7 August 2006

Premier Foods plc Interim Results 2006

Healthy core trading performance enhanced by acquisition of Quorn and Cauldron

Interim results for the six months to 1 July 2006

	Unaudited six months to 1 July 2006 £m	Unaudited six months to 2 July 2005 £m	Change
Continuing operations			
Turnover	**430.5**	363.6	18.4%
Trading profit*	**47.6**	37.6	26.6%
Operating profit	**41.7**	37.0	12.7%
Profit before tax	**27.9**	12.5	123.2%
Cash inflow from operating activities	**52.3**	30.5	71.5%
Earnings per share			
Continuing operations - basic	**8.3p**	3.7p	124.3%
Continuing operations - adjusted **	**8.5p**	7.5p	13.3%
Total	**8.3p**	5.4p	53.7%

*Trading profit is defined as operating profit before exceptional items, amortisation of intangible assets and the movement in the IAS39 valuation of forward foreign exchange contracts.
**Adjusted earnings per share is defined as profit for the period before exceptional items, amortisation of intangible assets and the movement in the IAS39 valuation of forward foreign exchange contracts and interest rate swaps divided by the weighted average number of ordinary shares of the Company.

- Like-for-like grocery sales up 3.1%
- Like-for-like trading profit up 4.6%, grocery up 6.7%
- Fresh produce operation stabilised
- Quorn and Cauldron acquisitions on track
- Interim dividend of 5.0 pence per ordinary share
- Cash from operating activities includes £18.3m of insurance proceeds in relation to the final settlement of the Bury fire claim

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

"We are pleased to report another set of healthy results in line with our sales and earnings growth targets. We are delighted with the performance of *Quorn* where the additional marketing investment we have put behind the brand has resulted in double-digit sales growth.

"The outlook for the remainder of the year remains in line with our expectations, with our branded sales performance helping to offset the utility and energy-related cost pressures we are seeing in the supply chain.

"We are very excited by the proposed acquisition of Campbell's UK and its portfolio of iconic British brands and look forward to taking full control of the business and beginning its integration into Premier over the second half."

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A presentation to analysts will take place on Monday 7th August 2006 at 9:30am at ABN AMRO, 250 Bishopsgate, London, EC2M 5AA.

Operating review – continuing operations

£m	2006 H1	2005 H1	
Sales			
Grocery	**366.5**	305.3	20.0%
Fresh produce	**64.0**	58.3	9.8%
Total sales	**430.5**	363.6	18.4%
Trading profit	**47.6**	37.6	26.6%
Trading profit margin	***11.1%***	*10.3%*	
Amortisation of intangibles	**(4.2)**	(2.3)	82.6%
Foreign exchange valuation items	**(2.2)**	1.7	
Operating profit before exceptional items	**41.2**	37.0	11.4%
Exceptional items	**0.5**	-	
Operating profit	**41.7**	37.0	12.7%

Total sales from continuing operations increased by 18.4% to £430.5m and operating profit from continuing operations increased by 12.7% to £41.7m. The comparative figures for 2005 exclude our tea business and Jonker Fris, which were sold in the second half of 2005 and which have been reflected as discontinued operations within these financial statements. The increase in both sales and operating profit is primarily due to healthy trading in our core Grocery business and a full six months contribution from our *Quorn* and *Cauldron* businesses, which were acquired in June and October of 2005 respectively.

Grocery sales, which exclude Fresh Produce, increased by 20.0% and like-for-like grocery sales, which also exclude the effect of the *Quorn* and *Cauldron* acquisitions, increased by 3.1%. This growth rate, which is underpinned by the strong performance of our brands, is above our target range of 2.0 to 2.5% as a result of price increases across the majority of our product portfolio. These have helped to offset the significant increases we have seen in utility and energy-related costs.

Branded sales now represent 61% of our grocery product sales, up from 54% in the first half of 2005. The majority of this increase is due to the inclusion of the new *Quorn* and *Cauldron* businesses, although the organic development of the portfolio contributed approximately 1% towards this movement. However, this was offset by the effect of the termination of the Cadbury license and the transition to the new *Cadbury* co-manufacturing agreement at the end of May. Future sales under the new arrangement will be categorised as own label. All of our principal brands continued to show strong growth with *Quorn*, *Branston*, *Loyd Grossman* and *Ambrosia* all performing well.

Trading profit, which we have defined as operating profit before exceptional items, amortisation of intangible assets and the revaluation of foreign exchange contracts under IAS39, increased by £10.0m or 26.6% to £47.6m. The increase was due to the inclusion of a full six months contribution from the *Quorn* and *Cauldron* businesses of £8.8m (2005: £0.5m) and an increase in trading profit for the core grocery business of £2.4m, offset by the reduction in trading profit at our Fresh Produce business of £0.7m. Within this, overall marketing expenditure increased by 17% to £17.7m, with part of this movement arising from the increased level of spend behind the recently acquired *Quorn* brand.

