PREMIER FOODS

Building a great British food company

Premier Foods plc
Annual report
and accounts 2007

The new Premier Foods

The acquisitions of Campbell's and RHM have allowed us to create a great British food company with a passion for creating great food and brands that people love.

Financial highlights

£2,247.6m
Turnover
(2006: £840.7m)

£280.2m
Trading profit*
(2006: £129.4m)

£76.1m
Operating profit
(2006: £100.5m)

15.5p
Adjusted earnings per share**
(2006: 16.0p)

6.5p
Dividends per share***
(2006: 12.0p)

Branded portfolio highlights

No.1
7 of our top 10 brands hold No.1 positions in their respective food categories

£1.2bn
Retail sales of our top 10 brands

99.4%
of British households bought a Premier Foods brand last year****

43m
people eat a Premier Foods branded product every two weeks****

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

** Adjusted earnings per share is defined as trading profit, less net cash interest, regular amortisation of debt issuance cost and underlying taxation, divided by the weighted average number of ordinary shares in issue in the year.

*** 2006 dividend per share restated for the effect of the Rights Issue in 2006.

**** Source: TNS worldpanel UK data to 4 November 2007.

Our vision – a great British food company with a passion for creating great food and brands that people love

Strategy

Premier Foods was floated on the London Stock Exchange in July 2004 with a clear strategy of using its scale to drive the business in three key areas:

- Growth in consumer-focused brands;
- Growth through customer relationships; and
- Cost savings and business simplification.

In addition to these was a focus on the UK and a plan to acquire great British brands and integrate them quickly, to further contribute to our strategies based on scale. Above all, our aim was to improve our competitiveness against other food manufacturers, while at the same time delivering improved returns to our shareholders.

This strategy is unchanged and still forms the core of all that we seek to do. The acquisitions of Campbell's and RHM, however, gave us the opportunity to transform Premier by making a real step change in scale in each of the 3 elements of our strategy. We believe this will in turn lead to a step change in competitiveness.

Structure

The structure of the Group has been transformed from a large number of small businesses to three strategic divisions. From 2008 we will report under the following three divisions:

Division	Pro forma 2007 turnover	
Grocery	£1,328m	• Cakes • Soups • Vegetables • Stocks • Gravies • Spreads • Desserts • Home baking • Sauces and Asian meals • Pickles • Beverages
Bread & Milling	£820m	• Bread • Morning goods • Flour • Frozen part-baked bread
Chilled & Ireland	£407m	• Meat-free • Ready meals • Cakes and desserts • Pizza bases • Grocery business in the Republic of Ireland

Markets

The total UK food market was worth approximately £58.1bn in 2007 up 5.2% on 2006. Premier operates primarily in the ambient groceries and chilled food & drink markets, which collectively made up 64.3% of the total UK food market. Premier Foods was the largest supplier in the £21.6bn ambient groceries market with a market share of approximately 6.6%.*

In 2007 total sales of branded plant bread and morning goods amounted to £1.7bn. Premier's share of these two markets was 24.5%.** In addition we estimate that we supply approximately 25% of the total UK flour market.

Premier Foods is also one of the leading food suppliers in the Republic of Ireland.

Source:
* TNS, 52 weeks ending 29 December 2007, total GB.
** IRI Total Market 52 w/e 29 December 2007.

Brands

The acquisition of Campbell's and RHM has transformed the scale of our brands as well as the categories that we operate in. Total pro forma branded sales for 2007 were £1,447m. (The pro forma presentation treats acquired businesses as if they had been owned for the whole of the relevant period).

