PREMIER FOODS PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

16 February 2010

Introduction

Premier Foods today announces its unaudited preliminary results for the year ended 31 December 2009. The Group is pleased to announce good progress in 2009 with branded sales up 6.5% and Trading profit up 4.5%. The Group has set out more details of the next stage of its journey to deliver growth and cash and is confident of making further progress in 2010 in implementing the strategy of growing branded sales, of delivering efficiencies in procurement and in manufacturing and of generating cash.

Highlights

- **Branded sales up 6.5% to £1,678m and market share gains across all our markets[1]**
- **Total sales up 2.2% to £2,661m**
- **Trading profit[2] up 4.5% at £323m**
- **Profit before tax £47m versus a loss before tax of £405m in 2008**
- **Underlying cash generation of £60m**
- **Net debt at 31 December 2009 £1,365m**

Commenting on the results, Chief Executive Officer, Robert Schofield said:

"Premier Foods achieved a tremendous amount in 2009. We strengthened our balance sheet, cut debt, increased Trading profits and returned to positive earnings. Most importantly we improved the performance of all our key brands in a highly competitive market place.

"Today we're outlining our plans and ambitions for the next chapter in the successful growth of the business. We are laying out a series of key targets and performance indicators for the next three years and providing an even greater degree of transparency as befits a business of our scale.

"We are confident that our business model is capable of continuing to capture share in our key market segments and delivering sustained earnings growth and cash generation over the medium term. We look forward to the next stage of the Group's development with determination and enthusiasm."

A presentation to analysts and investors will take place on Tuesday, 16 February 2010 at 9.00am at RBS, 250 Bishopsgate, London, EC2M 4AA. The presentation will also be webcast at www.premierfoods.co.uk.

1. Source: IRI Infoscan, Total Grocery Outlets, 52 weeks ending 26 December 2009
2. Trading profit is defined as operating profit before exceptional items, amortisation of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension credits or charges in relation to the difference between expected return on pension assets, administration costs and interest costs on pension liabilities.

Notes for editors

Premier Foods is the UK's largest food producer, which manufactures, sells and distributes a wide range of branded and retailer branded foods. We supply a broad range of customers including the major multiple retailers, wholesalers, foodservice providers and other food manufacturers. Premier owns iconic British brands such as Hovis, Mr Kipling, Batchelor's, Quorn, Bisto, Ambrosia, Sharwood's, Branston, Oxo, Hartley's and many more. The business employs around 16,000 people and operates from over 60 sites across the UK and Ireland.

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

STRATEGY

Introduction

Our vision is to be ‘the best in British food with brands that you really love’.

The Group’s strategy remains unchanged. The Group has acquired a wide portfolio of well known brands many of which have leading positions in their markets, widespread distribution with a large number of customers and a scale advantaged supply chain throughout the UK. This forms the platform for growing the brands and generating future earnings growth.

Now that the integration of the RHM and Campbell’s businesses is behind us, we are focused on demonstrating our business model and on delivering organic growth over the next three years. Our business model to deliver this growth is:

- to grow our branded sales faster than their respective markets by investing in and strengthening our brands and their relevance to today’s consumers;
- to gain competitive advantage by utilising our consumer insight and scale to deliver value to customers and to work more effectively with suppliers;
- to deliver efficiency benefits such that supply chain costs and overheads are held flat or decline while volumes grow; and as a result
- to focus on cash generation and debt reduction.

Successfully delivering this model will drive sales growth, will improve gross margin, will increase operating profit and will enable us to reduce debt over the next few years.

Branded Sales

To drive branded sales growth, we will concentrate our investment into the areas with the greatest growth potential. We judge this potential by a combination of size and growth prospects of the category and the competitive strength of our brands. We have identified five Drive categories which are large and in which we believe we can grow ahead of the market. We have identified four Core categories which have more moderate growth potential but in which we have strong market shares. We aim to grow in line with these markets. The remaining Defend categories have lower growth prospects and our aim is to maintain our market position.

Our brand investment will be prioritised in relation to the competitive strength and growth prospects of the brands. The brands which we aim to invest behind in Drive categories are referred to as Drive brands. Other brands which will receive a more moderate level of investment are referred to as Core brands. Brands which will receive minimal investment are referred to as Defend brands.

Some brands in the Drive categories will play a supporting role, will receive less investment than the Drive brands and will be treated as Core brands. In addition, we have a number of smaller brands which, although they compete in the higher growth categories, are included within the Defend classification as, due to their size, they are less likely to receive significant investment.

We believe that we can grow volumes of Drive brands in total by at least 1 to 2 percentage points ahead of the overall category growth rates. We aim to grow Core and Defend brands in line with their markets.

The categories and brands are as follows:

Category	3 Year Category Growth Rate %		Premier Brands
	Value %	**Volume %**	
Drive			
Bread	9	0	Hovis
Cake	1	(2)	Mr Kipling
Desserts	6	1	Ambrosia
			Hartley's
Cooking Sauces	7	3	Sharwood's
			Loyd Grossman
Meat-free	2	0	Quorn
Total Drive	**6**	**1**	**Premier market share = 28.2%**
Core			
Convenience Meals	6	2	Batchelor's
Pickles, Chutneys & Relish	6	0	Branston
Gravy	3	0	Bisto
Stock	14	12	Oxo
	1	(2)	Cadbury Cakes (Core brand in Drive category)
Total Core	**6**	**2**	**Premier market share = 47.9%**
Total Defend	**8**	**0**	**Premier market share = 12.8%**

If the categories continued to perform in line with the last three years, we would in total expect to be able to grow our Drive brands by between 2% and 4% p.a. in volume, our Core brands in line with the market, i.e. at 2% p.a., and keep our Defend volumes flat.

We will use this categorisation of brands dynamically as market opportunities develop and hence brands may play different roles at different times. Using this brand architecture, we believe that in total we can grow our branded sales faster than the market.

Competitive advantage through scale

Premier Foods is the UK's largest supplier of ambient grocery goods. Our business model is to utilise this scale for competitive advantage. We believe we can use our scale to reduce costs and working capital by procuring more effectively. Our focus on the UK and our presence in a broad range of categories gives us a deep insight into consumer trends in British food. This insight enables us to work closely with customers as their chosen category development partners across our priority markets. We are currently lead category partner across Drive and Core categories in several major customers working with them on recommendations regarding range, space, merchandising and promotional strategies.

The Group also has scale in retailer branded and business to business products. These businesses are an important element of the strategy as they utilise capacity, contribute expertise in product innovation, help to build relationships with customers, enhance buying scale and contribute towards overheads. Over the last 3 years, the retailer brand categories in which we compete have declined by 1% in volume. The objective is to generate sales in line with total retailer brand performance in the relevant categories over the medium term. Nevertheless sales in any one period are likely to be more volatile given periodic contract gains and losses as we seek to manage the best balance between profit and retailer brand sales volumes.

Improve efficiency

We have integrated the RHM and Campbell's supply chains into our Grocery business and have delivered synergies as a result. The next stage of the strategy is to extract organic efficiency savings from the restructured footprint. We believe there are substantial opportunities to achieve benefits not only from raw material procurement but also from supply chain operations. Manufacturing controllable costs in Grocery were £273m in 2009. This includes direct labour, overheads, wastage and logistics. Our aim is to deliver efficiency savings of around 4% p.a. from these controllable costs. We believe that this will exceed not only overhead inflation in a normal year but also the variable costs of incremental volume. We will also continue to improve our customer service, technical and health and safety standards which will add further to competitive advantage.

Our support functions are already relatively low cost with the integration programme having focused on removing duplication. The acquired business processes and systems have however largely been retained. The implementation and roll out of SAP is beginning to enable more efficient and effective business processes, and will give us greater scope to improve the agility of the business and reduce administrative costs over the next three years.

These are the two areas in which there is the greatest potential for efficiencies but we will strive for efficiencies throughout all our businesses.

Cash generation

In recent years, the operating business cash flows have been absorbed by acquisitions and by costs of integration and restructuring. The major projects are largely complete. Our priority now is to execute the business model outlined above enabling us to deliver not only sustained earnings growth but also increased cash generation. This will enable us to reduce our financial obligations.

DIVISIONAL STRATEGY

Grocery

Within the Grocery division, we have a large portfolio of brands with a strong presence in a range of ambient food categories.

In our Drive categories, we believe the biggest immediate opportunities lie in cooking sauces & accompaniments, desserts and cake.

With cooking habits increasingly moving towards the convenience of cooking with pre-prepared sauces combined with fresh ingredients, we believe there is ample room for further growth of the market. Loyd Grossman provides a high quality product in Italian, Indian and Thai cuisine. Sharwood's is the voice of authoritative discovery in Asian meals, cooking sauces and accompaniments.

Although the cake category has been in decline over the last three years, we believe that within both cake and dessert categories there are rapidly growing sub-categories comprising individual ready-to-eat formats such as sweet snacks or treats for one or as components of a lunchbox. Ambrosia, Hartley's and Mr Kipling are ideally placed to accelerate the growth in these sectors.

In Core categories we include dry convenience and express meals, in which we lead with the Batchelor's brand, pickles, chutneys and relishes where Branston is the market leader, and gravy and stock in which we compete with Bisto and Oxo respectively.

The remainder of the Grocery business is non-branded including retailer brand and business to business sales. These businesses utilise capacity, help to build relationships with customers, enhance buying scale and contribute towards overheads.

Hovis

Our vision is to make Hovis the biggest and most loved brand in bakery. The strategy is focused around Hovis, as a Drive brand, being the best quality bread available and developing advertising which connects emotionally with the UK consumer. This strategy has succeeded in increasing market share to 26.6% of the branded bread market in 2009. The strategy from here is to continue to innovate in the bakery category. Working in conjunction with farmers we have now sourced high quality red wheat from the UK to enable us to replace wheat which would have otherwise had to be imported. As a result, in 2010, our branded range will be made from 100% British wheat. These and other product launches should continue to improve the brand image and drive growth. Growth is also available from expanding in segments of the market in which Hovis is underrepresented such as white bread.

Retailer brand bread and bakery goods utilise capacity, enhance relationships with customers, add buying scale and contribute towards overheads.

Our Milling business contributes to innovation in Hovis bakery and provides expertise in the supply of specialist flour. A profitable business, its sales revenue is, by nature, volatile as pricing directly reflects input costs.

The bread market continues to be competitive with a high cost distribution model. We believe the industry business model needs to change in the medium term. In the meantime, we believe that the appropriate strategy is to encourage customers and consumers to value the Hovis brand above others and to continue to grow the brand. In this way we should be able to maximise volume through the existing supply chain. In recent years, we have invested in modernising our supply chain to support the improvement in product quality and volume of sales. In future, we will focus on improving supply chain efficiency to mitigate cost inflation. Further investment in the infrastructure will be made from within the Group's normal capital budget.

Chilled

The Chilled division comprises the branded Meat-free business and the largely retailer brand Brookes Avana chilled ready meals and cakes business.

In Meat-free, Quorn and Cauldron are two major brands within the meat alternative market providing a range of products using mycoprotein and tofu respectively. Quorn is a Drive brand as we believe that it has significant potential in the medium term. The core consumer who does not eat meat has many occasions on which Quorn can fulfil his or her needs. We intend to focus on this market in the first half of this year. The most significant opportunity is to tap into those consumers who want to eat less meat for reasons of health concern or lifestyle choice. Quorn is a healthy alternative to meat and we are working on plans to communicate this later in 2010. We are still committed to expanding the brand in overseas markets. Cauldron will be repackaged in the Spring and improvements made to the product which we believe will realise the growth potential for this brand.

Brookes Avana, has three excellent facilities manufacturing retailer brand and branded ready meals and cakes. The industry is very competitive due to spare capacity. However, Brookes Avana has a well developed set of innovation and new product development processes and, in tandem with its strong customer relationships, is well placed to use its breadth of expertise to deliver further progress in the future.

