7 August 2012

Premier Foods plc

Half Year results for the six months to 30 June 2012

Delivering stabilisation and growth strategies on track

- **Underlying sales, excluding Milling, up 1.1%**
- **Power Brand sales up 2.0%, Grocery Power Brand sales up 4.9%**
- **Underlying Trading profit up 3.2%**
- **Marketing investment increased 40%**
- **Power Brand portfolio consistently gaining market share**
- **Cost reduction programme to deliver £40m savings by year end, ahead of 2013 plan**
- **Disposal programme on schedule**
- **Full year outlook unchanged**

Premier Foods today announces its Half Year results for 2012, confirming the Group's stabilisation plans and growth strategies remain on track.

Commenting on the Half Year, Michael Clarke, Chief Executive Officer, said:

"*I'm pleased with the progress we are making to stabilise the business, re-focus the portfolio and invest in our future growth. Our strategy of focusing on our Power Brands is starting to gain traction. Power Brand sales were up 2% and sales of Grocery Power Brands increased by a healthy 4.9%, reflecting consistent improvement in market shares. Trading profit increased 3.2%, in line with our expectations.*

Plans to simplify the business and drive further efficiency and effectiveness are proceeding ahead of plan and we will now deliver the previously announced £40 million savings by the end of 2012. As we continue our divestment programme, we plan to take further costs out of the business.

We remain cautious given the current economic and trading environment and our full year expectations remain unchanged."

£m	**2012 H1**	2011 H1	Change
Underlying business			
Sales excl Milling	**757.1**	749.1	1.1%
Power Brand sales	**418.9**	410.5	2.0%
Trading profit	**53.2**	51.5	3.2%
Ongoing business			
Sales	**852.3**	872.6	(2.3%)
Trading profit	**72.2**	70.1	3.0%
Reported results			
Sales	**852.8**	1,004.7	(15.1%) *
Operating profit	**33.6**	56.7	(40.7%) *
Adjusted earnings per share[3] (p)	**9.5p**	7.0p	35.7%

* - Includes disposed of Canned grocery and Irish Brands businesses in 2011 and restructuring costs associated with these divestitures in 2012

A presentation to investors and analysts will take place today, 7 August 2012, at 9.30am at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED. The presentation will be webcast at www.premierfoods.co.uk. A recording of the webcast will be available on the Group's website later in the day.

A factsheet for the Half Year results is available at www.premierfoods.co.uk

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Underlying business

The Group's results for the six months to 30 June 2012 are presented on an 'Underlying business' basis, unless otherwise stated. This is the presentation approach which the Group intends to adopt going forward.

The purpose of this is to reflect the performance of the core business of the Group. With the Group undergoing a period of stabilisation and restructuring, this basis better reflects underlying business performance.

'Underlying business' therefore, excludes the results of completed business disposals as at 30 June 2012, Milling (sales only), and specific material items in 2011 and 2012 including Pension credits, commercial adjustments and a non-core, discrete contract loss.

£m	2012 H1	2011 H1	Change
Sales (excl Milling)	757.1	749.1	1.1%
Trading profit	53.2	51.5	3.2%
Adjusted profit/(loss) before tax[3]	10.9	(7.8)	-
Adjusted earnings/(loss) per share[3] (pence)	3.4p	(2.4p)	-

The definition of 'Underlying business' adjusts the 'Ongoing business' for the following items.

(i) **Milling**. Due to the cost plus pricing nature of this business, fluctuations in the cost of wheat have a direct impact on reported sales, but not necessarily on Trading profit. As a result, the Milling business is excluded from the definition of 'Underlying business' for revenue only.

(ii) **Commercial adjustments**. The 2011 Full Year results recognised an expense of £37.4m for some aged receivable balance write offs and associated commercial provisions. The proportion of this Full Year charge that related to the first half of 2011 was £5.9m.

(iii) **Non-core contract Loss**. In the first half of 2012, the Group lost a non-core chocolate powder manufacturing contract. The discrete nature of this contract explains why this is excluded from 'Underlying business'. The Trading profit impact of this in the period was £2.0m; the full year effect in 2012 will be approximately £5.0m.

(iv) **Other credits**. In the first half of 2011, the move from final salary schemes to CARE and defined contribution schemes resulted in a pension credit to Trading profit of £10.7m. In the first half of 2012, the Group and Trustees of the RHM Pension Scheme agreed to change the inflation assumption used in calculating certain scheme liabilities, for the majority of scheme members, from an RPI to a CPI basis, following a similar move by the Premier Foods Schemes in 2011. The impact of this change is a credit of £44.0m, and is partially offset by an equalisation charge related to the RHM pension scheme of £4.7m, resulting in a net pension credit of £39.3m. Additionally, the Group has increased certain balance sheet provisions such as onerous lease provisions relating to vacant properties held by the Group. This has the effect of reducing the net credit to £19.0m.

A table illustrating these items is displayed below.

	Ongoing business	Milling	**Adjustments** Commercial Adjustments	Contract Loss	Other Credits	**Underlying business**
2012 H1 (£m)						
Sales	**852.3**	(95.2)	-	-	-	**757.1**
Trading profit	**72.2**	N/A	-	-	(19.0)	**53.2**
2011 H1 (£m)						
Sales	**872.6**	(103.7)	(11.4)	(8.4)	-	**749.1**
Trading profit	**70.1**	N/A	(5.9)	(2.0)	(10.7)	**51.5**

Full disclosure of Continuing operations, 'Ongoing business' and 'Underlying business' can be found in the appendices.

Notes to editors:

1. The accounting period is from 1 January 2012 to 30 June 2012. The comparative is based on 1 January 2011 to 25 June 2011. Sales include a pro forma adjustment to 2011 H1 sales to reflect the same number of reported days in the period 2012 H1.
2. Trading profit is defined as operating profit before re-financing costs, restructuring costs and losses associated with divestment activity, amortisation and impairment of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension credits or charges in relation to the difference between expected return on pension assets, administration costs and interest costs on pension liabilities.
3. Adjusted profit before tax is defined as Trading profit less net regular interest. Adjusted earnings per share is defined as Adjusted profit before tax less a notional tax charge of 24.5% (2011: 26.0%) divided by the weighted average of the number of shares. Net regular interest is defined as total net interest excluding write-off of financing costs, fair value adjustments on interest rate swaps and other financial liabilities at fair value through profit or loss and the unwind of the discount on provisions.

A Premier Foods image gallery is available using the following link:

www.premierfoods.co.uk/media/image-gallery/

As Britain's largest food producer, Premier Foods is committed to being 'The Best in British Food' - delivering the taste the British love, with food that's made in Britain by people who understand British consumers. We supply a range of retail, wholesale, foodservice and other customers with some of Britain's best loved brands, including Ambrosia, Batchelors, Bisto, Hovis, Loyd Grossman, Mr. Kipling, Oxo and Sharwood's . The company employs around 10,000 people operating from over 40 sites from Plymouth to Glasgow.

Operating review

Underlying business

£m	2012 H1	2011 H1	Change
Sales			
Grocery	**504.0**	491.6	2.5%
Bread	**253.1**	257.5	(1.7%)
Total sales	**757.1**	749.1	1.1%
Grocery divisional contribution	**95.5**	99.9	(4.4%)
Bread divisional contribution	**22.5**	30.7	(27.0%)
Group costs	**(64.8)**	(79.1)	18.1%
Total Trading profit	**53.2**	51.5	3.2%

Introduction

Underlying business sales increased by 1.1% to £757.1m in the year, an increase of £8.0m compared to the prior year. Underlying business Trading profit increased by £1.7m to £53.2m in the year. Divisional contribution, the measure which the Group will use for reporting divisional performance in future, strips out all costs previously identified as Group & Corporate costs and other selling, general and administrative costs.

Grocery divisional contribution decreased by £4.4m to £95.5m in the first half of the year, owing to an increase in consumer marketing expenditure of £8.0m and higher promotional investment.

Bread divisional contribution declined £8.2m to £22.5m due to lower market volumes, increased promotional activity in a competitive environment and higher net costs to serve in the supply chain.

These performances were offset by strong progress in the SG&A cost base, as costs reduced by £14.3m.

Sales

£m	2012 H1	2011 H1	Change
Power Brands	**418.9**	410.5	2.0%
Support brands	**182.1**	188.9	(3.6%)
Total Branded	**601.0**	599.4	0.3%
Non-branded	**156.1**	149.7	4.3%
Group Sales	**757.1**	749.1	1.1%
Power Brands sales %	***55.3%***	*54.8%*	+0.5ppt

Total Underlying business sales increased by 1.1% to £757.1m compared to the first half of 2011, while sales of the Group's Power Brands grew by 2.0%. The Power Brands sales mix increased by 0.5ppt to 55.3%.

Power Brands sales increased by 2.0% owing to strong performances by *Loyd Grossman*, *Batchelors* and *Mr. Kipling*; this growth has also been reflected in market share gains across the Power Brand categories, especially during the second quarter of the year.

Within the Support brand portfolio, Underlying sales were down 3.6% to £182.1m, reflecting the impact of short-term trading activity and favourable accounting adjustments in the first half of the prior year. Non-branded sales were up 4.3% in the first half of 2012 due to contract gains in cake, preserves and non-branded bread.

Gross Profit

£m	2012 H1	2011 H1	Change
Gross profit (£m)	**255.3**	249.4	2.3%
Gross margin %	***30.0%***	*30.1%*	*(0.1ppt)*

Gross profit on an Underlying basis increased by 2.3% to £255.3m as Gross margin % decreased by 0.1ppt compared to 2011 H1. Positive mix effects and manufacturing efficiencies in the Grocery division were offset by promotional investment across both divisions.

Consumer Marketing

£m	2012 H1	2011 H1	Change
Consumer Marketing	**24.8**	17.6	40.9%

Earlier this year, the Group outlined its intention to upweight marketing investment to support Power Brands growth. Consequently, consumer marketing expenditure increased by over 40% in the first half of 2012, principally due to increased TV advertising campaigns on seven of the Group's Power Brands during the period.

Brand health scores, including indicators on advertising awareness, quality and brands consumers love, have all increased following TV advertising campaigns during the first half of the year.

Marketing investment in the second half of 2012 is also expected to be higher than the same period last year. In the second half of this year, an element of the planned H2 marketing investment may be switched to promotional activity, reflecting the current competitive environment and to maximise returns on investment.