Grocery

£m	**2006 H1**	2005 H1	
Sales	**366.5**	305.3	20.0%
Like-for-like sales*	**309.3**	300.0	3.1%
Trading profit	**47.2**	36.5	29.3%
Like-for-like trading profit*	**38.4**	36.0	6.7%

*Like-for-like represents results from continuing operations excluding results from acquired and discontinued operations

Convenience Foods, Pickles, Sauces & Meat-Free

£m	**2006 H1**	2005 H1	
Sales	**225.5**	173.4	30.0%
Like-for-like sales*	**168.3**	168.1	0.1%
Trading profit	**16.5**	12.5	32.0%
Like-for-like trading profit*	**7.7**	12.0	(35.8%)

*Like-for-like represents results from continuing operations excluding results from acquired and discontinued operations

Sales of Convenience Foods, Pickles, Sauces & Meat-Free increased by 30.0% to £225.5m due to a full six months contribution from the Meat-Free part of the product group. The like-for-like business was broadly flat with strong performances from *Loyd Grossman* and *Branston* offset by declines in our smaller brands and retailer branded business. We are particularly pleased by the performance of *Branston* beans, which has maintained a 10% market share following its launch in the last quarter of 2005.

We are delighted by the performance of Meat-Free which has seen double-digit sales growth in the first six months of 2006 compared to the same period in 2005. The additional investment in advertising and new product launches which we have put behind *Quorn* over the last twelve months has helped to further increase household penetration with the number of households regularly buying *Quorn* up to 19.3% against 17.7% for the same period in 2005.

As we indicated at the time of the announcement of the Campbell's UK acquisition, we have acquired a dedicated "chilled" manufacturing facility at Methwold in Norfolk at a cost of approximately £4m. We intend to consolidate production of our *Cauldron* branded products into this new site along with a significant proportion of the "finishing" of some of the *Quorn* product range which is currently outsourced. This should enhance margins on these products and remove capacity constraints on our *Cauldron* range. We anticipate the total cost of the facility will be in the region of £11m and it should commence production in the first half of 2007.

Trading profit for the product group was £16.5m, an increase of £4.0m on 2005. This was due to the inclusion of a full six months' contribution from the Meat-Free part of the product group, solid performances from the Pickles and Sauces categories, with the Loyd Grossman brand continuing to perform well, offset by a fall in the trading profit of the Convenience Foods part of the product group. This decline was principally due to the increased marketing spend behind *Branston* beans, building on the successful launch of this new range in the Autumn of 2005, the poor performance of a number of own label contracts and the effect of increases in utility and energy-related costs.

Spreads, Desserts & Beverages

£m	**2006 H1**	2005 H1	
Sales	**141.0**	131.9	6.9%
Trading profit	**30.7**	24.0	27.9%

Sales in our Spreads, Desserts & Beverages product group increased by 6.9% to £141.0m with strong sales performances from *Ambrosia,* the *Hartley's* spreads business and the own label side of the product group. The 2006 sales also include an additional 6 weeks contribution from the *Bird's* business, which was acquired in February 2005 but this was broadly offset by the reduction in sales of *Cadbury* branded beverages following the transition to the new co-manufacturing arrangement in May.

Trading profit for the Spreads, Desserts & Beverages product group increased by 27.9% to £30.7m. The increase was due to a combination of the strong sales growth, the realisation of synergies on the transfer of *Bird's* production into our Knighton factory and a reduction in consumer-focused promotional spend in this product group as expenditure was re-allocated to marketing priorities in other areas of the group, principally, *Quorn* and *Branston*.

Fresh Produce

£m	**2006 H1**	2005 H1	
Sales	**64.0**	58.3	9.8%
Trading profit	**0.4**	1.1	(63.6%)

Sales by our Fresh Produce business increased by 9.8% to £64.0m, due to the inclusion of sales from Gedney's, which was acquired in September 2005. This was offset by lower sales of potatoes in comparison to the prior period as a result of a number of contracts which came to an end during the first half of 2005.

The loss of these contracts was also responsible for significant overcapacity in the business as a result of which Fresh Produce reported a loss in the second half of the year. This situation has been addressed, and with the closure of the Chatteris site, the footprint of the business is more closely matched to its current trading base. The business is now stable, has won a number of new contracts and has returned to profitability in the first half of 2006, with a trading profit of £0.4m.

Outlook

The outlook for the remainder of the year remains promising with our drive brands continuing to perform well. *Quorn* has delivered a performance ahead of our expectations for the brand at the time of its acquisition aided by the additional investment we have made in the brand. *Loyd Grossman* continues to show excellent growth and we look forward to the next stage in the development of *Branston* beans with further TV advertising scheduled in the second half of the year.

