12	(159.4)	(90.7)	(123.2)
Provisions		(13.8)	(18.1)	(18.4)
Other liabilities		(3.2)	(3.4)	(1.1)
Deferred tax liabilities		(192.2)	(257.0)	(207.6)
Total liabilities		(2,866.9)	(2,625.7)	(2,634.4)
Net assets		1,359.9	1,591.0	1,460.3
EQUITY:				
Capital and reserves				
Share capital		8.5	8.4	8.5
Share premium	13	760.6	758.4	760.6
Merger reserve	13	890.7	890.7	890.7
Other reserves	13	0.9	-	(3.1)
Profit and loss reserve	13	(300.9)	(66.6)	(196.5)
Capital and reserves attributable to the Company's equity shareholders		1,359.8	1,590.9	1,460.2
Minority interest		0.1	0.1	0.1
Total shareholders' funds		1,359.9	1,591.0	1,460.3

* The 30 June 2007 and 31 Dec 2007 comparatives have been restated for the acquisition of RHM Plc.

The notes on pages 19 to 35 form an integral part of the condensed consolidated interim financial information.

Consolidated statement of recognised income and expense (unaudited)

	Note	Half year ended 28 June 2008 £m	Half year ended 30 June 2007 (Restated)* £m	Full year ended 31 Dec 2007 £m
Actuarial (loss)/gain	12	(64.8)	209.3	135.3
Deferred tax credit/(charge) on actuarial (loss)/gain		17.1	(59.6)	(39.5)
Fair value movement on net investment hedge		4.0	-	(3.1)
Deferred tax (charge)/credit on share options		(0.5)	1.2	(1.1)
Net (expense)/income recognised directly in equity		(44.2)	150.9	91.6
Profit/(loss) for the period		1.3	10.2	(63.3)
Total recognised (expense)/income in the period attributable to equity shareholders		**(42.9)**	**161.1**	**28.3**

* The 30 June 2007 comparatives have been restated for the acquisition of RHM Plc.

The notes on pages 19 to 35 form an integral part of the condensed consolidated interim financial information.

Consolidated cash flow statement (unaudited)

	Note	Half year ended 28 June 2008 £m	Half year ended 30 June 2007 £m	Full year ended 31 Dec 2007 £m
Cash generated from operating activities	14	(26.3)	128.8	360.2
Interest paid		(64.3)	(52.8)	(122.8)
Interest received		11.5	11.2	24.8
Taxation received		2.5	12.2	8.7
Cash (outflow) / inflow from operating activities		(76.6)	99.4	270.9
Acquisition of RHM		-	(303.2)	(306.1)
Acquisition of Chivers Ireland		-	(21.2)	(18.4)
Acquisition of Campbell's		-	(0.3)	(0.3)
Sale of subsidiaries		-	17.0	22.0
Purchase of property, plant and equipment		(68.4)	(37.9)	(115.9)
Purchase of intangible assets		(14.6)	(8.0)	(8.7)
Sale of property, plant and equipment		24.3	0.1	47.8
Sale of intangible assets		-	-	1.1
Cash outflow from investing activities		(58.7)	(353.5)	(378.5)
Repayment of original borrowings		-	(751.3)	(962.9)
Proceeds from new borrowings		231.7	1,901.5	1,901.5
Proceeds from securitisation programme		20.4	-	67.6
Financing costs		(15.3)	(18.1)	(18.8)
Proceeds from share issue		-	-	1.3
Share issue costs		-	(2.1)	(2.2)
Purchase of own shares		-	-	(3.0)
Repayment of debt and interest acquired with RHM		-	(793.5)	(793.5)
Dividends paid		(36.3)	(39.7)	(61.1)
Cash inflow from financing activities		200.5	296.8	128.9
Net inflow of cash and cash equivalents		**65.2**	**42.7**	**21.3**
Cash and cash equivalents at beginning of period		23.8	2.5	2.5
Cash and cash equivalents at end of period	14	**89.0**	**45.2**	**23.8**

The notes on pages 19 to 35 form an integral part of the condensed consolidated interim financial information.

1. General information

Premier Foods plc (the "Company") is a public limited Company incorporated in the United Kingdom under the Companies Act 1985. 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 2007.