Grocery division

£m	2012 H1	2011 H1	Change
Branded sales	**416.7**	409.7	1.7%
Non-branded sales	**87.3**	81.9	6.5%
Total sales	**504.0**	491.6	2.5%
Divisional contribution	**95.5**	99.9	(4.4%)

Sales in our Grocery division increased by 2.5% to £504.0m compared to £491.6m in 2011 H1. Divisional contribution was £95.5m, a 4.4% decline in the first half of the year.

Sales of the Power Brands in the Grocery division increased by 4.9% in the first half of the year, continuing the trend seen in the first quarter.

Marketing investment in the Grocery division increased by £8.0m in the period to £20.0m, reflecting higher levels of consumer marketing activity across the Power Brands. *Mr. Kipling, Ambrosia, Sharwood's, Bisto, Oxo* and *Loyd Grossman* have all benefitted from TV advertising in the first half of 2012 and further activity is planned for the second half of the year.

Power Brands market share performances have been strong during the first half of 2012, especially in the second quarter. The Power Brands delivered value market share gains in their categories in 17 of the 18 weeks to 30 June 2012 *(Symphony IRI Value Share, 30 June 2012)*, reflecting improved customer collaboration and increased marketing activity.

Sales of *Mr. Kipling* increased strongly in the first half of the year, due to marketing activity behind the new Snack-pack format and the introduction of new variants British Fancies and Mini Classics in support of the recent Jubilee celebrations. *Loyd Grossman* and *Batchelors* have also performed well in the period, partly due to improved customer collaboration and through upweighted promotional activity by *Loyd Grossman*. *Sharwood's* benefitted from the launch of new Wrap Kits during the period.

The Group has seen a continuation in the growth of volumes sold on promotion during the course of the first six months of the year. In particular, there has been a growth in money-off promotions in preference to multi-buy activities, as consumers increasingly seek value in a single trip.

The Group continues to deliver improved manufacturing efficiencies in its supply chain. The Grocery division generated manufacturing controllable cost gross savings of £3.6m in the first half of the year, equivalent to 4% of the manufacturing controllable cost base. Over the medium-term, we continue to target manufacturing controllable cost gross savings of 4% per annum.

Bread division

£m	**2012 H1**	2011 H1	Change
Branded bread sales	**184.3**	189.7	(2.9%)
Non-branded bread sales	**68.8**	67.8	1.5%
Total bread sales	**253.1**	257.5	(1.7%)
Milling sales	**95.2**	103.7	(8.3%)
Total sales	**348.3**	361.2	(3.6%)
Divisional contribution	**22.5**	30.7	(27.0%)

Sales for the Bread division excluding Milling sales declined 1.7% to £253.1m in the first half of 2012 while total sales for the division decreased by 3.6% to £348.3m. Divisional contribution declined by £8.2m to £22.5m in 2012 H1.

The main drivers of the divisional contribution decline were declining market volumes, high levels of promotional activity in a competitive environment and higher net costs to serve in the supply chain. Additionally, the impact of stabilisation and restructuring of the business included some re-alignment of cost classification and accounting treatment.

Hovis continued to maintain branded market share driven by improved customer collaboration, promotional investment, advertising and innovation including the launch of *Hovis* Farmer's Loaf. Further new products are expected to be launched over the coming months. Non-branded bread sales increased by 1.5% due to net contract gains with key customers.

Following the Group's strong track record in delivering manufacturing controllable cost savings in the Grocery division, the Bread division is receiving further focus in this area. Efficiency savings were generated in manufacturing and logistics in the first half of the year and the Group expects this focus to deliver a run rate of 4% manufacturing controllable cost savings by the end of the year.

Milling sales were down 8.3% in the first half of 2012 compared to the same period last year, reflecting lower wheat prices, although this trend sharply reversed immediately following the end of the period, owing to recent global weather trends. The Group closely monitors and maintains controls and policies to mitigate wherever possible the effect of such commodity fluctuations. As required, measures to offset the impact of this recent input cost inflation will be taken in the second half of 2012.

Cost Savings Programme and Group costs

In January this year, the Group stated its intention to generate cost savings from its central overhead cost base of £40m by 2013. The restructuring of the SG&A cost base is well underway, with savings being delivered through a reduction in the workforce, mainly from overhead functions. The expected costs to achieve the delivery of the savings programme are unchanged at approximately £21 million.

The plans to simplify the business and drive further efficiency and effectiveness are proceeding ahead of plan and the Group will now deliver the previously announced £40 million savings by the end of 2012. Further cost savings are expected to be delivered in 2013 as the Group continues with its divestment programme. The table below excludes other credits including pension credits.

£m	**2012 H1**	2011 H1	Change
Group & corporate costs	**32.9**	44.6	26.2%
Other SG&A	**31.9**	34.5	7.5%
Total SG&A	**64.8**	79.1	18.1%

Net regular interest

£m	**2012 H1**	2011 H1	Change
Bank debt interest	**19.1**	22.0	13.2%
Swap contract interest	**14.3**	29.3	51.2%
Securitisation interest	**1.2**	1.2	-
	34.6	52.5	34.1%
Amortisation and deferred fees	**7.7**	6.8	(13.2%)
Net regular interest	**42.3**	59.3	28.7%

Net regular interest charge was £42.3m in the first half of 2012, down 28.7% compared to the same period last year. This is principally due to the conversion of the higher rate interest rate swaps into additional term loan at the end of March, following completion of the previously announced re-financing agreement. Guidance of £70.0m - £75.0m for full year net regular interest is unchanged.

Cash flow

£m	**2012 H1**	2011 H1
Underlying business Trading profit	**53.2**	51.5
Underlying business adjustments	**19.0**	18.6
Ongoing business Trading profit	**72.2**	70.1
Depreciation	**20.1**	19.7
Other non-cash items	**(27.1)**	0.4
Interest	**(34.8)**	(41.0)
Taxation	**-**	-
Pension contributions	**(23.6)**	(40.1)
Regular capital expenditure	**(27.4)**	(32.4)
Working capital	**(1.8)**	(4.3)
Recurring cash outflow from Ongoing business	**(22.4)**	(27.6)

Group recurring cash outflow from Ongoing business before non-recurring items in the first half of the year was £22.4m.

Underlying business Trading profit was £53.2m before adjusting for specific items of £19.0m, resulting in £72.2m Ongoing business Trading profit.

Ongoing business Trading profit was slightly ahead of last year while depreciation was broadly in line with the prior year. Other non-cash items includes the add-back of the pension credit recognised in Trading profit, partly offset by pension service cost and share based payments.

Cash interest was lower in the period owing to the close out of the higher rate interest rate swaps following the re-financing agreement announced in March this year.

There were no cash tax payments in the six months to 30 June 2012, reflecting the tax relief on brought forward losses, capital allowances and pension deficit contribution payments.

Pension payments to the Group schemes in the six months to 30 June were £23.6m, compared to £40.1m last year, owing to reduced pension deficit contribution payments as agreed with the Trustees as part of the re-financing agreement concluded earlier this year.

£m	**2012 H1**	2011 H1
Recurring cash outflow from Ongoing business	**(22.4)**	(27.6)
Trading profit & other cash flows from disposed businesses	**(0.2)**	(25.4)
Restructuring activity relating to disposed businesses	**(9.1)**	-
Operating cash flow from total group	**(31.7)**	(53.0)
Disposal proceeds	**34.5**	195.9
Financing fees & finance leases	**(25.1)**	-
Movement in cash	**(22.3)**	142.9

Movement in cash in the period was an outflow of £22.3m, compared to an inflow of £142.9m in 2011 H1. Restructuring activity relating to disposed businesses, including costs related to the cost savings programme, resulted in a cash outflow of £9.1m in the first half of the year. Disposal proceeds from the sale of the Irish Brands business delivered £34.7m, partly offset by smaller items. Cash paid due to fees directly related to the recently concluded re-financing agreement accounted for outflows of £24.8m. Finance lease cash outflows were £0.3m.

Net debt

Group Net debt at 30 June 2012 was £1,269.4m.

Following the re-financing agreement announced in March this year, and in the interests of clarity, the table below illustrates the pro forma Net debt position as at 31 December 2011.

In 2011, the mark to market of interest rate swap liabilities and securitised debtors were recognised by the Group as debt like items, but excluded from the definition of Net debt. Following the re-financing agreement agreed earlier this year, the additional term loan of £188.1m and securitisation programme are now recognised in Net debt.

The additional term loan of £188.1m is lower than the original estimate of £199m due to the final mark to market position of the interest rate swaps following their crystallisation on 31 March 2012. Movement in cash in the first six months of 2012 was an outflow of £22.3m; 'Other' predominantly reflects movements in capitalised debt issuance costs.

Net debt	**£m**
Reported Net debt at 31 December 2011	**995.1**
Additional term loan	**188.1**
Securitised debtors programme	**73.8**
Pro forma Net debt at 31 December 2011	**1,257.0**
Movement in cash 2012 H1	**22.3**
Other	**(9.9)**
Reported Net debt at 30 June 2012	**1,269.4**

Pensions

Cash paid to pension schemes in the Half year was £23.6m. The net IAS 19 deficit at 30 June 2012 was £272.6m, equivalent to £207.2m net of deferred tax. Under the terms of the re-financing agreement outlined earlier this year, the pension schemes have agreed to defer deficit contribution payments until 1 January 2014.

Pensions	**30 June 2012**	25 June 2011	31 Dec 2011
Assets			
Equities	**433.7**	509.1	425.1
Bonds	**475.3**	462.3	472.4
Property	**89.3**	135.5	127.6
Absolute return	**662.3**	626.3	721.9
Swaps	**164.2**	90.8	231.6
Cash & other	**1,366.2**	1,047.4	1,177.4
Total Assets	**3,191.0**	2,871.4	3,156.0
Liabilities			
Discount rate	**4.70%**	5.45%	4.80%
Inflation rate (RPI/CPI)	**(2.9%/1.7%)**	(3.50%/N/A)	(3.15%/1.95%)
Total Liabilities	**(3,463.6)**	(3,144.7)	(3,438.4)
Gross deficit (IAS 19)	**(272.6)**	(273.3)	(282.4)
Deferred tax (24.0% 2012 H1)	**65.4**	71.1	70.0
Net deficit (IAS 19)	**(207.2)**	(202.2)	(212.4)

The Group acknowledges the significance of the current pension deficit in determining a fair reflection of the Group's Enterprise value. The Group's preferred approach is to discount the post tax future cash flows of the agreed pension deficit contribution schedule, which amount to approximately £250 million.

