04 March 2008

Premier Foods plc Preliminary Results 2007

A transformational year and integration progressing well
Time lag in recovering unprecedented cost inflation
Additional financial headroom put in place

	Year ended 31 December 2007 £m	Year ended 31 December 2006 £m	Change
Turnover[1]	**2,247.6**	840.7	167.3%
Trading profit[2]	**280.2**	129.4	116.5%
Operating profit[1]	**76.1**	100.5	(24.3%)
Adjusted profit before tax[1,3]	**170.8**	84.8	101.4%
(Loss)/profit before tax[1]	**(73.5)**	59.0	-
Net (loss)/income	**(35.8)**	47.9	-
Pro forma turnover[1,3]	**2,555.2**	2,520.4	1.4%
Pro forma Trading profit[1,2]	**303.7**	327.5	(7.3%)
Basic (loss)/ earnings per share[1]	**(8.2p)**	12.7p	-
Adjusted earnings per share[1,3]	**15.5p**	16.0p	(3.1%)
Dividend per share[5]	**6.5p**	12.0p	(45.8%)

- Premier, Campbell's and RHM organisations integrated.
- £113m of annual cost synergies confirmed, £17m delivered in 2007.
- Strong platform for future development.
- Performance impacted by inflation in wheat and other input costs; costs being recovered through pricing action.
- Core Premier Trading profit up 3.8%[4].
- Pro forma RHM Trading profit excluding Bread Bakeries up 3.1%.
- Pro forma Bread Bakeries division Trading profit down 48.4%.
- Increased financing headroom put in place to underpin completion of investment programme and to provide additional operational flexibility.
- Recommended final dividend of 2.2p, giving total dividend for 2007 of 6.5p (2006: 12.0p).

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

“2007 has been a year of unprecedented change for Premier. We made significant progress on the integration of Campbell’s and RHM and have delivered the £17m of cost synergies targeted for 2007 and, with an annual run rate at the end of 2007 of £47m, we remain on track to deliver the total £113m of annual cost synergies.

“The downside to 2007 has been the exceptional level of cost inflation that we and other food companies have faced. Whilst we have moved quickly to raise prices, the inevitable time lag between cost increases and raising prices reduced second half profitability and has caused temporary market imbalances as seen by our Bread division. At December 2007, we had recovered some £190m of the £225m of annualised cost inflation that we saw in 2007 and we intend to recover the remaining costs during the first quarter of 2008. We anticipate that during this period the time lag on recovering 2007 cost inflation will reduce Trading profit in the Core Premier division by approximately £10m, partly offsetting the integration benefits.

“As we enter 2008, we are now operating in our three new divisions and our focus moves onto the implementation of some key modules of SAP, our new management information system, and our factory rationalisation programme. These major programmes require a level of operational stability, which will limit our promotional activity, particularly during the first half of 2008.

“We undertook a review of our Bread business in 2007 to address concerns we had about the decline in our market share over 2007 and developed a new strategy to rebuild our volumes. We are currently implementing our new bread strategy supported by significant investment in capital equipment and recipe changes, which we anticipate will improve its competitiveness and rebuild our volumes over time to the levels of previous years. However, whilst we anticipate that Trading profit will develop positively over the full year, with volumes during the first half running at lower levels than the same period in 2007, combined with the investment in recipe changes, we expect Trading profit for the division will be lower during the first half of the year.

“Given the high level of input cost inflation in 2007 and the potential for further inflationary pressures in 2008, we consider that it is prudent to increase the financial headroom available to us to ensure that our investment programmes can proceed to plan. We have therefore negotiated a revision to our banking covenants and agreed additional banking facilities. In addition, we will also be re-phasing non-integration capital expenditure and have decided to cut our dividend with a total dividend payable of 6.5p per ordinary share for 2007.”

(1) Continuing operations
(2) Trading profit is defined as operating profit from continuing operations before exceptional items, amortisation of intangible assets, the movement in the IAS39 valuation of forward foreign exchange contracts, which cannot be predicted and the pension credits or charges in relation to the difference between the expected return on pension assets and interest costs on pension liabilities.
(3) Adjusted profit before tax and Adjusted earnings per share is calculated as set out below:

	2007 £m	2006 £m
Trading profit	**280.2**	129.4
Less net cash interest	**(105.2)**	(43.2)
Less regular amortisation of debt issuance costs	**(4.2)**	(1.4)
Adjusted Profit before tax	**170.8**	84.8
Less underlying tax calculated at 30%	**(51.2)**	(25.4)
Adjusted profit after tax	**119.6**	59.4
Divided by:		
Average shares in issue (millions)	**772.6**	370.8
Adjusted earnings per share	**15.5p**	16.0p
Adjusted earnings per share after adjusting for estimated contribution of Cadbury Beverages agreement	**15.5p**	15.1p

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

(4) Core Premier Trading profit has been calculated as the sum of trading profit for the Convenience, Pickles, Sauces & Meat-free and Spreads, Desserts & Beverages product groups and includes Campbell's and Chivers Ireland.

The year on year growth for the Core Premier pro forma trading profit has been calculated after reducing the Trading profit for 2006 by £5.0m, being the estimated impact of the end of the Cadbury hot beverages licence and reducing the trading profit of the Campbell's business in 2006 by £8.7m being the estimated impact of non-recurring trading distortions in the Campbell's business prior to its acquisition.

(5) 2006 dividend per share restated for the effect of the Rights Issue in 2006.

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A presentation to analysts will take place on Tuesday, 4th March 2008 at 9.30am at ABN AMRO, 250 Bishopsgate, London, EC2M 4AA. In addition, the presentation will be available via web cast at www.premierfoods.co.uk. The analyst presentation will also be available via on a listen only conference line on +44 (0)20 8609 1270.

Operating review – continuing operations

£m	2007	2006
Sales		
Core Premier	**965.5**	840.7
Bread Bakeries	**657.3**	-
Culinary Brands	**218.9**	-
Cakes	**229.3**	-
Customer Partnerships	**176.6**	-
Total sales	**2,247.6**	840.7
Trading profit*	**280.2**	129.4
Trading profit margin	***12.5%***	*15.4%*
Amortisation of intangibles	**(66.2)**	(10.9)
Foreign exchange valuation items credit/(charge)	**4.7**	(3.3)
Pension financing credit	**16.1**	4.7
Operating profit before exceptional items	**234.8**	119.9
Exceptional items	**(158.7)**	(19.4)
Operating profit	**76.1**	100.5

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

Integration of Campbell's and RHM

2007 has seen a transformation in the scale and breadth of Premier's operations when, following the acquisition of Campbell's in 2006, the Group acquired RHM plc in March 2007. As a result, the pro forma sales of the combined Group have almost trebled the previously reported sales of Premier in 2006.

We are delighted by the progress we have made in integrating these businesses. The Campbell's business has been integrated into our Grocery business within the Convenience Foods, Pickles, Sauces and Meat-free product group. The integration of the administration functions proceeded smoothly and was completed in April 2007. Similarly, the integration of RHM into Premier's operations has been proceeding to plan. We have already made significant steps on the integration: we have closed the RHM head office; combined the senior management teams into a single operating board; completed the integration of the Culinary Brands division; completed a review of the combined manufacturing facilities, closed 2 factories and commenced the closure of a further 7 factories; completed the integration of all our operations in the Republic of Ireland into a single operating company and integrated the management teams of our RF Brookes, Avana and Charnwood businesses. We have confirmed the total level of annual cost synergies available from integrating Campbell's and RHM at £113m, of which £17m has been recorded in 2007. We estimate that the synergy run rate across both Campbell's and RHM had reached £47m at the end of 2007. We expect to complete the integration on schedule by the end of 2009.

Trading

Total sales from continuing operations increased by £1,406.9m to £2,247.6m and Trading profit increased by £150.8m to £280.2m, primarily due to the acquisitions of Campbell's on 14 August 2006 and RHM on 16 March 2007. Operating profit from continuing operations decreased by £24.4m to £76.1m reflecting £158.7m of operating exceptional items incurred primarily in relation to the integration of Campbell's and RHM. The comparative figures for 2006 exclude the Fresh Produce and Erin gravy businesses, which were sold during the year and have been recorded within discontinued operations. Trading profit margin for the Group declined from 15.4% to 12.5% due to the acquisition of RHM, which is a lower margin business than Premier.

Branded sales, on a pro forma basis, now represent 57% of sales, down from 66% in 2006 (pro forma for the acquisition of Campbell's but not RHM). This decrease is due to the inclusion of RHM, which, at acquisition, was approximately 50% branded.

The most noteworthy commercial feature of 2007 has been the significant level of cost inflation that started during the summer of 2007. This inflation has been driven by a number of factors including increased global demand for raw materials due to the increasing affluence and growth of economies in the Far East, the increasing use of grains for the production of biofuels and shortages of many agricultural products due to poor harvests in many parts of the globe as a result of extreme weather conditions. We have achieved price increases to cover a significant proportion of these cost increases but there is an inevitable time lag between cost increases impacting us and the implementation of price increases. This has a direct impact on profitability during the period that costs are not recovered but also can cause disruption in markets when disparities arise in pricing between different brands in the category, as evidenced by the Bread category through the autumn of 2007.

We estimate the annualised increase in raw material and packaging costs in 2007 for our Grocery business was approximately £75m whilst that for the Group's wheat purchases was £150m. The impact on 2007 of these increases was £22m for raw materials and packaging in our Grocery business and £40m for wheat for the Group. At December 2007, we had achieved price increases that fully recovered the increase in the cost of wheat at that time. We had achieved price increases that recovered just over half of the other cost increases by December 2007 and have made further progress over the first two months of 2008. The effect of these price increases on 2007 was to recover approximately £32m through price increases on flour and bread and £14m on Grocery products. During the first two months of 2008 we have seen no evidence of a slowdown in the inflationary pressures but we will continue to look to mitigate these through our cost reduction programmes and further price increases.