OUTLOOK

The Group has made progress during 2009 in developing its strategy of growing branded sales and in expanding gross margin through the benefits of consumer insight and scale. We shall continue this development in 2010 and we expect to deliver efficiency savings over and above the synergies already delivered. Furthermore, these efficiencies should be deliverable without material access costs.

In 2009, much of the benefit of the strategy was absorbed by inflation in input costs and by a tougher consumer and trading environment which drove higher promotional costs. We are confident that 2010 will be a successful first step of a three year journey of demonstrating the strategic direction of the business and of generating cash. We will therefore prioritise actions which are consistent with that three year journey.

We remain cautious about the consumer and trading environment for 2010. But, assuming no further adverse change in that environment, we expect the benefits of the strategy to result in further progress in 2010.

OPERATING AND FINANCIAL REVIEW

Introduction

In order to demonstrate the delivery of the business model, we will give more disclosure of the way the business operates and of the key metrics which we are using to monitor the progress of the strategy.

We intend to use the same format for reporting each period in the future so that progress can be judged.

The key changes are:

- Within our segments we will show separately branded and non-branded sales. We will describe the drivers of growth and show sales growth against the respective markets.

- We will illustrate the effect of the growth in branded sales and of the benefits of scale by describing the development of gross margin percentage.

- We will show the efficiency of the operations by analysing the progression of controllable costs.

- Up to 2009, the Group was incurring a large amount of spend for restructuring and investment in the business. These, along with costs of integration, were treated as Exceptional items and excluded from Trading profit. Integration is now complete and the level of restructuring is now likely to run at a normal level of £10m to £15m a year. From 2010, we will include the costs of restructuring and investment within Trading profit.

- Finally, we will also increase our disclosure of debt and related financing matters.

Premier Foods plc

Summary

	2009	2008	09 v 08 %
Branded sales (£m)	1,678	1,576	6.5
Total sales (£m)	2,661	2,604	2.2
Branded market share – volume (%)	22.2	20.5	1.7pp
Branded market share – value (%)	24.7	24.2	0.5pp
Trading profit (£m)	323	309	4.5
Profit before tax (£m)	47	(405)	
Adjusted EPS – continuing (pence)	5.8	14.4	(59.7)
Pro forma adjusted EPS (pence)	4.7		
EPS – continuing (pence)	1.9	(41.3)	
Cash flow before non-recurring items (£m)	60	104	(42.3)
Net debt (£m)	1,365	1,767	22.8
Net debt / EBITDA (times)	3.6x	4.9x	1.3x

Sales

	2009	2008	09 v 08 %
Branded (£m)	1,678	1,576	6.5
Non branded (£m)	983	1,028	(4.4)
Total Sales	**2,661**	**2,604**	**2.2**
Total branded sales (%)	63.1%	60.5%	2.6pp
Branded market share in grocery			
Volume (%)	19.2	18.8	0.4pp
Value (%)	22.4	22.7	(0.3)pp
Hovis branded market share in bread			
Volume (%)	25.8	22.1	3.7pp
Value (%)	26.6	23.7	2.9pp

Total sales increased by 2.2%. Volume contributed 1.8% to sales growth with price and mix contributing 0.4%.

Branded sales increased by 6.5% to £1,678m and now account for 63.1% of total sales, an increase of 2.6pp on 2008. Branded sales growth was recorded in Grocery, Hovis and Meat-free. Market share for the Grocery division increased by 0.4pp to 19.2% by volume as a result of innovation and promotional activity. Market share fell by 0.3pp to 22.4% by value as the higher volumes were offset by the effect of increased promotional activity on net prices. Premier's value share across Drive and Core grocery categories, however, grew by 0.1pp to 30.8%.

Market share for the Hovis division increased by 3.7pp to 25.8% by volume and by 2.9pp to 26.6% by value as a result of increased volumes and additional distribution.

Branded Sales	**2009 £m**	**2008 £m**	**09 v 08 %**
Hovis	349	303	15.2

Mr Kipling	132	128	3.1
Quorn	118	113	4.4
Ambrosia	83	76	9.2
Sharwood's	62	59	5.1
Hartley's	54	46	17.4
Loyd Grossman	42	35	20.0
Sub total – Drive brands	**840**	**760**	**10.5**
Batchelor's	132	122	8.2
Bisto	96	94	2.1
Branston – pickles and relishes	40	31	29.0
Branston – beans	34	22	54.5
Cadbury Cakes	60	59	1.7
Oxo	38	37	2.7
Sub total – Core brands	**400**	**365**	**9.6**
Defend brands	**438**	**451**	**(2.9)**
Total branded	**1,678**	**1,576**	**6.5**

Drive brands grew by 10.5% to £840m. In cooking sauces, Sharwood's and Loyd Grossman both recorded growth ahead of their markets through co-ordinated programmes of innovation, advertising and promotional activity. In desserts, Ambrosia and Hartley's benefited from new product development in individual desserts. In cake, Mr Kipling grew despite a decline in the market. Hovis grew 15.2% as it took market share in the bread market. Core brands grew by 9.6% to £400m. Defend brands declined by 2.9% to £438m.

Non Branded Sales	**2009 £m**	**2008 £m**	**09 v 08 %**
Grocery	421	408	3.2
Hovis	348	417	(16.5)
Chilled	214	203	5.4
Total	**983**	**1,028**	**(4.4)**

Non branded sales which comprise retailer brand, business to business products and Milling were down by 4.4%.

In the Grocery division, non branded sales increased by 3.2%. In retailer brand, the increase reflected volume gains of pickles & condiments and spreads. In canning, volumes were down 4.1% which reflects the depressed volumes in the market and the loss of a material retailer brand contract in Q3 of 2009. The volume loss was partially offset by a favourable mix of other contracts and pricing. Sales to catering customers had a quieter year with lower demand as consumers ate out less frequently.

The main area of non branded decline was in Hovis where sales of retailer brand bakery products were down 15.6% reflecting a retailer brand bread market down 11% and the exit from certain contracts. The volume lost by this decline was more than offset by increased volume of branded bread.

In Milling, sales revenue was down 17.6%. In volume terms, however, sales were down only 2.4% with price deflation accounting for the remaining 15.2%. This has little effect on profitability as the cost of raw materials is similarly reduced.

In the Chilled division, non branded sales increased by 5.4% driven by new contracts and product lines.

Trading profit

	2009 £m	2008 £m	09 v 08 %
Sales	2,661	2,604	2.2
Cost of sales	(1,852)	(1,806)	(2.5)
Gross profit	809	798	1.4
Gross margin %	30.4	30.6	(0.2pp)
Operating expenses	(486)	(489)	0.6
Trading profit	**323**	**309**	**4.5**

Trading profit increased 4.5% to £323m.

Gross profit

	2009 £m	2008 £m	09 v 08 %
Gross profit	809	798	1.4
Gross margin %	*30.4*	*30.6*	*(0.2pp)*
Gross margin movement (bp):			
Branded growth, product mix, manufacturing efficiency and procurement	140		
Commodity costs, pricing and promotions	(160)		
Total change (bp)	(20)		

Gross profit increased by 1.4% to £809m.

Input costs in some of our largest spend areas were significantly higher in 2009 reflecting the weakness of sterling and rises in various commodity markets which were particularly severe in 2008. Commodities particularly affected included beans, tomato paste, meat, glass and tinplate for cans. Some commodity costs began to level out in 2009 but the Group is still facing upward pressures in some commodity categories and from weaker sterling.

The Group generally expects the effects of input cost changes and resulting pricing changes to even out over the long term. However, there can be a delay, or stagger, between input costs changing and pricing in the market changing to reflect them. This can lead to volatility in results within any financial year. In 2009, pricing was increased to reflect the input costs but the effect of the negative stagger together with the general increase in promotional activity in the grocery market reduced Group gross margin.

In Hovis, the largest commodity cost is wheat. Wheat prices rose in 2007 and 2008 and then fell in 2009. A similar stagger effect happens in Hovis as there is a delay in customer prices and promotions absorbing the change in commodity costs. As a consequence, 2008 suffered a negative effect and 2009 benefited. Although the benefit has been fully reflected in pricing, the stagger effect helped Group gross margin for the year.

In total, the combination of input cost changes, promotional activity and pricing reduced Group gross margin by 160bp.

In 2009, the Group's strategy of improving mix by growing branded sales, of better procurement and of manufacturing efficiency combined to add 140bp to Group gross margin.

The net effect of all these changes was a reduction of 20bp in Group gross margin.

Operating expenses

	2009 £m	2008 £m	09 v 08 %
Consumer and in-store marketing	(91)	(82)	(11.0)
Distribution	(229)	(227)	(0.9)
Support functions and corporate costs	(166)	(180)	7.8
Operating expenses	**(486)**	**(489)**	**0.6**

The strategy is to grow our branded sales without growing operating expenses. In the year, operating expenses fell by 0.6% to £486m.

Consumer and in-store marketing increased by 11.0% to £91m to support the growth in branded sales. We expect marketing costs to continue to increase as we refresh the branded range.

Distribution costs were up 0.9% to £229m. Synergies and efficiencies were offset by inflation and the investment in new facilities to cater for greater volumes in Hovis.

Support functions and corporate costs decreased by 7.8% to £166m. Pension current service costs reduced from £17m in 2008 to £12m in 2009 as a result of changes in bond yields and inflation assumptions. We expect the charge to be around £22m in 2010. Other costs decreased by £7m helped by lower bonus costs.

During the year we continued to roll out our new SAP system. Over the next few years we intend to complete the transition to SAP and to simplify processes. Our aim is to reduce the administrative costs over this period.

Exceptional items

	2009 £m	2008 £m
Restructuring & investment	(14)	(27)
Integration	(29)	(73)
Impairment of goodwill	-	(194)
Refinancing fees	(17)	(3)
Exceptional items	**(60)**	**(297)**

In 2009, £60m was categorised as Exceptional items. £14m was spent on restructuring and investment. £11m of this relates to Hovis for improving quality and modernising facilities. The remainder was incurred in Meat-free on supply chain restructuring initiatives to address production inefficiencies at our chilled facility in Methwold.

Integration costs of £29m were incurred and this now completes the projects to integrate the businesses of RHM and Campbell's.

A further £17m of adviser costs were incurred in connection with the refinancing in March 2009.

Up to 2009, the Group was incurring material expense in restructuring and investing in the business. These items were shown as Exceptional items and excluded from Trading profit. The bulk of the catch up expense is now complete and the amount of restructuring and investment is from 2010 likely to be at a normal ongoing level which we would expect to be around £10m to £15m per annum. This will be included in Trading profit from 2010 onwards.

For 2010 comparative purposes, Trading profit for 2009 using the new definition was £309m being Trading profit of £323m less £14m of restructuring and investment costs previously categorised as Exceptional items.

Corporate Social Responsibility

As the UK's largest food manufacturer we place a high value on the labour, ingredients and natural resources used in the manufacture of our products. We believe that practising good environmental and social stewardship and running an efficient and successful business are complementary.

We are particularly proud of our support for UK farmers – for example, over 86% of all the vegetables we use in the manufacture of our products that can be sourced in the UK, are sourced in the UK. This commitment has been further strengthened by our announcement that we will source 100% British wheat across the entire Hovis range in 2010.

In 2009, we set out 6 key environmental targets which are aligned to our aim of reducing waste and increasing efficiency. Our performance against these targets is set out below:

Environmental priority	2009 Target	2009 Performance	Status
Reduction of energy consumption (kWh / tonne)	- 5%	- 5.2%	Exceeded
Reduction of carbon (CO2) emissions (kg / tonne)	- 5%	- 7.7%	Exceeded
Reduction of delivery miles (miles / tonne)	- 5%	- 3.5%	Part achieved
Reduction of water usage (excluding water embedded in our products) (m^3 / tonne)	- 3%	- 6.1%	Exceeded
Reduction of waste to landfill (kg / tonne)	-20%	- 37.7%	Exceeded
Reduction in packaging weight (kg / tonne)	- 2%	- 2%	Achieved

Note: All targets were against a 2008 baseline and are relative to tonnes of product manufactured

Excellent progress was made across the range of targets with 5 of the 6 targets being either achieved or exceeded.