Business Disposals

The Group has stated its intention of focusing its investment on its Power Brands. Following divestitures completed since the beginning of 2011, the Group expects further selected businesses to be divested in 2012 to increase the Group's focus on its Power Brands and additionally help deleverage the business.

The Group has announced two further disposals to date in 2012; the Vinegar & Sour Pickles business and the Elephant Atta ethnic flour business. The divestiture of both these businesses allows the business to focus on its Power Brands and reduce Net debt.

	Irish Brands	**Vinegar & Sour Pickles**	**Elephant Atta Ethnic Flour**
Announcement	7 December 2011	15 June 2012	6 July 2012
Completion	23 January 2012	28 July 2012	6 July 2012
Gross Proceeds	£34.7m (€41.4m)	£41.0m	£34.0m

Outlook

In the first six months of the year, the Group has made progress in stabilising the business, re-focusing the portfolio and investing in its future growth. The cost savings programme is now progressing ahead of the previous plan. The Group will continue with its divestment programme and plans to take further costs out of the business in 2013 as the programme progresses. While we continue to deliver on our strategic priorities, the Group remains cautious against the backdrop of the current economic and trading environment. The Group's full year expectations however, remain unchanged.

Financial review

The Group is presenting its financial results for the Half year ending 30 June 2012 with comparative information for the Half year to 25 June 2011.

Group structure

During the period, the Group completed the disposal of the Irish Brands business, comprising the McDonnell's, Gateaux and Chivers brands and the Erin licence. The Group also announced the disposals of the Vinegar and Sour Pickles business on 15 June 2012 and the Elephant Atta Ethnic Flour business on 6 July 2012.

The results of the Meat-free and Brookes Avana businesses are set out in note 8 to the financial information. The income statement for 2011 H1 has been restated to reflect the Brookes Avana business as a discontinued operation. The Canned grocery operations business is treated as a continuing operation in the financial statements and reported separately as an operating segment, 'Disposed of Canning Operations'.

All commentary on the performance of the Group included below refers to continuing operations unless otherwise stated and incorporates the Irish Brands, Vinegar and Sour Pickles and Elephant Atta Ethnic Flour businesses.

Income statement

Revenue from continuing operations was £852.8m, a decrease of £151.9m compared to the prior year. The major driver of the decline was the disposal of the Canned grocery operations business in July 2011.

Operating profit

Operating profit for continuing operations was £33.6m, a decline of £23.1m compared to the Half Year to 25 June 2011.

Trading profit was £72.6m in the period, a decline of £9.5m, reflecting the disposal of the Canned grocery operations business. Trading profit was also impacted by increased marketing investment year on year, particularly in the Grocery division, partly offset by lower SG&A costs through pension credits associated with the adoption of the CPI measure in calculating certain pension scheme liabilities.

Restructuring costs and losses associated with disposal activity were £17.9m in the Half Year to 30 June 2012. These charges relate to access costs associated with the Group's cost savings programme and other restructuring activity connected to divestitures.

Amortisation of intangible assets was £26.1m in the first half of the year, a reduction of £9.8m compared to the same period last year. This decrease is principally due to the impairment charge taken in the Bread division in the year ending 31 December 2011 and related to the Hovis brand.

Finance expense

Net finance expense in the Half Year to 30 June 2012 was £60.9m, compared to £45.5m in the same period in 2011. There was an adverse movement in the fair valuation of interest rate derivatives in the period of £12.5m, compared to a positive movement of £7.9m in the Half Year to 25 June 2011. Additionally, an exceptional write off of financing costs amounting to £10.8m was recognised in the period, related to debt issuance costs associated with the previous financing agreement. This compares to a £0.4m charge in the comparative period. These higher costs were partly offset by the conversion of the previous interest rate swap portfolio into additional term loan, with the resultant lower bank margin.

Net regular interest costs were £42.3m, compared to £59.3m in the first half of 2011, principally due to the reasons outlined above relating to the conversion of the swap portfolio into the additional term loan.

Loss before taxation

The Group made a loss before tax of £27.3m (25 June 2011: £11.2m profit). Operating profit was lower by £23.1m due to the reasons outline above. Net finance expense was £15.4m higher than the first half of 2011 due to the exceptional write off of financing costs amounting to £10.8m and an adverse movement in the fair valuation of interest rate derivatives, as outlined above.

Taxation

The taxation charge for the six months to 30 June 2012 was £0.5m (25 June 2011: £2.0m credit).

The corporation tax rate for 2012 is now expected to be 24.0%, following statutory changes enacted on 26 March 2012, and effective 1 April 2012. The deferred tax rate is also expected to be 24.0% from 1 April 2012.

Earnings per share

Basic loss per share of 11.6 pence for the half year on continuing operations is calculated by dividing the loss attributed to ordinary shareholders of £27.8m (25 June 2011: £13.2m profit) by the weighted number of shares in issue during the period. This compares to earnings per share of 5.5p for the same period last year.

Adjusted earnings per share for continuing operations was 9.5 pence (25 June 2011: 7.0 pence). Adjusted earnings per share on continuing operations has been calculated by dividing the adjusted earnings (defined as Trading profit less net regular interest payable and notional taxation) attributed to ordinary shareholders of £72.6m (25 June 2011: £82.1m) by the weighted number of ordinary shares in issue during each period. These earnings have been calculated by reflecting tax at a notional rate of 24.5% (25 June 2011: 26.0%).

At the Annual General Meeting held on 3 May 2012, a resolution was passed for a 10:1 share consolidation of the issued share capital of the Group. Accordingly, the weighted number of shares in issue for the period reduced from 2,398.0 million to 239.8 million; the latter being used for earnings per share calculations.

Cash flow and borrowings

Group net borrowings as at 30 June 2012 was £1,269.4m an increase of £274.3m since 31 December 2011. Of the movement since 31 December 2011, the cash and non-cash elements were £71.8m and £202.5m respectively. The non-cash movement reflects the conversion of the previous mark to market swap liabilities to additional term loan, which amounted to £188.1m.

The cash outflow from operating activities to 30 June 2012 was £35.6m (25 June 2011: inflow of £27.9m). This included cash outflow from continuing operations of £37.2m (25 June 2011: inflow £51.9m) and cash inflow from discontinued operations of £1.6m (25 June 2011: outflow £24.0m). Additionally, net cash interest paid was £34.8m (25 June 2011: £46.1m) due to lower bank margins following the re-financing agreement concluded in March this year. Tax paid in the six months to 30 June 2012 was nil (25 June 2011: nil).

Sale of subsidiaries and property, plant and equipment in the first half of 2012 amounted to £34.7m following the completed disposals of the Irish Brands business. Net capital expenditure in the period was £36.1m (25 June 2011: £32.4m), of which £27.4m relates to Ongoing business.

Proceeds from borrowings were £73.2m (25 June 2011: repayment £1.4m) reflecting the conversion of the debtors securitisation programme to Net debt. Financing fees associated with the re-financing agreement in March 2012 were £23.7m.

Pension schemes

At 30 June 2012 the Group's pension schemes under the IAS 19 accounting valuation showed a gross deficit of £272.6m. This compares to the valuations at 31 December 2011 and 25 June 2011 of £282.4m and £273.3m respectively. This comprised a £12.0m surplus in respect of the RHM schemes and a deficit of £284.6m in relation to the Premier Foods schemes.

The conversion of the RHM scheme from deficit to surplus reflects a positive movement in the market value of the scheme assets over the last six months. Liabilities in the RHM schemes are materially unchanged since 31 December 2011. The increase in the valuation of the Premier scheme liabilities is primarily due to a reduction in the discount rate from 4.80% to 4.70%.

A UK Government change to the statutory inflation index applied to certain pension scheme liabilities was applied to the Premier Foods pension schemes during 2011. The statutory inflation assumption change, prompted by legislation, involves replacing the retail price index (RPI) with the consumer price index (CPI) in calculating certain scheme liabilities. Following the amendment to certain of the Premier Foods pension scheme liabilities in 2011, the Group and Trustees of the RHM Pension Scheme have also now concluded to make the move from RPI to CPI for the majority of scheme members. The applicability of the move to CPI for the remainder of RHM scheme members is subject to ongoing negotiations between the scheme Trustees and the Group.

Following the refinancing package concluded with the banking syndicate, swap counterparties and pension schemes, pension deficit contribution payments will be suspended from March 2012 to December 2013; deficit contribution payments resume from January 2014.

Mark Moran
Chief Financial Officer

APPENDICES

'**Continuing operations'** excludes the results of Meat-free and Brookes Avana, reflecting their classification as discontinued operations in 2011.

'Ongoing business' excludes the results of completed business disposals as at 30 June 2012. These are: Meat-free, Brookes Avana, Canned grocery and Irish brands.

'Underlying business' excludes the results of completed business disposals as at 30 June 2012, Milling sales and specific items in 2011 and 2012 including Pension credits, commercial adjustments and a contract loss.

£m	2012 H1	2011 H1	Change
Continuing operations			
Sales[1]	852.8	1,035.4	(17.6%)
Trading profit	72.6	82.1	(11.6%)
Operating profit	33.6	56.7	40.7%
Basic (loss)/earnings per share (pence)	(11.6p)	5.5p	-
Ongoing business			
Sales	852.3	872.6	(2.3%)
Trading profit	72.2	70.1	3.0%
Adjusted profit before tax	29.9	10.8	176.9%
Adjusted earnings per share (pence)	9.5p	3.3p	-
Underlying business			
Sales (excl Milling)	757.1	749.1	1.1%
Trading profit	53.2	51.5	3.2%
Adjusted profit/(loss) before tax	10.9	(7.8)	-
Adjusted earnings/(loss) per share (pence)	3.4p	(2.4p)	-

The following table illustrates Continuing Operations, Ongoing business and Underlying business performance for 2012 H1 compared to the same period in 2011.