A traditional like-for-like analysis of the results for the period is of limited value given the scale of the transformation of Premier. Therefore, we have presented a pro forma analysis of the movements in sales and Trading profit for each segment and product group to give a more detailed understanding of the trading of each. It must be noted, however, that the pro forma 2006 comparatives and 2007 results for Campbell's and RHM include pre-acquisition periods when the businesses were not under the control of Premier's management.

Financial Structure

Given the high level of input cost inflation in 2007 and the potential for further inflationary pressures in 2008, we consider that it is prudent to increase the financial headroom available to us to ensure that our investment programmes can proceed to plan. We have therefore negotiated a revision to our banking covenants and agreed additional banking facilities. In addition, we will also be re-phasing non-integration capital expenditure and have decided to cut our dividend with a total dividend payable of 6.5p per ordinary share for 2007.

New Divisional Structure

We have implemented a new divisional structure following the acquisition and integration of the Campbell's and RHM businesses. The primary drivers of the structure are the commonality of the categories we operate in and the supply chain to service them. We have therefore defined three divisions namely "Grocery", "Bread & Milling" and "Chilled & Ireland". The Grocery division comprises the original Premier business with the exception of the Meat-free business, the Campbell's business, RHM's Culinary Brands division, Ledbury Preserves from RHM's Customer Partnerships division and Manor Bakeries from the RHM Cakes division. The Bread & Milling division comprises the RHM Bread Bakeries division and the "Chilled & Ireland" division comprises the RF Brookes and Charnwood chilled foods and pizza base businesses from RHM's Customer Partnerships division, Avana Bakeries from RHM's Cakes division, Premier's Meat-free business and all of our operations in the Republic of Ireland. However, to maintain consistent reporting, we have presented the results for 2007 in line with the segments existing within Premier and RHM at the time of the acquisition of RHM. The results for 2008 will be presented in line with the new divisional structure outlined above. Restated results for 2007 in line with the new divisional structure will be published shortly.

Core Premier

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

£m	**2007**	2006	
Reported			
Sales			
Convenience Foods, Pickles, Sauces & Meat-free	**442.3**	454.5	(2.7%)
Campbell's	**250.2**	97.1	-
Spreads, Desserts & Beverages	**251.0**	278.0	(9.7%)
Chivers Ireland	**22.0**	11.1	-
Total Core Premier	**965.5**	840.7	14.8%
Trading profit			
Convenience Foods, Pickles, Sauces & Meat-free	**43.0**	45.7	(5.9%)
Campbell's	**51.1**	16.6	-
Spreads, Desserts & Beverages	**60.6**	67.1	(9.7%)
Chivers Ireland	**1.0**	-	-
Total Core Premier	**155.7**	129.4	20.3%

£m	**2007**	2006	2006 Adjustments*	2006 Adjusted	
Pro forma					
Sales					
Convenience Foods, Pickles, Sauces & Meat-free	**442.3**	454.5	-	454.5	(2.7%)
Campbell's	**250.2**	243.8	-	243.8	2.7%
Spreads, Desserts & Beverages	**251.0**	278.0	(14.2)	263.8	(4.8%)
Chivers Ireland	**23.1**	23.3	-	23.3	(0.9%)
Total Core Premier	**966.6**	999.6	(14.2)	985.4	(1.9%)
Trading profit					
Convenience Foods, Pickles, Sauces & Meat-free	**43.0**	45.7	-	45.7	(5.9%)
Campbell's	**51.1**	50.1	(8.7)	41.4	23.4%
Spreads, Desserts & Beverages	**60.6**	67.1	(5.0)	62.1	(2.4%)
Chivers Ireland	**1.0**	0.8	-	0.8	25.0%
Total Core Premier	**155.7**	163.7	(13.7)	150.0	3.8%

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

Convenience Foods, Pickles, Sauces & Meat-free

Sales of Convenience Foods, Pickles, Sauces & Meat-free decreased by £12.2m compared to 2006 due to reduced sales of branded baked beans, which were heavily promoted during the launch of *Branston* beans in 2006 and lower sales of retailer brand convenience foods, partly offset by increased sales of *Branston* relishes, *Haywards* pickles and our market-leading Meat-free brand, *Quorn*.

Our Meat-free business has continued to grow albeit at a temporarily slower rate during the first half of this year. This was the consequence of reduced promotional activity behind the *Quorn* and *Cauldron* brands during the commissioning of our new chilled manufacturing facility at Methwold in Norfolk. The plant is now operational and we have seen the rate of sales growth in the second half return to its previous higher levels. We also announced an investment of £35m in a new fermentation plant at our Belasis factory, which will significantly increase its capacity to support the continued rapid growth of *Quorn*. This investment will be spread over three years and the plant should become operational towards the end of 2009.

Campbell's

We viewed Campbell's at the time of its acquisition as a "classic" Premier acquisition. We saw a portfolio of iconic British brands in need of rejuvenation combined with a significant level of cost synergies available to us through a full integration of manufacturing and administrative functions. We completed the integration of the administrative functions in line with our original plans in April 2007. Our original integration plan for Campbell's included the closure of the King's Lynn and Ashford factories. However, the manufacturing review we conducted following the acquisition of RHM identified that retention of Ashford and the closure of additional RHM factories would optimise our manufacturing network. We closed the King's Lynn factory in December following the transfer of production to our Wisbech and Long Sutton factories, whilst Ashford is now being extended to receive production lines to accommodate the additional production volumes that will be transferred there during 2008 and 2009.

The brands have responded to the focus that we have given them and, having arrested the 4% rate of sales decline experienced by the business prior to its acquisition, we are now in the second phase of rejuvenation, which is based on increased marketing investment and new product development. During the second half of 2007 we launched new liquid *Oxo* stock and *Batchelors Soupfulls,* the first *Batchelors* liquid soup. *Soupfulls* is being supported by TV advertising during the first quarter of 2008 following the commissioning of new pouch capacity at our Wisbech factory.

Pro forma results include 7 months of pre-acquisition trading of Campbell's in 2006. The 2006 pro forma Trading profit for Campbell's business includes the effect of trading distortions as the business was being prepared for sale by its previous owners. We estimate that these trading distortions increased Trading profit prior to the acquisition in 2006 by £8.7m and that the comparable Trading profit figure for the whole of 2006 would have been £41.4m.

Spreads, Desserts & Beverages

Sales in our Spreads, Desserts & Beverages product group decreased by 9.7% to £251.0m, primarily as a result of the end of the *Cadbury* hot beverages licence in May 2006 and the exit from a number of low margin retailer brand spreads contracts. We estimate that the *Cadbury* hot beverages licence contributed sales of £14.2m and Trading profit of £5.0m to results for the first half of 2006. Adjusting for this, sales declined by 4.8%, primarily because of the reduced retailer brand sales, whilst Trading profit decreased by 2.4%, primarily due to higher raw material costs.

Chivers Ireland

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

Bread Bakeries

£m	2007	2006	
Reported			
Sales	**657.3**	-	
Trading profit	**25.7**	-	
Pro forma			
Sales	**820.0**	799.3	2.6%
Trading profit	**35.1**	68.0	(48.4%)

Pro forma results include 12 months trading of RHM in 2006 and 2007.

The acquisition of RHM took Premier into the bread category for the first time and brought with it *Hovis*, which became our largest brand. Our plans for the division at the time of acquisition were to leverage *Hovis* through its position as "the healthy bread brand" whilst reducing the cost base.

We have made progress on these plans with the launch during the summer of *Hovis Seed Sensations,* which comprised two varieties of multiseeded loaves, which capitalise on the trend towards healthier eating. By December 2007, *Hovis Seed Sensations* was achieving annualised retail sales of £20m. We have also been tackling the division's cost base with savings in its administrative functions and during the year we closed our Plymouth bakery and distribution depot in Telford as well as substantially rationalised our bakery operation in Bradford.

The bread market was highly competitive in 2007, with a major relaunch by *Kingsmill* in the first half of the year and a national rollout by *Warburton's.* Whilst our healthier breads such as wholemeal, half and half and seeded have competed well, we identified that our white bread was not competing effectively. In addition, we have also been faced with a quite unprecedented challenge during 2007 when, during the summer, we saw the price of wheat rising in a matter of weeks to a level approximately double that of 2006. This dramatic increase in the cost of the single largest raw material purchase by the Group forced us to review our procedures on how we seek price increases to recover raw material cost inflation more quickly. We therefore rapidly sought price increases on our branded and retailer branded bread, which we achieved at the start of September and the end of October. However, whilst the retail price of Hovis was increased, the retail prices of our major competitors were not raised until early December. This differential in retail prices led to a significant decline in volumes of Hovis, exacerbating the decline of *Hovis* white bread.

Having identified the specific consumer concerns with *Hovis* white bread, we have developed an improved recipe, which in consumer testing performs ahead of the competition. This new recipe has required investment in both ingredients and manufacturing capability and we feel confident that, in time, we will be able to rebuild our market share to levels seen in previous years.

As a result of the factors referred to above pro forma sales in our Bread Bakeries segment increased by £20.7m to £820.0m, which reflects lower bread volumes more than offset by higher bread and flour prices and pro forma Trading profit for the Bread Bakeries segment decreased by £32.9m to £35.1m.

Culinary Brands

£m	2007	2006	
Reported			
Sales	**218.9**	-	
Trading profit	**48.5**	-	
Pro forma			
Sales	**271.2**	270.1	0.4%
Trading profit	**55.8**	59.4	(6.1%)

Pro forma results include 12 months trading of RHM in 2006 and 2007.

As with Campbell's, we saw the Culinary Brands division as the part of RHM demonstrating the closest fit to the existing Premier business. Again, it had a portfolio of iconic British brands such as *Bisto, Robertsons* and *Sharwoods* which we felt had not received appropriate levels of marketing investment and a significant level of cost synergies available through integrating the manufacturing base and administrative functions of the two organisations. We completed the integration of the administrative functions to plan by October 2007. We announced our manufacturing integration plans in July, which were to significantly expand 5 of our factories to accommodate the transfer of production from 6 other sub-scale factories. Following consultation with all the affected employees, we have commenced the programme which is due to be completed over the next twelve months.