Brand	Description	Retail sales value for branded range	Ranking
Hovis	#2 brand in pre-packed bread. We make 2 million loaves of bread a day. Our bread is bought by 78% of British households (over 19 million households).	£391m	No. 2
Mr Kipling	#1 brand in ambient packaged cake. Bought by over 50% of British households. We produce 19 million mince pies each year.	£165m	No. 1
Batchelors	#1 brand in: dried soup, canned peas, savoury noodles, savoury pasta. Found in 60% of British households. Over 250 million mugs of *Bachelors* famous *Cup a Soup* are consumed each year in Britain.	£121m	No. 1
Quorn	#1 brand in meat-free food, bought by over 20% of British households.	£112m	No. 1
Bisto	#1 brand in gravy, bought by 62% of British households.	£87m	No. 1
Sharwood's	#1 brand in Asian meal solutions, found in 49% of British households. 4,400 tonnes of *Sharwood's* curries are eaten each year.	£84m	No. 1
Cadbury (Cakes and Spreads)	#2 brand in ambient packaged cake, #2 brand in chocolate spreads. (*Cadbury's* is manufactured under licence).	£84m	No. 2
Ambrosia	#1 brand in custard, #1 brand in ambient milk puddings, found in 48% of British households.	£81m	No. 1
Loyd Grossman	#2 brand in Italian cooking sauces, #2 brand in Indian cooking sauces, #1 brand in Thai cooking sauces. (*Loyd Grossman* is manufactured under licence).	£55m	No. 2
Branston	#1 brand in sweet pickle, #1 brand in relish, bought by 53% of British households.	£54m	No. 1

Data sources: IRI, 52 weeks ending 22 December 2007 vs previous 52, Total Grocery Outlets, TNS 52 weeks ending 29 December 2007 Total GB except Bread and Cake: IRI 52 weeks ending 29 December 2007 vs previous 52, TNS 52 weeks ending 29 December 2007 Total GB.

In every British kitchen on every British table

Scale brings competitive advantage in many areas

We create value by acquiring complementary food businesses with the aim of providing consumers with great tasting, relevant and every-day food choices. Campbell's and RHM both had a portfolio of great British brands which when added to our existing business transformed not just the overall size of our brand portfolio, but also brought brands which were large in their own right. As such we now have one of the strongest brand portfolios in the UK food industry, containing some of the country's best known and loved foods including household brands such as *Batchelors, Oxo, Bisto, Hovis, Sharwood's* and *Mr Kipling* – over 99% of UK households buy one or more of our branded products each year.

Sales in 2007 of the brands we owned prior to the acquisition of Campbell's were £405m. The acquisition of Campbell's and RHM means that our total pro forma branded sales in 2007 were £1,447m. This transformation in scale combined with the range of categories we operate in and our UK focus gives us a deep insight into the desires of UK consumers. We believe that this will give us a competitive edge.

***Sharwood's* new Thai range** has been well received and grown from 20.5% market share to 33.2% in the second half of 2007.

(Source: IRI Grocery Multiples Volume Share, 4 w/e July – December 2007).

Uniquely positioned to help retailers meet consumer needs

Major food retailers in the UK are constantly striving to improve their offer to the consumer. This translates into a highly competitive market for food manufacturers, where competition is not just based on price, but on service, successful product innovation and breadth of capability. Our scale and breadth offer us a unique ability to operate across categories, with both branded and own label products. This affords us category leadership in many areas, and allows us to present a complete category brand plan and product portfolio that retail customers and end-consumers understand.

We can:

- supply both our own and retailers' own brands;
- cover ambient, chilled and frozen categories;
- deliver to retailers' regional distribution centres or direct to store; and
- provide a great insight into the UK consumers' shopping habits.

These capabilities offer us the opportunity to develop our relationships with our customers in a way that will provide us with a distinct advantage in a highly competitive industry.

***Quorn* Gruyere cheese escalopes** won The Grocer "Branded excellence Award 2008" for a chilled food product (beating all the meaty opposition!).

***Mr Kipling* Delightfuls** voted "Product of The Year 2008" in the Healthy Eating category.

***Hovis* Seed Sensations** successfully launched – in line to achieve annualised retail sales of £18.0m.

Creating efficiencies in the supply chain

In 2007 we continued the manufacturing integration of Campbell's and began the same for the RHM sites, in line with our strategy of having a smaller number of larger, better, highly automated plants capable of accommodating growth. By the end of this integration programme, the factories in our Grocery business will have almost doubled their average throughput, with all factories operating 3 shifts, 5 days a week. Major investment in new plant at Worksop and Ashford will enable a threefold increase in the output of each.