We are very excited by the prospect of acquiring the Campbell's UK business with its portfolio of iconic British brands, including *Oxo*, *Batchelors* and *Homepride*. We look forward to taking full control of the business and beginning its integration into the Premier Foods group. We have some exciting ideas and plans for these brands and look forward to beginning their implementation over the second half of the year.

We expect the environment in which we operate will continue to remain tough as a result of ongoing cost pressures, particularly in utility and energy-related areas, and the abnormally hot weather we experienced in July. Despite this, we believe the strength of our brands and the resilience of our business model will enable us to offset these issues and, as a result, our expectations for the rest of the year remain unchanged.

Robert Schofield
Chief Executive

Financial review

The Group is presenting its interim results for the six months to 1 July 2006 with comparative information for the six months to 2 July 2005. The comparative interim and full year financial information has been restated to reflect the disposal of the tea and Jonker Fris businesses on 30 October 2005 and 7 December 2005 respectively. The interim results of Premier Foods plc are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

Income Statement – continuing operations

Sales

Turnover for the first half of 2006 from continuing operations increased by 18.4% to £430.5m. The majority of this increase is the result of the inclusion of a full six months result from businesses acquired during 2005. Grocery like-for-like sales, stated before the impact of acquisitions, increased by 3.1% to £309.3m.

While this was slightly ahead of the group's medium term target range of 2.0% to 2.5%, this performance did incorporate a level of price increase geared to recover the unusual level of cost pressure experienced due to the effect of high utility prices and energy related costs.

Operating profit

Operating profit before exceptional items for the continuing business was £41.2m for the first half of 2006, an increase of £4.2m, or 11.4%, compared to the same period in 2005. Operating profit after exceptional items increased by 12.7% to £41.7m.

Gross profit increased by 20.8% to £103.2m largely as a result of the sales growth referred to above and an improvement in the group's gross profit margin of 0.5% to 24.0% (2005: 23.5%). While gross profit margins fell in Fresh Produce due to the loss of contracts in the first half of 2005, Grocery margins improved as a consequence of the inclusion of the acquired *Quorn* and *Cauldron* businesses.

Selling and distribution expenses and administrative costs both saw increases arising primarily from the inclusion of the newly acquired businesses. Selling and distribution expenses were £37.0m for the first half of 2006, an increase of 17.8%, on 2005. This included a substantial uplift in the spend behind *Quorn,* which has driven an improvement in the household penetration of the brand and the continuation of the investment in *Branston* beans. As a proportion of sales, selling and distribution expenses remained flat at 8.6%.

Similarly, administrative expenses increased by 25.9% to £23.8m. In addition to the costs of the acquired businesses, this increase also includes the additional amortisation arising on the intangible assets acquired. Excluding this amortisation of intangible assets, administrative expenses have also remained at a similar proportion of sales year on year.

Other operating expenditure of £0.7m includes the movement in the fair value of open forward foreign exchange contracts. Changes in the fair values of unsettled forward foreign exchange contracts that are not designated as hedges are recorded as other operating income or expenditure rather than as cost of sales. The amount charged for the period was £2.2m (2005: £1.7m credit). This has been offset by the final element of business interruption income recovered under the Bury St Edmunds fire insurance claim of £0.9m (2005: £0.5m) and the gain on settled foreign exchange transactions of £0.6m (charge £0.3m).

Exceptional Items

While IFRS does not explicitly address exceptional items, the Group presents separately certain items of financial significance in order to provide a better 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.

Exceptional items for the period reflect the aggregate effect of a number of such items, resulting in a net income of £0.5m (2005: £nil). In this period, the principal components of this exceptional credit include the profit on the disposal of surplus property at North Walsham of £3.1m, which has been offset by redundancy and restructuring costs of £1.7m relating to the acquisition of Marlow Foods and Cauldron and the closure of the MBM site at Chatteris and incremental *Bird's* costs of £0.9m.

Finance costs

Finance costs for the period of £13.8m compare to an equivalent charge of £24.5m for 2005, a reduction of £10.7m. Within this net cash interest increased by £3.9m, from £14.8m to £18.7m, principally due to the additional funding cost of additional debt raised to finance the acquisition of Marlow Foods, Cauldron and Gedney's, offset by the disposal proceeds from the sale of the tea business and Jonker Fris during the latter half of 2005.

The balance of the movement on finance costs reflects a reduction in the amortisation of debt issuance costs against the first half of 2005, which included an accelerated amortisation charge of £6.3m on the refinancing of the group's credit facilities at the time of the acquisition of Marlow Foods and a £7.9m favourable movement on the valuation of unsettled interest rate swaps under IAS39. 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 profit and loss account.