In addition to a lack of marketing investment behind the brands, we considered that the promotional strategies used for some of the brands were inappropriate. We implemented revised promotional strategies following the acquisition in March, which in the short term contributed to a decline in sales in the first half of 3.1% but helped to grow sales in the second half of 2007 by 3.4% to give a total sales growth for the year of 0.4%. Likewise, pro forma Trading profit declined in the first half of the year by £5.7m but grew in the second half by £2.1m, primarily driven by the higher sales and integration synergies though these were partly offset by increased raw material costs.

Cakes

£m	**2007**	2006	
Reported			
Sales	**229.3**	-	
Trading profit	**25.8**	-	
Pro forma			
Sales	**277.5**	257.6	7.7%
Trading profit	**27.5**	22.8	20.6%

Pro forma results include 12 months trading of RHM in 2006 and 2007.

The RHM Cakes division comprised two main trading companies, Manor Cakes, a supplier of both branded cakes under the *Mr Kipling, Cadbury* and *Lyons* brands and retailer brands, and Avana Bakeries which supplies cakes and chilled desserts primarily to Marks and Spencer. Although the business performance had developed in the year prior to our acquisition of RHM, we felt that as the market leader with an excellent portfolio of brands, the division should be able to achieve significantly higher margins. Our review of the business confirmed the significant cost saving opportunities both through integration of the division but also through organic cost saving measures. One of these was the exit from the van sales operation, which was a high cost route to market. This was completed successfully during the second half with a minimal loss of sales as we continued supplying the customer base through other routes. This has helped the division to continue its strong performance with sales growth of 7.7% and pro forma Trading profit growth of 20.6% in 2007.

We indicated at the time of the RHM acquisition that, to minimise integration risk, we would integrate the Culinary Brands, Cakes and Customer Partnerships divisions sequentially. Having completed the integration of Culinary Brands in October, we have now started the integration of Cakes. However, our review of the division identified that while the Manor Cakes business was a very good fit with the Grocery division, Avana Bakeries would be better placed within our new Chilled & Ireland division due to its relationship with Marks and Spencer and the nature of its distribution arrangements. Consequently, we have now transferred the Manor Cakes management team to our St Albans office and the full integration will be completed in the latter part of 2008 with the transfer of the Cakes business onto the Grocery division's information systems. Meanwhile, Avana Bakeries has been brought under common management with our RF Brookes and Charnwood businesses. However, to maintain consistent reporting, the results of Avana Bakeries have been included in the Cakes division for 2007.

We are also pleased to have agreed an extension to the *Cadbury* cakes licence through to the end of 2019.

Customer Partnerships

£m	2007	2006	
Reported			
Sales	**176.6**	-	
Trading profit	**24.5**	-	
Pro forma			
Sales	**219.9**	208.0	5.7%
Trading profit	**29.6**	27.3	8.4%

Pro forma results include 12 months trading of RHM in 2006 and 2007 and exclude the trading of RHM Frozen Foods, which has been classified within discontinued operations.

The RHM Customer Partnerships division was made up of a number of separate business units including RF Brookes, a supplier of chilled foods, Charnwood Foods, a supplier of frozen pizza bases, Ledbury Preserves, a supplier of retailer branded and industrial preserves, RHM Frozen Foods, a supplier of primarily retailer branded frozen ready meals, desserts and pies and RHM Ireland, RHM's distributor of its brands in the Republic of Ireland.

We considered the majority of these businesses to be underleveraged in the existing business structure and that there were not only cost synergies to be achieved by integration of the units but also commercial synergies through being part of a larger group. The disparate nature of the division means that the integration solution is necessarily more complicated but we have already made significant progress.

We have completed the integration of our three businesses in the Republic of Ireland, namely the RHM, Campbell's and Chivers Ireland operations to create one of Ireland's leading food suppliers with a portfolio of iconic Irish brands such as *Gateaux* cakes and *Chivers* jams and jelly together with brands which cover both the British and Irish markets.

Ledbury Preserves was integrated along with Culinary Brands into the new Grocery division and the closure of the Ledbury factory has been incorporated into the Grocery manufacturing rationalisation programme.

Our review of the RHM Frozen Foods business concluded that we should close or dispose of the business due to its poor competitive position and we completed the sale of certain assets of the division and closed the remaining parts of the operation during the second half of the year.

Pro forma sales in our Customer Partnerships segment increased by £11.9m to £219.9m, primarily reflecting branded sales growth in Ireland and the successful launch of new product lines by RF Brookes. Pro forma Trading profit for the Customer Partnerships segment increased by £2.3m to £29.6m reflecting the increased sales and integration synergies achieved in Ireland, partly offset by higher raw material costs.

Outlook

The acquisitions of Quorn, Campbell's and RHM provided us with an unparalleled opportunity to transform Premier into the UK's leading food supplier. We are now over half way through the transformation programme and we are delighted by the progress we have made and that the synergies continue to develop in line with our plan. As we enter 2008, we are now operating in our three new divisions and our focus moves from integration of the business to enhancing our manufacturing efficiency and information systems.

The next phase of that programme is the implementation of the "orders to cash" module of SAP and the consolidation of our manufacturing network. During this major period of change, we will need to limit our promotional activity, particularly during the first half of 2008, to provide a more stable operational environment.

We are progressing this transformation during a period of sudden and unprecedented cost inflation, to which the business has responded admirably. At December 2007, we had recovered some £190m of the £225m of annualised cost inflation that we saw in 2007 and we intend to recover the remaining costs during the first quarter of 2008. We anticipate that during this period the under-recovery of 2007 cost inflation will reduce Trading profit by approximately £10m. During the first two months of 2008 we have seen no evidence of a slowdown in the inflationary pressures but we are confident that we will continue to mitigate these through our cost reduction programmes and further price increases. As a result we anticipate that progress in 2008 will be weighted towards the second half.

We believe that the significant additional investment we are making in Hovis will improve its competitive position, which in time will help rebuild volume and market share back towards levels seen in previous years.

Finally, we believe the action we have taken on our financing provides us with the headroom we require to be able to continue our transformation to plan despite the current economic uncertainty and inflationary climate.

Robert Schofield
Chief Executive

Financial review

The financial review focuses on the performance of the business under the Group's ownership and on a pro-forma basis. The presentation also separates the underlying business performance from the exceptional costs of the extensive integration programmes. Consistent with its ongoing approach to financial reporting, the Group has classified all non-recurring integration costs as exceptional items, the full impact of which is set out in note 5 to the financial statements.

Group Structure
RHM was acquired on 16 March 2007 for a total consideration of £1,338m under a scheme of arrangement, resulting in the exchange of one new ordinary Premier share and 83.2p in cash for each RHM share in issue.

In addition to the RHM acquisition, the Group acquired Chivers Ireland Limited ("Chivers") on 19 January 2007 for £21.8m from the former management of the company. Chivers are a leading supplier of preserves to the retail grocery and foodservice markets and is a distributor of Premier's brands in the Republic of Ireland. Further details of the RHM and Chivers acquisitions can be found in note 27 of the financial statements.

Following a review of its non-core operations, the Group disposed of the fresh produce supplier MBM Limited on 30 March 2007, Erin Foods Limited a supplier of grocery products in the Republic of Ireland on 28 May 2007 and RHM Frozen Foods in October 2007. We have recorded the results of these businesses within discontinued operations.

The acquisition of RHM led to the addition of four new segments: Bread Bakeries, Culinary Brands, Cakes and Customer Partnerships. These segments follow the historical organisational structure of the former RHM group and to enable comparison with historic performance have been reported on without change in the results for 2007. In future financial reporting, these segments will be revised to reflect our planned operational structures.

Income Statement – continuing operations

Sales
Group sales increased by 167.3% to £2,247.6m for continuing operations. This primarily reflects the impact of RHM trading since 16 March 2007 and a full year's trading for Campbell's.

Sales on a pro forma basis increased by 1.4%. This reflects price led growth in Bread Bakeries and continuing volume growth in Meat-free, partly offset by challenging trading in our Core Premier business.

Operating profit
Operating profit for the continuing business, before exceptional items of £158.7m was £234.8m, a 95.8% increase on last year of which the majority was driven by the contribution from RHM and Campbell's.

Trading profit on a pro forma basis declined by 7.3%. The primary driver was Bread Bakeries which was impacted by an exceptional level of cost inflation with wheat prices almost doubling between June and August.

The business has continued to drive cost synergies with the integration of RHM in the second half of the year delivering savings of £10m, and Campbell's integration delivering £7m cost synergies over the full year.

Statutory operating profit decreased by 24.3% to £76.1m, after recognising £158.7m (2006: £19.4m) of exceptional items.

Net other operating income
Net other operating income amounted to £2.5m (2006: £3.2m expenditure) which was primarily due to a gain in the fair value movement of unsettled forward foreign exchange contracts of £4.7m (2006: £3.3m loss), offset by a loss on settled forward exchange contracts for the period of £2.2m (2006: £0.8m). Other operating income for 2006 also included £0.9m of business interruption income in relation to the fire at our Bury St Edmunds factory.

Exceptional items
As identified above, the Group presents separately certain non-recurring costs in order to reflect underlying financial performance. In the current and prior year, these items have primarily related to the significant integration programmes undertaken to achieve the cost savings and reshaping of the business following our recent strategic acquisitions. Each of these non-recurring costs is set out in more detail in note 3 to the financial statements.

Overall exceptional items for the period resulted in a net cost of £158.7m (2006: £19.4m). Of this, a net £85.9m was spent in cash, £5.4m was non-cash pension costs, £17.3m was non-cash asset impairments, £0.4m was the net gain on property disposals, and £43.5m is expected to be met by cash payments in 2008. A residual £7m relates to onerous lease provisions where cash will be incurred during and at the end of the lease life.

The acquisition integration programme for RHM and Campbell's accounts for the bulk of the exceptional spend in 2007. During 2007, the business moved swiftly to identify an operating model and corporate structure that was appropriate for the enlarged business, which resulted in fundamental reviews of the Group's sales, marketing, human resources, finance and manufacturing capabilities. The main elements of the integration programme completed during the year have been set out in note 5 to the financial statements.