DIVISIONAL ANALYSIS

Grocery

	2009 £m	2008 £m	09 v 08 %
Branded sales	1,153	1,094	5.4
Non branded sales	421	408	3.2
Total Sales	**1,574**	**1,502**	**4.8**
Trading profit	**256**	**251**	**2.0**
Volume market share %	**19.2**	**18.8**	**0.4pp**
Value market share %	**22.4**	**22.7**	**(0.3)pp**

Sales for the Grocery division increased by 4.8%. We saw good branded sales growth of 5.4% with branded sales rising to £1,153m. Non branded sales were up by 3.2% to £421m.

Branded sales volumes increased by 3.5% with price and mix contributing 1.9%. Individual desserts grew strongly contributing to a 7.7% increase by volume and 9% increase by value in our desserts business. Sales also grew in our spreads and cake businesses but declined in our homebaking business. Sales grew 11.6% in cooking sauces and 21.5% in pickles helped by the successful launch of Branston Mayo and new Relish products.

Retailer brand sales were up 3.2% in the year with volume decline reducing sales revenue by 5.3% but this was more than offset by price and mix which contributed 8.5%. The loss of volume was largely in the canning business in the second half of the year. Firstly, a material retailer brand contract was lost in Q3. Secondly, the market for retailer brand goods was down as promotions on branded goods and increases in retailer brand market pricing caused consumers to switch away from retailer brand products. This effect was particularly marked in canned soup where total retailer brand sales in the category were down 10%. These two effects are likely to mean that grocery non branded sales revenue will be lower in the first half of 2010 than in the first half of 2009.

We have seen an improved performance in Ireland during the second half of 2009. The decline in sales seen earlier in the year has been significantly reduced and our brands are gaining market share. The Irish grocery retail sector has continued to adapt to the difficult economic environment with a substantial increase in sourcing directly from the UK coupled with a move to more centralised distribution. We commenced restructuring our business in Ireland to reflect these changes in 2009 and anticipate that further restructuring may be required as the retail sector continues to adapt.

Trading profit increased by 2% to £256m.

Higher sales volumes and a superior product mix, with branded sales growth outstripping non-branded growth, added £8m to profit. Our strategy of improving procurement efficiency added a further £28m to profit.

In the year, input costs increased reflecting commodity markets and weaker sterling. A combination of pricing partly offset by higher promotional cost was not able to recover all the additional costs and the business incurred a net cost of £30m.

The increase in promotional costs was driven by two factors. Firstly, there was an increase in the level of deal activity across all grocery markets, with retailers competing to offer value during the recession. Grocery ranges saw 30% of volumes sold on deal in 2009 versus a more normal rate of 28% seen in 2008 and prior years. In total, this market level of promotions is a cost that the business has to absorb and does not, in aggregate, drive volume given that it has been a market-wide increase. Secondly, we increased promotional spend on particular Drive and Core brands to drive household penetration and market share and to support new product launches. This succeeded in driving market share gains in categories such as cooking sauces, desserts and gravy and helped achieve good sales for new products. We judge these investments over a number of years and we are confident that they will continue to generate increased sales in future periods.

There was a £6m net cost as a result of increased manufacturing costs. Savings were realised from closing factories. These savings were offset by inflation, notably in utilities and by initially high running costs as the new processes were commissioned in the factories receiving the products previously made in the factories which were closed. In the second half of the year, we saw increasing efficiencies of the new lines and processes, which we expect will lead to ongoing savings.

There was a £5m improvement in operating expenses comprising lower administration costs offset by additional investment in marketing. The additional marketing costs of £6m were incurred to support driving market share and the new product launches. We expect this cost to continue to increase in the future as we refresh our brand ranges. Administration costs benefited from synergies and lower pension service and bonus costs.

In conclusion, in 2009, Grocery succeeded in growing its branded sales, added to sales through innovation and added to gross profit by better procurement efficiency. With delivery of further efficiencies now enabled, we are confident of making further progress in 2010.

Hovis

	2009 £m	2008 £m	09 v 08 %
Branded bakery	370	326	13.5
Retailer brand bakery	179	212	(15.6)
Total bakery sales	**549**	**538**	**2.0**
Milling	193	232	(16.8)
Total sales	**742**	**770**	**(3.6)**
Trading profit	**42**	**24**	**75.0**
Hovis branded volume market share %	**25.8**	**22.1**	**3.7pp**
Hovis branded value market share %	**26.6**	**23.7**	**2.9pp**

Branded bakery sales grew 13.5% to £370m. Sales benefited from growth in white loaves where Hovis has traditionally had a lower market share. Growth also came from increasing distribution of existing products. During the year we continued to improve quality and as a result consumer perception of the brand is more favourable. The quality improvements and the innovations are significantly aided by our Milling operation.

Hovis branded volume increased by 15.9% contributing to a 3.7pp increase in volume market share. This volume was partially offset by pricing and mix as the proportion of bread sold on deal was higher in 2009 than in the previous year. As a consequence, market share in value terms increased by 2.9pp to 26.6%.

In retailer brand bakery, the majority of the fall in sales reflected an 11% fall in the market for retailer brand bread as consumers switched to branded bread as increased promotional activity improved value. The remainder of the 15.6% fall in sales was due to the expiry of certain contracts. In total the volume of bread grew by 4.9%.

In Milling, pricing is closely related to raw material costs. The decline in wheat cost in 2009 was thus largely mirrored in flour sales value. Volumes were down 2.4% owing to the withdrawal from certain contracts.

The combined effect of the additional volume in bread and of the improved mix of product in Bakery and Milling was a £14m increase in profit.

The combination of pricing, promotion and inflation in manufacturing costs was offset by lower input costs and efficiencies in manufacturing and this added £13m to profit.

Of this additional profit, £9m was invested to bring on stream additional capacity to cope with the higher bread volumes and to improve quality. These additional costs are ongoing and are important in modernising the infrastructure to support the strategy. Further updating of the infrastructure will be required in the next few years. This will be funded from within the normal capital expenditure budget.

In conclusion, Hovis had a very successful year growing Trading profit by 75% to £42m. Branded growth was very strong and considerable investment was made in additional capacity and product and manufacturing quality. We remain confident of making further strategic progress with the brand in 2010. However, we expect competition to be fierce in 2010 as our competitors respond to our successes in 2009.

Chilled

	2009 £m	2008 £m	09 v 08 %
Brookes Avana	214	203	5.4
Meat-free	131	129	1.6
Total Sales	**345**	**332**	**3.9**
Trading profit	**25**	**34**	**(26.5)**

In the year, sales for the Chilled division increased 3.9% helped by new contracts and new product development in Brookes Avana.

Meat-free sales increased 1.6%. Cauldron sales fell 20.3% as the market for premium and organic products fell. Quorn sales increased 4.4%, a good result for a premium priced product in a recessionary environment, but sales uplifts from upweighted promotional activity were lower than expected. Consequently we took the decision to prioritise profit and hence pulled back on promotions in quarter four. As a result, gross profit was lower in 2009. In 2010, we plan to refresh both the Quorn and Cauldron range of products.

There was an increase in costs as a result of problems in the Meat-free manufacturing and packing operations. In the first half of 2010 we intend to address the supply chain issues by contracting out more of the operations. This will result in a further charge for restructuring the supply chain in the first half of 2010.

An increase in gross profit as a result of the higher sales was offset by the higher operating expenses leaving Trading profit down 26.5%.

OTHER FINANCIAL INFORMATION

This section gives details of the Group's cash flow and its main financial obligations. In summary, the Group's financial position is stable and there is adequate cash flow to service the cost of its financial obligations and to reduce net debt.

Cash Flow

When the Group was acquiring businesses, cash generated by the business was absorbed by the costs of their acquisition and investing in their integration and modernisation. As these costs draw to a close, the focus is to improve cash generation. The cash flow in 2009 still reflects the previous phase of integrations.

	2009 £m	2008 £m	09 v 08 %
Trading profit	**323**	**309**	**4.5**
Depreciation	52	51	2.0
Interest	(152)	(105)	(44.8)
Tax	1	-	
Pension	(52)	(41)	(26.8)
Regular capital expenditure	(83)	(83)	
Working capital	(29)	(27)	(7.4)
Cash flow before non-recurring items	**60**	**104**	**(42.3)**

In the year, cash flow before non-recurring items was £60m. Within this, working capital grew £29m. It is our intention to reduce working capital in 2010.

The combination of lower working capital outflows and lower costs of servicing financial obligations will leave sufficient cash flow to ensure that headroom is maintained as the banking facility reduces by £100m in 2010.

	2009 £m	2008 £m	09 v 08 %
Cash flow before non-recurring items	**60**	**104**	**(42.3)**
Exceptional items (excluding financing fees)	(52)	(122)	57.4
Integration capital expenditure	(2)	(78)	97.4
Operating cash flow	**6**	**(96)**	
Disposal proceeds	54	26	107.7
Dividends	-	(55)	
Net equity proceeds	380	-	
Financing fees,discontinued operations and other non cash items	(38)	(23)	(65.2)
Movement in net debt	**402**	**(148)**	

The combination of exceptional items, disposals and refinancing resulted in a net inflow of £342m leading to a reduction in net debt of £402m. In 2010, there will be a further cash outflow of around £9m relating to creditors and provisions for exceptional items which were provided in 2009.

Financing

	2009 £m	2008 £m	09 v 08 %
Gross debt	1,383	1,777	22.2
Deferred refinancing fees	(18)	(10)	(80.0)
Net debt – year end	**1,365**	**1,767**	**22.8**
Gross debt – average	**1,617**	**1,877**	**13.9**
EBITDA	**375**	**360**	**4.2**
Net debt / EBITDA	**3.6x**	**4.9x**	**1.3x**

In March 2009, the Group raised a gross £404m of additional equity and renegotiated its banking facility. This facility is in place until 2013 and is secured by fixed and floating charges over all Group assets. Total fees for the refinancing were £70m and comprised three elements. Firstly, the equity raising incurred adviser and underwriting fees of £24m which were deducted from share premium. Secondly, there were fees of £26m payable to banks for the renegotiation of the banking facilities of which £3m was written off in the year and the remaining £23m is being amortised over the life of the facility. Thirdly, there was a further £20m of adviser fees related to the refinancing which have been charged to profit and treated as an exceptional item. Of these adviser fees, £3m were incurred in 2008 and £17m in 2009.

The refinancing, together with a cash inflow from operations has reduced the Group's net borrowings to £1,365m at the end of 2009.

The key indicator of success in managing the Group's finances is the average gross borrowings as this is the driver of the interest charge. Working capital and borrowings are seasonal so are better judged by averages. Average gross borrowings for 2009 adjusting for the period before the equity was raised were £1,561m. It is our intention not only to generate sufficient free cash each year to repay at least £100m but also to reduce the average net debt.

Financial Instruments

Financial instruments	**2009 £m**	**2008 £m**	**09 v 08 %**
Nominal value of derivative interest rate related financial instruments	1,350	1,650	18.2
Mark to market on interest rate derivative financial instruments	(199)	(237)	16.0

The Group has a number of derivative contracts which have the effect of swapping floating interest payments on the bank debt, which costs LIBOR plus 3%, into fixed rate obligations. The nominal value of these contracts at the end of 2009 was £1,350m versus gross borrowings of £1,383m. The profile of the derivative portfolio is, however, different from the profile of the bank debt and is not an exact hedge and hedge accounting is not applied.

The mark to market is volatile depending on interest rate expectations. In the year, the negative mark to market value of the financial instruments fell by £38m as payments made of £62m were partially offset by the effect of a decrease in the short end of the interest rate yield curve.