Taxation

The tax charge and effective rate of tax for continuing operations were £7.3m and 26.2% respectively. This was slightly lower than our anticipated rate due to the utilisation of unrecognised brought forward capital losses against profits on the disposal of the North Walsham site. The charge for the second half should remain in line with our anticipated rate.

Dividend

In line with our stated dividend policy, on 7 August we declared an interim dividend of 5.00p per share, an increase of 5.3% on the interim dividend for 2005, resulting in a total interim dividend of £12.4m payable on 5 January 2007 to shareholders on the register of members at 18 August 2006. The shares will be marked ex-dividend on 16 August 2006. 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

The net cash inflow for the current period of £15.6m is made up of the net cash inflow from operating activities of £52.3m offset by net capital expenditure of £13.9m and a repayment of borrowings £22.8m.

The improvement in cashflow from operating activities of £21.8m to £52.3m is principally due to a favourable movement on working capital of £20.8m. The major element of this movement is the £18.3m final payment in settlement of the Bury fire insurance claim.

Acquisition of Campbell's UK

Following the announcement of our proposed acquisition of the UK and Ireland businesses of the Campbell Soup Company ("Campbell's UK") subject to the approval of shareholders at our Extraordinary General Meeting on 14 August 2006, the financing structure of the Group will change to reflect the rights issue and changes to our existing borrowing arrangements. We anticipate ownership will take effect on 15 August 2006.

As a result of the proposed acquisition of Campbell's UK, the Group has arranged an Amended and Restated Facilities agreement, comprising a £325m A Term Facility, a £200m B Term Facility and a £560m multi-currency revolving facility. This new facility will become unconditional on the completion of the acquisition of Campbell's UK.

Paul Thomas
Finance Director

Consolidated income statement (unaudited)

	Note	Half year ended 1 July 2006	Half year ended 2 July 2005	Year ended 31 December 2005
		£m	£m	£m
Continuing operations				
Turnover	4	430.5	363.6	789.7
Cost of sales		(327.3)	(278.2)	(583.3)
Gross profit		103.2	85.4	206.4
Selling and distribution costs		(37.0)	(31.4)	(73.7)
Administrative costs		(23.8)	(18.9)	(39.8)
Other operating (expenditure)/income	5	(0.7)	1.9	2.4
Operating profit		41.7	37.0	95.3
Before exceptional items		41.2	37.0	102.1
Exceptional items	6	0.5	-	(6.8)
Interest payable and other financial charges	7	(23.2)	(28.7)	(51.5)
Interest receivable and similar income	7	9.4	4.2	8.0
Profit before taxation for continuing operations		27.9	12.5	51.8
Taxation	8	(7.3)	(3.4)	(14.9)
Profit after taxation for continuing operations		20.6	9.1	36.9
Discontinued operations		-	4.0	46.7
Profit for the period		**20.6**	**13.1**	**83.6**
Earnings per share (pence)				
Basic	9	8.3	5.4	34.0
Diluted		8.3	5.3	33.7
Basic – continuing	9	8.3	3.7	15.0
Diluted		8.3	3.6	14.9
Basic – discontinued	9	-	1.7	19.0
Diluted		-	1.7	18.8
Dividends				
Dividend (£m)	10	12.4	11.6	35.3
Declared dividend per share (pence)		5.00	4.75	14.25

Consolidated balance sheet (unaudited)

	Note	As at 1 July 2006 £m	As at 2 July 2005 £m	As at 31 December 2005 £m
ASSETS:				
Non-current assets				
Property, plant and equipment		198.3	186.7	197.3
Goodwill	11	259.2	218.9	267.7
Intangible assets	11	166.1	161.9	151.5
Investments		0.1	-	0.1
Retirement benefit assets and other receivables		0.3	0.8	0.4
Deferred tax assets		-	1.5	-
Current assets				
Inventories		83.1	99.8	89.8
Trade and other receivables		102.5	129.6	136.3
Financial assets - derivatives		5.8	0.7	1.3
Cash and cash equivalents		28.8	93.3	14.0
Total assets		**844.2**	**893.2**	**858.4**
LIABILITIES:				
Current liabilities				
Trade and other payables		(147.5)	(149.2)	(166.8)
Dividends payable		(23.5)	-	-
Financial liabilities				
– short term borrowings		(24.3)	(119.4)	(35.9)
– loan notes		(3.3)	-	-
– derivatives		(2.5)	(2.4)	(1.5)
Interest payable		(2.1)	(2.9)	(2.0)
Provisions		(1.6)	(3.3)	(0.3)
Current tax liabilities		(19.6)	(15.2)	(19.4)
Non-current liabilities				
Financial liabilities				
- long-term borrowings		(536.1)	(594.6)	(546.1)
- loan notes		-	(5.1)	(4.1)
Retirement benefit obligations		(46.4)	(58.7)	(84.5)
Provisions		(0.4)	-	(0.4)
Other liabilities		(0.1)	-	(0.1)
Deferred tax liabilities		(31.7)	-	(15.3)
Total liabilities		**(839.1)**	**(950.8)**	**(876.4)**
Net assets/ (liabilities)		**5.1**	**(57.6)**	**(18.0)**
EQUITY				
Capital and reserves				
Share capital		2.5	2.4	2.5
Share premium		321.5	320.9	321.5
Merger reserve		(136.8)	(136.8)	(136.8)
Other reserves		-	(1.8)	(0.2)
Profit and loss reserve		(182.1)	(242.3)	(205.0)
Total shareholders' funds/(deficit)		**5.1**	**(57.6)**	**(18.0)**