2. Significant accounting policies

Basis of preparation

This condensed consolidated financial information comprises the balance sheet as at 28 June 2008 and related income statement, statement of cash flows, statement of recognised income and expense and supporting notes (hereinafter referred to as "financial information").

The condensed consolidated interim financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. This condensed consolidated financial information has been reviewed, not audited. The statutory accounts for the year ended 31 December 2007, which were approved by the Board of Directors on 3 March 2008, 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.

This condensed consolidated interim financial information for the period ended 28 June 2008 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 condensed consolidated interim financial information for the period ended 28 June 2008 should be read in conjunction with the annual financial statements for the year ended 31 December 2007 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 condensed consolidated interim financial information was approved for issue on 27 August 2008.

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 2007, 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.

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

IAS 34 - 'Interim Financial Reporting'
IFRIC 11 - 'IFRS 2 – Group and Treasury Share Transactions'
IFRIC 12 - 'Service Concession Arrangements'
IFRIC 14 - 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

Application of these standards and interpretations has not had a material effect on the net assets or results 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) up to 28 June 2008. 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 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 judgment, which is fundamental to the completion of a set of condensed consolidated interim financial information.

3.1 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.

3.2 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.

3.3 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 on a best estimate basis. 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 production costs are charged in line with the airtime profile.

3.4 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 require separate disclosure 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 5 for further details.

3.5 Securitisation

The Group 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 judgmental 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.

4. Segmental analysis

The results below for all periods are divided into continuing and discontinued operations. Following the acquisition of RHM, the Group has restructured its operations and now reports on three continuing segments within the business: Grocery, Hovis, and Chilled & Ireland. Comparative information has been restated to reflect these new segments.

The Grocery division comprises the original Premier business with the exception of the Meat-free business, the Campbell's business, RHM's Culinary Brands division, Ledbury Preserves from RHM's Customer Partnerships division and Manor Bakeries from the RHM Cakes division. The Hovis division comprises the RHM Bread Bakeries division. It was initially named the "Bread & Milling" division but has been renamed as the "Hovis" division reflecting the division's principal brand. The Chilled & Ireland division comprises the RF Brookes and Charnwood chilled foods and pizza base businesses from RHM's Customer Partnerships division, Avana Bakeries from RHM's Cakes division, Premier's Meat-free business and all of our operations in the Republic of Ireland.

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.

The segment results for the half years ended 28 June 2008 and 30 June 2007, and for the year ended 31 December 2007 are as follows:

Half year ended 28 June 2008					
	Grocery	**Hovis**	**Chilled & Ireland**	**Un-allocated**	**Total for Group**
	£m	**£m**	**£m**	**£m**	**£m**
Total turnover from continuing operations	630.5	462.7	196.9	-	1,290.1
Result					
Operating profit before exceptional items	73.6	5.9	8.6	-	88.1
Exceptional items	(28.0)	(9.8)	(2.5)	-	(40.3)
Operating profit/(loss)	45.6	(3.9)	6.1	-	47.8
Interest payable and other financial charges	-	-	-	(86.8)	(86.8)
Interest receivable/other financial income	-	-	-	42.6	42.6
Profit/(loss) before taxation for continuing operations	45.6	(3.9)	6.1	(44.2)	3.6
Taxation charge	-	-	-	(4.2)	(4.2)
Profit/(loss) after taxation for continuing operations	**45.6**	**(3.9)**	**6.1**	**(48.4)**	**(0.6)**
Discontinued operations	-	-	-	1.9	1.9
Profit/(loss) for the period	**45.6**	**(3.9)**	**6.1**	**(46.5)**	**1.3**