Procurement and logistics also benefit from the increase in scale. As one of the UKs largest purchasers of raw materials, we can negotiate better purchasing terms, and also work with our suppliers in new product development and supply chain efficiency. We optimise logistics to save both money and carbon emissions, by combining mixtures of product loads – such as canned vegetables with gravy granules – to ensure lorries are both full and loaded to their maximum weight.

Overall our scale gives Premier a competitive edge. It allows us to build a stronger business and to develop deeper, broader consumer and customer insight. It enables us to invest in bigger and better factories with lower cost and more flexible distribution capabilities all supported by lean administration functions and a common IT platform.

2006

August
Acquisition of Campbell's

November
Campbell's integrated into legacy system

December
RHM acquisition announced

2007

January
Chivers Ireland acquired

March
MBMG disposed

RHM acquisition completed

April
Campbell's HQ closed

June
RHM HQ closed

July
Culinary Brands/ Premier salesforce integrated

Single purchasing team in place

One integrated business

Premier's operating model has always been by function rather than by division. This approach seeks to leverage the scale of our administrative functions, lowering costs and maximising efficiency.

Now, with the transformation in scale of Premier, we are better able to employ specialists within each function. Integral to the integration is the need to ensure we have the very best talent, knowledge and skill across the organisation, and the management pool of the integrated Company has a good mix of Premier, RHM and new managers.

In terms of integrating systems, we passed significant milestones in April and October 2007. *Orders to cash* is the name for the entire customer service operation from receipt of an order to invoicing the customer, and on these dates, the processes from Campbell's and RHM respectively went live using Premier's system.

Integration timeline

The integration timeline shows the pace at which Premier Foods has integrated and rationalised acquired brands and capacity, and the continued integration we are on track to deliver.

October
Sale of RHM Frozen Foods completed

Culinary Brands integrated into Premier legacy systems

November
Closure of Coolock factory

December
Closure of King's Lynn factory

Closure of Culinary Brands HQ

Integration of Irish business completed

2008

February
First factory goes live on SAP

Q2 2008
Main admin module of SAP to go live

Q3 2008 – Q2 2009
7 factory closures scheduled

Q3 2008 – Q4 2009
SAP implemented in remaining factories

Chairman's statement

2007 has been a year of integration and change for Premier Foods. A year when we completed the integration of Campbell's and the acquisition of RHM to create the UKs largest food producer. A year when we laid down the foundations for a stronger business in the future in terms of operations, supply chain, and IT systems and a year when the business was impacted by unprecedented cost inflation.

The acquisitions of RHM and Campbell's were driven by a clear strategic rationale, both to strengthen Premier's branded portfolio and to create a highly cost efficient UK and Irish business. The integration of both businesses has continued to move forward at pace. Campbell's and the Culinary Brands division of RHM have been fully integrated, as have all the Irish businesses. With regard to the rationalisation of the manufacturing network, the King's Lynn (ex Campbell's) and Coolock (ex Chivers Ireland) factories closed in December 2007 and we have completed consultation with employees at the 7 other manufacturing sites that are due to close and the transfer of production has commenced.

We remain on track to achieve the forecast £113m of annual cost synergies arising from the integration of both acquisitions with an annual run rate as we enter 2008 of £47m. These delivered the planned £17m of incremental Trading profit in 2007.

Premier's share price has been impacted over recent months by concern over economic growth and inflationary cost pressures and a change in sentiment in the equity markets to companies with higher levels of leverage. Management are handling cost and pricing pressures very professionally and we believe that Premier's portfolio of well-known British brands will stand it in good stead in the event of an economic slowdown.