2012 H1 (£m)	Continuing operations[1]	Less: Disposed businesses and restructuring costs[2]	Ongoing business	Adjustments[3]	Underlying business
Sales	852.8	(0.5)	852.3	(95.2)	757.1
Gross profit[4]	253.8	1.5	255.3	-	255.3
Trading profit	72.6	(0.4)	72.2	(19.0)	53.2
EBITDA	92.7	(0.4)	92.3	(19.0)	73.3
2011 H1 (£m)					
Sales	1,035.4	(162.8)	872.6	(123.5)	749.1
Gross profit[4]	279.7	(17.9)	261.8	(12.4)	249.4
Trading profit	82.1	(12.0)	70.1	(18.6)	51.5
EBITDA	101.8	(12.0)	89.8	(18.6)	71.2

1. Continuing operations includes a pro forma adjustment to 2011 H1 sales to reflect the same number of reported days in the period 2012 H1.
2. Removes results of the Canned Grocery and Irish brands businesses and restructuring costs associated with divestment activity
3. Includes Milling sales and specific items in 2011 and 2012 including other credits, commercial adjustments and a contract loss
4. Gross margin % in the operating review has been calculated using non pro forma underlying sales plus milling sales

Ongoing business results are stated as if the disposals of Meat-free, Canned grocery, Brookes Avana and Irish brands had all completed on 1 January 2011. Meat-free and Brookes Avana were treated as discontinued operations in the 2011 financial statements.

Ongoing business following recent disposals

2011 Full Year							
£m	**Continuing operations**	**Less: Canned grocery**	**Less: Irish Brands**	**Ongoing business**	**Less: Vinegar & Sour Pickles**	**Less: Elephant Atta Ethnic Flour**	**Revised Ongoing business**
Sales	1,999.5	(166.7)	(21.8)	1,811.0	(34.0)	(17.8)	1,759.2
Trading profit	188.3	(5.4)	(9.2)	173.7	(5.5)	(6.4)	161.8
Depreciation	41.8	0.0	0.0	41.8	(0.7)	0.0	41.1
EBITDA	230.1	(5.4)	(9.2)	215.5	(6.2)	(6.4)	202.9
Capital expenditure	*64.7*	*(3.0)*	*0.0*	*61.7*	*(0.2)*	*0.0*	*61.5*

Ongoing business - Sales

£m	**2012 H1**	2011 H1	Change
Power Brands	**422.8**	421.0	0.4%
Support brands	**190.1**	201.5	(5.7%)
Total Branded	**612.9**	622.5	(1.6%)
Non-branded	**239.4**	250.1	(4.3%)
Group Sales	**852.3**	872.6	(2.3%)
Group Sales ex Milling	**757.1**	768.9	(1.5%)
Power Brands sales %	***55.8%***	*54.8%*	+1.0ppt

Ongoing business - Divisional Sales and Trading profit

£m	**2012 H1**	2011 H1	Change
Sales			
Grocery	**504.0**	511.4	(1.4%)
Bread	**348.3**	361.2	(3.6%)
Total sales	**852.3**	872.6	(2.3%)
Grocery divisional contribution	**95.5**	107.8	(11.4%)
Bread divisional contribution	**22.5**	30.7	(27.0%)
Group costs	**(45.8)**	(68.4)	33.1%
Total Trading profit	**72.2**	70.1	3.0%

Continuing operations earnings per share is calculated as set out below:

	2012 H1 £m	2011 H1 £m
Continuing Trading profit	**72.6**	82.1
Amortisation of intangible assets	**(26.1)**	(35.9)
Foreign exchange valuation items	**(0.9)**	1.3
Pension financing credit	**6.8**	9.2
Restructuring costs relating to divestment activity	**(17.9)**	-
Re-financing costs	**(1.2)**	-
Profit on disposal	**0.3**	-
Operating profit	**33.6**	56.7
Net finance expense	**(60.9)**	(45.5)
(Loss)/Profit before tax	**(27.3)**	11.2
Taxation (charge)/credit	**(0.5)**	2.0
(Loss)/Profit after tax	**(27.8)**	13.2
Divided by:		
Average shares in issue (millions)	**239.8**	239.8
Basic (loss)/earnings per share	**(11.6p)**	5.5p

Adjusted earnings per share is calculated as set out below:

	2012 H1 £m	2011 H1 £m
Continuing Trading profit	**72.6**	82.1
Less net regular interest	**(42.3)**	(59.3)
Adjusted profit before tax	**30.3**	22.8
Less notional tax at 24.5%/26%	**(7.4)**	(5.9)
Adjusted profit after tax	**22.9**	16.9
Divided by:		
Average shares in issue (millions)	**239.8**	239.8
Adjusted earnings per share	**9.5p**	7.0p

2012 H1 Continuing to Underlying business

£m	**Continuing Operations**	**Less: Canned Grocery**	**Less: Irish Brands**	**Ongoing Business**	**Milling**	**Commercial Provisions**	**Contract Loss**	**Other Credits**	**Underlying Business**
Sales	852.8	(0.5)	0.0	852.3	(95.2)	0.0	0.0	0.0	757.1
Trading Profit	72.6	(0.4)	0.0	72.2	0.0	0.0	0.0	(19.0)	53.2
Depreciation	(20.1)	0.0	0.0	(20.1)	0.0	0.0	0.0	0.0	(20.1)
EBITDA	92.7	(0.4)	0.0	92.3	0.0	0.0	0.0	(19.0)	73.3
Group Costs	(45.7)	(0.1)	0.0	(45.8)	0.0	0.0	0.0	(19.0)	(64.8)

2011 H1 Continuing to Underlying business									
£m	**Continuing Operations**	**Less: Canned Grocery**	**Less: Irish Brands**	**Ongoing Business**	**Milling**	**Commercial Provisions**	**Contract Loss**	**Other Credits**	**Underlying Business**
Sales	1,004.7	(149.3)	(8.7)	846.7	(100.7)	(10.4)	(8.3)	0.0	727.3
Proforma adjustment	30.7	(4.6)	(0.2)	25.9	(3.0)	(1.0)	(0.1)	0.0	21.8
Proforma Sales	1,035.4	(153.9)	(8.9)	872.6	(103.7)	(11.4)	(8.4)	0.0	749.1
Divisional contribution									
Grocery	111.7	0.0	(3.9)	107.8	0.0	(5.9)	(2.0)	0.0	99.9
Bread	30.7	0.0	0.0	30.7	0.0	0.0	0.0	0.0	30.7
Canned Grocery	7.9	(7.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trading Profit	82.1	(8.1)	(3.9)	70.1	0.0	(5.9)	(2.0)	(10.7)	51.5
Depreciation	(19.7)	0.0	0.0	(19.7)	0.0	0.0	0.0	0.0	(19.7)
EBITDA	101.8	(8.1)	(3.9)	89.8	0.0	(5.9)	(2.0)	(10.7)	71.2
Group Costs	(68.2)	(0.2)	0.0	(68.4)	0.0	0.0	0.0	(10.7)	(79.1)

The Directors confirm to the best of their knowledge that this condensed consolidated interim financial information has been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules (“DTR”) 4.2.7 and DTR 4.2.8 namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The Directors of Premier Foods plc are listed in the Premier Foods plc annual report and accounts for the year ended 31 December 2011. Since that date Mr Ronnie Bell has stepped down as chairman with effect from 1 June 2012 and has been replaced on an interim basis by Mr David Beever.

By order of the Board
6 August 2012

Michael Clarke	**Mark Moran**
Chief Executive Officer	**Chief Financial Officer**

Independent review report to Premier Foods plc

Introduction

We have been engaged by the Company to review the condensed financial information in the half-yearly financial report for the six months ended 30 June 2012, which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed financial information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed financial information in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial information in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
London
Chartered Accountants **6 August 2012**

Notes
(a) The maintenance and integrity of the Premier Foods plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Condensed consolidated income statement (unaudited)

	Note	Half year ended 30 Jun 2012 £m	Half year ended 25 Jun 2011 (Restated)[1] £m	Year ended 31 Dec 2011 £m
Continuing operations				
Revenue	4	852.8	1,004.7	1,999.5
Cost of sales		(599.0)	(725.0)	(1,436.1)
Gross profit		253.8	279.7	563.4
Selling, marketing and distribution costs		(148.8)	(144.6)	(272.2)
Administrative costs		(69.5)	(79.1)	(466.8)
Net other operating (expense)/income	5	(1.9)	0.7	(0.7)
Operating profit	4	33.6	56.7	(176.3)
Before impairment and loss on disposal of operations		33.3	56.7	116.9
Impairment of goodwill and intangible assets		-	-	(282.0)
Profit/(loss) on disposal of operations	9	0.3	-	(11.2)
Finance expense	6	(56.1)	(63.5)	(126.9)
Finance income	6	2.6	3.6	7.2
Net movement on fair valuation of interest rate financial instruments	6	(7.4)	14.4	36.9
(Loss)/profit before taxation for continuing operations		(27.3)	11.2	(259.1)
Taxation (charge)/credit	7	(0.5)	2.0	29.1
(Loss)/profit after taxation for continuing operations		(27.8)	13.2	(230.0)
Loss from discontinued operations	8	(12.4)	(24.9)	(109.0)
Loss for the period attributable to equity shareholders of the Parent Company		(40.2)	(11.7)	(339.0)
Basic and diluted (loss)/earnings per share (pence)[3]		(16.8)	(4.9)	(141.4)
Basic and diluted (loss)/earnings per share (pence) - continuing[3]		(11.6)	5.5	(95.9)
Basic and diluted loss per share (pence) - discontinued[3]		(5.2)	(10.4)	(45.5)
Adjusted earnings per share (pence)- continuing [2,3]		9.5	7.0	22.3

[1] Comparatives have been restated to reflect the Retailer Branded Chilled business as a discontinued operation
[2] Adjusted earnings per share is defined as trading profit less net regular interest payable, less a notional tax charge at 24.5% (2011: 26.5%) divided by the weighted average number of ordinary shares of the company. Please see pages 7 and 15 for detailed calculation of net regular interest and adjusted earnings respectively.
[3] 2011 comparatives have been restated following the 10:1 share consolidation effected during 2012.