Half year ended 30 June 2007 (Restated)*					
	Grocery	**Hovis**	**Chilled & Ireland**	**Un-allocated**	**Total for Group**
	£m	**£m**	**£m**	**£m**	**£m**
Total turnover from continuing operations	521.5	235.5	142.1	-	899.1
Result					
Operating profit before exceptional items	66.8	6.8	10.3	-	83.9
Exceptional items	(23.4)	(5.2)	(11.9)	-	(40.5)
Operating profit/(loss)	43.4	1.6	(1.6)	-	43.4
Interest payable and other financial charges	-	-	-	(62.9)	(62.9)
Interest receivable/other financial income	-	-	-	24.6	24.6
Profit/(loss) before taxation for continuing operations	43.4	1.6	(1.6)	(38.3)	5.1
Taxation credit	-	-	-	19.6	19.6
Profit/(loss) after taxation for continuing operations	**43.4**	**1.6**	**(1.6)**	**(18.7)**	**24.7**
Discontinued operations	3.5	-	(0.1)	(17.9)	(14.5)
Profit/(loss) for the period	**46.9**	**1.6**	**(1.7)**	**(36.6)**	**10.2**

* The 30 June 2007 comparatives have been restated for the acquisition of RHM Plc.

	Full year ended 31 December 2007				
	Grocery	**Hovis**	**Chilled & Ireland**	**Un-allocated**	**Total for Group**
	£m	**£m**	**£m**	**£m**	**£m**
Total turnover from continuing operations	1,232.9	657.3	357.4	-	2,247.6
Result					
Operating profit before exceptional items	193.7	14.5	26.6	-	234.8
Exceptional items	(94.6)	(25.3)	(38.8)	-	(158.7)
Operating profit/(loss)	99.1	(10.8)	(12.2)	-	76.1
Interest payable and other financial charges	-	-	-	(176.4)	(176.4)
Interest receivable/other financial income	-	-	-	26.8	26.8
Profit/(loss) before taxation for continuing operations	99.1	(10.8)	(12.2)	(149.6)	(73.5)
Taxation credit	-	-	-	37.7	37.7
Profit/(loss) after taxation for continuing operations	**99.1**	**(10.8)**	**(12.2)**	**(111.9)**	**(35.8)**
Discontinued operations	3.6	-	(12.6)	(18.5)	(27.5)
Profit/(loss) for the year	**102.7**	**(10.8)**	**(24.8)**	**(130.4)**	**(63.3)**

The Group primarily supplies the United Kingdom market, although it also supplies certain products to other European countries and a number of other countries including the United States of America. 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.

	Half year ended 28 June 2008 £m	**Half year ended 30 June 2007 £m**	**Full year ended 31 Dec 2007 £m**
United Kingdom	1,174.4	855.2	1,991.6
Other Europe	104.3	34.5	230.2
Other	11.4	9.4	25.8
Total turnover	**1,290.1**	**899.1**	**2,247.6**

During the period, the Group has incurred cash capital expenditure of £83.0m predominantly due to the investment in the RHM integration programme and other growth and efficiency programmes within the Group.

5. Exceptional items

During the period, the Group continued with its investment and restructuring programme in order to capture the cost and operational synergies available to the enlarged Group from the acquisition of RHM plc and the Campbell's business. This is the primary factor behind total non-recurring exceptional costs of £40.3m in the period (30 June 2007: £40.5m). This was made up as follows:

		Half year ended 28 June 2008	Half year ended 30 June 2007	Full year ended 31 Dec 2007
		£m	£m	£m
Exceptional items – continuing operations				
Integration of RHM UK operations	(a)	**19.8**	24.4	88.1
Integration of Campbell's UK operations	(b)	**5.9**	7.7	12.4
Integration of Irish operations	(c)	**3.9**	-	21.5
Restructure of Meat-free operations	(d)	**2.3**	7.3	15.3
Restructuring and other costs	(e)	**13.0**	1.1	21.8
Gain on property disposals	(f)	**(4.6)**	-	(0.4)
Total		**40.3**	40.5	158.7

(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 integration of RHM has resulted in a significant level of restructuring expenditure and investment during the period. The integration costs incurred relate to the following key initiatives:

- 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 continued during the period, resulting in restructuring costs and costs relating to the transfer of production to the remaining Group manufacturing sites.

- The Group has also commenced the restructure and integration of certain warehousing facilities which also resulted in restructuring and redundancy costs being incurred during the period.

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

On 14 August 2006, the Group acquired Campbell's Grocery Products Limited. The integration of the manufacturing operations and warehousing facilities at King's Lynn into the existing operations of the Group was largely completed in this period resulting in £5.9m of restructuring and redundancy costs.