Consolidated cash flow statement (unaudited)

	Note	Half year ended 1 July 2006 £m	Half year ended 2 July 2005 £m	Year ended 31 December 2005 £m
Net cash generated by operations	12	75.9	46.0	117.7
Interest paid		(22.5)	(18.5)	(42.6)
Interest received		3.9	4.0	6.3
Taxation paid		(5.0)	(1.0)	(7.5)
Cash inflow from operating activities		**52.3**	**30.5**	**73.9**
Acquisition of Birds		-	(71.5)	(72.1)
Acquisition of Marlow		-	(116.5)	(118.6)
Acquisition of Gedney's		-	-	(4.6)
Acquisition of Cauldron		-	-	(27.1)
Sale of subsidiaries/businesses		-	-	81.6
Purchase of property, plant and equipment		(12.8)	(16.6)	(49.8)
Receipts from insurers for capital items		-	5.7	12.0
Purchase of intangible assets		(5.3)	-	(1.1)
Sale of property, plant and equipment		4.2	-	2.7
Cash outflow from investing activities		**(13.9)**	**(198.9)**	**(177.0)**
Repayment of borrowings	12	(22.8)	(380.0)	(380.0)
Proceeds from new borrowings		-	685.8	585.9
Share issue refund		-	-	0.6
Debt issuance costs		-	(5.4)	(5.6)
Repayment of debt acquired with Marlow		-	(52.8)	(53.4)
Dividends paid		-	(22.0)	(33.8)
Cash (outflow)/inflow from financing activities		**(22.8)**	**225.6**	**113.7**
Net inflow of cash and cash equivalents		**15.6**	**57.2**	**10.6**
Cash and cash equivalents at beginning of period		13.2	2.6	2.6
Cash and cash equivalents at end of period	**12**	**28.8**	**59.8**	**13.2**

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

Consolidated statement of recognised income and expense (unaudited)

	Note	Half year ended 1 July 2006	Half year ended 2 July 2005	Year ended 31 December 2005
		£m	**£m**	**£m**
Profit for the period		**20.6**	**13.1**	**83.6**
Foreign currency retranslation		-	(0.9)	-
Actuarial gains and losses		35.9	4.8	(26.0)
Deferred tax on actuarial gains and losses		(11.0)	(1.5)	7.8
Deferred tax on share options		-	1.2	0.7
Net gain/(loss) not recognised in income statement		24.9	3.6	(17.5)
Total recognised income in the period		**45.5**	**16.7**	**66.1**
Effect of adopting IAS 39 at 1 January 2005		-	(1.8)	(1.8)
		45.5	**14.9**	**64.3**

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 2005.

2. Accounting Policy

Basis of preparation

This financial information comprises the consolidated balance sheets as at 1 July 2006, 2 July 2005 and 31 December 2005 and related consolidated income statement, consolidated condensed statement of cash flows and statements of recognised income and expenditure for the periods 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 2005 annual report. The results of operations for the half year periods are not necessarily indicative of the results to be expected for the full year. The accompanying consolidated financial information should be read in conjunction with the consolidated financial statements and notes thereto, included in the Group's 2005 annual report.

The Group has chosen not to adopt IAS 34, 'Interim financial statements', in preparing its 2006 interim statements and, therefore, this interim financial information is not in full compliance with IFRS.

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 2005, 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 the statements under section 237(2) or (3) of the Companies Act 1985.

Basis of consolidation

The consolidated financial statements include the financial statements of Premier Foods plc and entities controlled by the Company (its subsidiaries) made up to 1 July 2006. 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 year 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 application of judgment is fundamental to the compilation of a set of financial statements, some of which relates to transactions or balances that are of greater significance than others. The primary area in which this affects the Group is noted below:

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 1 July 2006, the aggregate net deficit on the Group's pension schemes was £46.4m (2 July 2005: £58.7m). While broadly in line year on year, this represents a significant reduction against the net deficit as at 31 December 2005 and is mainly a reflection of the difference in the market rates for bond yields at the relevant dates.