The notes on pages 24 to 40 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated statement of comprehensive income (unaudited)

	Note	Half year ended 30 Jun 2012 £m	Half year ended 25 Jun 2011 £m	Year ended 31 Dec 2011 £m
Loss for the period		(40.2)	(11.7)	(339.0)
Other comprehensive income				
Actuarial losses on pensions	11	(35.0)	(6.9)	(79.3)
Deferred tax credit/(charge)		0.9	-	(4.1)
Exchange differences on translation		(0.3)	1.3	0.4
Total other comprehensive losses for the period, net of tax		(34.4)	(5.6)	(83.0)
Total comprehensive losses attributable to owners of the Company		(74.6)	(17.3)	(422.0)

Condensed consolidated balance sheet (unaudited)

	Note	As at 30 Jun 2012 £m	As at 25 Jun 2011 £m	As at 31 Dec 2011 £m
ASSETS:				
Non-current assets				
Property, plant and equipment		464.8	530.0	417.3
Goodwill		838.4	1,096.1	856.2
Other intangible assets		751.5	922.5	822.7
Retirement benefit assets	11	12.0	0.4	-
		2,066.7	2,549.0	2,096.2
Current assets				
Assets held for sale	10	34.9	166.1	33.8
Inventories		149.1	160.3	136.8
Trade and other receivables		274.2	308.4	297.4
Financial assets – derivative financial instruments		0.3	1.8	0.5
Current income tax assets		-	-	0.5
Cash and bank deposits		48.7	115.9	45.8
		507.2	752.5	514.8
Total assets		2,573.9	3,301.5	2,611.0
LIABILITIES:				
Current liabilities				
Trade and other payables		(351.7)	(444.9)	(434.8)
Financial liabilities				
– short term borrowings		(185.1)	(121.7)	(113.6)
– derivative financial instruments		(19.5)	(20.8)	(12.6)
– other financial liabilities at fair value through profit or loss		-	(199.8)	(187.0)
Accrued interest payable		(0.9)	(19.7)	(0.9)
Provisions	12	(12.8)	(11.0)	(8.3)
Current income tax liabilities		(0.8)	(2.5)	-
Liabilities held for sale	10	(2.4)	-	-
		(573.2)	(820.4)	(757.2)
Non-current liabilities				
Financial liabilities				
– long term borrowings		(1,133.0)	(1,133.9)	(927.3)
Retirement benefit obligations	11	(284.6)	(273.7)	(282.4)
Provisions	12	(53.6)	(28.7)	(38.6)
Other liabilities		(26.6)	(20.2)	(21.9)
Deferred tax liabilities		(2.8)	(49.7)	(10.9)
		(1,500.6)	(1,506.2)	(1,281.1)
Total liabilities		(2,073.8)	(2,326.6)	(2,038.3)
Net assets		500.1	974.9	572.7
EQUITY:				
Capital and reserves				
Share capital		24.0	24.0	24.0
Share premium		1,124.7	1,124.7	1,124.7
Merger reserve		606.0	890.7	606.0
Other reserves		(9.3)	(9.3)	(9.3)
Profit and loss reserve		(1,245.4)	(1,055.3)	(1,172.8)
Capital and reserves attributable to the Company's equity shareholders		500.0	974.8	572.6
Non-controlling interest		0.1	0.1	0.1
Total shareholders' funds		500.1	974.9	572.7

The notes on pages 24 to 40 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated statement of cash flows (unaudited)

	Note	Half year ended 30 Jun 2012 £m	Half year ended 25 Jun 2011 £m	Year ended 31 Dec 2011 £m
Cash generated from operating activities	13	(35.6)	27.9	86.7
Interest paid		(37.6)	(48.7)	(120.9)
Interest received		2.8	2.6	7.5
Taxation paid		-	-	(2.4)
Cash outflow from operating activities		(70.4)	(18.2)	(29.1)
Sale of subsidiaries/businesses		34.7	194.9	394.8
Purchase of property, plant and equipment		(31.6)	(31.3)	(58.0)
Purchase of intangible assets		(4.5)	(2.1)	(20.9)
Sale of property, plant and equipment		-	1.0	5.4
Cash (outflow)/inflow from investing activities		(1.4)	162.5	321.3
Repayment of borrowings		-	(194.9)	(363.6)
Proceeds from borrowings		73.2	193.5	124.1
Financing fees and other costs of finance		(23.7)	-	(1.6)
Cash inflow/(outflow) from financing activities		49.5	(1.4)	(241.1)
Net (outflow)/inflow of cash and cash equivalents	13	(22.3)	142.9	51.1
Cash and cash equivalents at beginning of period		22.1	(28.7)	(28.7)
Effect of movement in foreign exchange		(0.1)	0.1	(0.3)
Cash and cash equivalents at end of period		(0.3)	114.3	22.1

The notes on pages 24 to 40 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity (unaudited)

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	Non-controlling interest £m	Total £m
At 1 January 2012	24.0	1,124.7	606.0	(9.3)	(1,172.8)	0.1	572.7
Loss for the period	-	-	-	-	(40.2)	-	(40.2)
Actuarial losses on pensions	-	-	-	-	(35.0)	-	(35.0)
Deferred tax credit/(charge)	-	-	-	-	0.9	-	0.9
Exchange differences on translation	-	-	-	-	(0.3)	-	(0.3)
Other comprehensive losses	-	-	-	-	(34.4)	-	(34.4)
Total comprehensive losses	-	-	-	-	(74.6)	-	(74.6)
Share based payments	-	-	-	-	2.0	-	2.0
At 30 June 2012	24.0	1,124.7	606.0	(9.3)	(1,245.4)	0.1	500.1
At 1 January 2011	24.0	1,124.7	890.7	(9.3)	(1,040.7)	0.1	989.5
Loss for the period	-	-	-	-	(11.7)	-	(11.7)
Actuarial losses on pensions	-	-	-	-	(6.9)	-	(6.9)
Exchange differences on translation	-	-	-	-	1.3	-	1.3
Other comprehensive losses	-	-	-	-	(5.6)	-	(5.6)
Total comprehensive losses	-	-	-	-	(17.3)	-	(17.3)
Share based payments	-	-	-	-	2.7	-	2.7
At 25 June 2011	24.0	1,124.7	890.7	(9.3)	(1,055.3)	0.1	974.9
At 1 January 2011	24.0	1,124.7	890.7	(9.3)	(1,040.7)	0.1	989.5
Loss for the year	-	-	-	-	(339.0)	-	(339.0)
Actuarial losses on pensions	-	-	-	-	(79.3)	-	(79.3)
Deferred tax charge	-	-	-	-	(4.1)	-	(4.1)
Exchange differences on translation	-	-	-	-	0.4	-	0.4
Other comprehensive losses	-	-	-	-	(83.0)	-	(83.0)
Total comprehensive losses	-	-	-	-	(422.0)	-	(422.0)
Share based payments	-	-	-	-	5.2	-	5.2
Realisation of merger reserve	-	-	(284.7)	-	284.7	-	-
At 31 December 2011	24.0	1,124.7	606.0	(9.3)	(1,172.8)	0.1	572.7

1. General information

Premier Foods plc (the “Company”) is a public limited Company incorporated and domiciled in England and Wales, registered number 5160050 with its registered office and principal place of business at Premier House, Centrium Business Park, Griffiths Way, St Albans, Hertfordshire AL1 2RE. The principal activity of the Company and its subsidiaries (the “Group”) is the supply of branded and own label food and beverage products as described in note 17 of the Group’s annual financial statements for the year ended 31 December 2011.

2. Significant accounting policies

Basis of preparation

The condensed consolidated financial information (“financial information”) for the period ended 30 June 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, “Interim Financial Reporting” as adopted by the European Union. The financial information for the period ended 30 June 2012 should be read in conjunction with the Group’s financial statements for the year ended 31 December 2011 which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union. They have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company’s published consolidated financial statements for the year ended 31 December 2011, except where new or revised accounting standards have been applied. There has been no significant impact on the Group profit or net assets on adoption of new or revised accounting standards in the period.

The financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information is unaudited but has been subject to an independent review by the auditor. The Group’s financial statements for the year ended 31 December 2011, which were approved by the Board of Directors on 18 March 2012, have been reported on by the Group’s auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not contain a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

Consumer demand for convenience products tends to be higher in colder months of the year. Sales of certain products may therefore be affected by unseasonable weather conditions. Also certain products experience increased sales during the pre-Christmas period and this has an impact on working capital as production is higher and stock levels build in the run up to this period. Consequently, the results of operations for the half year periods are not necessarily indicative of the results to be expected for the full year.

This financial information was approved for issue on 6 August 2012.

Basis for preparation of financial information on a going concern basis

In March 2012 the Group signed a re-financing package with its banking syndicate, swap counterparties and pension schemes. Further details can be found in note 14.

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group’s products; and (b) the availability of bank finance for the foreseeable future. The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year are those detailed on pages 53 to 56 of the Group's annual financial statements for 31 December 2011. The Directors have considered the principal risks and uncertainties and believe that these have not changed in the interim period. These include, amongst others: responding to changes in consumer preference; progress against the Group's recovery plan; the Group's ability to pass on raw material price increases; the impact of new legislation and regulation on the food industry; the cost of servicing current debt levels and intense competition in the food industry.

3. Critical accounting estimates and judgements

The following are areas of particular significance to the Group's interim financial information and include the application of judgement, which is fundamental to the completion of this set of condensed consolidated interim financial information.

Employee benefits

The present value of the Group's defined benefit pension obligations depends on a number of actuarial assumptions. The primary assumptions used include the discount rate applicable to scheme liabilities, the long-term rate of inflation and estimates of the mortality applicable to scheme members.

At each reporting date, and on a continuous basis, the Group reviews the macro-economic, Company and scheme specific factors influencing each of these assumptions, using professional advice, in order to record the Group's ongoing commitment and obligation to defined benefit schemes in accordance with IAS 19. Key assumptions used are mortality rates, discount rates and inflation set with reference to bond yields.

Goodwill and other intangible assets

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

Acquired trademarks, brands, customer relationships, recipes and similar assets are considered to have finite lives that range from 7 to 40 years. The determination of the useful lives takes into account certain quantitative factors such as sales expectations and growth prospects, and also many qualitative factors such as history and heritage, and market positioning, hence the determination of useful lives are subject to estimates and judgement.

Advertising and promotion costs

Trade spend and promotional activity is dependent on market conditions and negotiations with customers. Trade spend is charged to the income statement according to the substance of the agreements with customers and the terms of any contractual relationship. Promotional support is generally charged to the income statement at the time of the relevant promotion. These costs are accrued on best estimates. The actual costs may not be known until subsequent years when negotiations with customers are concluded. Such adjustments are recognised in the year when final agreement is reached.

Expenditure on advertising is charged to the income statement when incurred, except in the case of airtime costs when a particular campaign is used more than once. In this case they are charged in line with the airtime profile.

Financial instruments

The Group uses a variety of derivative financial instruments to manage the risks arising from adverse movements in interest rates, commodity prices and foreign currency.

The Group has a policy of not applying hedge accounting to these derivatives (other than in the case of a net investment hedge against Euro denominated assets) and taking any gain or loss on the movement of the fair values of derivatives to the income statement.