(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 period, the Group completed the principal phases of integrating these companies and has created a single operating business, a key step in generating future cost and operating synergy benefits in Ireland. As part of this exercise, the Group has also implemented a centralised distribution operation.

(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) *Restructuring and other 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, a number of compliance related initiatives and the impairment of assets relating to the proposed closure of our Rotherham mill.

Prior year exceptional charges relate to costs associated with general business restructuring, the restructuring of our warehousing network, training and a number of compliance related initiatives.

(f) *Gain on property disposals*

The net disposal gain of £4.6m in the period results from the disposal of sites in Bristol, Droylsden, Middlewich, Wythenshawe, Stoke and Thurles in Ireland.

6. Interest

	Half year ended 28 June 2008 £m	Half year ended 30 June 2007 £m	Full year ended 31 Dec 2007 £m
Interest payable on bank loans, senior notes and overdrafts	**6.2**	7.6	19.5
Interest payable on term facility	**45.6**	30.4	84.5
Interest payable on revolving facility	**18.4**	14.9	28.0
Other interest	**0.8**	-	-
Interest payable on bank loans, senior notes, overdrafts, and other	**71.0**	52.9	132.0
Unwind of discount on provisions	**0.3**	-	0.8
Amortisation of debt issuance costs	**3.4**	1.6	4.2
Accelerated amortisation of debt issuance costs	**-**	8.4	8.4
Exceptional write-off of financing costs	**12.1**	-	-
Movement on fair valuation of interest rate swaps	**-**	-	31.0
Total interest payable and other financial charges	**86.8**	62.9	176.4
Movement on fair valuation of interest rate swaps	**(29.7)**	(13.8)	-
Interest receivable on bank deposits	**(12.9)**	(10.8)	(26.8)
Total interest receivable and other financial income	**(42.6)**	(24.6)	(26.8)
Net interest	**44.2**	38.3	149.6

7. Tax on profit on ordinary activities

The taxation charge for the first half of 2008 is £4.2m (2007: £19.6m credit).

This comprises a £13.9m charge on profit from underlying activities and a credit of £9.7m on allowable elements of exceptional items. The £13.9m charge represents an effective rate of 31.8% made up of: a rate on continuing UK operations of 28.9%, a charge on overseas operations at a rate of 23.9% and an adjustment to reduce the deferred tax assets on share based payments to reflect the intrinsic value of the awards. The credit on exceptional items is lower than the UK corporate rate due to costs that are not tax deductible and others that are relieved at lower overseas rates of taxation. It is not anticipated that any UK taxation will be payable during 2008 due to the availability of taxation losses and other timing differences.

In the Group's 2007 financial statements reference was made to a deferred tax adjustment for the abolition of Industrial Building Allowances per the 2008 Finance Act. However, the act was not substantively enacted at the balance sheet date and, therefore, the changes are not included in this financial information. Had it been enacted, the effect of the change due to the phasing out of industrial buildings allowances from 2008 onwards, would have been to increase the deferred tax liability provided at 28 June 2008 by £28m and increase the after tax loss by the same amount. The Finance Act was substantively enacted on 2 July 2008. As a result, this increase in deferred tax will be reflected in the financial statements for the year to 31 December 2008.

8. Dividends

The Board proposes an interim dividend of 2.20 pence per ordinary share payable on 2 January 2009 to shareholders on the Register of Members as at 28 November 2008.

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 2007 of 2.20 pence per ordinary share was approved in the period and was paid on 4 July 2008.

9. Discontinued operations

The results of our discontinued operations for the period are as follows:

	Half year ended 28 June 2008 £m	Half year ended 30 June 2007 (Restated)* £m	Full year ended 31 Dec 2007 £m
Turnover	-	45.8	65.1
Income/(expenses)	1.9	(47.7)	(66.2)
Profit/(loss) before tax	1.9	(1.9)	(1.1)
Taxation credit	-	2.0	-
Profit/(loss) after tax on discontinued operations for the period	**1.9**	0.1	(1.1)
Loss on disposal before tax	-	(14.6)	(26.4)
Loss on disposal after tax	**-**	(14.6)	(26.4)
Total profit/(loss) arising from discontinued operations	**1.9**	(14.5)	(27.5)

* The 30 June 2007 comparatives have been restated for the acquisition of RHM Plc.