4. Segmental analysis

The results below for all periods are divided into continuing and discontinued operations, with the two continuing segments being Grocery and Fresh Produce. Following the disposal of our tea business, within Grocery we now refer to two product groupings, namely Convenience Foods, Pickles, Sauces and Meat-Free (which now incorporates *Quorn* and *Cauldron*) and Spreads, Desserts and Beverages. Comparative period results for the tea business and Jonker Fris are presented as discontinued operations.

Each of these segments primarily supplies the United Kingdom market, although we also supply certain products to mainland Europe and the United States. Inter-segment transfers or transactions are entered into under the same terms and conditions that would be available to unrelated third parties. These segments are the basis on which the Group reports its primary segment information. The segment results for the half year ended 1 July 2006, 2 July 2005 and for the year ended 31 December 2005 are as follows:

				Half year ended 1 July 2006
	Grocery	**Fresh Produce**	**Unallocated**	**Total for Group**
Turnover	**£m**	**£m**	**£m**	**£m**
Total turnover from continuing operations	366.5	64.0	-	430.5
Result				
Operating profit before exceptional items	41.1	0.1	-	41.2
Exceptional items	1.3	(0.8)	-	0.5
Interest payable and other financial charges	-	-	(23.2)	(23.2)
Interest receivable	-	-	9.4	9.4
Profit/(loss) before taxation for continuing operations	42.4	(0.7)	(13.8)	27.9
Taxation			(7.3)	(7.3)
Profit/(loss) after taxation for continuing operations	**42.4**	**(0.7)**	**(21.1)**	**20.6**
Discontinued operations	-	-	-	-
Profit/(loss) for the period	**42.4**	**(0.7)**	**(21.1)**	**20.6**

Turnover	Grocery £m	Fresh Produce £m	Unallocated £m	Total for Group £m
				Half year ended 2 July 2005
Total turnover from continuing operations	305.3	58.3	-	363.6
Result				
Operating profit before exceptional items	35.9	1.1	-	37.0
Exceptional items	1.3	(1.3)	-	-
Interest payable and other financial charges	-	-	(28.7)	(28.7)
Interest receivable	-	-	4.2	4.2
Profit/(loss) before taxation for continuing operations	37.2	(0.2)	(24.5)	12.5
Taxation	-	-	(3.4)	(3.4)
Profit / (loss) after taxation for continuing operations	**37.2**	**(0.2)**	**(27.9)**	**9.1**
Discontinued operations	4.0	-	-	4.0
Profit / (loss) for the period	**41.2**	**(0.2)**	**(27.9)**	**13.1**

Turnover	Grocery £m	Fresh Produce £m	Unallocated £m	Total for Group £m
				Year ended 31 December 2005
Total turnover from continuing operations	683.4	106.3	-	789.7
Result				
Operating profit before exceptional items	101.6	0.5	-	102.1
Exceptional items	(3.1)	(3.7)	-	(6.8)
Interest payable and other financial charges	-	-	(51.5)	(51.5)
Interest receivable	-	-	8.0	8.0
Profit/(loss) before taxation for continuing operations	98.5	(3.2)	(43.5)	51.8
Taxation	-	-	(14.9)	(14.9)
Profit / (loss) after taxation for continuing operations	**98.5**	**(3.2)**	**(58.4)**	**36.9**
Discontinued operations	46.7	-	-	46.7
Profit / (loss) for the year	**145.2**	**(3.2)**	**(58.4)**	**83.6**

Segmental analysis - secondary

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 1 July 2006 £m	**Half year ended 2 July 2005 £m**	**Year ended 31 December 2005 £m**
United Kingdom	406.7	350.1	757.4
Mainland Europe	17.6	9.4	25.4
Other countries	6.2	4.1	6.9
Total	**430.5**	**363.6**	**789.7**

5. Other operating expenditure / (income)

	Half year ended		**Year ended**
	1 July 2006 £m	**2 July 2005 £m**	**31 December 2005 £m**
Mark–to–market valuation of foreign exchange contracts	2.2	(1.7)	(1.1)
(Gain)/loss on settled foreign exchange contracts	(0.6)	0.3	0.2
Business interruption income relating to Bury Fire	(0.9)	(0.5)	(1.5)
Net expenditure / (income)	**0.7**	**(1.9)**	**(2.4)**

6. Exceptional items

The Group defines exceptional items as those items of financial significance that are disclosed separately in order to assist in understanding the financial performance achieved and in making projections of future results. In the current period, exceptional items comprised, income on property disposals (£3.1m) offset by restructuring costs (£1.7m) and additional transitional manufacturing costs in relation to the *Bird's* business (£0.9m).