4. Segmental analysis

IFRS 8 requires operating segments to be determined based on the Group’s internal reporting to the Chief Operating Decision Maker (“CODM”). The CODM has been determined to be the Chief Executive Officer and Chief Financial Officer as they are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The CODM has changed the measure used to assess segment performance in 2012. Divisional contribution is defined as gross profit after marketing and distribution costs and is a consistent measure within the Group and reflects the segments’ underlying trading performance for the period under evaluation. The reporting of this measure at the monthly business review meetings, which are organised according to product types, has been used to identify and determine the Group’s operating segments. 2011 comparatives have been restated using the new measure.

The Group continues to use trading profit to review overall group profitability. Trading profit is defined as operating profit before re-financing costs, restructuring costs and losses associated with divestment activity, amortisation and impairment of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension credits or charges in relation to the difference between the expected return on pension assets, administration costs and interest costs on pension liabilities.

The Group’s operating segments are “Grocery”, “Bread” and “Disposed of Canning Operations”. In 2011 the Group completed its disposal of the Meat-free business and the Retailer Branded Chilled business which had previously been aggregated into an “Other” segment, as they did not meet the relevant quantitative thresholds and did not have similar economic characteristics and therefore could not be aggregated into their own separate reporting segment under IFRS 8. In 2011 these were presented as discontinued operations.

In July 2011, the Group disposed of its East Anglian canned grocery operations, which was previously part of the Grocery segment. The results of the East Anglian canned grocery operations for the half year ended 30 June 2012 and comparatives are included within continuing operations.

The Grocery segment sells ambient food products. The Bread segment sells bread, morning goods, flour products and frozen pizza bases and the Disposed of Canning Operations segment sold canned goods.

The segment results for the half years ended 30 June 2012 and 25 June 2011 and for the year ended 31 December 2011 and the reconciliation of the segment measures to the respective statutory items included in the interim financial information are as follows:

	Half year ended 30 Jun 2012			
	Grocery	Bread	Disposed of canning operations	Total for Group
	£m	£m	£m	£m
Revenue from continuing operations				
External	504.0	348.3	0.5	852.8
Inter-segment	1.4	10.0	-	11.4
Result				
Divisional contribution	95.5	22.5	0.3	118.3
Total SG&A costs				(45.7)
Trading profit				72.6
Amortisation of intangible assets				(26.1)
Fair value movements on foreign exchange and other derivative contracts				(0.9)
Restructuring costs and losses relating to divestment activity				(17.9)
Re-financing costs				(1.2)
Pension financing credit				6.8
Operating profit before disposal of operations				**33.3**
Profit on disposal of the Irish brands				0.3
Operating profit				**33.6**
Finance expense				(56.1)
Finance income				2.6
Net movement on fair valuation of interest rate financial instruments				(7.4)
Loss before taxation for continuing operations				**(27.3)**
Balance sheet				
Segment assets	1,972.9	435.7	-	2,408.6
Unallocated assets				165.3
Consolidated total assets				2,573.9

	Half year ended 25 Jun 2011 (Restated)[1]			
	Grocery	Bread	Disposed of canning operations	Total for Group
	£m	£m	£m	£m
Revenue from continuing operations				
External	504.4	351.0	149.3	1,004.7
Inter-segment	1.4	10.8	-	12.2
Result				
Divisional contribution	111.7	30.7	7.9	150.3
Total SG&A costs				(68.2)
Trading profit				82.1
Amortisation of intangible assets				(35.9)
Fair value movements on foreign exchange and other derivative contracts				1.3
Pension financing credit				9.2
Operating profit				**56.7**
Finance expense				(63.5)
Finance income				3.6
Net movement on fair valuation of interest rate financial instruments				14.4
Profit before taxation for continuing operations				**11.2**

[1] Comparatives have been restated to reflect the classification of the Retailer Branded Chilled business as a discontinued operation and to reflect a change in the measure used to assess segment performance.

Balance sheet				
Segment assets	2,063.8	697.4	166.1	2,927.3
Unallocated assets				374.2
Consolidated total assets				3,301.5

	Year ended 31 Dec 2011[1]			
	Grocery	Bread	Disposed of canning operations	Total for Group
	£m	£m	£m	£m
Revenue from continuing operations				
External	1,121.5	711.3	166.7	1,999.5
Inter-segment	2.5	26.6	-	29.1
Result				
Divisional contribution	244.0	58.1	5.7	307.8
Total SG&A costs				(119.5)
Trading profit				188.3
Amortisation of intangible assets				(72.0)
Fair value movements on foreign exchange and other derivative contracts				(1.7)
Restructuring costs and losses relating to divestment activities				(10.5)
Re-financing costs				(4.2)
Pension financing credit				17.0
Operating profit before impairment and loss on disposal of operations				**116.9**
Impairment of goodwill and intangible assets				(282.0)
Loss on disposal of operations				(11.2)
Operating loss				**(176.3)**
Finance expense				(126.9)
Finance income				7.2
Net movement on fair valuation of interest rate financial instruments				36.9
Loss before taxation for continuing operations				**(259.1)**

[1] Comparatives have been restated to reflect a change in the measure used to assess segment performance.

Balance sheet				
Segment assets	2,042.2	412.2	-	2,454.4
Unallocated assets				156.6
Consolidated total assets				2,611.0

Inter-segment transfers or transactions are entered into under the same terms and conditions that would be available to unrelated third parties. As a result of the revised measure used to assess segment performance, centrally incurred operating costs are no longer allocated to individual segments.

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

Unallocated assets comprise cash and cash equivalents, taxation balances, derivative financial assets, retirement benefit assets and Corporate assets.

The Group primarily supplies the UK market, although it also supplies certain products to other European countries and a number of other countries. The following table provides an analysis of the Group's revenue, which is allocated on the basis of geographical market destination.

Continuing operations - revenue	**Half year ended 30 Jun 2012**	**Half year ended 25 Jun 2011 (Restated)[1]**	**Year ended 31 Dec 2011**
	£m	**£m**	**£m**
United Kingdom	819.4	944.4	1,880.8
Other Europe	23.7	42.5	87.4
Rest of world	9.7	17.8	31.3
Total for Group	852.8	1,004.7	1,999.5

[1]Comparatives have been restated to reflect the classification of the Retailer Branded Chilled business as a discontinued operation.

5. Net other operating expenses

	Half Year ended 30 Jun 2012 £m	Half year ended 25 Jun 2011 £m	Year ended 31 Dec 2011 £m
Fair value movements on foreign exchange contracts and other derivatives	(0.9)	1.3	(1.7)
(Loss)/gain on disposal of fixed assets	(1.0)	(0.5)	0.9
Net other operating expenses	-	(0.1)	0.1
Total net other operating (expense)/income	(1.9)	0.7	(0.7)

6. Finance income and expense

	Half year ended 30 Jun 2012 £m	Half year ended 25 Jun 2011 £m	Year ended 31 Dec 2011 £m
Interest payable on bank loans and overdrafts	(5.8)	(7.9)	(13.6)
Interest payable on term facility	(12.1)	(16.0)	(28.6)
Interest payable on revolving facility	(5.0)	(2.9)	(7.6)
Interest payable on interest rate derivatives	(4.5)	(9.5)	(19.1)
Interest payable on interest rate financial liabilities designated as other liabilities at fair value through profit or loss	(9.8)	(19.8)	(40.6)
Unwind of discount on provisions	(0.4)	(0.2)	(2.4)
Amortisation of debt issuance costs and deferred fees	(7.7)	(6.8)	(13.4)
	(45.3)	(63.1)	(125.3)
Write-off of financing costs[1]	(10.8)	(0.4)	(1.6)
Total finance expense	(56.1)	(63.5)	(126.9)
Interest receivable on bank deposits	2.6	3.6	7.2
Total finance income	2.6	3.6	7.2
Movement on fair valuation of interest rate derivatives	(12.5)	7.9	17.6
Movement on fair valuation of interest rate financial liabilities designated as other financial liabilities at fair value through profit or loss	5.1	6.5	19.3
Net movement on fair valuation of interest rate financial instruments	(7.4)	14.4	36.9
Net finance expense	(60.9)	(45.5)	(82.8)

[1] For the half year ended 30 June 2012 this relates to write-off of debt issuance costs relating to the Group's previous financing agreement.

7. Taxation

The overall taxation credit for the first half of 2012 is £3.4m (June 2011: £5.5m credit). This comprises a charge of £0.5m (June 2011: £2.0m credit) to continuing operations and a credit of £3.9m (June 2011: £3.5m credit) to discontinued operations. The tax credit is made up of a current tax charge of £1.2m, relating to profits earned in overseas subsidiaries, a deferred tax credit of £1.9m on the loss on UK operations and a credit of £2.7m in relation to a prior year restatement of opening deferred tax balances.

The current period credit differs from the standard UK rate of corporation tax of 24.5% as a result of lower tax rates applicable in Ireland and the reduction in the main rate of corporation tax.

The Provisional Collection of Taxes Act 1968 gives effect to legislation, substantively enacted on 26 March 2012, reducing the main rate of corporation tax from 26% to 24% from 1 April 2012. The

2% reduction for the 2012 financial year has been reflected in the financial statements by restating the deferred tax liability at 31 December 2011 giving a credit of £2.7m. This is off-set by a charge to equity of £2.3m to reflect where the credits were originally made.
In addition, the deferred tax movements in the period have been reflected at 24%, being the rate at which the liabilities are expected to reverse, which has resulted in a £0.2m increase to the income tax credit.

Further reductions to the main rate of corporation tax are proposed to reduce the rate by 2% per annum to 22% by 1 April 2014. However, as these further reductions in the main rate of corporation tax have not been substantially enacted at the balance sheet date they are not reflected in the deferred tax recognised at the balance sheet date.

8. Discontinued operations

Income and expenditure incurred on discontinued operations during the year relates to operations that were disposed of in prior years and predominantly comprises a past service cost in relation to the Premier Foods Pension Scheme. There have been no new operations discontinued in 2012.

On 7 March 2011, the Group completed the sale of its Meat-free business to Exponent Private Equity and Intermediate Capital Group.

The prior year comparatives include the results of the Meat-free business for the period to 7 March 2011.

On 30 December 2011, the Group completed the sale of its Retailer Branded Chilled business to Solway Foods Limited (part of the 2 Sisters Food Group).

The results of the Retailer Branded Chilled business for the period to 30 December 2011 are included in discontinued operations in the Group's consolidated income statement. Half year comparatives have been restated to include the results of the Retailer Branded Chilled business.