We believe that it is important for Premier to be able to continue the integration of Campbell's and RHM to the original plan. Over a period of three years we will be investing over £250m in reducing Premier's cost base, increasing capacity to enable further growth and implementing an enterprise-wide management information system which will leave Premier very well positioned in the highly competitive market in which it operates. To ensure that Premier can continue this investment programme, the Board has decided that, given the cost inflation seen in 2007 and the potential for further inflationary pressures in 2008, Premier should obtain additional financial headroom. Premier has therefore agreed an amended set of financial covenants with its banks and negotiated additional banking facilities. The Board has also decided to cut the dividend to increase the level of free cash flow retained within the business. From this new base, I am confident we can increase the dividend regularly as the cost reduction programmes come to fruition and the business moves its focus to top line innovation driven growth.

Organic development
I am delighted to report that our sales continue to grow and, after a slow first half, we have seen sales growth improve during the second half of 2007. Full year, pro forma sales, have grown by 1.4%, with a second half increase of 3.0%.

We have restructured the business into three divisions based around a combination of commonality of supply chain and category similarities. The "Grocery" division comprises the original Premier business with the exception of the Meat-free business, the Campbell's business, RHM's Culinary Brands division, Ledbury Preserves from RHM's Customer Partnerships division and Manor Bakeries from the RHM Cakes division. The "Bread & Milling" division comprises the RHM Bread Bakeries division and the "Chilled & Ireland" division comprises the RF Brookes and Charnwood chilled foods and pizza base businesses from RHM's Customer Partnerships division, Avana Bakeries from RHM's Cakes division, Premier's Meat-free business and all of our operations in the Republic of Ireland.

Our bread business has seen unprecedented change in 2007 with the price of milling wheat more than doubling, a brand relaunch by one of our major competitors and a national rollout by our other major competitor. We recovered the increase in the cost of wheat through price increases at the start of September and end of October and finally saw similar increases in the retail prices for all our major competitors in early December.

During 2007, our major change programme, Project Fusion, continued its focus on upgrading our core systems and processes, based on the implementation of a new ERP software suite. The programme has been re-structured to include the ex-RHM businesses. New processes and systems for HR/payroll and new product development are now implemented. In 2008 the implementation of the *orders to cash*, forecasting and plant maintenance & procurement modules will go-live. By the end of 2008 we will have implemented virtually all of the new functionality in some parts of our business which will then be rolled out during 2009 to the remainder.

Chairman's statement
continued

Other acquisitions and disposals
We have also taken important steps to manage our portfolio of businesses in the Group. In March 2007, we disposed of MBM Produce Ltd a supplier of potatoes and other fresh produce to industrial and foodservice customers. In May we disposed of the Erin Foods business, a requirement of the The Competition Authority in the Republic of Ireland. During the second half of 2007 we disposed of RHM Frozen Foods Ltd, a manufacturer of retailer label products in the frozen pies, ready meals and desserts categories.

In January 2007 we acquired Chivers Ireland from its management. Chivers is a leading supplier of preserves to Ireland's retail grocery and foodservice markets and previously was one of our key distributors in Ireland. This acquisition complements our acquisition of Campbell's and RHM and strengthens our position as a major player in the Irish food market.

Employees
2007 was a high pressure year, with all at Premier Foods and RHM working extremely hard to integrate the businesses. Their attitude to this and other challenges is exemplary. In addition to all the work on integrating the Campbell's and RHM businesses:

- we launched *Soupfulls*, the first *Batchelors* liquid soup, into the UK;
- we launched *Oxo* liquid stock;
- we launched two new *Hovis* seeded breads, responding to demand from increasingly health-conscious consumers;
- we commissioned a new factory in Methwold in Norfolk for our Meat-free business; and
- our Histon factory has joined safety's elite after being awarded an International Safety Award from the British Safety Council.

These are a few examples of the effort of the people who work in Premier Foods and the contribution they make to the success of the business, and I thank them for their efforts.

Dividends
The directors are recommending the payment of a final dividend, in respect of the year ended 31 December 2007, of 2.2 pence per share. The interim dividend of 4.3 pence per share was paid in January 2008. The final dividend will be paid on 4 July 2008 to shareholders on the register on 6 June 2008.