During the period, discontinued operations contributed to a net inflow of £0.7m (30 June 2007: £1.6m outflow) to the Group's net operating cash flows, and a £0.3m outflow to investing activities (30 June 2007: nil).

The net income in the current period from discontinued operations is mainly made up of 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.

The comparative results represent the trading of our disposed businesses MBMG, Erin Foods Limited and RHM Frozen Foods along with the net loss on disposal of the businesses.

10. Assets held for sale

As at 28 June 2008, non-operational properties at King's Lynn and Hull with a carrying value of £7.6m have been classified as assets held for sale.

The 30 June 2007 comparatives of £16.6m assets and £4.8m liabilities represent the assets and liabilities relating to RHM Frozen Foods, which was disposed in October 2007.

The 31 December 2007 comparatives of £30.6m relate to properties, the majority of which have been sold during the period (see note 5).

11. Acquisition of subsidiaries/businesses

Subsequent to the year ended 31 December 2007, the Group has completed the exercise of attributing fair value adjustments to the assets and liabilities acquired with the RHM business. As a result, final adjustments have been made to the previously presented provisional fair values resulting in a decrease in trade receivables of £0.4m, a decrease in property, plant and equipment of £0.5m, an increase in engineering spares inventory of £0.5m, an increase in dilapidation provisions of £0.7m and the associated decrease in deferred tax liabilities of £0.5m. The impact of these final fair value adjustments is an increase in goodwill by £0.6m.

12. 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 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 RHM Ireland Employee Benefits Scheme (1994), the RHM Van Sales Scheme and the French Termination Indemnity Arrangements. These schemes are presented together below as the RHM schemes.

The exchange rates used to translate the overseas Euro based schemes are £1.00 = 1.2949 Euros for the average rate during the period, and £1.00 = 1.2620 Euros for the closing position at 28 June 2008.

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 as follows:

	As at 28 June 2008	As at 30 June 2007	As at 31 Dec 2007
Premier			
Discount rate	6.4%	5.8%	5.9%
Inflation	3.8%	3.2%	3.3%
Expected salary increases	4.8%	4.2%	4.3%
Future pension increases	3.6%	3.0%	3.0%
Average expected remaining life of a 65 year old male (years)			
- Future service	19	18	19
- Past service	17	15	17
RHM			
Discount rate	6.4%	5.8%	5.9%
Inflation	3.8%	3.2%	3.3%
Expected salary increases	3.8%	3.2%	3.3%
Future pension increases	3.6%	2.5%	3.3%
Average expected remaining life of a 65 year old male (years)			
- Future service	21	21	21
- Past service	20	19	19

The mortality assumptions for the RHM schemes have been updated at 28 June 2008 from the “Short Cohort” assumption to “Medium Cohort” to reflect anticipated future improvements in mortality. This has resulted in an increased mortality of 0.6 years for future service members and 0.7 years for past service members.

The Premier schemes use different tables to determine mortality which better reflect the specific circumstances of those scheme members. These are regularly assessed to ensure they fully reflect improvements in future mortality.

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

	Half year ended 28 June 2008 £m	Half year ended 30 June 2007 £m	Full year ended 31 Dec 2007 £m
Premier			
Present value of funded obligations	(583.5)	(542.6)	(581.7)
Fair value of plan assets	484.8	501.4	506.2
Deficit in schemes	(98.7)	(41.2)	(75.5)
RHM			
Present value of funded obligations	(2,054.3)	(2,033.4)	(2,126.9)
Fair value of plan assets	1,999.3	1,985.5	2,079.2
Deficit in schemes	(55.0)	(47.9)	(47.7)
TOTAL			
Present value of funded obligations	(2,637.8)	(2,576.0)	(2,708.6)
Fair value of plan assets	2,484.1	2,486.9	2,585.4
Deficit in schemes	(153.7)	(89.1)	(123.2)

Based upon the assumptions regarded as appropriate as at 28 June 2008, the aggregate deficit on the Group's pension schemes was £153.7m (31 December 2007: £123.2m). Included in this deficit is a surplus of £5.7m (31 December 2007: nil) on certain of the Group's smaller schemes.