7. Interest payable

	Half year ended		Year ended
	1 July 2006 £m	2 July 2005 £m	31 December 2005 £m
Interest payable on bank loans, senior notes and overdrafts	4.6	3.8	8.6
Interest payable on term facility	9.3	11.4	20.4
Interest payable on revolver facility	8.7	3.8	13.4
Amortisation of debt issuance costs	0.6	1.0	1.7
Fair valuation of interest rate swaps	-	2.4	1.1
	23.2	22.4	45.2
Accelerated amortisation of debt issuance costs	-	6.3	6.3
Total interest payable and other financial charges	23.2	28.7	51.5
Fair valuation of interest rate swaps	(5.5)	-	-
Interest receivable – bank deposits	(3.9)	(4.2)	(8.0)
Total interest receivable and other financial income	(9.4)	(4.2)	(8.0)
Net interest payable	**13.8**	**24.5**	**43.5**

8. Tax on profit on ordinary activities

The tax charge for the first half of 2006 of £7.3m (2 July 2005: £3.4m) represents an effective tax rate for the year of 26% applied to profit before tax. The effective tax rate is determined after taking into account items disallowable for tax purposes and an adjustment for prior year tax. The rate has been reduced by the effect of certain exceptional profits not being taxed due to the availability of capital losses.

We anticipate the tax charge recognised for the first half will be broadly consistent with the rate of tax applicable for the whole of 2006, ignoring the impact of any acquisitions to be made.

9. Earnings per share

Basic earnings per share have been calculated by dividing earnings from continuing operations attributable to ordinary shareholders of £20.6m (2005: £9.1m) by the weighted average number of ordinary shares of the Company in issue during that period.

	Half year ended 1 July 2006			Half year ended 2 July 2005			Year ended 31 December 2005		
	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)	20.6	-	20.6	9.1	-	9.1	36.9	-	36.9
Weighted average number of shares (million)	247.8	0.2	248.0	244.5	3.5	248.0	245.5	2.4	247.9
Earnings per share (pence)	8.3	-	8.3	3.7	(0.1)	3.7	15.0	(0.1)	14.9
Discontinued operations									
Profit after tax (£m)	-	-	-	4.0	-	4.0	46.7	-	46.7
Weighted average number of shares (million)	-	-	-	244.5	3.5	248.0	245.5	2.4	247.9
Earnings per share (pence)	-	-	-	1.7	-	1.6	19.0	(0.2)	18.8
Total									
Profit after tax (£m)	20.6	-	20.6	13.1	-	13.1	83.6	-	83.6
Weighted average number of shares (million)	247.8	0.2	248.0	244.5	3.5	248.0	245.5	2.4	247.9
Earnings per share (pence)	8.3	-	8.3	5.4	(0.1)	5.3	34.0	(0.3)	33.7

10. Dividends

The Board proposes an interim dividend of 5.00 pence per ordinary share payable on 5 January 2007 to shareholders on the Register of Members as at 18 August 2006. 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 2005 of £23.5m was approved in the period and was paid on 7 July 2006.

11. Acquisition of *Bird's*, Marlow Foods Holdings Limited and Cauldron Foods Limited

On 14 February 2005 the Group completed the acquisition of the *Bird's Custard*, *Angel Delight* and associated brands from Kraft Foods Inc. (collectively "Bird's") for a total consideration of £72.1m. On 6 June 2005, the Group completed the acquisition of Marlow Foods Holdings Limited for a total consideration of £176.1m. On 31 October 2005, the Group completed the acquisition of Cauldron Foods Limited for a total consideration of £27.1m.

Subsequent to the year ended 31 December 2005, the Group has completed the exercise of attributing fair values to the assets and liabilities acquired with *Bird's* and Marlow Foods Holdings Limited. As a result, fair value adjustments have been made in relation to Property, Plant and Equipment of Marlow Foods Holdings Limited resulting in an increase in Goodwill of £0.8m. Furthermore, a fair valuation of intangible assets has been performed in respect of Cauldron Foods Limited, resulting in £13.5m of intangible assets being identified.

In accordance with International Financial Reporting Standard 3 Business Combinations ("IFRS 3"), the fair values of assets and liabilities acquired with each business are as follows:

	Cauldron Foods Limited		Bird's		Marlow Foods Holdings Limited	
	Fair value* £m	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m
Property, plant and equipment	5.3	5.3	-	2.0	38.1	38.9
Intangible assets	13.7	0.2	30.2	-	80.0	-
Inventories	0.3	0.3	3.5	3.5	9.9	9.9
Trade and other receivables	2.4	2.4	-	-	14.5	14.5
Cash and cash equivalents	0.2	0.2	-	-	8.3	8.3
Trade and other payables	(2.2)	(2.2)	-	-	(11.1)	(11.1)
Financial liabilities – long term borrowings	-	-	-	-	(53.4)	(49.6)
Current tax liabilities	-	-	-	-	(1.2)	(2.4)
Deferred tax liabilities	(4.2)	(0.2)	-	-	(31.6)	(7.8)
Net assets acquired	**15.5**	**6.0**	**33.7**	**5.5**	**53.5**	**0.7**

*Cauldron Foods Limited are provisional fair values only.