Our dividend policy is to ensure that Shareholders benefit from the successful growth and anticipated strong cash flow of the business whilst providing sufficient funds for investment purposes.

Board changes
On 21 January 2008 we welcomed Mr David Beever and Mrs Christine Cross to the Board as non-executive directors.

David is a non-executive director of JJB Sports plc, Volex Group plc and The Paragon Group of Companies plc. David was previously Chairman of London and Continental Railways Ltd and KPMG Corporate Finance and a Vice Chairman of SG Warburg & Co Ltd. David is also a member of the Audit Committee.

Christine is an independent advisor in retail management having previously spent 14 years at Tesco plc in a number of senior management roles including Group Business Development Director. Prior to this she lectured at Edinburgh and Bath Universities. Christine is currently a non-executive director of Next plc and Sobeys Inc (Canada) as well as Retail Advisor to Apax Partners Venture Capital and Private Equity. She is also a member of the Remuneration Committee.

At the AGM on 16 May 2008, Miss Sharon Hintze will retire from the Board. She joined the Group on its listing in 2004 and has provided wise counsel, based upon her long industry experience, for which we are all very grateful.

Looking to the future

The trading environment for food companies continues to be tough and inflationary pressures remain a concern. Raw material costs have risen sharply, particularly wheat prices which have more than doubled in the last 18 months. However, we have now substantially recovered these increases through higher prices and cost savings. The Board continues to follow its business strategy of using its scale to drive business efficiency and growing its brands through marketing and innovation.

In 2007 Premier Foods became the No.1 food producer in the UK with annual retail sales of over £2.5bn. We will remain focused on maintaining our high standards of product quality and customer service and achieving our financial targets. I am confident that the quality and strength of our reorganised management teams and employees will deliver a successful company and drive value for all our stakeholders.

David J Kappler
Chairman

Chief Executive's summary

In 2007 we have made significant progress in transforming Premier Foods, the UKs leading food supplier.

Operational review

	2007 £m	2006 £m
Sales		
Core Premier	**965.5**	840.7
Bread Bakeries	**657.3**	–
Culinary Brands	**218.9**	–
Cakes	**229.3**	–
Customer Partnerships	**176.6**	–
Total sales	**2,247.6**	840.7
Trading profit		
Core Premier	**155.7**	129.4
Bread Bakeries	**25.7**	–
Culinary Brands	**48.5**	–
Cakes	**25.8**	–
Customer Partnerships	**24.5**	–
Total Trading profit*	**280.2**	129.4

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

2007 has been a year of unprecedented change for Premier. The acquisition of RHM in March 2007, following the acquisition of Campbell's in 2006, has transformed the scale and breadth of Premier's operations. The integration of the Campbell's administration functions proceeded smoothly and was completed in April 2007 and we closed the King's Lynn factory at the end of December 2007. Similarly, the integration of RHM into Premier's operations has been proceeding to plan. We have already made significant steps on the integration: we have closed the RHM head office; combined the senior management teams into a single operating board; completed the integration of the Culinary Brands division; completed a review of the combined manufacturing facilities, closed 2 factories and commenced the closure of a further 7 factories; completed the integration of all our operations in the Republic of Ireland into a single operating company and integrated the management teams of our RF Brookes, Avana and Charnwood businesses. We have confirmed the total level of annual cost synergies available from integrating Campbell's and RHM at £113m, of which £17m has been recorded in 2007. We estimate that the synergy run rate across both Campbell's and RHM had reached £47m at the end of 2007. We expect to complete the integration on schedule by the end of 2009.

The downside to 2007 has been the exceptional level of cost inflation that we and other food companies have faced. Whilst we have moved quickly to raise prices, the inevitable time lag between cost increases and raising prices reduced second half profitability and has caused temporary market imbalances as seen by our Bread division. At December 2007, we had recovered some £190m of the £225m of annualised cost inflation that we saw in 2007 and we continue to seek price increases to cover the remaining cost increases.