The restructuring of our Meat-free business continued with the closure of the Cauldron factory at Portishead and the purchase and development of a new chilled facility at Methwold. The commissioning of the new facility will be completed by the end of the first quarter in 2008.

The integration programme has resulted in a number of assets becoming available for disposal and in December 2007 the Ledbury site was sold for £6m. The Group has also made good progress in identifying a number of parties interested in other sites currently held by the Group which are surplus to requirements.

Financing
On 16 March 2007, the Group re-financed its borrowings to fund the acquisition of RHM. As a consequence, a five-year term and revolving credit facility of £2.1bn was agreed, comprising fixed term loans of £1.5bn, an acquisition facility of £0.1bn and a revolving working capital facility of £0.5bn. The term loans are repayable over a five year period with repayments due on 31 December each year. The first repayment was made on 31 December 2007.

While these facilities were viewed as adequate at the time, the impact of recent high levels of input cost inflation and general economic uncertainty has led the Group to the decision to increase its financial headroom to ensure it can continue to pursue its investment and restructuring programme of the RHM and Campbell's businesses. As a consequence it has agreed with its banks an amendment to its banking facilities which resets its financial covenants to provide additional headroom and which converts the £0.1bn acquisition line into an additional working capital facility. It has also agreed an additional £125m short term facility with a small group of its lead banks. Full details are shown in note 14.

Interest
Net interest payable for the continuing business was £149.6m, compared with £41.5m in 2006. This increase reflects the additional cost of borrowing to fund the acquisitions, costs of integration, higher interest rates and debt issuance amortisation costs. Net cash interest costs are £105.2m, an increase of £62.0m reflecting the higher level of borrowing. The main non cash interest costs are amortisation of debt issuance costs and the movement in the fair value of interest rate swaps held at the year end.

The Group has interest rate hedging in place for the majority of its borrowing. At the end of the year a total of £ 1,557.5m was hedged of which £857.7m is swapped into fixed rates at an average rate of 4.7% over a three year period and a further £700m of debt was subject to an interest rate collar structure which caps the interest rate payable at 6.25% until May 2012.

Dividend
As a result of its decision to maintain the focus on its integration and restructuring programme, the Group has concluded that it would be prudent to cut its dividend. Therefore, on 3 March 2008 the Group recommended a final dividend of 2.20p per share, which if approved would result in a total final dividend payment of £18.6m, payable on 4 July 2008 to shareholders on the register of members at 6 June 2008. The shares will be marked ex-dividend on 4 June 2008.

On an ongoing basis we would expect to increase dividends in line with adjusted earnings growth, while continuing to take into account the cash requirements of ongoing investment in the business.

Taxation

The taxation credit on continuing business for the year was £37.7m (2006 £11.1m charge). This includes a current year credit of £13.2m, made up of a charge on profit before exceptional items of £24.9m, including tax of £2.1m arising on profits from overseas activities, at an effective rate of 29.2% and a current year taxation credit of £38.1m on allowable exceptional items. The taxation credit for the year was further increased as a result of provision releases for prior year corporation tax liabilities following resolution of outstanding issues with HMRC, net of a prior year deferred tax charge (£9.2m credit) and the effect of the restatement of deferred tax assets and liabilities at the rate of 28% at which it is anticipated they will reverse, resulting in a credit of £15.3m.

A number of changes in the UK Corporation Tax system were announced in the 2007 Budget. Some of these were enacted in the Finance Act 2007, including the reduction in the UK corporation tax rate to 28% with effect from 1 April 2008 and the abolition of balancing adjustments on disposals of industrial buildings with effect from Budget Day 2007. Other adjustments announced will only be enacted in the Finance Act 2008 and therefore are not reflected in these financial statements. This particularly refers to the phasing out of industrial buildings allowances from 2008 onwards. Once enacted the changes to be included in the 2008 Finance Act would have the effect of increasing the deferred tax liability provided by £27.7m.

It is anticipated that the effective cash tax rate will continue to be lower than the standard corporation tax rate in the medium term as a result of relief for capital expenditure and pension costs being greater than the charge in the income statements. However the benefit in the reduction in the rate of corporation tax to 28%, referred to above will be largely offset by the impact of the reduction in industrial buildings allowances. Movements in deferred tax will mean that the effective rate of tax will be close to the statutory rate.

Earnings per Share

Basic loss per share of 4.6p (2006: earnings 12.9p) on continuing operations has been calculated by dividing the loss attributed to ordinary shareholders of £35.8m (2006: profit £47.9m) by the weighted average number of shares in issue during the year.

Adjusted earnings per share of 15.5p (2006: 16.0p) on continuing operations has been calculated by dividing the adjusted earnings (defined as earnings before exceptional items, amortisation of intangible assets, the movement in the IAS39 valuation of forward foreign exchange contracts and the pension financing credit in relation to the difference between the expected return on pension assets and interest costs on pension liabilities) attributed to ordinary shareholders of £119.6m (2006: £59.4m) by the weighted average number of ordinary shares in issue during each year. These earnings have been calculated by reflecting tax at 30%.

Cash flow and borrowings

During the year, the net debt of the Group increased from £641.4m at 1 January 2007 to £1,618.5m, an increase of £977.1m. Of this movement, the cash and non-cash elements were £961.8m and £15.3m respectively.

The cash inflow from operating activities increased to £270.9m (2006: £40.1m). This comprises cash from operations of £360.2m (2006: £91.9m), an increase primarily attributable to the acquisition of RHM and improvements in working capital flows. Aggregate cash interest paid of £98.0m (2006: £39.5m) reflects the higher level of borrowing while beneficial tax receipts of £8.7m (2006: £12.3m paid) arise as a result of the high level of exceptional costs.

A major element of the increase in debt relates to the cash acquisition cost of RHM and is made up of the cost of the cash element paid for RHM shares of £289.8m and the debt acquired of £793.5m.

In December 2007, the Group set up a £100m non-recourse securitisation programme on certain trade receivables of which £67.6m was drawn at the end of the year. The programme provided the Group with a saving in interest costs of around 40bps on amounts drawn.

Net capital expenditure in the period was £75.7m (2006: £52.5m), again reflecting the capital cash flows of RHM and Campbell's businesses post acquisition. We also paid dividends of £61.1m (2006: £23.5m), reflecting the 2006 interim dividend paid in January 2007 of £39.7m and the final dividend of £21.4m paid in July 2007.

Pension schemes
At 31 December 2007, the Group's pension schemes showed a net deficit of £123.2m (2006: £84.7m). This comprised £65.6m in relation to the existing Premier schemes, £9.9m in relation to the schemes associated with Campbell's and £47.7m in relation to the schemes associated with RHM. The movement year on year, which is primarily due to the acquisition of schemes in RHM businesses, has been offset by an underlying reduction in the deficit on these schemes due to the movement in market rates for bond yields at the relevant dates. During the year, cash contributions of £75.1m were made.

In summary, 2007 has been a year of significant change for Premier which has transformed the Group's operational landscape and financial position. We are looking forward to 2008, with the implementation of our new ERP software solution which will help provide better management information and also in our goal to delivering the targeted cost synergies from the RHM and Campbell's integration programme.

Paul Thomas
Finance Director

Consolidated income statement

		Year ended 31 December	
Continuing operations	Note	**2007 £m**	**2006 (Restated)* £m**
Turnover	2	2,247.6	840.7
Cost of sales		(1,569.6)	(596.7)
Gross profit		678.0	244.0
Selling, marketing and distribution costs		(318.3)	(65.2)
Administrative costs		(286.1)	(75.1)
Net other operating income/(expenditure)		2.5	(3.2)
Operating profit		76.1	100.5
Before exceptional items		234.8	119.9
Exceptional items	3	(158.7)	(19.4)
Interest payable and other financial charges	4	(176.4)	(56.3)
Interest receivable and other financial income	4	26.8	14.8
(Loss)/profit before taxation for continuing operations		(73.5)	59.0
Taxation credit/(charge)	5	37.7	(11.1)
(Loss)/profit after taxation for continuing operations		(35.8)	47.9
Loss from discontinued operations	6	(27.5)	(0.8)
(Loss)/profit for the year attributable to equity shareholders		(63.3)	47.1
Basic and diluted (loss)/earnings per share (pence)	7	(8.2)	12.7
Basic and diluted (loss)/earnings per share (pence) - continuing	7	(4.6)	12.9
Basic and diluted loss per share (pence) - discontinued	7	(3.6)	(0.2)
Dividends	8		
Recommended final dividend (£m)		18.6	12.6
Declared interim dividend (£m)		36.3	39.7
Recommended final dividend (pence)		2.20	2.55
Declared interim dividend (pence)		4.30	9.45

* Comparatives have been restated to reflect the disposals of the Fresh Produce business ("MBMG") on 30 March 2007 and Erin Foods Limited on 28 May 2007.

Consolidated balance sheet

		As at 31 December	
		2007	**2006 (Restated)***
ASSETS:	Note	**£m**	**£m**
Non-current assets			
Property, plant and equipment		607.6	254.6
Goodwill		1,648.9	480.2
Other intangible assets		1,237.8	389.6
Current assets:			
Non-current assets held for sale		30.6	-
Inventories		207.9	120.6
Trade and other receivables		329.3	170.6
Financial assets – derivative financial instruments		8.5	6.9
Cash and cash equivalents		23.9	7.8
Total assets		4,094.5	1,430.3
LIABILTITES:			
Current liabilities			
Trade and other payables		(538.5)	(181.0)
Financial liabilities			
- short term borrowings	9	(112.7)	(131.5)
- derivative financial instruments		(25.6)	(3.5)
Accrued interest payable		(12.9)	(3.7)
Provisions		(56.6)	(7.7)
Current income tax liabilities		(8.1)	(6.9)
Non-current liabilities			
Financial liabilities			
- long term borrowings	9	(1,529.7)	(517.7)
Retirement benefit obligations	10	(123.2)	(84.7)
Provisions		(17.7)	(0.5)
Other liabilities		(1.1)	-
Deferred tax liabilities		(208.1)	(32.1)
Total liabilities		(2,634.2)	(969.3)
Net assets		1,460.3	461.0
EQUITY:			
Capital and reserves			
Share capital		8.5	5.0
Share premium	11	760.6	760.6
Merger reserve	11	890.7	(136.8)
Other reserves	11	(3.1)	-
Profit and loss reserve	11	(196.5)	(167.8)
Capital and reserves attributable to the Company's equity shareholders		1,460.2	461.0
Minority interest		0.1	-
Total shareholders' funds		1,460.3	461.0

* The 2006 comparatives have been re-stated for the final fair value adjustments in respect of acquired businesses which were previously determined on a provisional basis.