Interest

Interest Cost	**2009 £m**	**2008 £m**	**09 v 08 %**
Net debt interest	(78)	(137)	
Securitisation interest	(2)	(6)	
Swap contract interest	(62)	25	
Amortisation and deferred fees	(13)	(8)	
Net regular interest cost	**(155)**	**(126)**	**(23.0)**
EBITDA	**375**	**360**	**4.2**
EBITDA / Interest	**2.4x**	**2.9x**	**(0.5x)**

Net regular interest cost increased to £155m. On a pro forma basis, assuming the refinancing had been in place at 1 January 2009, the interest cost would have been £153m. The debt level and interest cost is manageable with interest costs covered 2.4 times by EBITDA.

Earnings per share

Earnings per share	**2009 pence**	**2008 pence**	**09 v 08 %**
Basic – continuing operations	1.9	(41.3)	
Adjusted – continuing operations	5.8	14.4	(59.7)
Adjusted – pro forma	4.7		

Basic earnings per share on a continuing basis were 1.9 pence versus a loss of 41.3 pence in 2008. Adjusted earnings per share were 5.8 pence compared with 14.4 pence in 2008. The earnings per share on a pro forma basis for 2009 were 4.7 pence. This uses the 2010 definition of Trading profit and assumes that the refinancing and issue of shares were completed on 31 December 2008. The pro forma figure is provided to form the base for comparison in 2010.

Pensions

As part of its refinancing programme announced in March 2009, the Group has agreed with the pension fund trustees a schedule of payments to reduce the deficit. The schedule of payments is agreed until 2014. Over this period the Group will make a total contribution of around £200m towards reducing the deficit. Total cash paid to the pension funds including deficit funding was £65m in 2009 and £61m in 2008. At the end of 2009, the deficit was calculated to be £429m on an IAS19 basis which is equivalent to £310m net of deferred tax.

The Group's investment and liability management strategy is to reduce risk and hence volatility and the Group is in discussion with the trustees about the appropriate balance of risk and return and hence the appropriate future investment strategy for the funds.

Pensions	**31 Dec 2009 £m**	**31 Dec 2008 £m**
Liabilities	**(2,959)**	**(2,540)**
Discount rate	5.8%	6.3%
Inflation rate	3.5%	2.8%
Assets		
Equities	599	536
Bonds	395	301
Property	166	192
Absolute return and swaps	509	680
Cash & other	861	819
Total assets	**2,530**	**2,528**
Gross deficit (IAS 19)	**(429)**	**(12)**
Deferred tax	119	1
Net deficit (IAS 19)	**(310)**	**(11)**

The Group's pension schemes have aggregate liabilities of £2,959m and assets of £2,530m leaving a gross deficit of £429m on an IAS19 basis. The deficit has increased from £12m in 2008 as a result of a fall in the discount rate used, which is based on the AA bond yield, from 6.3% to 5.8% and an increase in the inflation rate assumption from 2.8% to 3.5%. As a consequence, the real interest rate assumed fell from 3.5% to 2.3%. The size of the reported deficit will continue to be volatile based on movements in bond yields and retail price inflation. Each 0.1% decrease or increase in bond yields would increase or decrease the deficit by £52m. Each 0.1% increase or decrease in the assumed inflation rate would increase or decrease the deficit by £25m. If the Group's assumption on the mortality of its members was amended to assume a change of one year, total liabilities would change by approximately 3.6%.

The above combination of movements in bond yield discount rate and inflation rates also caused the current service cost charged to profit to fall from £17m in 2008 to £12m in 2009. The rates as at 31 December 2009 mean that it will increase to around £22m in 2010.

Premier Foods plc

APPENDICES

1. Sales Analysis

Sales Analysis 2009	Branded £m	Non Branded £m	Total £m
Grocery	**1,153**	**421**	**1,574**
Hovis			
Bakery	370	179	549
Milling	24	169	193
Total Hovis	**394**	**348**	**742**
Other			
Meat-free	131	-	131
Brookes Avana	-	214	214
Total Other	**131**	**214**	**345**
Total	**1,678**	**983**	**2,661**

Sales Analysis 2008	Branded £m	Non Branded £m	Total £m
Grocery	**1,094**	**408**	**1,502**
Hovis			
Bakery	326	212	538
Milling	27	205	232
Total Hovis	**353**	**417**	**770**
Other			
Meat-free	129	-	129
Brookes Avana	-	203	203
Total Other	**129**	**203**	**332**
Total	**1,576**	**1,028**	**2,604**

2. Group P&L

2009	Trading profit £m	Exceptional items - restructuring & investment £m	Trading profit (2010 definition) £m	Exceptional items – integration, impairment of intangibles, refinancing £m	Other including amortisation, revaluation, pension financing, etc £m	Statutory Profit £m
Sales	2,661	-	2,661	-	-	2,661
Cost of sales	(1,852)	(5)	(1,857)	(6)	-	(1,863)
Gross margin	**809**	**(5)**	**804**	**(6)**	**-**	**798**
Gross margin %	30.4		30.2			30.0
Operating expenses	(486)	(9)	(495)	(40)	(86)	(621)
Operating profit/(loss)	**323**	**(14)**	**309**	**(46)**	**(86)**	**177**
Interest & financing costs	(155)	-	(155)	-	25	(130)
Profit/(loss) before tax	**168**	**(14)**	**154**	**(46)**	**(61)**	**47**
Tax	(47)	4	(43)	13	23	(7)
Profit/(loss) after tax – continuing operations	**121**	**(10)**	**111**	**(33)**	**(38)**	**40**
Discontinued operations	-	-	-	-	(15)	(15)
Profit/(loss) after tax	**121**	**(10)**	**111**	**(33)**	**(53)**	**25**
EPS - continuing						1.9
Adjusted EPS	5.8		5.3			
Pro forma EPS			4.7			

2009 Divisional Analysis	Trading profit £m	Exceptional items - investment & restructuring £m	Trading profit (2010 definition) £m
Grocery	256	(1)	255
Hovis	42	(11)	31
Chilled	25	(2)	23
Operating profit	**323**	**(14)**	**309**

Trading profit is defined as operating profit before exceptional items, amortisation of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension credits or charges in relation to the difference between the expected return on pension assets, administration costs and interest costs on pension liabilities.

From 2010, costs relating to restructuring and investments will be included within Trading profit (previously these were excluded from Trading profit as Exceptional items). The tables above show Trading profit under the 2010 definition for the purposes of ongoing comparison.

Adjusted EPS is defined as: Trading profit less net regular interest payable, less a notional tax charge at 28.0% (2008: 28.5%), divided by weighted average number of ordinary shares of the company. Net regular interest payable is defined as net interest after excluding non-cash items, *namely exceptional write-off of financing costs, accelerated amortisation of debt issuance costs, fair value adjustments on interest rate swaps and the unwind of the discount on provisions.*

Pro forma EPS shows what the Adjusted EPS would have been if the issue of shares and associated refinancing had been in place for the whole of 2009. We believe this will be useful for comparative purposes during 2010. Adjusted profit has been amended for interest which would have been due under the refinancing and is divided by the closing number of ordinary shares of the company.

2008	**Trading profit £m**	**Exceptional items - restructuring & investment £m**	**Trading profit (2010 definition) £m**	**Exceptional items – integration, impairment of intangibles, refinancing £m**	**Other including amortisation, revaluation, pension financing, etc £m**	**Statutory Profit £m**
Sales	2,604	-	2,604	-	-	2,604
Cost of sales	(1,806)	(4)	(1,810)	(15)	5	(1,820)
Gross margin	**798**	**(4)**	**794**	**(15)**	**5**	**784**
Gross margin %	30.6		30.5			30.1
Operating expenses	(489)	(23)	(512)	(255)	(58)	(825)
Operating profit/(loss)	**309**	**(27)**	**282**	**(270)**	**(53)**	**(41)**
Interest & financing costs	(126)	-	(126)	-	(238)	(364)
Profit/(loss) before tax	**183**	**(27)**	**156**	**(270)**	**(291)**	**(405)**
Tax	(52)	8	(44)	77	(2)	31
Profit/(loss) after tax – continuing operations	**131**	**(19)**	**112**	**(193)**	**(293)**	**(374)**
Discontinued operations	6	-	6	-	(77)	(71)
Profit/(loss) after tax	**137**	**(19)**	**118**	**(193)**	**(370)**	**(445)**
EPS - continuing						(41.3)
Adjusted EPS	14.4		12.4			

2008 Divisional Analysis	**Trading profit £m**	**Exceptional items - investment & restructuring £m**	**Trading profit (2010 definition) £m**
Grocery	251	(2)	249
Hovis	24	(21)	3
Chilled	34	(4)	30
Operating profit	**309**	**(27)**	**282**

3. Derivative Instruments

Interest rate derivatives	**Nominal** **£m**	**Interest 2009** **£m**	**Mark to Market Dec 2009** **£m**
Conventional swaps	175	(13)	(6)
Cap & collar swaps	350	(15)	(30)
Long dated swaps	400	(9)	(71)
Digital swaps	275	(23)	(55)
Financial instruments held at fair value through profit & loss	150	(2)	(37)
Total	**1,350**	**(62)**	**(199)**

Contracts with a nominal value of £175m are conventional interest rate swaps whose maturities are between 2010 and 2013. This has the effect of swapping 3 month LIBOR for a fixed coupon of 4.63%. The incremental hedging cost in 2009 for these instruments, and other instruments in this category which matured during the year was £13m. The current mark to market value of these instruments is £6m.

Some of the contracts in the portfolio have a cap or collar on the floating leg of the contract. The nominal value of these contracts is £350m and the current mark to market value on these contracts is £30m. The incremental hedging cost in 2009 was £15m. The caps are set at a rate of 6.21% and the floors are set at a rate of 4.45%. However, if rates fall below the floor, the Group will pay a rate of 5.75% for the following quarter.

Contracts with a nominal value of £400m are also interest rate swaps but are of a maturity much longer than the debt and mature between 2023 and 2037. Some of the swaps have break clauses which permit either counterparty to terminate the agreement and crystallise the then mark to market value. The current mark to market value of these instruments is £71m. The first such break occurs in August 2012. These swaps have the effect of swapping 3 month LIBOR for 4.87% and the incremental hedging cost in 2009 was £9m.

In addition, three derivative contracts are not conventional interest rate swaps.

Two digital swap contracts with maturity of 2013 and totalling £275m in nominal value are configured as interest swaps of 3 month LIBOR for 4.58% and 4.40%. There is a leverage feature such that additional interest is due if LIBOR is below 3.25% and 3.50% respectively. In 2009, this was equivalent to an additional payment of £23m which was split between £8m of normal hedging cost and £15m of leverage cost. The mark to market value of these contracts is £55m. If LIBOR were to remain at current levels for the whole of 2010 the blended weighted average interest cost of these contracts would be 12.97%

A further contract delays the payment of £37m over a period to 2013. This represents the mark to market value which was due under a previous interest rate swap contract. The counterparty has an option to call for early repayment between August 2012 and June 2013 and there is a mandatory call in June 2013. The amount that will be paid if the counterparty were to call for early repayment will be the NPV of the outstanding contractual payments. A derivative element of nominal value of £150m and maturity of 2032 provides for an adjustment of the payment should interest rates rise above 7%. The cash flow paid under the contract and shown in interest was £2m in 2009. The amount due in 2010 is £2m. The mark to market value of this contract is £37m. This hybrid instrument is categorised in the balance sheet as a financial instrument held at fair value through the profit and loss account.

4. Debt Covenants

Covenant headroom	**2009**
Covenant indebtedness	1,378
Covenant EBITDA	376
Covenant interest	140
Covenant tests:	
Leverage test	3.66
Limit	4.75
Headroom	23%
Interest cover test	2.69
Limit	2.00
Headroom	26%

The covenant interest cost in 2009 was £140m. Covenant EBITDA was £376m, covering interest cost 2.69 times. Leverage is 3.66 times. There was adequate headroom against both the financial limits at year end. Although each will become tighter in 2010, we expect to continue to have adequate headroom. The maximum leverage ratio for 2010 is 4.50 and the maximum interest cover limit is 2.40.