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

Outlook

As we enter 2008, we are now operating in our three new divisions and our focus moves onto the implementation of some key modules of SAP, our new management information system, and our factory rationalisation programme. These major programmes require a level of operational stability, which will limit the promotional activity in our Grocery division, particularly during the first half of 2008. We expect synergies to continue to develop to plan reflecting the benefits from the manufacturing rationalisation and the actions taken in 2007.

We continue to implement price rises to cover 2007 cost inflation in the Grocery division and we intend to have these completed by the end of the first quarter. We estimate the impact on Trading profit of the under-recovery of these costs during the first quarter to be approximately £10m.

We are currently implementing our new bread strategy supported by significant investment in capital equipment and recipe changes, which we anticipate will rebuild our volumes over time to the levels of previous years. However, whilst we anticipate that Trading profit will develop positively over the full year, with volumes during the first half running at lower levels than the same period in 2007, combined with the investment in recipe changes, we expect Trading profit for the division will be lower during the first half of the year.

We expect our Chilled & Ireland division to continue to make good progress with continued volume growth and synergy benefits.

Robert Schofield
Chief Executive

Business review

Premier Foods is the UKs leading food producer following its acquisition of RHM, which was completed in March 2007.

Description of the business
The Group manufactures a range of market leading branded and own-label products across many food categories including bread, cakes, preserves, convenience foods, ambient desserts, meat-free foods, cooking sauces, stocks, gravies, flour, chilled ready meals, meat pies and desserts. It currently employs approximately 18,000 people.

Principal activities
Premier's principal markets are the UKs major food retailers, wholesalers and convenience stores, foodservice customers and food manufacturers. Premier's principal products are bread, "ambient" or shelf stable groceries and chilled foods. During 2007, we operated in the following business units:

Convenience Foods, Pickles, Sauces & Meat-free
Batchelors soups, noodles, rice, pasta and vegetables, *Quorn* and *Cauldron* meat alternatives, *Oxo* stocks, *Branston* pickles, baked beans and pasta, *Homepride* cooking sauces, *Crosse & Blackwell* convenience foods, *Sarson's* vinegar, *Fray Bentos* meat pies, *Haywards* pickles, *Smash* instant mashed potatoes, *Waistline* salad dressings, soups and cooking sauces, *Loyd Grossman* (under licence) cooking sauces and soups.

Spreads, Desserts & Beverages
Ambrosia custard and milk puddings, *Bird's* and *Angel Delight* desserts, *Chivers* jams and jellies, *Hartleys* preserves and desserts, *Gale's* honey and lemon curd, *Sun-Pat* peanut butter and *Marvel* powdered milk creamer.

Culinary Brands
Sharwood's Asian sauces and condiments, *Bisto's* range of gravy makers, *Robertson's* and *Frank Cooper's* preserves and marmalades, *Saxa* salt, *Paxo* stuffing mixes, pre-packed flour under the names of *McDougalls*, *Be-Ro* and *Hovis* and baking mixes under the names *McDougalls* and *Cadbury's* (under licence), and *Rombouts* (under licence) coffee.

Bread Bakeries
Premier's Bread Bakeries division is the biggest vertically-integrated baker and flour miller in the UK. It operates principally in the wrapped bread market, marketed under brands such as *Hovis*, *Granary*, *Mother's Pride*, *Nimble* and *Ormo*. In addition Premier manufactures own label bread and morning goods, frozen part-baked products for retailers and a wide range of bulk flours and branded and own label bagged flours.

Cakes
Premier is the largest manufacturer of cakes in the UK. Products include individual small cakes and tarts, jam tarts, fruit pies, whole cakes, swiss rolls, mini rolls and cake bars. Branded cakes are predominantly sold under the *Mr Kipling*, *Cadbury's* (under licence) and *Lyons* brands.

Customer Partnerships
RF Brookes operates from two manufacturing facilities, primarily manufacturing chilled ready meals for Marks & Spencer and other leading food service retailers. Products include pies, pizzas, pasties and chilled ready meals.