	Half year ended 30 Jun 2012	**Half year ended 25 Jun 2011 (Restated)[1]**	**Year ended 31 Dec 2011**
	£m	**£m**	**£m**
Turnover	-	112.2	218.6
Operating expenses	(16.3)	(126.2)	(325.1)
Operating loss before taxation	(16.3)	(14.0)	(106.5)
Finance expense	-	-	(0.1)
Finance income	-	-	-
Loss before taxation	(16.3)	(14.0)	(106.6)
Taxation credit	3.9	3.5	12.2
Loss after taxation on discontinued operations for the year	(12.4)	(10.5)	(94.4)
Loss on disposal	-	(14.4)	(14.6)
Total loss arising from discontinued operations	(12.4)	(24.9)	(109.0)

[1] Comparatives have been restated to reflect the classification of the Retailer Branded Chilled business as a discontinued operation.

Included in the operating expenses for the year ended 31 December 2011 above is an impairment charge of £80.4m, recognised against the assets allocated to the Retailer Branded Chilled CGU.

During the period to 30 June 2012, discontinued operations contributed to a net inflow of £1.6m (June 2011: £23.3m outflow) to the Group's net operating cash flows, and a nil cash flow to investing activities (June 2011: £2.0m outflow).

9. Disposal of businesses

On 23 January 2012, the Group completed its sale of the Irish Brands to The Boyne Valley Group for £34.7m (€41.4m) before disposal costs. This is not a discontinued operation as it was previously integrated and reported as part of the Grocery business.

	Half year ended 30 June 2012 £m
Property, plant and equipment	-
Intangible assets and goodwill	32.1
Inventories	1.2
Trade and other receivables	-
Trade and other payables	-
Provisions and lease obligations	-
Net assets disposed	33.3
Less net consideration	(33.6)
Profit on disposal before tax	**(0.3)**
Net cash inflow arising on disposal:	
Initial consideration	34.7
Disposal costs	(1.1)
Net cash inflow for the year	**33.6**

At 31 December 2011 the Group recorded a loss on disposal of the canned Grocery business of £11.2m, a loss on disposal of the Brookes Avana business of £2.2m and a loss on disposal of the Meat-free business of £12.4m.

10. Assets held for sale

As at 30 June 2012, the assets relating to the vinegar and sour pickles business were held for sale prior to the completion of the sale to Mizkan Limited on 28 July 2012. In addition the assets relating to the Elephant Atta ethnic flour business were also held for sale following completion on 6 July 2012.

At 31 December 2011, the assets and liabilities relating to certain Irish brands were held for sale in light of the decision to sell these brands. The sale was completed on 23 January 2012.

At 25 June 2011, the assets and liabilities relating to the East Anglian canned grocery operations were held for sale prior to the completion of the sale to Princes Limited on 23 July 2011.

	Half year ended 30 Jun 2012 £m	Half year ended 25 Jun 2011 £m	Year ended 31 Dec 2011 £m
Non-current assets:			
Property, plant and equipment	6.6	59.8	-
Goodwill	17.8	60.6	31.2
Other intangible assets	5.0	2.3	0.9
Current assets:			
Inventories	5.5	43.0	1.7
Other assets	-	0.4	-
Total assets held for sale	34.9	166.1	33.8
Non-current liabilities:			
Deferred tax liabilities	(2.4)	-	-
Total liabilities held for sale	(2.4)	-	-
Net assets and liabilities held for sale	32.5	166.1	33.8

11. Retirement benefit schemes

The Group operates a number of defined benefit schemes under which employees are entitled to retirement benefits which are based on career average salary on retirement. These are as follows:

a) Premier schemes

The Premier Foods Pension Scheme ("PFPS") was the principal funded defined benefit scheme within the old Premier Group which also operated a smaller funded defined benefit scheme, the Premier Ambient Products Pension Scheme ("PAPPS") for employees acquired with the Ambrosia business in 2001. As a result of the acquisition of Campbell's in 2006, the Group inherited the Premier Grocery Products Pension Scheme ("PGPPS") covering the employees of the Campbell's UK business, and the Premier Grocery Products Ireland Pension Scheme ("PGPIPS") covering the employees of Campbell's Ireland. The Group also acquired two further schemes with the acquisition of Chivers Ireland in January 2007, the Chivers 1987 Pension Scheme, and the Chivers 1987 Supplementary Pension Scheme. These schemes are presented together below as the Premier schemes.

b) RHM schemes

As a result of the acquisition of RHM plc, the Group also acquired the RHM Pension Scheme, the Premier Foods Ireland Employee Benefits Scheme (1994), the Premier Foods Ireland Van Sales Scheme and the French Termination Indemnity Arrangements. These schemes are presented together below as the RHM schemes, with the exception of the French Termination Indemnity

Arrangements which was disposed of with the speciality bakery businesses in 2009 and the Premier Foods Ireland Van Sales Scheme which was wound up in 2010.

The exchange rates used to translate the overseas Euro based schemes are £1.00 = 1.2153 Euros for the average rate during the period, and £1.00 = 1.2397 Euros for the closing position at 30 June 2012.

Until 30 June 2011, the employees of the above schemes accrued retirement benefits which varied as a percentage of final salary on retirement. On 30 June 2011 the link to final salary was closed to future accrual for UK schemes and members' retirement benefits will now be linked to their salary on that date, index linked at Retail Price Index (subject to a 5% cap) until retirement date. From 1 July 2011 employees accrued career average benefits or chose to transfer to the new defined contribution scheme. Those contributing members of the PAPPS and PGPPS choosing career average benefits joined the PFPS on 1 July 2011 and transferred their past service entitlements to the scheme. Membership of the Group's defined benefit pension schemes is now closed to new employees, who are entitled to join the Group's main defined contribution scheme, the Group Personal Pension Plan. The closure of the final salary schemes resulted in a past service credit of £12.1m in 2011.

In July 2010, the UK government announced changes to the inflation index used for statutory pension increases (both for pensions in payment and pensions in deferment) to apply to private sector pension schemes. This resulted in a credit to past service costs of £29.9m in respect of the Premier pension schemes during 2011. During the half year a credit to past service costs of £46.4m was recognised in relation to the majority of members of the RHM pension scheme. Discussions with the RHM pension scheme Trustees are ongoing in relation to any potential impact of this change to the remaining scheme members.

The assets of all defined benefit schemes are held by the trustees of the respective schemes and are independent of the Group's finances.

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

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

	As at 30 Jun 2012	**As at 25 Jun 2011**	**As at 31 Dec 2011**
	£m	**£m**	**£m**
Premier			
Discount rate	4.70%	5.45%	4.80%
Inflation- RPI	2.90%	3.50%	3.15%
Inflation- CPI	1.70%	n/a	1.95%
Expected salary increases	3.90%	4.50%	4.15%
Future pension increases	2.00%	2.20%	2.10%
RHM			
Discount rate	4.70%	5.45%	4.80%
Inflation- RPI	2.90%	3.50%	3.15%
Inflation- CPI	1.70%	n/a	n/a
Expected salary increases	3.90%	4.50%	4.15%
Future pension increases	2.00%	2.20%	2.10%

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

	As at 30 Jun 2012 £m	As at 25 Jun 2011 £m	As at 31 Dec 2011 £m
Premier			
Present value of funded obligations	(805.5)	(742.7)	(781.9)
Fair value of plan assets	520.9	524.2	514.2
Deficit in scheme	(284.6)	(218.5)	(267.7)
RHM			
Present value of funded obligations	(2,658.1)	(2,402.0)	(2,656.5)
Fair value of plan assets	2,670.1	2,347.2	2,641.8
Surplus/(deficit) in scheme	12.0	(54.8)	(14.7)
TOTAL			
Present value of funded obligations	(3,463.6)	(3,144.7)	(3,438.4)
Fair value of plan assets	3,191.0	2,871.4	3,156.0
Deficit in scheme	(272.6)	(273.3)	(282.4)

The reduction in the aggregate deficit since the year end is as a result of favourable asset movements and lower inflation offset by a lower discount rate.

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

	As at 30 Jun 2012 £m	As at 25 Jun 2011 £m	As at 31 Dec 2011 £m
Premier			
Opening defined benefit obligation	(781.9)	(748.0)	(748.0)
Current service cost	(3.4)	(5.9)	(8.8)
Past service (cost)/credit	(18.0)	16.9	46.8
Interest cost	(18.8)	(19.8)	(40.1)
Actuarial (losses)/gains	(0.2)	1.5	(58.8)
Exchange differences	1.5	(1.1)	0.9
Curtailments	-	0.3	0.3
Contributions by plan participants	(2.0)	(2.6)	(5.2)
Benefits paid	17.3	16.0	31.0
Closing defined benefit obligation	(805.5)	(742.7)	(781.9)
RHM			
Opening defined benefit obligation	(2,656.5)	(2,372.3)	(2,372.3)
Current service cost	(5.8)	(4.3)	(9.6)
Past service cost/(credit)	41.4	(4.8)	(4.8)
Interest cost	(62.6)	(63.3)	(126.9)
Actuarial losses	(30.8)	(3.2)	(246.9)
Exchange differences	0.6	(0.5)	0.5
Curtailments	-	-	(1.7)
Contributions by plan participants	(3.7)	(6.9)	(13.2)
Benefits paid	59.3	53.3	118.4
Closing defined benefit obligation	(2,658.1)	(2,402.0)	(2,656.5)
TOTAL			
Opening defined benefit obligation	(3,438.4)	(3,120.3)	(3,120.3)
Current service cost	(9.2)	(10.2)	(18.4)
Past service credit	23.4	12.1	42.0
Interest cost	(81.4)	(83.1)	(167.0)
Actuarial losses	(31.0)	(1.7)	(305.7)
Exchange differences	2.1	(1.6)	1.4
Curtailments	-	0.3	(1.4)
Contributions by plan participants	(5.7)	(9.5)	(18.4)
Benefits paid	76.6	69.3	149.4
Closing defined benefit obligation	(3,463.6)	(3,144.7)	(3,438.4)