Signed on behalf of the Board of Directors, who approved the financial statements on 3 March 2008.

Robert Schofield
Director and Chief Executive

Paul Thomas
Finance Director

Consolidated statement of recognised income and expense

	Note	Year ended 31 December 2007 £m	2006 (Restated)* £m
Actuarial gain	11	135.3	16.1
Deferred tax charge on actuarial gain		(39.5)	(5.1)
Fair value movement on net investment hedge		(3.1)	-
Deferred tax (charge)/credit on share options		(1.1)	1.5
Net income recognised directly in equity		91.6	12.5
(Loss)/profit for the year		(63.3)	47.1
Total recognised income in the year attributable to equity shareholders		**28.3**	**59.6**

Consolidated cash flow statement

	Note	Year ended 31 December 2007 £m	2006 (Restated)* £m
Cash generated from operating activities	12	360.2	91.9
Interest paid		(122.8)	(49.2)
Interest received		24.8	9.7
Taxation received/(paid)		8.7	(12.3)
Cash inflow from operating activities		270.9	40.1
Acquisition of Campbell's		(0.3)	(380.3)
Acquisition of RHM		(306.1)	-
Acquisition of Chivers Ireland		(18.4)	-
Sale of subsidiaries		22.0	-
Purchase of property, plant and equipment		(115.9)	(44.7)
Purchase of intangible assets		(8.7)	(12.3)
Sale of property, plant and equipment		47.8	4.5
Sale of intangible assets		1.1	-
Cash outflow from investing activities		(378.5)	(432.8)
Repayment of original borrowings		(962.9)	(29.1)
Proceeds from new borrowings		1,901.5	86.0
Proceeds from securitisation programme		67.6	-
Financing costs		(18.8)	(4.4)
Proceeds from share issue		1.3	458.6
Share issue costs		(2.2)	(17.0)
Purchase of own shares		(3.0)	-
Repayment of debt and interest acquired with RHM		(793.5)	-
Repayment of debt acquired with Campbell's		-	(88.6)
Dividends paid		(61.1)	(23.5)
Cash inflow from financing activities		128.9	382.0
Net inflow/(outflow) of cash and cash equivalents		**21.3**	**(10.7)**
Cash and cash equivalents at beginning of year		2.5	13.2
Cash and cash equivalents at end of year		23.8	2.5

1. Basis of preparation

The financial information in this announcement does not constitute the Group's statutory accounts for the years ended 31 December 2007 or 2006. The preliminary results for the year ended 31 December 2007 have been extracted from audited consolidated financial statements which have not yet been delivered to the Registrar of Companies. The auditors have reported on the Group's statutory accounts for the year ended 31 December 2007. The report was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985. The financial information for the year ended 31 December 2006 is derived from the statutory accounts for that year except for restatements relating to the finalisation of provisional fair values on acquisitions in 2006.

The consolidated financial statements of Premier Foods plc have been prepared in accordance with International Financial Reporting Standards ("IFRS's") as endorsed by the European Union, International Financial Reporting Interpretation Committee ("IFRIC") interpretations, and the Companies Act 1985 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.

2. Segmental Analysis

The results below for the year ended 31 December 2007 are divided into the following continuing segments for the year. Results for the Frozen business, MBMG and Erin Foods Ltd disposed of in 2007 are presented as discontinued operations in both the current year and the comparative results for the year ended 31 December 2006 where appropriate.

The Group is not required to adopt "IFRS 8: Operating Segments" until the accounts for the year ended 31 December 2009. However, in anticipation of adoption, the Group proposes to align its reportable segments next year into those components that best represent those segments about which separate financial information is available and which are evaluated by the board in deciding how to allocate resources and in assessing performance. To this end the expected segments next year will be Grocery, Chilled and Ireland, and Bread and Milling.

The segment previously "Grocery" has been changed to "Core Premier" for these financial statements. This is a change to the name only and does not affect the numerical disclosures.

Each of the segments below primarily supplies the United Kingdom market, although the Group also supplies certain products to mainland Europe and the United States. Inter-segment transfers or transactions are entered into under the same terms and conditions that would be available to unrelated third parties. These segments are the basis on which the Group reports its primary segment information. The segment results for the years ended 31 December 2007 and 2006 are as follows:

					Year ended 31 December 2007		
	Core Premier £m	Bread Bakeries £m	Culinary Brands £m	Cakes £m	Customer Partnerships £m	Un-allocated* £m	Total for Group £m
Total turnover from continuing operations	965.5	657.3	218.9	229.3	176.6	-	2,247.6
Result							
Operating profit before exceptional items	145.5	14.5	38.7	22.2	13.9	-	234.8
Exceptional items	(58.6)	(25.3)	(62.5)	(5.0)	(7.3)	-	(158.7)
Interest payable and other financial charges	-	-	-	-	-	(176.4)	(176.4)
Interest receivable and other financial income	-	-	-	-	-	26.8	26.8
Profit/(loss) before taxation for continuing operations	86.9	(10.8)	(23.8)	17.2	6.6	(149.6)	(73.5)
Taxation credit	-	-	-	-	-	37.7	37.7
Profit/(loss) after taxation for continuing operations	**86.9**	**(10.8)**	**(23.8)**	**17.2**	**6.6**	**(111.9)**	**(35.8)**
Discontinued operations	(14.9)	-	-	-	(12.6)	-	(27.5)
Profit/(Loss) for the year	**72.0**	**(10.8)**	**(23.8)**	**17.2**	**(6.0)**	**(111.9)**	**(63.3)**
Balance Sheet							
Segment assets	1,212.1	1,074.6	971.2	384.1	386.1	-	4,028.1
Unallocated assets	-	-	-	-	-	66.4	66.4
Consolidated total assets	**1,212.1**	**1,074.6**	**971.2**	**384.1**	**386.1**	**66.4**	**4,094.5**
Segment liabilities	(171.0)	(201.6)	(217.7)	(76.8)	(45.9)	-	(713.0)
Unallocated liabilities	-	-	-	-	-	(1,921.2)	(1,921.2)
Consolidated total liabilities	**(171.0)**	**(201.6)**	**(217.7)**	**(76.8)**	**(45.9)**	**(1,921.2)**	**(2,634.2)**

					Year ended 31 December 2007		
Other Information	Core Premier	Bread Bakeries	Culinary Brands	Cakes	Customer Partnerships	Dis-continued	Total for Group
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Capital expenditure	83.6	240.9	33.0	99.8	54.0	3.3	514.6
Intangible asset expenditure	16.0	738.3	758.9	262.5	313.6	-	2,089.3
Depreciation	24.0	13.7	2.9	4.4	3.8	1.2	50.0
Amortisation	15.9	17.5	14.4	6.0	12.4	0.1	66.3
Impairment of PPE and intangibles	5.4	0.6	6.9	0.3	3.3	-	16.5

						Year ended 31 December 2006 (Restated)	
	Core Premier £m	Bread Bakeries £m	Culinary Brands £m	Cakes £m	Customer Partnerships £m	Un-allocated* £m	Total for Group £m
Total turnover from continuing operations	**840.7**	**-**	**-**	**-**	**-**	**-**	**840.7**
Result							
Operating profit before exceptional items	119.9	-	-	-	-	-	119.9
Exceptional items	(19.4)	-	-	-	-	-	(19.4)
Interest payable and other financial charges	-	-	-	-	-	(56.3)	(56.3)
Interest receivable and other financial income	-	-	-	-	-	14.8	14.8
Profit/(loss) before taxation for continuing operations	100.5	-	-	-	-	(41.5)	59.0
Taxation charge	-	-	-	-	-	(11.1)	(11.1)
Profit/(loss) after taxation for continuing operations	**100.5**	**-**	**-**	**-**	**-**	**(52.6)**	**47.9**
Discontinued operations	(0.8)	-	-	-	-	-	(0.8)
Profit/(loss) for the year	**99.7**	**-**	**-**	**-**	**-**	**(52.6)**	**47.1**
Balance Sheet							
Segment assets	1,413.8	-	-	-	-	-	1,413.8
Unallocated assets	-	-	-	-	-	16.5	16.5
Consolidated total assets	**1,413.8**	**-**	**-**	**-**	**-**	**16.5**	**1,430.3**
Segment liabilities	(277.3)	-	-	-	-	-	(277.3)
Unallocated liabilities	-	-	-	-	-	(692.0)	(692.0)
Consolidated total liabilities	**(277.3)**	**-**	**-**	**-**	**-**	**(692.0)**	**(969.3)**

					Year ended 31 December 2006		
Other Information	Core Premier £m	Bread Bakeries £m	Culinary Brands £m	Cakes £m	Customer Partnerships £m	Dis-continued £m	Total for Group £m
Capital expenditure	63.7	-	-	-	-	20.4	84.1
Intangible asset expenditure	456.8	-	-	-	-	-	456.8
Depreciation	18.0	-	-	-	-	1.9	19.9
Amortisation	10.9	-	-	-	-	0.1	11.0
Impairment of PPE and intangibles	4.5	-	-	-	-	-	4.5

*Unallocated assets and liabilities comprise cash and cash equivalents, net borrowings, taxation balances and derivative financial assets and liabilities.