Consolidated income statement (Unaudited)

	Note	Year ended 31 Dec 2009 £m	Year ended 31 Dec 2008 (Restated)[1] £m
Continuing operations			
Turnover	2	2,661.0	2,603.6
Cost of sales		(1,863.0)	(1,819.5)
Gross profit		798.0	784.1
Selling, marketing and distribution costs		(356.0)	(351.0)
Administrative costs		(253.2)	(479.1)
Net other operating (expenses)/income		(12.3)	4.6
Operating profit/(loss)		176.5	(41.4)
Before exceptional items		236.3	255.1
Impairment of goodwill	3	-	(194.4)
Other exceptional items	3	(59.8)	(102.1)
Interest payable and other financial charges	4	(179.8)	(186.1)
Interest receivable and other financial income	4	11.3	41.6
Net movement on fair valuation of interest rate financial instruments	4	38.7	(218.9)
Profit/(loss) before taxation for continuing operations		46.7	(404.8)
Taxation (charge)/credit	5	(6.8)	30.6
Profit/(loss) after taxation for continuing operations		39.9	(374.2)
Loss from discontinued operations	7	(14.7)	(70.5)
Profit/(loss) for the year attributable to equity shareholders		25.2	(444.7)
Basic and diluted earnings/(loss) per share (pence)[1,2]	6	1.2	(49.1)
Basic and diluted earnings/(loss) per share (pence) - continuing[1,2]	6	1.9	(41.3)
Basic and diluted loss per share (pence) - discontinued[2]	6	(0.7)	(7.8)
Adjusted earnings per share (pence) - continuing[1,2,3]	6	5.8	14.4

[1] The 31 December 2008 comparatives have been restated to reflect an increased share based payment charge following the amendment to IFRS 2.
[2] Comparatives have been restated to reflect the impact of the placing and open offer and firm placing in the year.
[3] Adjusted earnings per share is defined as trading profit less net regular interest payable, less a notional tax charge at 28% (2008: 28.5%) divided by the weighted average number of ordinary shares of the Company.

The notes form an integral part of the consolidated financial information.

Consolidated statement of comprehensive income (Unaudited)

	Note	Year ended 31 Dec 2009 £m	Year ended 31 Dec 2008 (Restated)[1] £m
Profit/(loss) for the year		25.2	(444.7)
Other comprehensive income			
Actuarial (losses)/gains on pensions	10	(468.8)	56.2
Deferred tax credit/(charge) on actuarial (losses)/gains on pensions		132.1	(18.8)
Exchange differences on translation		(4.4)	10.8
Fair value movement on net investment hedge		5.7	(19.9)
Translation reserves relating to disposals	8	(6.1)	-
Net investment hedge relating to disposals	8	7.2	-
Total other comprehensive income for the year		(334.3)	28.3
Total comprehensive income attributable to owners of the Company		(309.1)	(416.4)

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

The notes form an integral part of the consolidated financial information.

Consolidated balance sheet (Unaudited)

	Note	As at 31 Dec 2009 £m	As at 31 Dec 2008 £m
ASSETS:			
Non-current assets			
Property, plant and equipment		635.2	638.9
Goodwill		1,371.3	1,371.3
Other intangible assets		1,108.4	1,159.5
Retirement benefit assets	10	-	163.7
Total non-current assets		3,114.9	3,333.4
Current assets			
Assets held for sale		1.8	124.4
Inventories		214.0	238.8
Trade and other receivables		347.0	337.0
Financial assets – derivative financial instruments		2.5	21.2
Cash and cash equivalents	11	19.4	40.6
Total current assets		584.7	762.0
Total assets		3,699.6	4,095.4
LIABILITIES:			
Current liabilities			
Trade and other payables		(485.0)	(539.8)
Financial liabilities			
– short term borrowings	9	(152.5)	(174.8)
– derivative financial instruments		(162.4)	(250.3)
– other financial liabilities at fair value through profit or loss		(36.8)	-
Accrued interest payable		(13.7)	(22.8)
Provisions		(15.9)	(23.6)
Current income tax liabilities		(2.5)	(4.1)
Liabilities held for sale		-	(56.5)
Total current liabilities		(868.8)	(1,071.9)
Non-current liabilities			
Financial liabilities			
– long term borrowings	9	(1,232.0)	(1,632.6)
Retirement benefit obligations	10	(428.5)	(175.2)
Provisions		(31.0)	(28.1)
Other liabilities		(9.7)	(2.7)
Deferred tax liabilities		(64.7)	(193.1)
Total non-current liabilities		(1,765.9)	(2,031.7)
Total liabilities		(2,634.7)	(3,103.6)
Net assets		1,064.9	991.8
EQUITY:			
Capital and reserves			
Share capital		24.0	8.5
Share premium		1,124.7	760.6
Merger reserve		890.7	890.7
Other reserves		(10.1)	(23.0)
Profit and loss reserve		(964.5)	(645.1)
Capital and reserves attributable to the Company's equity shareholders		1,064.8	991.7
Minority interest		0.1	0.1
Total shareholders' funds		1,064.9	991.8

The notes form an integral part of the consolidated financial information.

Consolidated statement of cash flows (Unaudited)

	Note	Year ended 31 Dec 2009 £m	Year ended 31 Dec 2008 £m
Cash generated from operating activities	11	219.4	188.3
Interest paid		(162.5)	(150.4)
Interest received		10.8	45.0
Taxation received		0.6	0.1
Cash inflow from operating activities		68.3	83.0
Sale of subsidiaries	8	45.2	-
Purchase of property, plant and equipment		(57.3)	(129.8)
Purchase of intangible assets		(27.6)	(31.2)
Sale of property, plant and equipment		9.4	26.4
Cash outflow from investing activities		(30.3)	(134.6)
Repayment of borrowings		(438.8)	(178.7)
Proceeds from borrowings		-	291.6
Proceeds from securitisation programme		-	22.4
Financing costs		(26.1)	(20.2)
Proceeds from share issue		403.9	-
Share issue costs		(24.3)	-
Dividends paid		-	(54.7)
Cash (outflow)/inflow from financing activities		(85.3)	60.4
Net (outflow)/inflow of cash and cash equivalents		(47.3)	8.8
Cash and cash equivalents at beginning of year		33.7	23.8
Effect of movement in foreign exchange		(1.5)	1.1
Cash and cash equivalents at end of year	11	(15.1)	33.7

The notes form an integral part of the consolidated financial information.

Consolidated statement of changes in equity (Unaudited)

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	Minority interest reserve £m	Total £m
At 1 January 2009	8.5	760.6	890.7	(23.0)	(645.1)	0.1	991.8
Profit for the year	-	-	-	-	25.2	-	25.2
Other comprehensive income	-	-	-	12.9	(347.2)	-	(334.3)
Shares issued	15.5	388.4	-	-	-	-	403.9
Cost of shares issued	-	(24.3)	-	-	-	-	(24.3)
Share based payments	-	-	-	-	2.6	-	2.6
At 31 December 2009	24.0	1,124.7	890.7	(10.1)	(964.5)	0.1	1,064.9
At 1 January 2008	8.5	760.6	890.7	(3.1)	(196.5)	0.1	1,460.3
Loss for the year[1]	-	-	-	-	(444.7)	-	(444.7)
Other comprehensive income	-	-	-	(19.9)	48.2	-	28.3
Dividends paid	-	-	-	-	(54.7)	-	(54.7)
Share based payments[1]	-	-	-	-	3.1	-	3.1
Tax on share based payments	-	-	-	-	(0.5)	-	(0.5)
At 31 December 2008	8.5	760.6	890.7	(23.0)	(645.1)	0.1	991.8

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

The notes form an integral part of the consolidated financial information.

1. Basis of preparation

The financial information in this announcement does not constitute the Group's statutory accounts for the years ended 31 December 2009 or 2008. The preliminary results for the year ended 31 December 2009 have been extracted from unaudited consolidated financial statements. The financial information for the year ended 31 December 2008 is derived from the statutory accounts for that year except for restatements referred to below.

The consolidated financial statements of Premier Foods plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union, International Financial Reporting Interpretation Committee ("IFRIC") interpretations, and the Companies Act 2006 applicable to Companies reporting under IFRS and on the historical cost basis with the exception of derivative financial instruments, defined pension schemes and share based payments, that are incorporated using fair value.

The application of IAS 1 (Revised) has resulted in the Group presenting both a consolidated statement of comprehensive income and a consolidated statement of changes in equity as primary statements. The consolidated statement of changes in equity presents all changes in equity, and the consolidated statement of comprehensive income presents all changes in financial position other than through transactions with owners. This presentation has been applied in this financial information for the year ended 31 December 2009. Comparative information has been represented so that it is also in conformity with the revised standard.

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

The impact of the application of IFRS 8 "Operating Segments" is disclosed in note 2.

2. Segmental analysis

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Executive Officer and Chief Financial Officer as they are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. Previously, segments were determined and presented in accordance with IAS 14 "Segment Reporting".

The CODM uses trading profit, as reviewed at monthly business review meetings, as the key measure of the segments' results as it reflects the segments' underlying trading performance for the period under evaluation. Trading profit is a consistent measure within the Group and the reporting of this measure at the monthly business review meetings, which are organised according to product types, has been used to identify and determine the Group's operating segments. Trading profit is defined as operating profit before exceptional items, amortisation of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension credits or charges in relation to the difference between the expected return on pension assets, administration costs and interest costs on pension liabilities.

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

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

In response to the significant strategic changes in the Irish customer base and the decision to rationalise the Irish operations (see note 3), the Group no longer reports Ireland internally as a separate operating segment to the CODM as it is now considered to be part of the Grocery operating segment. This has not impacted the reporting segments as the Grocery and Ireland operating segments were previously aggregated.

The Hovis reporting segment comprises the Hovis operating segment, which now includes the Charnwood Foods frozen pizza base business from the former Chilled & Ireland segment. The Hovis segment sells bread, morning goods, flour products and frozen pizza bases.

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

Comparative information has been restated to reflect these new segments.

The segment results for the year ended 31 December 2009 and for the year ended 31 December 2008 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial information are as follows:

				Year ended 31 Dec 2009
	Grocery	**Hovis**	**Other**	**Total for Group**
	£m	**£m**	**£m**	**£m**
Turnover from continuing operations				
External	1,574.5	741.6	344.9	2,661.0
Inter-segment	4.0	27.0	4.4	35.4
Result				
Trading profit	256.0	41.9	25.2	323.1
Amortisation of intangible assets				(78.7)
Fair value movements on foreign exchange and other derivative contracts				(6.3)
Pension financing charge				(1.8)
Operating profit before exceptional items				236.3
Exceptional items				(59.8)
Operating profit				176.5
Interest payable and other financial charges				(179.8)
Interest receivable and other financial income				11.3
Net movement on fair valuation of interest rate financial instruments				38.7
Profit before taxation for continuing operations				46.7
Depreciation	27.2	17.0	8.1	52.3
Amortisation	43.9	18.3	16.5	78.7
Impairment of assets held for sale	-	1.0	-	1.0
Balance sheet				
Segment assets	2,414.2	694.0	564.0	3,672.2
Unallocated assets				27.4
Consolidated total assets				3,699.6

	Year ended 31 Dec 2008 (Restated)[1]			
	Grocery	**Hovis**	**Other**	**Total for Group**
	£m	**£m**	**£m**	**£m**
Turnover from continuing operations				
External	1,502.2	770.0	331.4	2,603.6
Inter-segment	3.6	43.8	4.2	51.6
Result				
Trading profit	250.7	24.2	34.4	309.3
Amortisation of intangible assets				(76.7)
Fair value movements on foreign exchange and other derivative contracts				6.9
Pension financing credit				15.6
Operating profit before exceptional items				255.1
Exceptional items				(296.5)
Operating loss				(41.4)
Interest payable and other financial charges				(186.1)
Interest receivable and other financial income				41.6
Net movement on fair valuation of interest rate financial instruments				(218.9)
Loss before taxation for continuing operations				(404.8)
Depreciation	27.1	15.9	7.7	50.7
Amortisation	41.9	18.3	16.5	76.7
Impairment of PPE	0.1	11.3	-	11.4
Impairment of goodwill	-	194.4	-	194.4

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

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

Unallocated assets comprise cash and cash equivalents, taxation balances, derivative financial assets and head office assets.