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

	As at 30 Jun 2012 £m	As at 25 Jun 2011 £m	As at 31 Dec 2011 £m
Premier			
Opening fair value of plan assets	514.2	512.8	512.8
Expected return	16.7	19.8	39.5
Administrative and life insurance costs	(1.6)	(1.5)	(3.6)
Actuarial losses	(3.2)	(8.3)	(35.5)
Contributions by employer	11.4	13.7	27.5
Contributions by plan participants	2.0	2.6	5.2
Exchange differences	(1.3)	1.1	(0.7)
Benefits paid	(17.3)	(16.0)	(31.0)
Closing fair value of plan assets	520.9	524.2	514.2
RHM			
Opening fair value of plan assets	2,641.8	2,286.6	2,286.6
Expected return	75.5	75.6	151.6
Administrative and life insurance costs	(2.4)	(1.6)	(3.5)
Actuarial (losses)/gains	(0.8)	3.1	261.9
Contributions by employer	12.2	29.4	50.8
Contributions by plan participants	3.7	6.9	13.2
Exchange differences	(0.6)	0.5	(0.4)
Benefits paid	(59.3)	(53.3)	(118.4)
Closing fair value of plan assets	2,670.1	2,347.2	2,641.8
TOTAL			
Opening fair value of plan assets	3,156.0	2,799.4	2,799.4
Expected return	92.2	95.4	191.1
Administrative and life insurance costs	(4.0)	(3.1)	(7.1)
Actuarial (losses)/gains	(4.0)	(5.2)	226.4
Contributions by employer	23.6	43.1	78.3
Contributions by plan participants	5.7	9.5	18.4
Exchange differences	(1.9)	1.6	(1.1)
Benefits paid	(76.6)	(69.3)	(149.4)
Closing fair value of plan assets	3,191.0	2,871.4	3,156.0

The amounts recognised in the income statement were as follows:

	Half Year ended 30 Jun 2012 £m	Half Year ended 25 Jun 2011 £m	Year ended 31 Dec 2011 £m
Premier			
Current service cost	(3.4)	(5.9)	(8.8)
Past service (cost)/credit	(18.0)	16.9	46.8
Administrative and life insurance costs	(1.6)	(1.5)	0.3
Interest cost	(18.8)	(19.8)	(40.1)
Expected return on plan assets	16.7	19.8	39.5
Gain/(loss) on curtailment	-	0.3	(3.6)
Total (charge)/credit	(25.1)	9.8	34.1
RHM			
Current service cost	(5.8)	(4.3)	(9.6)
Past service credit/(cost)	41.4	(4.8)	(4.8)
Administrative and life insurance costs	(2.4)	(1.6)	(1.7)
Interest cost	(62.6)	(63.3)	(126.9)
Expected return on plan assets	75.5	75.6	151.6
Loss on curtailment	-	-	(3.5)
Total credit	46.1	1.6	5.1
Total			
Current service cost	(9.2)	(10.2)	(18.4)
Past service credit	23.4	12.1	42.0
Administrative and life insurance costs	(4.0)	(3.1)	(1.4)
Interest cost	(81.4)	(83.1)	(167.0)
Expected return on plan assets	92.2	95.4	191.1
Gain/(loss) on curtailment	-	0.3	(7.1)
Total credit	21.0	11.4	39.2

Defined contribution schemes

A number of companies in the Group operate defined contribution schemes which are predominantly stakeholder arrangements. In addition a number of schemes are operated providing only life assurance benefits. The total expense recognised in the income statement of £0.5m (25 June 2011: £0.1m) represents contributions payable to the plans by the Group at rates specified in the rules of the schemes.

12. Provisions

Provisions have increased from £46.9m at 31 December 2011 to £66.4m at 30 June 2012. This is due to an increase in onerous lease provisions relating to vacant properties and a provision for redundancies associated with the closure of the Group's Irish operations.

13. Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operating activities

	Half year ended 30 Jun 2012	Half year ended 25 Jun 2011 (Restated)[1]	Year ended 31 Dec 2011
	£m	£m	£m
Continuing operations			
Operating profit/(loss)	33.6	56.7	(176.3)
Depreciation of property, plant and equipment	20.1	19.7	41.8
Amortisation of other intangible assets	26.1	35.9	72.0
(Profit)/loss on the sale of operations	(0.3)	-	11.2
Impairment and loss/(gain) on disposal of property, plant and equipment	0.6	(0.2)	(0.9)
Impairment and loss on disposal of goodwill and intangible assets	0.4	-	282.0
Fair value movements on foreign exchange and other derivative contracts	0.9	(1.3)	1.7
Non-cash movement relating to retirement benefits	(37.3)	(10.5)	(41.3)
Share based payments	2.3	2.6	3.9
Net cash inflow from operating activities before interest and tax and movements in working capital	46.4	102.9	194.1
Increase in inventories	(17.3)	(23.5)	(26.3)
Decrease in trade and other receivables	15.1	54.1	53.8
Increase in trade and other payables and provisions	(57.8)	(39.2)	(10.9)
Movement in retirement benefit obligations	(23.6)	(42.4)	(76.1)
Cash generated from continuing operations	(37.2)	51.9	134.6
Discontinued operations	1.6	(24.0)	(47.9)
Cash generated from operating activities	(35.6)	27.9	86.7
Exceptional items cash flow	-	(1.5)	-
Cash generated from operations before exceptional items	(35.6)	29.4	86.7

[1] Comparatives have been restated to reflect the classification of the Retailer Branded Chilled business as a discontinued operation.

Reconciliation of cash and cash equivalents to net borrowings

	Half year ended 30 Jun 2012	Half year ended 25 Jun 2011	Year ended 31 Dec 2011
	£m	£m	£m
Net (outflow)/inflow of cash and cash equivalents	(22.3)	142.9	51.1
Decrease in finance leases	0.3	18.2	18.4
(Increase)/decrease in borrowings	(49.8)	(17.0)	221.3
Other non-cash changes	(202.5)	(3.8)	(5.9)
(Increase)/decrease in borrowings net of cash	(274.3)	140.3	284.9
Total net borrowings at beginning of the period	(995.1)	(1,280.0)	(1,280.0)
Total net borrowings at end of the period	(1,269.4)	(1,139.7)	(995.1)

Analysis of movement in borrowings

	As at 1 Jan 2012 £m	Cash flow £m	Other non-cash changes £m	As at 30 Jun 2012 £m
Bank overdrafts	(23.7)	(25.3)	-	(49.0)
Cash and bank deposits	45.8	3.0	(0.1)	48.7
Net cash and cash equivalents	22.1	(22.3)	(0.1)	(0.3)
Borrowings - term facilities[2]	(733.1)	2.1	(188.3)	(919.3)
Borrowings - revolving credit facilities	(276.1)	(36.1)	-	(312.2)
Finance leases	(0.7)	0.3	-	(0.4)
Other	(23.3)	(39.5)	-	(62.8)
Gross borrowings net of cash[1]	(1,011.1)	(95.5)	(188.4)	(1,295.0)
Debt issuance costs	16.0	23.7	(14.1)	25.6
Total net borrowings[1]	(995.1)	(71.8)	(202.5)	(1,269.4)

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

[2] Other non-cash changes relates to the restructuring of existing swaps into additional term loan on re-financing in March 2012.

14. Re-financing

In March 2012 the Group signed a re-financing package with its banking syndicate, swap counterparties and pension schemes.

The existing term loan (£733m) and revolving credit facility (£500m), previously due to mature on 31 December 2013, have been extended to a new maturity date of 30 June 2016. The current applicable bank margin of 2.25% will increase to 3.25% with effect from 1 January 2014.

Additionally, the current amortisation payment schedule has been amended, with amortisations to occur semi-annually from 30 June 2014. Banking covenants of net debt / EBITDA and EBITDA / interest remain in place; they will continue to be tested biannually and have been re-set to reflect the Group's strategic plan.

Having already realised net disposal proceeds of £400m in 2011, the Group is required to realise proceeds from disposals of £330m by 30 June 2014, with 80% of this to be achieved by 31 December 2013 and 90% of this by 31 March 2014.

The total interest rate swap portfolio, including previously restructured swaps, will be restructured into additional term loan totalling £188m. Of this additional term loan, £106m of the previously restructured swaps will be interest bearing with immediate effect. The remaining £82m of previously restructured swaps will attract interest from 1 January 2014. These new tranches of additional term loan will attract the same interest margin as the main term loan. The result of this conversion from swaps to additional term loan will significantly reduce the Group's interest expense in 2012 and 2013 and the previously arranged agreed swap settlements of £35m in 2012 and £82m in 2013 are no longer applicable. A new amortising swap commencing in July 2012, with a nominal value of £745m has been arranged, attracting a swap rate of 1.59%.

The Group has entered into a new securitisation programme relating to certain receivable balances available up to an amount of £120m, subject to sufficient receivables being capable of being sold into the programme. Amounts funded under the programme are included as part of net debt, reflecting their recognition on the balance sheet and attract an interest margin of 3.5%.

All term loan and securitised debt attract interest charges based on LIBOR.

A sliding scale of new deferred fees at market rates will be applicable from 2014 through to 2016, which are payable on a subsequent re-financing. Planned future disposal proceeds will be shared between the banks in the banking syndicate (including those swap counterparties whose swaps have been restructured into additional term loans as described above).

The Trustees of the Group's pension schemes have agreed to defer deficit contribution payments (c.£47m p.a.) until 1 January 2014. Regular contributions of approximately £26m per annum will continue to be paid to the pension schemes.

On 31 December 2013, a 'cash sweep' reflecting excess cash generated over and above an agreed level will be calculated and paid in early 2014 to the banking syndicate, (including those swap counterparties whose swaps have been restructured into additional term loans as described above) and pension schemes in lieu of payments foregone by this date. Further cash sweeps will be included annually with amounts distributed only to the banking syndicate (including those swap counterparties whose swaps have been restructured into additional term loans as described above).

15. Related parties

WP X Investments I Limited ("Warburg Pincus") is considered to be a related party of the Group by virtue of its 17.3% equity shareholding in Premier Foods plc and its power to appoint a member to the Board of Directors under the relationship agreement between Warburg Pincus and the Company. There have been no transactions during the year.

There have been no related party transactions during the period or changes in the make up of the Group's related parties as described in the last annual report, other than as described above, that could have a material effect on the financial position or performance of the Group during the period.

16. Contingencies

There were no material contingent liabilities at 30 June 2012.

17. Subsequent events

On 6 July 2012 the Group announced and completed the sale of the Elephant Atta ethnic flour business to Westmill Foods, a subsidiary of Associated British Foods plc, for £34m before disposal costs.

On 28 July 2012 the Group completed the sale of its Vinegar and Sour Pickles business to Mizkan Group for £41m before disposal costs.

The assets and associated liabilities relating to these businesses were held for sale at 30 June 2012.

The results of both businesses are included within continuing operations as they were integrated and reported as part of the Grocery and Bread businesses.