Discontinued Operations

Discontinued operations had the following effect on the segment results of Core Premier and Customer Partnerships.

	Dis-continued £m	Continuing £m	Total Core Premier £m	Dis-continued £m	Continuing £m	Total Customer Partnerships £m
Turnover						
2007	33.3	965.5	998.8	31.8	176.6	208.4
2006	118.7	840.7	959.4	-	-	-
Operating profit						
2007	0.4	145.5	145.9	(1.9)	13.9	12.0
2006	(2.9)	119.9	117.0	-	-	-

Segmental analysis - secondary

The following table provides an analysis of the Group's turnover, which is allocated on the basis of geographical market destination as well as an analysis of segmental assets and additions to property, plant and equipment and intangible assets, which are allocated by geographical market location.

	Turnover by destination		Carrying value of segmental assets by location		Total capital expenditure, including intangibles by location	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
United Kingdom	1,991.6	786.7	4,037.0	1,405.2	2,599.2	538.9
Other Europe	230.2	40.8	57.5	25.1	4.7	2.0
Other countries	25.8	13.2	-	-	-	-
Total	2,247.6	840.7	4,094.5	1,430.3	2,603.9	540.9

3. Exceptional Items

During the year, the Group embarked on an unprecedented investment programme in order to capture the cost and operational synergies available to the enlarged Group. As planned, and in combination with the pre-existing programme of integration for the Campbell's business established in the prior year, this programme is the primary factor behind total non-recurring exceptional costs of £158.7m in the year (2006: 19.4m). Of this, a net £85.9m was spent in cash, £5.4m was non-cash pension costs, £17.3m was non-cash asset impairments, £0.4m was the net gain on property disposals, and £43.5m is expected to be met by cash payments for restructuring and redundancies in 2008. A residual £7m relates to onerous lease provisions where cash will be incurred during and at the end of the lease life.

During the year, the Group incurred the following:

		2007 £m	2006 £m
Exceptional items – continuing operations			
Integration of RHM operations	(a)	88.1	-
Integration of Campbell's UK operations	(b)	12.4	8.0
Integration of Irish operations	(c)	21.5	-
Restructure of Meat-free operations	(d)	15.3	7.2
Costs of aborted acquisition of United Biscuits	(e)	-	4.5
Bird's transitional manufacturing and integration costs	(f)	-	0.9
Restructuring and other costs	(g)	21.8	1.9
Gain on property disposals	(h)	(0.4)	(3.1)
Total		**158.7**	**19.4**

(a) *Integration of RHM operations*

On 16 March 2007, the Group acquired RHM plc. In order to achieve the planned synergy benefits from the acquisition, the Group incurred a significant level of expenditure and investment during the year. The integration costs incurred relate to the following key projects and initiatives.

The administrative functions of RHM's former head office at Marlow and its Culinary Brands business at Addlestone and Middlewich have been integrated into the existing Core Premier operations of the Group, resulting in redundancy and restructuring costs and the impairment of certain assets.

The administrative function at RHM's Manor Bakeries business at Windsor has been integrated into the existing Premier head office in St Albans, resulting in restructuring costs and the impairment of certain assets. The redundancy costs arising from this have been provided at 31 December 2007, with our expectation that the majority will be expended during 2008.

On 2 July 2007, the Group announced the results of a review of its combined manufacturing facilities. This review identified six sites that were to close and as a result a business wide restructuring programme was commenced, resulting in restructuring costs and the impairment of certain assets. The redundancy costs arising from this have been provided at 31 December 2007, with our expectation that the majority will be expended during 2008.

On 22 August 2007, the Group announced the closures of a bakery in Bradford and a depot in Telford, Shropshire. This has resulted in redundancies, of which the majority of cash cost has been incurred in the current year, and the impairment of certain assets.

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

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

(c) *Integration of Irish operations*

Following the acquisitions of Campbell's Grocery Products Ireland Limited in August 2006, Chivers Ireland Limited in January 2007, together with that of the RHM Ireland business in March 2007, the Group has significantly increased its operational and commercial presence in Ireland. In the second half of the year the Group has completed the principal phase of integration of these businesses and has created a single operating company. During the year, the Group also announced the closure of two sites at Coolock and Thurles, resulting in restructuring costs and the impairment of certain assets. At the year end, redundancy costs have been provided with our expectation that the majority of cash spend will occur in 2008.

(d) *Restructure of Meat-free operations*

During 2006, the Group announced plans for the closure of its factory at Portishead and the purchase and development of a new chilled facility at Methwold, enabling the integration of chilled production for *Quorn* and *Cauldron* products. The costs incurred in the first half of the year substantially related to the closure of Portishead and the costs incurred in the second half related to start up and commissioning of the new plant.

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

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

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

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

(g) *Restructuring and other costs*

There are a variety of other exceptional costs including redundancy and restructuring costs relating to other cost reduction initiatives costs associated with our warehousing network, factory transformation and supply chain initiatives. Training costs have been incurred associated with the implementation of a new ERP software suite and write off of aborted system implementation costs within the RHM business. Other costs also include abandoned acquisition costs, compliance related initiative costs and costs incurred from the flooding damage at our site in Rotherham.

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

(h) *Gain on property disposal*

The net disposal gain of £0.4m in the year includes the disposal of certain plant and machinery as part of a sale and leaseback transaction, the disposal of our Ledbury factory, as identified in the manufacturing review completed during the year, and the disposal of a surplus property located in Ayr.

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

4. Interest Payable and Receivable

On 16 March 2007, the Group entered into an Amended and Restated Facilities agreement, comprising a £1.5bn Term A facility, a £100m Term B facility, repayable over the period to 14 March 2012 and multi-currency revolving credit facilities of £500m. As a result of these changes, debt issuance costs of £18.8m (2006: £4.4m) were held on the balance sheet and are being amortised over the period of the loans.

Accelerated amortisation of debt issuance costs relate to the write off of £3.6m in relation to pre-existing credit facilities of Premier and £4.8m related to the RHM debt at acquisition which was repaid by Premier.

During the previous year the Group entered into a bridging loan for £450.0m (settled in September 2006) in order to expedite the purchase of Campbell's resulting in additional interest costs of £1.6m.

	2007 £m	**2006 £m**
Interest payable		
Interest payable on bank loans, senior notes and overdrafts	19.5	10.9
Interest payable on bridging loan facility	-	1.6
Interest payable on term facility	84.5	19.4
Interest payable on revolving facility	28.0	19.0
Unwind of discount on onerous lease provisions	0.8	-
Amortisation of debt issuance costs	4.2	1.4
	137.0	52.3
Accelerated amortisation of debt issuance costs	8.4	4.0
Movement on fair valuation of interest rate swaps	31.0	-
Total interest payable and other financial charges	**176.4**	**56.3**
Movement on fair valuation of interest rate swaps	-	(7.1)
Interest receivable – bank deposits	(26.8)	(7.7)
Total interest receivable and other financial income	**(26.8)**	**(14.8)**

5. Tax on (loss)/profit on ordinary activities

Analysis of the credit for the year:

	Continuing operations £m	Dis-continued operations £m	Total £m
2007			
Current tax			
- Current year	-	-	-
- Prior year	(10.2)	-	(10.2)
Overseas tax current tax (current year)	2.1	-	2.1
Deferred tax			
- Current year	(15.3)	-	(15.3)
- Current year restatement of acquired balances	(11.6)	-	(11.6)
- Prior years	1.0	-	1.0
- Prior years restatement of opening balances	(3.7)	-	(3.7)
Income tax credit for the year	**(37.7)**	**-**	**(37.7)**
2006 (Restated)			
Current tax			
- Current year	7.5	(0.1)	7.4
- Prior year	(8.4)	-	(8.4)
Overseas tax current tax (current year)	0.1	-	0.1
Deferred tax			
- Current year	10.2	-	10.2
- Prior years	1.7	-	1.7
Income tax charge/(credit) for the year	**11.1**	**(0.1)**	**11.0**

The prior year credit of £10.2m (2006: £8.4m) to corporation tax relates to the release of prior year provisions due to the settlement of a number of issues with HMRC.

As a result of the 2007 Budget announcement to reduce the UK corporation tax rate from 30% to 28% deferred tax balances have been restated to 28%, the rate at which they are expected to reverse.

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

	2007 £m	2006 £m
Deferred tax charge/(credit) on share options	1.1	(1.5)
Deferred tax charge on pension movements	39.5	5.1
	40.6	3.6

The tax charge for the year differs from the standard rate of corporation tax in the United Kingdom (30%) for the years ended 31 December 2007 and 2006. The reasons for this are explained below:

	2007 £m	2006 (Restated) £m
(Loss)/profit before taxation for continuing operations	(73.5)	59.0
Tax (credit)/charge at the domestic income tax rate of 30% (2006: 30%)	(22.0)	17.7
Tax effect of:		
Non deductible exceptional items	5.9	0.5
Other disallowable/(non-taxable) items	1.0	(0.4)
Adjustments to capital allowances that do not give rise to temporary differences	0.6	-
Adjustment due to current year deferred tax being provided at 28%	1.3	-
Adjustment to restate acquired deferred tax balance at 28%	(11.6)	-
Adjustments to prior years	(12.9)	(6.7)
Income tax (credit)/charge	**(37.7)**	**11.1**

6. Discontinued operations and non-current assets held for sale

6a) Discontinued operations

	2007 £m	2006 (Restated) £m
Turnover	65.1	118.7
Expenses	(66.2)	(119.6)
Loss before tax	(1.1)	(0.9)
Taxation credit	-	0.1
Loss after tax on discontinued operations for the period	(1.1)	(0.8)
Loss on disposal	(26.4)	-
Total loss arising from discontinued operations	**(27.5)**	**(0.8)**

Following a review of its non-core operations, the Group disposed of the fresh produce supplier MBMG on 30 March 2007, Erin Foods Limited a supplier of grocery products in the Republic of Ireland on 28 May 2007 and RHM Frozen Foods in October 2007. During the year there was an operating cash outflow of £14.9m (2006: £9.4m) in relation to discontinued businesses, a receipt of £22.0m (2006: £nil) in respect of investing activities.