The increase in the deficit is due to a reduction in plan asset values as a result of changes in market conditions offset by an actuarial gain on liabilities. The actuarial gain on liabilities is predominantly due to an increased discount rate, also as a result of changing market conditions. In addition, liabilities have increased in the period as a result of adopting more conservative mortality rates, the "Medium Cohort" assumption, for the RHM schemes, however, this is offset by aligning the treatment of the RHM schemes administrative costs with those of the Premier schemes. Previously the RHM schemes accounted for administrative costs by capitalising the liability on the balance sheet and charging interest annually. These costs are now taken to the income statement as they are incurred.

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

	Half year ended 28 June 2008	Half year ended 30 June 2007 (Restated)*	Full year ended 31 Dec 2007
	£m	£m	£m
Premier			
Opening defined benefit obligation	(581.7)	(550.4)	(550.4)
Acquisition of subsidiary undertaking	-	(15.9)	(15.9)
Current service cost	(4.3)	(5.1)	(10.2)
Interest cost	(16.9)	(14.5)	(29.1)
Actuarial gain	9.2	32.1	2.6
Other costs/exchange differences	(2.5)	-	(3.1)
Curtailments	-	-	0.6
Contributions by plan participants	(1.9)	(1.8)	(3.7)
Benefits paid	14.6	13.0	27.5
Closing defined benefit obligation	(583.5)	(542.6)	(581.7)
RHM			
Opening defined benefit obligation	(2,126.9)	-	-
Acquisition of subsidiary undertaking	-	(2,231.8)	(2,231.8)
Current service cost	(4.2)	(2.7)	(7.0)
Past service cost	(1.4)	(0.8)	(2.1)
Interest cost	(61.2)	(32.8)	(89.6)
Actuarial gain	94.6	206.7	135.8
Other costs/exchange differences	(0.9)	-	(1.0)
Curtailments	(0.6)	0.2	(4.6)
Contributions by plan participants	(6.1)	(4.3)	(10.8)
Benefits paid	52.4	32.1	84.2
Closing defined benefit obligation	(2,054.3)	(2,033.4)	(2,126.9)
TOTAL			
Opening defined benefit obligation	(2,708.6)	(550.4)	(550.4)
Acquisition of subsidiary undertaking	-	(2,247.7)	(2,247.7)
Current service cost	(8.5)	(7.8)	(17.2)
Past service cost	(1.4)	(0.8)	(2.1)
Interest cost	(78.1)	(47.3)	(118.7)
Actuarial gain	103.8	238.8	138.4
Other costs/exchange differences	(3.4)	-	(4.1)
Curtailments	(0.6)	0.2	(4.0)
Contributions by plan participants	(8.0)	(6.1)	(14.5)
Benefits paid	67.0	45.1	111.7
Closing defined benefit obligation	(2,637.8)	(2,576.0)	(2,708.6)

* The 30 June 2007 comparatives have been restated for the acquisition of RHM Plc.

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

	Half year ended 28 June 2008 £m	Half year ended 30 June 2007 £m	Full year ended 31 Dec 2007 £m
Premier			
Opening fair value of plan assets	506.2	465.7	465.7
Acquisition of subsidiary undertaking	-	13.2	13.2
Expected return	19.8	18.2	36.3
Administrative and life insurance costs	(1.3)	(0.9)	(1.9)
Actuarial (loss)/gain	(41.0)	2.0	(14.8)
Contributions by employer	10.8	13.7	28.8
Contributions by plan participants	1.9	1.8	3.7
Other income/exchange differences	3.0	0.7	2.7
Benefits paid	(14.6)	(13.0)	(27.5)
Closing defined benefit assets	484.8	501.4	506.2
RHM			
Opening fair value of plan assets	2,079.2	-	-
Acquisition of subsidiary undertaking	-	1,993.3	1,993.3
Expected return	70.3	36.6	104.6
Administrative and life insurance costs	(2.6)	-	(4.2)
Actuarial (loss)/gain	(127.6)	(31.5)	11.7
Contributions by employer	25.3	14.9	46.3
Contributions by plan participants	6.1	4.3	10.8
Other income/exchange differences	1.0	-	0.9
Benefits paid	(52.4)	(32.1)	(84.2)
Closing defined benefit assets	1,999.3	1,985.5	2,079.2
TOTAL			
Opening fair value of plan assets	2,585.4	465.7	465.7
Acquisition of subsidiary undertaking	-	2,006.5	2,006.5
Expected return	90.1	54.8	140.9
Administrative and life insurance costs	(3.9)	(0.9)	(6.1)
Actuarial loss	(168.6)	(29.5)	(3.1)
Contributions by employer	36.1	28.6	75.1
Contributions by plan participants	8.0	6.1	14.5
Other income/exchange differences	4.0	0.7	3.6
Benefits paid	(67.0)	(45.1)	(111.7)
Closing defined benefit assets	2,484.1	2,486.9	2,585.4