Avana Bakeries produces own label large celebration cakes, Christmas puddings and chilled desserts, principally for Marks & Spencer.

Ireland
During the year Premier integrated all of its operations in the Republic of Ireland. It now trades as a single business and is one of the leading food suppliers in the Republic of Ireland with brands such as *Gateaux* cakes and *Chivers* jams and jellies.

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

results for 2007 in line with the segments existing within Premier and RHM at the time of the acquisition of RHM. The results for 2008 will be presented in line with the new divisional structure outlined above.

Operating review – continuing operations

Core Premier

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

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

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

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

Business review
continued

Convenience Foods, Pickles, Sauces & Meat-free

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

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

Campbell's

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

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

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

Spreads, Desserts & Beverages

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

Chivers Ireland

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

Bread Bakeries

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

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

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

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

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

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

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

Culinary Brands

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

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

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

Business review
continued

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

Cakes

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

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

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

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

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

Customer Partnerships

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

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

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

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

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

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

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

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

Outlook

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

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

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

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

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

Financial review

The financial review focuses on the performance of the business under the Group's ownership and on a pro forma basis. The presentation also separates the underlying business performance from the exceptional costs of the extensive integration programmes.

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

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

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

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

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

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

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

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

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

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

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

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

Exceptional items
As identified above, the Group presents separately certain non-recurring costs in order to reflect underlying financial performance. In the current and prior year, these items have primarily related to the significant integration programmes undertaken to achieve the cost savings and reshaping of the business following our recent strategic acquisitions. Each of these non-recurring costs is set out in more detail in note 5 to the financial statements.

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

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

Financial review
continued

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

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

Financing

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

While these facilities were viewed as adequate at the time, the impact of recent high levels of input cost inflation and general economic uncertainty has led the Group to the decision to increase its financial headroom to ensure it can continue to pursue its investment and restructuring programme of the RHM and Campbell's businesses. As a consequence it has agreed with its banks an amendment to its banking facilities which resets its financial covenants to provide additional headroom and which converts the £0.1bn acquisition line into an additional working capital facility. It has also agreed an additional £125m short term facility with a small group of its lead banks. Full details are shown in note 33.

Interest

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

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

Dividend

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

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

Taxation

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

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

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

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

Adjusted earnings per share of 15.5 pence (2006: 16.0 pence) on continuing operations has been calculated by dividing the adjusted earnings (defined as earnings before exceptional items, amortisation of intangible assets, the movement in the IAS 39 valuation of forward foreign exchange contracts and the pension financing credit in relation to the difference between the expected return on pension assets and interest costs on pension liabilities less net cash interest, regular amortisation of debt issuance cost and underlying taxation) attributed to ordinary shareholders of £119.6m (2006: £59.4m) by the weighted average number of ordinary shares in issue during each year. These earnings have been calculated by reflecting tax at 30%.

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

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

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

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

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

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

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

Paul Thomas
Finance Director

Board of Directors

Executive Directors

1. Robert Schofield, Aged 56
Chief Executive Officer
Joined the Group in 2001 taking responsibility for its branded business. He was appointed Chief Executive Officer in January 2002. Robert Schofield has extensive manufacturing and operational experience gained at United Biscuits plc where he ultimately served as Managing Director of United Biscuits UK, directing both the McVities and KP Foods businesses.

2. Paul Thomas, Aged 52
Group Finance Director
Joined the Group in 2002 as Group Finance Director. Prior to this he served as Finance Director of Coors Brewers (formerly Bass Brewers). Previously, he was the Director of Planning and Business Development in the retail division of Grand Metropolitan plc. He is a Chartered Accountant.

Non-executive Directors

3. David Kappler, Aged 60
Chairman
Joined the Group on flotation in 2004 as Chairman and is also currently senior independent director and Audit Committee Chairman at both Shire plc and Intercontinental Hotels Group plc. Mr Kappler was Finance Director of Cadbury Schweppes plc for nine years until his retirement in 2004. He was also a non-executive director and latterly Chairman of HMV plc until 2006. Mr Kappler is a Chartered Management Accountant.