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

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

Revenues of approximately £503.7m and £349.5m (2008: £479.6m and £322.8m) are derived from two external customers. These revenues are attributable across the three reporting segments above.

The Group primarily supplies the UK market, although it also supplies certain products to other European countries and a number of other countries. The following table provides an analysis of the Group's turnover, which is allocated on the basis of geographical market destination and an analysis of the Group's non current assets (excluding retirement benefit assets) by geographical location.

Continuing operations - turnover	**Year ended 31 Dec 2009 £m**	**Year ended 31 Dec 2008 £m**
United Kingdom	2,498.3	2,433.5
Other Europe	134.9	144.6
Rest of world	27.8	25.5
Total for Group	2,661.0	2,603.6

Non-current assets	**As at 31 Dec 2009 £m**	**As at 31 Dec 2008 £m**
United Kingdom	3,049.9	3,103.3
Other Europe	65.0	66.4
Total for Group	3,114.9	3,169.7

3. Exceptional items

During the year, the Group has seen a reduction in exceptional expenditure following the completion of its major administrative, integration and manufacturing rationalisation programmes. Expenditure relating to the remaining elements of its restructuring and integration programmes and costs associated with the refinancing of the Group, are the primary factors behind total non-recurring integration and exceptional costs during the year.

		Year ended 31 Dec 2009 £m	**Year ended 31 Dec 2008 £m**
Exceptional items – continuing operations			
Integration of RHM UK operations	(a)	25.2	60.6
Integration of Campbell's UK operations	(b)	1.5	6.3
Integration of Irish operations	(c)	2.3	6.0
Restructure of Meat-free operations	(d)	1.2	3.5
Hovis restructuring and other costs	(e)	10.9	21.1
Other restructuring costs	(f)	6.0	4.2
Gain on property disposals	(g)	(4.1)	(2.1)
Goodwill impairment	(h)	-	194.4
Total operating exceptional items		43.0	294.0
Refinancing costs	(i)	16.8	2.5
Total exceptional items		59.8	296.5

(a) Integration of RHM UK operations

On 16 March 2007, the Group acquired RHM plc. During 2009, the Group has completed its factory closure programme but residual costs were incurred from the commissioning of equipment and production transferred to remaining Group manufacturing sites. Redundancy and restructuring costs have been incurred relating to the move of existing administrative functions to a group-wide shared service centre in Manchester and the integration of certain warehousing facilities into other Group warehouses. The current adverse market conditions have also resulted in a charge to increase onerous property lease provisions.

(b) Integration of Campbell's UK operations

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

(c) Integration of Irish operations

The recession in Ireland has resulted in significant strategic changes by the Group's Irish customer base, with moves to sourcing products directly from the UK and a shift from primarily store-based trading to central purchasing and distribution. The Group has responded quickly to these changes and on 1 December 2009, the Group announced its decision to rationalise part of its Irish operations.

In the previous year, restructuring costs were incurred after the Group completed the principal phases of integrating its Irish companies into a single operating business.

(d) Restructure of Meat-free operations

During the year, the Group has performed a strategic review of its Meat-free manufacturing facilities in order to address production inefficiencies at its chilled facility at Methwold. Costs have been incurred during the year on commercial supply change restructuring initiatives to address these issues at Methwold. The current year charge also included an increase in an onerous property lease provision, again driven by the current adverse market conditions.

In the previous year, the Group incurred commissioning costs from its Methwold site to enable the integration of chilled production for *Quorn* and *Cauldron* products on a single site.

(e) Hovis restructuring and other costs

The Hovis business has completed a number of restructuring projects in 2009 which involved headcount reductions through organisational and structural changes, new warehouse technology and operating methods, supply chain management restructuring initiatives and various compliance related initiatives. The current year charge also includes an impairment recognised against our site in Hull.

The previous year exceptional charges also included an impairment of assets and redundancy costs relating to the closure of our Rotherham mill, onerous lease costs for properties and impairment recognised against certain plant and machinery relating to discontinued production lines.

(f) Other restructuring costs

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

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

(g) Gain on property disposals

The net disposal gain of £4.1m in the year primarily relates to the disposal of our site at King's Lynn. The gain in the previous year related to the disposal of sites and plant and equipment in Bristol, Droylsden, Middlewich, Wythenshawe and Stoke in the UK and Thurles in the Republic of Ireland.

(h) Goodwill impairment

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

(i) Refinancing costs

Advisory fees have been incurred during the year relating to the placing and open offer and firm placing, amended lending agreements (see notes 4 and 9), renegotiation of interest rate swaps and new pensions framework.

4. Interest payable and receivable

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

The amendments to the Group's Term and Revolving Credit Facilities included a rephasing of the facilities to provide additional liquidity and covenant headroom and an extension of the maturity date to December 2013. The total facility as at 31 December 2009 was £1,780m and will be amortised by £50m in both June and December of each year until December 2013.

In respect of these amendments to the existing facilities and arrangement of the new facilities, the Group incurred costs of £26.1m, £3.0m of which were immediately charged to the income statement.

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

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

On 28 February 2008, the Group entered into a supplemental agreement with its banks amending certain terms of its Senior Term Credit Facility and Revolving Credit Facility Arrangement of 16 March 2007. The Group also converted the Acquisition line of the Secured Senior Working Capital Credit Facility into a £100m Working Capital line and agreed an additional £125m of short-term facilities with three of its banks. These short-term facilities were fully repaid on 23 December 2008 and the facilities terminated.

In respect of these amendments to the existing facilities and arrangement of the new facilities, the Group incurred costs of £15.3m, £12.1m of which were immediately charged to the income statement in the year to 31 December 2008.

On 18 November 2008, the Group announced an agreement with its lending banks to defer its 31 December 2008 covenant test to 31 March 2009, pending a review of its capital structure. Fees of £4.9m incurred in relation to this were expensed in the year to 31 December 2008.

	Year ended 31 Dec 2009 £m	Year ended 31 Dec 2008 £m
Interest payable on bank loans and overdrafts	16.7	35.0
Interest payable on term facility	61.7	96.0
Interest payable on revolving facility	12.6	29.6
Interest payable on interest rate derivatives	60.7	-
Interest payable on interest rate financial liabilities designated as other liabilities at fair value through profit or loss	1.7	-
Unwind of discount on provisions	1.0	0.9
Amortisation of debt issuance costs and deferred fees	12.6	7.6
	167.0	169.1
Exceptional write-off of financing costs	3.0	17.0
Accelerated amortisation of debt issuance costs	9.8	-
Total interest payable and other financial charges	179.8	186.1
Interest receivable on bank deposits	(10.6)	(16.8)
Interest receivable on interest rate derivatives	(0.7)	(24.8)
Total interest receivable and other financial income	(11.3)	(41.6)
Movement on fair valuation of interest rate derivatives	(75.5)	218.9
Movement on fair valuation of interest rate financial liabilities designated as other financial liabilities at fair value through profit or loss	36.8	-
Net movement on fair valuation of interest rate financial instruments	(38.7)	218.9
Net interest payable	129.8	363.4

The fair value of interest rate swaps and other financial liabilities at fair value through profit or loss has fallen from a £237.4m liability at 31 December 2008 to a £198.7m liability at 31 December 2009 resulting in a net credit of £38.7m for the year due to amortisation offset by a change in the yield curve. The liability at 31 December 2009 represents the net present value of the interest cash flows calculated using the contracted fixed rates compared to the net present value of interest cash flows that would arise if the interest was calculated on a floating basis.

5. Tax on profit on ordinary activities

Analysis of the charge/(credit) for the year:

	Continuing operations £m	Dis-continued operations £m	Total £m
2009			
Current tax			
- Prior years	(4.0)	1.4	(2.6)
Overseas current tax			
- Current year	0.7	0.7	1.4
- Prior years	(0.2)	0.9	0.7
Deferred tax			
- Current year	15.2	(15.8)	(0.6)
- Prior years	(4.9)	-	(4.9)
Income tax charge/(credit) for the year	6.8	(12.8)	(6.0)
2008			
Current tax			
- Current year	-	0.9	0.9
- Prior years	(7.6)	1.4	(6.2)
Overseas current tax (current year)	2.8	-	2.8
Deferred tax			
- Current year	(24.3)	0.2	(24.1)
- Prior years	(1.5)	0.6	(0.9)
Income tax (credit)/charge for the year	(30.6)	3.1	(27.5)

Tax relating to items recorded in equity for continuing operations was:

	2009 £m	2008 £m
Deferred tax charge on share options	-	0.5
Deferred tax (credit)/charge on pension movements	(117.7)	19.2
Current tax credit on pension movements	(14.4)	(0.4)
	(132.1)	19.3

The tax credit from continuing operations for the year differs from the standard rate of corporation tax in the UK of 28.0% for the year ended 31 December 2009, and 28.5% for the year ended 31 December 2008. The reasons for this are explained below:

	Year ended 31 Dec 2009 £m	Year ended 31 Dec 2008 (Restated)[1] £m
Profit/(loss) before taxation for continuing operations	46.7	(404.8)
Tax charge/(credit) at the domestic income tax rate of 28% (2008: 28.5%)	13.1	(115.4)
Tax effect of:		
Non deductible exceptional items	4.5	63.6
Other disallowable items	0.3	1.5
Adjustment to reflect the abolition of tax relief for industrial buildings	-	25.4
Adjustment for share based pay	0.9	2.2
Adjustment due to current year deferred tax being provided at 28%	-	1.2
Previously unrecognised losses utilised	(2.9)	-
Adjustments to prior years	(9.1)	(9.1)
Income tax charge/(credit)	6.8	(30.6)

[1] The 31 December 2008 comparatives have been restated to reflect an increased share based payment charge following the amendment to IFRS 2.

6. Earnings Per Share

Basic earnings per share has been calculated by dividing the profit attributable to ordinary shareholders of £25.2m (2008: £444.7m loss) by the weighted average number of ordinary shares of the Company.

	Year ended 31 Dec 2009			Year ended 31 Dec 2008 (Restated)[1,2]		
	Basic	Dilutive effect of share options	Diluted	Basic	Dilutive effect of share options	Diluted
Continuing operations						
Profit/(loss) after tax (£m)	39.9	-	39.9	(374.2)	-	(374.2)
Weighted average number of shares (m)	2,079.0	-	2,079.0	905.3	-	905.3
Earnings/(loss) per share (pence)	1.9	-	1.9	(41.3)	-	(41.3)
Discontinued operations						
Loss after tax (£m)	(14.7)	-	(14.7)	(70.5)	-	(70.5)
Weighted average number of shares (m)	2,079.0	-	2,079.0	905.3	-	905.3
Loss per share (pence)	(0.7)	-	(0.7)	(7.8)	-	(7.8)
Total						
Profit/(loss) after tax (£m)	25.2	-	25.2	(444.7)	-	(444.7)
Weighted average number of shares (m)	2,079.0	-	2,079.0	905.3	-	905.3
Earnings/(loss) per share (pence)	1.2	-	1.2	(49.1)	-	(49.1)

[1] The 31 December 2008 comparatives have been restated to reflect an increased share based payment charge following the amendment to IFRS 2.

[2] Comparatives have been restated to reflect the impact of the placing and open offer and firm placing in the year.

Adjusted earnings per share ("Adjusted EPS")

Adjusted earnings per share is defined as trading profit less net regular interest payable, less a notional tax charge at 28.0% (2008: 28.5%) divided by the weighted average number of ordinary shares of the Company.

Trading profit is defined as operating profit before exceptional items, amortisation of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension credits or charges in relation to the difference between the expected return on pension assets, administration costs and interest costs on pension liabilities.