The amounts recognised in the income statement were as follows:

	Half year ended 28 June 2008 £m	Half year ended 30 June 2007 £m	Full year ended 31 Dec 2007 £m
Premier			
Current service cost	4.3	5.1	10.2
Administrative and life insurance costs	1.3	0.9	1.9
Interest cost	16.9	14.5	29.1
Expected return on plan assets	(19.8)	(18.2)	(36.3)
Gains on curtailment	-	-	(0.6)
Total expense	2.7	2.3	4.3
RHM			
Current service cost	4.2	2.7	7.0
Past service cost	1.4	0.8	2.1
Administrative and life insurance costs	2.6	-	4.2
Interest cost	61.2	32.8	89.6
Expected return on plan assets	(70.3)	(36.6)	(104.6)
Losses/(gains) on curtailment	0.6	(0.2)	4.6
Total expense	(0.3)	(0.5)	2.9
TOTAL			
Current service cost	8.5	7.8	17.2
Past service cost	1.4	0.8	2.1
Administrative and life insurance costs	3.9	0.9	6.1
Interest cost	78.1	47.3	118.7
Expected return on plan assets	(90.1)	(54.8)	(140.9)
Losses/(gains) on curtailment	0.6	(0.2)	4.0
Total expense	2.4	1.8	7.2

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 (30 June 2007: £0.6m) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

13. Reserves

	Share premium reserve	Merger reserve	Other reserves	Profit and loss reserve	Total
	£m	£m	£m	£m	£m
At 31 December 2007	760.6	890.7	(3.1)	(196.5)	**1,451.7**
Profit for the period	-	-	-	1.3	**1.3**
Dividends payable	-	-	-	(54.9)	**(54.9)**
Actuarial losses net of taxation	-	-	-	(47.7)	**(47.7)**
Share based payments	-	-	-	2.3	**2.3**
Tax on share based payments	-	-	-	(0.5)	**(0.5)**
Movement on net investment hedge	-	-	4.0	-	**4.0**
Exchange differences on translation	-	-	-	(4.9)	**(4.9)**
At 28 June 2008	760.6	890.7	0.9	(300.9)	**1,351.3**

14. Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operating activities

	Half year ended 28 June 2008	Half year ended 30 June 2007 (Restated)*	Full year ended 31 Dec 2007
	£m	£m	£m
Continuing operations			
Operating profit	47.8	43.4	76.1
Depreciation of property, plant and equipment	26.7	20.8	48.8
Amortisation of intangible assets	40.4	26.0	66.2
Gain on disposal of property, plant and equipment	(4.6)	-	(0.4)
Impairment / loss on disposal of property, plant and equipment	7.8	4.8	16.3
Impairment / loss on disposal of intangible assets	-	-	0.6
Revaluation losses/(gains) on financial instruments	1.1	(0.9)	(4.7)
Share based payments	2.3	2.1	3.9
Net cash inflow from operating activities before interest and tax and movements in working capital	121.5	96.2	206.8
(Increase)/decrease in inventories	(45.2)	0.3	(4.8)
(Increase)/decrease in trade and other receivables	(2.1)	73.8	102.5
(Decrease)/increase in trade and other payables and provisions	(68.2)	(13.1)	137.5
Exchange gain/(loss) on working capital	1.0	-	(3.0)
Movement in net retirement benefit obligations	(34.0)	(26.8)	(63.9)
(Outflow)/cash generated from continuing operations	(27.0)	130.4	375.1
Discontinued operations	0.7	(1.6)	(14.9)
(Outflow)/cash generated from operating activities	(26.3)	128.8	360.2
Exceptional items cash flow	(60.9)	(33.7)	(105.5)
Cash generated from operations before exceptional items	34.6	162.5	465.7

* The 30 June 2007 comparatives have been restated for the acquisition of RHM Plc.