Comparative information for 2006 has been restated and allocated into discontinued operations.

6 b) Non-current assets held for sale

Non-current assets held for sale are as follows:

	2007 £m	2006 £m
Non-current assets held for sale:		
Property	30.6	-

The non-current assets held for sale relates to property identified for disposal as part of the Group's manufacturing review and properties relating to the disposal of RHM Frozen Foods.

7. (Loss)/earnings per share

Basic loss per share has been calculated by dividing the loss attributable to ordinary shareholders of £63.3m (2006: profit £47.1m) by the weighted average number of ordinary shares of the Company.

	2007			2006		
	Basic	**Dilutive effect of share options**	**Diluted**	**Basic**	**Dilutive effect of share options**	**Diluted**
Continuing operations						
(Loss)/profit after tax (£m)	(35.8)	-	(35.8)	47.9	-	47.9
Weighted average number of shares (million)	772.6	-	772.6	370.8	0.6	371.4
(Loss)/earnings per share (pence)	(4.6)	-	(4.6)	12.9	-	12.9
Discontinued operations						
Loss after tax (£m)	(27.5)	-	(27.5)	(0.8)	-	(0.8)
Weighted average number of shares (million)	772.6	-	772.6	370.8	0.6	371.4
Loss per share (pence)	(3.6)	-	(3.6)	(0.2)	-	(0.2)
Total						
(Loss)/profit after tax (£m)	(63.3)	-	(63.3)	47.1	-	47.1
Weighted average number of shares (million)	772.6	-	772.6	370.8	0.6	371.4
(Loss)/earnings per share (pence)	(8.2)	-	(8.2)	12.7	-	12.7

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.

As the Company has made a loss for the year ended 31 December 2007, the Company's potentially dilutive ordinary share equivalents of 2,530,687 shares have an anti-dilutive effect on the loss per share and, therefore, have not been included in determining the total weighted average number of ordinary shares outstanding for the purpose of calculating the diluted net loss per share.

The issue of 348,324,199 ordinary shares on 16 March 2007 has been included in determining the weighted average for the current year.

No adjustment is made to the (loss)/earnings in calculating undiluted and diluted (loss)/earnings per share.

	2007 Number	**2006 Number**
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	772,592,139	370,819,997
Effect of dilutive potential ordinary shares:		
- Share options	-	597,921
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	772,592,139	371,417,918

8. Dividends

	2007 Pence	2006 Pence
Actual dividends		
Interim dividend	4.30	5.00
Bonus interim dividend	-	5.50
Final dividend	2.20	2.55
Total	6.50	13.05
Equivalent dividends		
Interim dividend	-	3.95
Bonus interim dividend	-	5.50
Final dividend	-	2.55
Total	-	12.00

The board proposes a final dividend of 2.20 pence per ordinary share (2006: 2.55 pence) payable on 4 July 2008 to shareholders on the Register of Members at 6 June 2008 resulting in an aggregate dividend in 2007 of 6.50 pence per ordinary share (2006: 13.05 pence).

2006 equivalent dividends

The equivalent dividends represent the amounts appropriate to the shareholders for each share, restated to reflect the bonus element of the rights issue in the prior year. This equates to an uplift in the number of shares of 26.7% and hence a corresponding reduction in the dividend per share.

9. Bank and other borrowings

	2007	2006
	£m	£m
Due within one year:		
Secured senior credit facility – Term A (note b)	-	40.0
Debt issuance costs	-	(0.7)
	-	39.3
Secured senior credit facility – Revolving (note a, b)	-	87.0
Debt issuance costs	-	(0.6)
		86.4
Secured senior credit facility – Term A1 (note a)	-	-
Debt issuance costs	-	-
	-	-
Secured senior credit facility – Term A2 (note a)	100.0	-
Debt issuance costs	(0.9)	-
	99.1	-
Bank overdrafts	0.1	5.3
Total bank borrowings due within one year	99.2	131.0
Finance lease obligations	1.0	0.5
Other unsecured loans	12.5	-
Total borrowings due within one year	112.7	131.5
Due after more than one year:		
Secured senior credit facility – Term A (note b)	-	260.0
Debt issuance costs	-	(1.1)
	-	258.9
Secured senior credit facility – Revolving (note a, b)	200.5	259.0
Debt issuance costs	(1.8)	(1.4)
	198.7	257.6
Secured senior credit facility – Term A1 (note a)	289.8	-
Debt issuance costs	(2.6)	-
	287.2	-
Secured senior credit facility – Term A2 (note a)	1,050.0	-
Debt issuance costs	(9.5)	-
	1,040.5	-
Finance lease obligations	3.3	1.1
Other unsecured loans	-	0.1
Total other	3.3	1.2
Total borrowings due after one year	1,529.7	517.7
Total bank and other borrowings	**1,642.4**	**649.2**

The Group's borrowings are denominated in pounds sterling. 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 - 2007

On 16 March 2007, the Group entered into an amended and restated £2.1bn term and revolving credit facility. This 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 comprised £1.5bn Term A facilities and £100.0m Term B acquisition related facilities. The Revolving Credit Facility is a multi-currency revolving credit facility of up to £500.0m (or its equivalent in other currencies). The final maturity date of the above arrangements is 14 March 2012.

These facilities were amended on 29 February 2008 to provide the Group with additional headroom.

b) Senior Term Credit Facility and Revolving Credit Facility Arrangement - 2006

On 14 August 2006, the Group entered into an amended and restated £1,085.0m term and revolving credit facility. This was arranged by BNP Paribas, J.P. Morgan plc, 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 comprised £325.0m Term A facilities and £200.0m Term B facilities. The Revolving Credit Facility was a multi-currency revolving credit facility of up to £560.0m (or its equivalent in other currencies). The final maturity date of the above arrangements was 6 June 2010, although all borrowings were fully repaid on 15 March 2007 and the facility terminated.

In addition the Group entered into a £450.0m bridging loan facility with ABN AMRO Bank N.V. and Merrill Lynch International on 12 July 2006, which was settled on 13 September 2006.

10. Retirement benefit obligations

Defined Benefit Schemes

The Group operates a number of defined benefit schemes as follows:

The Premier Foods Pension Scheme (the “PFPS”), is the principal funded defined benefit scheme within the pre-existing Premier Group.

The Group also operates a smaller funded defined benefit scheme, the Premier Ambient Products Pension Scheme (the “PAPPS”) for employees in the Ambrosia business.

As a result of the acquisition of Campbell’s in 2006, the Group inherited the Premier Grocery Products Pension Scheme (“PGPPS”) for the UK business, and the Premier Grocery Products Ireland Pension Scheme (“PGPIPS”) for the Irish business. The exchange rates used to translate the Campbell’s Ireland scheme (which is denominated in Euros) are 1.460 for the average rate during the year, and 1.362 for the closing position at 31 December 2007.

During 2007 the Group inherited four further defined benefit schemes as a result of the acquisition of RHM, the RHM Pension Scheme, the RHM Ireland Employee Benefits Scheme (1994), the RHM Van Sales Scheme, and the French Termination Indemnity Arrangements. We also acquired two further schemes with the acquisition of Chivers Ireland, the Chivers 1987 Pension Scheme, and the Chivers 1987 Supplementary Pensions Scheme.

Under the schemes, 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 comprising a broader range of assets.

For the purposes of these financial statements, pension costs presented are calculated by independent, qualified actuaries using the projected unit credit method. The results for PFPS, PAPPS, PGPPS, PGPIPS, and the Chivers Ireland schemes are presented together below as “Core Premier” and the results of the four RHM schemes are combined as “RHM”.

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

	Core Premier 2007	RHM 2007
Discount rate	**5.9%**	**5.9%**
Inflation	3.3%	3.3%
Expected salary increases	4.3%	3.3%
Future pension increases	3.3%	3.3%
Average expected remaining life of a 65 year old male (years)		
- Future service	19	21
- Past service	17	19

	Core Premier 2006	RHM 2006
Discount rate	5.2%	n/a
Inflation	3.0%	n/a
Expected salary increases	4.0%	n/a
Future pension increases	3.0%	n/a
Average expected remaining life of 65 year old male (year)		
- Future service	18	n/a
- Past service	15	n/a

	Core Premier £m	RHM £m	Total £m
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)
2004			
Present value of funded obligations	(368.3)	-	(368.3)
Fair value of plan assets	303.2	-	303.2
Deficit in scheme	(65.1)	-	(65.1)

	Core Premier £m	RHM £m	Total £m
2006			
Current service cost	(7.2)	-	(7.2)
Past service cost	(0.1)	-	(0.1)
Administrative and life insurance costs	(1.4)	-	(1.4)
Interest cost	(23.3)	-	(23.3)
Expected return on plan assets	28.0	-	28.0
Gains/(losses) on curtailment	0.9	-	0.9
Total expense	(3.1)	-	(3.1)
2007			
Current service cost	(10.2)	(7.0)	(17.2)
Past service cost	-	(2.1)	(2.1)
Administrative and life insurance costs	(1.9)	(4.2)	(6.1)
Interest cost	(29.1)	(89.6)	(118.7)
Expected return on plan assets	36.3	104.6	140.9
Gains/(losses) on curtailment	0.6	(4.6)	(4.0)
Total expense	(4.3)	(2.9)	(7.2)

11. Reserves

	Share premium £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	Total £m
At 1 January 2006	321.5	(136.8)	(0.2)	(205.0)	(20.5)
Rights Issue (a)	456.1	-	-	-	456.1
Rights Issue costs (a)	(17.0)	-	-	-	(17.0)
Profit for the year	-	-	-	47.1	47.1
Dividends paid	-	-	-	(23.5)	(23.5)
Actuarial gains and losses (net of taxation) (b)	-	-	-	11.0	11.0
Settlement of derivatives	-	-	0.2	-	0.2
Share based payments (c)	-	-	-	1.6	1.6
Tax on share options (e)	-	-	-	1.5	1.5
Exchange differences on translation	-	-	-	(0.5)	(0.5)
At 31 December 2006	760.6	(136.8)	-	(167.8)	456.0
Loss for the year	-	-	-	(63.3)	(63.3)
Dividends paid	-	-	-	(61.1)	(61.1)
Shares issued (f)	-	1,029.7	-	-	1,029.7
Costs of shares issued (f)	-	(2.2)	-	-	(2.2)
Actuarial gains and losses (net of taxation) (b)	-	-	-	95.8	95.8
Share based payments (c)	-	-	-	3.9	3.9
Purchase of own shares (d)	-	-	-	(3.0)	(3.0)
Tax on share options (e)	-	-	-	(1.1)	(1.1)
Movement on net investment hedge	-	-	(3.1)	-	(3.1)
Exchange differences on translation	-	-	-	0.1	0.1
At 31 December 2007	**760.6**	**890.7**	**(3.1)**	**(196.5)**	**1,451.7**

(a) On 14 August 2006, Premier Foods plc issued 247,848,157 new 1 pence ordinary shares for a premium of 184 pence, in a one for one Rights Issue of existing ordinary shares. Rights Issue costs of £17.0m were incurred and have been charged to the share premium account.