Net regular interest payable is defined as net interest after excluding non-cash items, namely exceptional write-off of financing costs, accelerated amortisation of debt issuance costs, fair value adjustments on interest rate financial instruments and the unwind of the discount on provisions.

Trading profit and Adjusted EPS have been reported as the directors believe these provide an alternative measure with which the shareholders can assess the Group's underlying trading performance.

			Year ended 31 December 2009
	Continuing £m	**Discontinued £m**	**Total £m**
Operating profit/(loss)	176.5	(27.4)	149.1
Exceptional items	59.8	27.9	87.7
Operating profit before exceptional items	236.3	0.5	236.8
Pension financing charge	1.8	-	1.8
Fair value movements on foreign exchange and other derivative contracts	6.3	-	6.3
Amortisation of intangible assets	78.7	-	78.7
Trading profit	323.1	0.5	323.6
Less net regular interest payable	(154.7)	-	(154.7)
Adjusted profit before tax	168.4	0.5	168.9
Notional tax at 28%	(47.1)	(0.1)	(47.2)
Adjusted profit after tax	121.3	0.4	121.7
Average shares in issue (m)	2,079.0	2,079.0	2,079.0
Adjusted EPS (pence)	5.8	-	5.8
Net regular interest payable			
Net interest payable	129.8	0.1	129.9
Exclude exceptional write-off of financing costs	(3.0)	-	(3.0)
Exclude accelerated amortisation of debt issuance costs	(9.8)	-	(9.8)
Exclude fair value adjustments on interest rate financial instruments	38.7	-	38.7
Exclude unwind of discount on provisions	(1.0)	(0.1)	(1.1)
Net regular interest payable	154.7	-	154.7

	Year ended 31 December 2008 (Restated)[1,2]		
	Continuing £m	**Discontinued £m**	**Total £m**
Operating loss	(41.4)	(68.1)	(109.5)
Exceptional items	296.5	71.9	368.4
Operating profit before exceptional items	255.1	3.8	258.9
Pension financing credit	(15.6)	-	(15.6)
Fair value movements on foreign exchange and other derivative contracts	(6.9)	-	(6.9)
Amortisation of intangible assets	76.7	5.3	82.0
Trading profit	309.3	9.1	318.4
Less net regular interest (payable)/receivable	(126.6)	0.1	(126.5)
Adjusted profit before tax	182.7	9.2	191.9
Notional tax at 28.5%	(52.1)	(2.6)	(54.7)
Adjusted profit after tax	130.6	6.6	137.2
Average shares in issue (m)	905.3	905.3	905.3
Adjusted EPS (pence)	14.4	0.7	15.1
Net regular interest payable/(receivable)			
Net interest payable/(receivable)	363.4	(0.7)	362.7
Exclude exceptional write-off of financing costs	(17.0)	-	(17.0)
Exclude fair value adjustments on interest rate financial instruments	(218.9)	-	(218.9)
Exclude unwind of discount on provisions and receivables	(0.9)	0.6	(0.3)
Net regular interest payable/(receivable)	126.6	(0.1)	126.5

[1] The 31 December 2008 comparatives have been restated to reflect an increased share based payment charge following the amendment to IFRS 2.

[2] Comparatives have been restated to reflect the impact of the placing and open offer and firm placing in the year.

Dilutive effect of share options

The dilutive effect of share options is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The only dilutive potential ordinary shares of the Company are share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options.

For the years ended 31 December 2009 and 31 December 2008, there is no dilutive effect as the outstanding share options that could have been acquired at fair value is less than the monetary value of the subscription rights attached to these options.

The issue of 1,553,416,776 ordinary shares during the year has been included in determining the weighted average for the current year.

No adjustment is made to the profit or loss in calculating undiluted and diluted loss per share.

	2009 Number	2008 Number[1]
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	2,079,022,507	905,269,075
Effect of dilutive potential ordinary shares:		
- Share options	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	2,079,022,507	905,269,075

[1] Comparatives have been restated to reflect the impact of the placing and open offer and firm placing in the year.

7. Discontinued operations

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

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

	Year ended 31 Dec 2009 £m	Year ended 31 Dec 2008 £m
Turnover	21.4	173.0
Operating expenses	(24.3)	(241.1)
Operating loss before taxation	(2.9)	(68.1)
Interest payable	(0.1)	(0.3)
Interest receivable	-	1.0
Loss before taxation	(3.0)	(67.4)
Taxation charge	(0.7)	(3.1)
Loss after taxation on discontinued operations for the year	(3.7)	(70.5)
Loss on disposal before taxation	(24.5)	-
Tax credit on loss on disposal	13.5	-
Loss on disposal after taxation	(11.0)	-
Total loss arising from discontinued operations	(14.7)	(70.5)

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

During the year, discontinued operations contributed to a net outflow of £6.6m (2008: £16.2m inflow) to the Group's net operating cash flows, and a £0.5m outflow to investing activities (2008: £4.0m outflow) and an outflow of £nil (2008: £0.3m outflow) in respect of financing activities.

8. Disposal of subsidaries/businesses

During the year, the Group disposed of its speciality bakery businesses. The impact on the results of the Group is disclosed in note 7. On the dates of disposal, the net assets of the businesses, the consideration and the loss on disposal were as follows:

	£m
Property, plant and equipment	36.5
Intangible assets and goodwill	42.8
Inventories	9.2
Trade and other receivables	24.0
Trade and other payables	(41.5)
Provisions and lease obligations	(4.9)
Pension obligation	(0.9)
Translation reserves relating to speciality bakery businesses	(6.1)
Net investment hedge relating to speciality bakery businesses	7.2
Net assets disposed	66.3
Less net consideration	(41.8)
Loss on disposal before tax	24.5
Taxation credit on loss on disposal	(13.5)
Loss on disposal after tax	11.0

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

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

9. Bank and other borrowings

	2009 £m	2008 £m
Due within one year:		
Secured Senior Credit Facility – Term (note a)	100.0	150.6
Debt issuance costs	(1.0)	(0.8)
	99.0	149.8
Bank overdrafts	34.5	6.9
Total bank borrowings due within one year	133.5	156.7
Finance lease obligations	0.5	0.6
Other unsecured loans (note c)	18.5	17.5
Total borrowings due within one year	152.5	174.8
Due after more than one year:		
Secured Senior Credit Facility - Working Capital (note b)	-	10.0
	-	10.0
Secured Senior Credit Facility – Revolving (note a)	67.9	450.0
Debt issuance costs	(5.0)	(3.4)
	62.9	446.6
Secured Senior Credit Facility – Term (note a)	1,179.9	1,181.0
Debt issuance costs	(11.7)	(6.2)
	1,168.2	1,174.8
Finance lease obligations	0.9	1.1
Other unsecured loans	-	0.1
Total other	0.9	1.2
Total borrowings due after one year	1,232.0	1,632.6
Total bank and other borrowings	1,384.5	1,807.4

The borrowings are secured by a floating charge over all assets of the Group.

Cash and bank deposits and short-term borrowings have been offset to the extent possible in accordance with the Group's banking agreements and the legal rights to such offset in accordance with IAS 32, "Financial Instruments: Disclosure and Presentation".

a) Senior Term Credit Facility and Revolving Credit Facility Arrangement - 2009

On 5 March 2009, the Group entered into a supplemental agreement with its banks amending certain terms of its Senior Term Credit Facility and Revolving Credit Facility Arrangement of the 16 March 2007.

This original facility was arranged by Barclays Capital, Bayerische Landesbank, BNP Paribas, Rabobank International, Lloyds TSB Bank plc and The Royal Bank of Scotland plc as lead arrangers and underwriters and Lloyds TSB Bank plc as facility agent and security trustee.

The Senior Term Credit Facility now comprises £1,430m of Term facilities (of which £100m was immediately repaid in April 2009 after the successful equity raising), and a multi-currency Revolving Credit Facility of up to £500m (or its equivalent in other currencies). The final maturity date of the above arrangements is 31 December 2013.

b) Secured Senior Working Capital Credit Facility

On 28 February 2008, the Group converted its £100m Acquisition line into a Working Capital line and agreed an additional £125m of short-term facilities with three of its leading banks. The Working Capital line was fully repaid in March 2009 as a result of the refinancing and the facility terminated. The £125m of short-term facility was fully repaid on 23 December 2008 and the facility terminated.

c) Other unsecured loans falling due within one year includes amounts owed in respect of cash receipts from debtors previously sold under the debtors securitisation programme.

10. Retirement benefit schemes

Defined 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 plc, the Group also acquired the RHM Pension Scheme, the Premier Foods Ireland Pension Scheme (1994), the Premier Foods Ireland Van Sales Scheme and the French Termination Indemnity Arrangements. These schemes are presented together below as the RHM schemes, with the exception of the French Termination Indemnity Arrangements which were disposed of with the speciality bakery businesses during the year. At 31 December 2008, the French Termination Indemnity Arrangements were included in the speciality bakery businesses disposal group following their classification as discontinued operations.

The exchange rates used to translate the overseas Euro based schemes are £1.00 = 1.1142 Euros for the average rate during the year, and £1.00 = 1.1185 Euros for the closing position at 31 December 2009.

Under all the schemes detailed above, the employees are entitled to retirement benefits which vary as a percentage of final salary on retirement. The assets of all schemes are held by the trustees of the respective schemes and are independent of the Group's finances.

The schemes invest through investment managers appointed by the trustees in UK and European equities and in investment products made up of a broader range of assets. The plan assets do not include any of the Group’s own financial instruments, nor any property occupied by, or other assets used by, the Group.

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

	Premier schemes	RHM schemes
	2009	**2009**
Discount rate	5.8%	5.8%
Inflation	3.5%	3.5%
Expected salary increases	4.5%	3.5%
Future pension increases	2.2%	2.2%
	2008	**2008**
Discount rate	6.3%	6.3%
Inflation	2.8%	2.8%
Expected salary increases	3.8%	2.8%
Future pension increases	2.0%	2.0%

For the smaller overseas schemes the discount rate used was 5.4%, expected salary increases of 3.0%, and future pension increases of 1.75%.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are as follows:

Life expectancy	**Premier schemes**	**RHM schemes**	**Total**
Male pensioner, currently aged 65	85.9	85.0	85.2
Female pensioner, currently aged 65	88.4	87.3	87.6
Male non-pensioner, currently aged 45	87.2	86.2	86.4
Female non-pensioner, currently aged 45	89.6	88.4	88.7

The fair values of plan assets split by type of asset are as follows:

Pension scheme assets	**Premier schemes**	**RHM schemes**	**Total**
Assets at 31 December 2009			
Equities	116.5	483.1	599.6
Government bonds	12.4	7.4	19.8
Corporate bonds	71.7	303.3	375.0
Property	2.0	164.0	166.0
Absolute / target return products	209.1	313.1	522.2
Interest rate and inflation swaps	25.3	(38.8)	(13.5)
Cash / other	40.1	820.8	860.9
Fair value of scheme assets	477.1	2,052.9	2,530.0
Assets at 31 December 2008			
Equities	148.5	387.5	536.0
Government bonds	12.6	1.4	14.0
Corporate bonds	9.4	277.9	287.3
Property	1.3	191.1	192.4
Absolute / target return products	180.4	222.9	403.3
Interest rate and inflation swaps	26.5	250.0	276.5
Cash / other	36.7	782.1	818.8
Fair value of scheme assets	415.4	2,112.9	2,528.3

The schemes invest in interest rate and inflation swaps to protect from fluctuations in interest and inflation.

The expected rates of return on assets were:

	Premier schemes	RHM schemes	Total
2009 (for 2010 return)			
Expected rate (%)	8.0	7.0	7.2
Market value (£m)	477.1	2,052.9	2,530.0
2008 (for 2009 return)			
Expected rate (%)	7.4	6.3	6.5
Market value (£m)	415.4	2,112.9	2,528.3
2007 (for 2008 return)			
Expected rate (%)	8.0	6.9	7.2
Market value (£m)	506.2	2,079.2	2,585.4
2006 (for 2007 return)			
Expected rate (%)	7.5	-	7.5
Market value (£m)	465.7	-	465.7

The expected return on pension scheme assets is based on the long-term investment strategy set out in the Schemes' Statement of Investment Principles at the start of the year.