Premier Foods plc
Notes to the financial information (unaudited)

Additional analysis of cash flows

	Half year ended 28 June 2008 £m	Half year ended 30 June 2007 £m	Full year ended 31 Dec 2007 £m
Interest received	11.5	11.2	24.8
Interest paid	(64.3)	(52.8)	(122.8)
Financing costs	(15.3)	(18.1)	(18.8)
Return on financing	**(68.1)**	**(59.7)**	**(116.8)**

Reconciliation of cash and cash equivalents to net borrowings

	Half year ended 28 June 2008 £m	Half year ended 30 June 2007 £m	Full year ended 31 Dec 2007 £m
Net inflow of cash and cash equivalents	65.2	42.7	21.3
Debt acquired with RHM	-	(0.5)	(0.5)
Unamortised debt issuance acquired with RHM	-	4.8	4.8
Increase in finance leases	-	-	(2.7)
Increase in borrowings	(248.9)	(1,135.0)	(987.4)
Other non-cash changes	(3.4)	(10.0)	(12.6)
Increase in borrowings net of cash	**(187.1)**	**(1,098.0)**	**(977.1)**
Total borrowings net of cash at beginning of period	(1,618.5)	(641.4)	(641.4)
Total net borrowings at end of period	**(1,805.6)**	**(1,739.4)**	**(1,618.5)**

Analysis of movement in borrowings

	As at 1 January 2008 £m	Cash flow £m	Other non-cash changes £m	As at 28 June 2008 £m
Bank overdrafts	(0.1)	(0.9)	-	(1.0)
Cash and bank deposits	23.9	66.1	-	90.0
Net cash and cash equivalents	23.8	65.2	-	89.0
Borrowings - term facilities	(1,439.8)	(54.1)	-	(1,493.9)
Borrowings - revolving credit facilities	(200.5)	(187.9)	-	(388.4)
Finance leases	(4.3)	0.2	(0.2)	(4.3)
Other	(12.5)	(10.3)	0.2	(22.6)
Gross borrowings net of cash	(1,633.3)	(186.9)	-	(1,820.2)
Debt issuance costs	14.8	3.2	(3.4)	14.6
Total net borrowings	**(1,618.5)**	**(183.7)**	**(3.4)**	**(1,805.6)**

15. Related parties

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 that could have a material effect on the financial position or performance of the Group during the period.

16. Post balance sheet events

On 15 July 2008, the Group announced the proposed closure of a mill in Rotherham. At 28 June 2008, an impairment provision of £3.7m has been recognised against the property, plant and equipment at the site.

17. Financing arrangements

On 29 February 2008, the Group amended its Term and Revolving credit facilities by agreement with its lending banks to provide greater covenant headroom for the remainder of its financing period. In addition it converted its £100m Acquisition line to a working capital line. Moreover it renegotiated a further £125m of short term facilities with three of its leading banks to provide additional liquidity headroom for the remainder of 2008.

As a consequence the availability of facilities over the next three years is as follows:

Period	**Available Facility £m**
March – December 2008	2,085.0
January – December 2009	1,940.0
January – March 2010	1,790.0
April – December 2010	1,690.0

As part of the amendment process the covenant schedule for the Group has been reset to provide additional headroom. The covenants which the Group is required to meet are calculated and tested on a 12-month rolling basis at 30 June and 31 December each year. Those tests are as follows:

	June 2008	December 2008	June 2009	December 2009
Net Debt/EBITDA	5.25:1	4.50:1	4.25:1	4.00:1
EBITDA/Net cash Interest	2.75:1	3.00:1	3.25:1	3.50:1

For the purpose of the calculation net debt is defined to exclude the Group's pension deficit. EBITDA is defined to include the pension financing credit and exclude exceptional items. Net cash interest is defined to exclude the amortisation of debt issuance costs, exceptional write-off of financing costs, fair value adjustments on interest rate swaps and the unwind of the discount on provisions.