(b) Actuarial gains and losses relating to the Group's retirement benefit schemes are recognised directly within the profit and loss reserve.

(c) Amounts are in respect of outstanding share option schemes in accordance with IFRS 2: "Share based payment".

(d) On acquisition of RHM plc the Group inherited two employment benefit trusts ("EBT"). The purpose of these trusts was to distribute ordinary shares in the Company of RHM plc for the benefit of employees from the previous RHM business. On acquisition the shares held by the EBT converted to the shares of the Company of Premier Foods plc.

As at 31 December 2007, the UK Trustee of the EBT held 178,017 ordinary shares in the Company and the overseas Trustee of the EBT held 850,000 ordinary shares in the Company. The value of the Company's shares held by the Trustees of the EBTs at 31 December 2007 was £1.2m based on market value at the year end.

(e) Amounts are in respect of deferred tax on the intrinsic value of outstanding options as described above.

(f) On 16 March 2007 Premier Foods plc issued 348,324,199 new 1 pence ordinary shares for a premium of 295.25 pence for the acquisition of RHM. Under s.131 of the Companies Act 1985, share premium arising as a result of acquiring more than 90% of the issued share capital of a company is recorded in the merger reserve.

12. Notes to the cash flow statement

Reconciliation of operating profit to cash flows from operating activities

	2007 £m	2006 (Restated) £m
Continuing operations		
Operating profit	76.1	100.5
Depreciation of property, plant and equipment	48.8	18.0
Amortisation of intangible assets	66.2	10.9
Amortisation of debenture stock	-	0.1
Impairment/loss on disposal of property, plant and equipment	15.9	1.3
Impairment of intangible assets	0.6	0.1
Revaluation (gains)/losses on financial instruments	(4.7)	3.8
Share based payments	3.9	1.6
Net cash inflow from operating activities before interest and tax and movements in working capital	206.8	136.3
Increase in inventories	(4.8)	(1.0)
Decrease in trade and other receivables	102.5	2.4
Increase/(decrease) in trade and other payables and provisions	137.5	(27.3)
Exchange loss on working capital	(3.0)	-
Movement in net retirement benefit obligations	(63.9)	(9.1)
Cash generated from continuing operations	**375.1**	**101.3**
Discontinued operations	(14.9)	(9.4)
Cash generated from operating activities	**360.2**	**91.9**
Exceptional items cash flow	(105.5)	(9.2)
Cash generated from operations before exceptional items	465.7	101.1

Additional analysis of cash flows

	2007 £m	2006 £m
Interest received	24.8	9.7
Interest paid	(122.8)	(49.2)
Issue costs of new bank loan	(18.8)	(4.4)
Return on financing	**(116.8)**	**(43.9)**
Sale of subsidiaries/businesses	**22.0**	**-**

Reconciliation of cash and cash equivalents to net borrowings

	2007 £m	2006 £m
Net inflow/(outflow) of cash and cash equivalents	21.3	(10.7)
Debt acquired with Campbell's	-	(88.6)
Debt acquired with RHM	(0.5)	-
Unamortised debt issuance acquired with RHM	4.8	
Increase in finance leases	(2.2)	-
(Increase)/decrease in borrowings	(987.4)	36.1
Other non-cash changes	(12.6)	(6.1)
Increase in borrowings net of cash	**(977.1)**	**(69.3)**
Total borrowings net of cash at beginning of year	(641.4)	(572.1)
Total borrowings at end of year	**(1,618.5)**	**(641.4)**

Analysis of movement in borrowings

	As at 1 January 2007 £m	Cash flow £m	Other non cash changes £m	As at 31 December 2007 £m
Bank overdrafts	(5.3)	5.2	-	(0.1)
Cash and bank	7.8	16.1	-	23.9
Cash and cash equivalents nets of overdrafts	2.5	21.3	-	23.8
Borrowings – term facilities	(300.0)	(1,139.8)	-	(1,439.8)
Borrowings – revolving credit facilities	(346.0)	145.5	-	(200.5)
Finance leases	(1.6)	-	(2.7)	(4.3)
Other	(0.1)	(12.4)	-	(12.5)
Gross borrowings net of cash	(645.2)	(985.4)	(2.7)	(1,633.3)
Debt issuance costs	3.8	23.6	(12.6)	14.8
Total net borrowings	**(641.4)**	**(961.8)**	**(15.3)**	**(1,618.5)**

13. Acquisitions of subsidiaries/businesses

The following companies were acquired during the year:

Name of business acquired	Principal activities	Date of acquisition	Shares acquired	Voting equity instruments acquired %	Cash outflow on acquisition £m	Total net consideration* £m
Chivers Ireland Limited	Manufacture and distribution of preserves and other food products	19 January 2007	Yes	100	18.4	21.8
RHM plc	Manufacture and distribution of bread, cakes, and other food products	16 March 2007	Yes	100	306.1	2,131.5
Total					324.5	2,153.3

*Total net consideration includes net debt and cash acquired as well as costs of acquisition.

The financial performance of the companies acquired was as follows:

Name of business acquired	Revenue post acquisition £m	Profit post acquisition* £m	Loss post acquisition** £m	Proforma revenue for year £m	Proforma profit for year* £m	Proforma loss for year** £m
Chivers Ireland Limited	2.0	0.8	(2.7)	23.1	0.8	(2.7)
RHM plc	1,282.1	89.3	(10.8)	1,588.6	103.5	(1.8)
Total	1,304.1	90.1	(13.5)	1,611.7	104.3	(4.5)

* Profit is defined as operating profit/(loss) before exceptional items, interest and tax.
** Loss is defined as operating profit/(loss) before interest and tax.

Proforma sales and proft/(loss) for the year include the pre-acquisition results as if the acquisition had occurred on 1 January 2007 and are sourced from management information.

All of the acquisitions have been accounted for using the purchase method of accounting.

In accordance with IFRS 3, Business Combinations, the initial accounting for the business combinations have been determined provisionally. A full review to determine fair values is substantially complete. The goodwill arising on acquisition is stated on a provisional basis and will change on the completion of our fair value review.

	RHM	
	Provisional fair value £m	Book value £m
Property, plant and equipment	398.3	422.0
Intangible assets	908.9	328.8
Inventories	83.2	88.9
Trade and other receivables	271.9	275.1
Other investments	0.6	0.6
Bank overdraft	(0.7)	(0.7)
Trade and other payables	(304.3)	(298.5)
Financial liabilities - borrowings and other loans	(780.5)	(780.5)
Retirement benefit obligations	(238.5)	(177.5)
Current tax asset / (liability)	1.4	(1.9)
Deferred tax (liability) / asset	(166.4)	70.4
Net assets/(liabilities) acquired	173.9	(73.3)
Purchase price		
Cash consideration	289.8	
One new Premier share for each RHM share	1,031.9	
Debt and interest liability acquired	793.5	
Purchase price	2,115.2	
- Less debt acquired	(793.5)	
- Direct costs related to the acquisition	16.3	
Purchase consideration	1,338.0	
Provisional fair value of net assets acquired	173.9	
Goodwill	1,164.1	

The fair value of the Premier Foods plc shares issued as consideration for the purchase of RHM plc on 15 March 2007 was 296.25 pence per ordinary share totalling £1,031,910,439.

The goodwill arising on acquisition of RHM is attributable to the workforce, anticipated profitability of the acquired business and the significant future operating synergies expected to arise from the combination.

The principal fair value adjustments arising from the fair value review under IFRS3 are a decrease in PPE of £23.7m, an increase in Brands, Licences, and Customer Relationships of £580.1m, an increase in the retirement benefit obligation of £61.0m and a movement in deferred tax of £236.8m.

Chivers Ireland Limited

The Group has completed the exercise of attributing fair values to assets and liabilities acquired with the Chivers business. As a result, final fair value adjustments have been made in relation to an increase in intangible assets of £0.9m and an increase in retirement benefit obligations of £2.7m. Included in the total consideration of £21.8m were acquisition costs of £0.4m. The goodwill arising on the acquisition is £6.7m.

Campbell's

Subsequent to the year ended 31 December 2006, the Group has completed the exercise of attributing fair values to the assets and liabilities acquired with the Campbell's business. As a result, final fair value adjustments have been made in relation to property, plant and equipment and trade and other payables, totalling £2.9m, which have been disclosed in the Interim Report 2007. In addition a further £0.3m of acquisition related costs have been incurred, resulting in a total increase to goodwill of £3.2m which has been recognised against the opening balance sheet.

14. Post balance sheet events

Financing arrangements

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

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

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

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

	June 2008	December 2008
Net Debt/EBITDA	5.25:1	4.50:1
EBITDA/Cash Interest	2.75:1	3.00:1

For the purpose of the calculation net debt is defined to exclude the Group's pension deficit, EBITDA is defined to include the pension financing credit and exclude exceptional items and cash interest is defined to exclude the amortisation of debt issuance costs and fair value adjustments.