The actual rate of return on plan assets was a gain of 17.5% (2008: 18.2% loss) for Premier schemes, and a loss of 0.2% for RHM schemes (2008: 4.3% gain).

The pension schemes hold a charge over the assets of the Group.

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

	Premier schemes £m	RHM schemes £m	Total £m
2009			
Present value of funded obligations	(685.5)	(2,273.0)	(2,958.5)
Fair value of plan assets	477.1	2,052.9	2,530.0
Deficit in scheme	(208.4)	(220.1)	(428.5)
2008			
Present value of funded obligations	(587.7)	(1,952.1)	(2,539.8)
Fair value of plan assets	415.4	2,112.9	2,528.3
(Deficit)/surplus in scheme	(172.3)	160.8	(11.5)
2007			
Present value of funded obligations	(581.7)	(2,126.9)	(2,708.6)
Fair value of plan assets	506.2	2,079.2	2,585.4
Deficit in scheme	(75.5)	(47.7)	(123.2)
2006			
Present value of funded obligations	(550.4)	-	(550.4)
Fair value of plan assets	465.7	-	465.7
Deficit in scheme	(84.7)	-	(84.7)
2005			
Present value of funded obligations	(418.9)	-	(418.9)
Fair value of plan assets	334.5	-	334.5
Deficit in scheme	(84.4)	-	(84.4)

As at 31 December 2008, all of the schemes recognised a deficit with the exception of the RHM scheme which was in surplus under IAS 19. This surplus of £163.7m has been shown separately on the face of the balance sheet within Non-current assets.

The aggregate deficit has increased by £417.0m during the year primarily due to an increase in the defined benefit obligation. This was a result of a fall in discount rate assumption used, which is based on the AA bond yield, from 6.3% to 5.8% and an increase in the inflation rate assumption from 2.8% to 3.5%.

Changes in the present value of the defined benefit obligation were as follows:

	Premier schemes £m	RHM schemes £m	Total £m
2009			
Opening defined benefit obligation	(587.7)	(1,952.1)	(2,539.8)
Current service cost	(8.0)	(3.6)	(11.6)
Past service cost	-	(1.2)	(1.2)
Interest cost	(36.1)	(119.9)	(156.0)
Actuarial loss	(81.2)	(295.1)	(376.3)
Other income/exchange differences	3.6	1.4	5.0
Curtailments	0.1	0.9	1.0
Contributions by plan participants	(4.7)	(11.5)	(16.2)
Benefits paid	28.5	108.1	136.6
Closing defined benefit obligation	(685.5)	(2,273.0)	(2,958.5)
2008			
Opening defined benefit obligation	(581.7)	(2,126.9)	(2,708.6)
Current service cost	(9.0)	(8.1)	(17.1)
Past service cost	-	(2.8)	(2.8)
Interest cost	(33.9)	(122.9)	(156.8)
Actuarial gain	23.3	214.8	238.1
Other costs/exchange differences	(10.2)	(4.1)	(14.3)
Curtailments	-	(0.2)	(0.2)
Contributions by plan participants	(4.3)	(13.1)	(17.4)
Benefits paid	28.1	111.2	139.3
Closing defined benefit obligation	(587.7)	(1,952.1)	(2,539.8)

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

	Premier schemes £m	RHM schemes £m	Total £m
2009			
Opening fair value of plan assets	415.4	2,112.9	2,528.3
Expected return	30.2	131.6	161.8
Administrative and life insurance costs	(2.2)	(5.4)	(7.6)
Actuarial gain/(loss)	42.5	(135.0)	(92.5)
Contributions by employer	17.7	46.8	64.5
Contributions by plan participants	4.7	11.5	16.2
Other costs/exchange differences	(2.7)	(1.4)	(4.1)
Benefits paid	(28.5)	(108.1)	(136.6)
Closing fair value of plan assets	477.1	2,052.9	2,530.0
2008			
Opening fair value of plan assets	506.2	2,079.2	2,585.4
Expected return	39.7	140.4	180.1
Administrative and life insurance costs	(2.2)	(5.5)	(7.7)
Actuarial loss	(131.6)	(50.3)	(181.9)
Contributions by employer	18.0	43.1	61.1
Contributions by plan participants	4.3	13.1	17.4
Other income/exchange differences	9.1	4.1	13.2
Benefits paid	(28.1)	(111.2)	(139.3)
Closing fair value of plan assets	415.4	2,112.9	2,528.3

The history of the plans for the current and prior years is as follows:

	Premier schemes £m	RHM schemes £m	Total £m
2009			
Actuarial loss on plan liabilities	(81.2)	(295.1)	(376.3)
Actuarial gain/(loss) on plan assets	42.5	(135.0)	(92.5)
Net actuarial loss for the year	(38.7)	(430.1)	(468.8)
Cumulative actuarial loss	(225.0)	(118.1)	(343.1)
2008			
Actuarial gain on plan liabilities	23.3	214.8	238.1
Actuarial loss on plan assets	(131.6)	(50.3)	(181.9)
Net actuarial (loss)/gain for the year	(108.3)	164.5	56.2
Cumulative actuarial (loss)/gain	(186.3)	312.0	125.7
2007			
Actuarial gain on plan liabilities	2.6	135.8	138.4
Actuarial (loss)/gain on plan assets	(14.8)	11.7	(3.1)
Net actuarial (loss)/gain for the period	(12.2)	147.5	135.3
Cumulative actuarial (loss)/gain	(78.0)	147.5	69.5
2006			
Actuarial gain on plan liabilities	4.4	-	4.4
Actuarial gain on plan assets	11.7	-	11.7
Net actuarial gain for the year	16.1	-	16.1
Cumulative actuarial loss	(65.8)	-	(65.8)
2005			
Actuarial loss on plan liabilities	(43.7)	-	(43.7)
Actuarial gain on plan assets	17.8	-	17.8
Net actuarial loss for the year	(25.9)	-	(25.9)
Cumulative actuarial loss	(81.9)	-	(81.9)

The actual return on plan assets was a £69.3m gain (2008: £1.8m loss), which is £92.5m less (2008: £181.9m less) than the expected return on plan assets of £161.8m (2008: £180.1m) at the start of the relevant periods.

The actuarial loss on liabilities of £376.3m (2008: £238.1m gain) comprises a gain on member experience of £8.9m (2008: £8.6m loss) and an actuarial loss due to changes in assumptions of £385.2m (2008: £246.7m gain).

The net actuarial losses taken to the statement of comprehensive income were £468.8m (2008: £56.2m gain). These were £336.7m (2008: £37.4m gain) net of taxation (with tax at 28% for UK schemes, and 12.5% for Irish schemes).

The Group expects to contribute approximately £64.9m (2009: £57.5m) to its defined benefit plans in 2010, £24.9m (2009: £25.0m) of regular contributions and £40.0m (2009: £32.5m) of additional contributions to fund the scheme deficits.

The amounts recognised in the income statement are as follows:

	Premier schemes £m	RHM schemes £m	Total £m
2009			
Current service cost	(8.0)	(3.6)	(11.6)
Past service cost	-	(1.2)	(1.2)
Administrative and life insurance costs	(2.2)	(5.4)	(7.6)
Interest cost	(36.1)	(119.9)	(156.0)
Expected return on plan assets	30.2	131.6	161.8
Gains on curtailment	0.1	0.9	1.0
Total (expense)/income	(16.0)	2.4	(13.6)
2008			
Current service cost	(9.0)	(8.1)	(17.1)
Past service cost	-	(2.8)	(2.8)
Administrative and life insurance costs	(2.2)	(5.5)	(7.7)
Interest cost	(33.9)	(122.9)	(156.8)
Expected return on plan assets	39.7	140.4	180.1
Losses on curtailment	-	(0.2)	(0.2)
Total (expense)/income	(5.4)	0.9	(4.5)

Defined Contribution Schemes

A number of companies in the Group operate defined contribution schemes, predominantly stakeholder arrangements. In addition a number of schemes providing life assurance benefits only are operated. The total expense recognised in the income statement of £1.1m (2008: £1.1m) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

Other post retirement benefits

The Group does not provide any other post retirement benefits.

11. Notes to the cash flow statement

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

	Year ended 31 Dec 2009 £m	Year ended 31 Dec 2008 (Restated)[1] £m
Continuing operations		
Operating profit/(loss)	176.5	(41.4)
Depreciation of property, plant and equipment	52.3	50.7
Amortisation of intangible assets	78.7	76.7
Impairment and (gain)/loss on disposal of property, plant and equipment	(1.9)	10.6
Impairment of goodwill	-	194.4
Revaluation losses/(gains) on financial instruments	6.3	(6.9)
Share based payments	2.7	2.3
Net cash inflow from operating activities before interest and tax and movements in working capital	314.6	286.4
Decrease/(increase) in inventories	24.4	(38.8)
Increase in trade and other receivables	(8.9)	(42.5)
(Decrease)/increase in trade and other payables and provisions	(53.2)	23.6
Movement in net retirement benefit obligations	(50.9)	(56.6)
Cash generated from continuing operations	226.0	172.1
Discontinued operations	(6.6)	16.2
Cash generated from operating activities	219.4	188.3
Exceptional items cash flow	(71.3)	(121.8)
Cash generated from operations before exceptional items	290.7	310.1

[1] The 31 December 2008 comparatives have been restated to reflect an increased share based payment charge following the amendment to IFRS 2.

Additional analysis of cash flows

	Year ended 31 Dec 2009 £m	Year ended 31 Dec 2008 £m
Interest paid	(162.5)	(150.4)
Interest received	10.8	45.0
Financing costs	(26.1)	(20.2)
Return on financing	(177.8)	(125.6)
Sale of subsidiaries / businesses	45.2	**-**

Reconciliation of cash and cash equivalents to net borrowings

	Year ended 31 Dec 2009 £m	Year ended 31 Dec 2008 £m
Net (outflow)/inflow of cash and cash equivalents	(47.3)	8.8
Decrease in finance leases	0.3	2.6
Decrease/(increase) in borrowings	464.0	(133.2)
Other non-cash changes	(15.3)	(26.5)
Decrease/(increase) in borrowings net of cash	401.7	(148.3)
Total net borrowings at beginning of year	(1,766.8)	(1,618.5)
Total net borrowings at end of year	(1,365.1)	(1,766.8)

Analysis of movement in borrowings

	As at 1 Jan 2009 £m	Cash flow £m	Other non-cash changes £m	As at 31 Dec 2009 £m
Bank overdrafts	(6.9)	(27.6)	-	(34.5)
Cash and bank deposits	40.6	(19.7)	(1.5)	19.4
Net cash and cash equivalents	33.7	(47.3)	(1.5)	(15.1)
Borrowings - term facilities	(1,341.6)	61.7	-	(1,279.9)
Borrowings - revolving credit facilities	(450.0)	377.1	5.0	(67.9)
Finance leases	(1.7)	0.6	(0.3)	(1.4)
Other	(17.6)	(0.9)	-	(18.5)
Gross borrowings net of cash[1]	(1,777.2)	391.2	3.2	(1,382.8)
Debt issuance costs	10.4	26.1	(18.8)	17.7
Total net borrowings[1]	(1,766.8)	417.3	(15.6)	(1,365.1)

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

12. Contingencies

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

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

There were no other material contingent liabilities at 31 December 2009.

13. Post balance sheet events

On 1 January 2010, the Group undertook an internal reorganisation which resulted in the transfer of the trade and assets of Chivers Hartley Limited, H.L. Foods Limited, Premier Ambient Products (UK) Limited and Premier International Foods UK Limited to a fellow subsidiary, Premier Foods Group Limited.