PREMIER FOODS

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

	Half year ended 1 July 2006 £m	2 July 2005 £m	Year ended 31 December 2005 £m
Continuing operations			
Operating Profit	41.7	37.0	95.3
Depreciation of property, plant and equipment	9.5	6.5	15.9
Amortisation of intangible assets	4.2	2.3	6.3
Gain on disposal/impairment of property, plant and equipment	(2.7)	(3.7)	(4.7)
Revaluation losses/(gains) on financial instruments	2.2	(1.4)	(1.1)
Share based payments	0.3	0.4	1.1
Net cash inflow from operating activities before interest, tax (paid)/received and movements in working capital	55.2	41.1	112.8
Decrease/(increase) in inventories	6.7	6.3	(0.7)
Decrease/(increase) in receivables	34.1	(4.9)	(12.4)
(Decrease)/increase in other payables and provisions	(17.7)	0.9	16.9
Movement in net retirement benefit obligations	(2.4)	(2.3)	(5.4)
Cash generated from continuing operations	75.9	41.1	111.2
Discontinued operations	-	4.9	6.5
Cash generated from operations	75.9	46.0	117.7
Exceptional items cash flow	1.6	-	(8.9)
Cash generated from operations before exceptional items	74.3	46.0	126.6

Additional analysis of cash flows

	1 July 2006 £m	2 July 2005 £m	31 December 2005 £m
Interest received	3.9	4.0	6.3
Interest paid	(22.5)	(18.5)	(42.6)
Issue costs of new bank loan	-	-	(5.6)
Return on investments and servicing of finance	**(18.6)**	**(14.5)**	**(41.9)**
Sale of subsidiaries/businesses	-	-	81.6
Sale of subsidiaries/businesses	**-**	**-**	**81.6**

Reconciliation of cash and cash equivalents to net borrowings

	1 July 2006 £m	2 July 2005 £m	31 December 2005 £m
Net inflow of cash and cash equivalents	15.6	57.2	10.6
Debt acquired with Marlow	-	(53.4)	(53.4)
Decrease/(increase) in borrowings	22.8	(247.0)	(146.0)
Other non-cash changes	(1.2)	(12.3)	(13.0)
Decrease / (increase) in borrowings net of cash	**37.2**	**(255.5)**	**(201.8)**
Total borrowings net of cash at beginning of year	(572.1)	(370.3)	(370.3)
Total borrowings net of cash at end of year	**(534.9)**	**(625.8)**	**(572.1)**

Analysis of movement in borrowings

	As at 1 January 2006 £m	Cashflow £m	Other non cash changes £m	As at 1 July 2006 £m
Short term borrowings	(0.8)	0.8	-	-
Cash and bank deposits	14.0	14.8	-	28.8
Cash and cash equivalents net of borrowings	13.2	15.6	-	28.8
Borrowings - term	(325.0)	-	-	(325.0)
Borrowings - revolver	(260.0)	22.0	-	(238.0)
Loan notes	(4.1)	0.8	-	(3.3)
Finance leases	(0.9)	-	(0.6)	(1.5)
Other	(0.1)	-	-	(0.1)
Borrowings	(576.9)	38.4	(0.6)	(539.1)
Debt issuance costs	4.8	-	(0.6)	4.2
Total net debt	**(572.1)**	**38.4**	**(1.2)**	**(534.9)**

13. Post balance sheet events

Acquisition of the UK and Ireland businesses of Campbell Soup Company ("Campbell's UK")

On 12 July 2006, Premier Foods announced it had reached agreement to acquire the UK and Irish businesses of Campbell Soup Company ("Campbell's UK") for a consideration of £460m. Campbell's UK is a major supplier of ambient grocery products, manufacturing, marketing and distributing soups, sauces, canned and dehydrated foods.

The proposed acquisition is subject to the approval of shareholders at an Extraordinary General Meeting to be held on 14 August 2006. On approval Premier Foods plc will enter a rights period prior to the issue of 247,847,545 new shares of the Company on 8 September 2006 at a price of £1.85 per new ordinary share.

On 15 August 2006, Premier Foods will draw down £460m from a bridging loan in order to finance the acquisition of Campbell's UK. The bridging loan will be in place until the proceeds from the rights issue are received which will be used to repay the bridging loan.

As a result of the proposed acquisition of Campbell's UK, the Group has arranged an Amended and Restated Facilities agreement, comprising a £325m A Term Facility, a £200m B Term Facility and a £560m multi-currency revolving facility. This new facility will become unconditional on the completion of the acquisition of Campbell's UK.