4. David Felwick CBE, Aged 63
Senior independent director
Joined the Group on flotation in 2004 and was appointed senior independent director in 2004. He is currently Chairman of Product of the Year Ltd, Leckford Estate Ltd and a non-executive director of Dairy Farmers of Britain. Prior to this Mr Felwick was Deputy Chairman of the John Lewis Partnership, Managing Director of Waitrose and also Chairman of the British Retail Consortium.

5. David Beever, Aged 67
Non-executive director
Mr Beever was appointed to the Board in January 2008. He is a non-executive director of JJB Sports plc, Volex Group plc and The Paragon Group of Companies plc. He was previously Chairman of London and Continental Railways Ltd and KPMG Corporate Finance and a Vice Chairman of SG Warburg & Co Ltd.

6. Christine Cross, Aged 56
Non-executive director
Mrs Cross was appointed to the Board in January 2008, she is an independent advisor in retail management having previously spent 14 years at Tesco plc in a number of senior management roles including Group Business Development Director. Prior to this she lectured at Edinburgh and Bath Universities. Mrs Cross is currently a non-executive director of Next plc and Sobeys Inc (Canada) as well as Retail Advisor to Apax Partners Venture Capital and Private Equity.

7. Sharon Hintze, Aged 63
Non-executive director
Joined the Group on flotation in 2004. She is a non-executive director of AH Acquisitions BV. Miss Hintze was formerly Senior Vice President responsible for the Petcare strategic business unit at Nestlé SA in Switzerland and prior to this worked for Mars Incorporated and a number of its subsidiaries in the United States, the United Kingdom and Switzerland. Her previous appointments include non-executive director of HSBC Holdings plc, Safeway plc and a trustee of the Society of Genealogists.

8. Ian McHoul, Aged 48
Non-executive director
Joined the Group on flotation in 2004 and is currently the Group Finance Director of Scottish & Newcastle plc. He was previously the Finance and Strategy Director of the Inntrepreneur Pub Company Limited and prior to that he spent 10 years with Courage Limited and its parent company Fosters Brewing Group in a variety of roles. Mr McHoul is a Chartered Accountant.

9. Louise Makin, Aged 47
Non-executive director
Dr Makin, who was appointed to the Board in October 2006, is currently Chief Executive Officer of BTG plc, a growing life sciences company focused on the development and commercialisation of speciality pharmaceuticals. Dr Makin's previous roles include President, Biopharmaceuticals Europe of Baxter Healthcare, and a variety of Sales, Marketing and Business Leadership roles at Baxter, ICI and English China Clays. Dr Makin holds an MA in Natural Sciences and a PhD in Metallurgy from the University of Cambridge, and an MBA.

From left to right: David Beever, Ian McHoul, Sharon Hintze, Robert Schofield, David Kappler, Louise Makin, David Felwick, Christine Cross and Paul Thomas.

Senior management

The senior management of Premier Foods consists of the Operations Board.

1. Howard Beveridge, Aged 47
Commercial Director
Joined the Group in 2002 as Group Marketing Director before becoming Commercial Director in 2004. Prior to this, he held senior marketing roles at Barclaycard, BUPA Hospitals and with a number of manufacturing companies including Tube Investments, Cadbury Schweppes and United Biscuits.

2. Stephen Bolton, Aged 43
Commercial Director
Joined the Group in 2002 as Commercial Director. Prior to this, Mr Bolton served as Marketing Director at Jeyes UK Ltd. His early marketing and commercial management career included periods with Philips, Sara Lee and Addis Housewares.

3. Brian Carlton, Aged 51
Group HR Director
Joined the business in 1994 as Head of Personnel for the Canned Foods Division. His responsibilities have since been extended to embrace all HR activities across the Group. He was appointed to the Operations Board in October 2006. Prior to joining Premier, Mr Carlton held HR and Operational roles in Chrysler UK, K Shoes, Metal Box and Smurfit Packaging. He is a graduate in Business Studies from Glasgow College of Technology.

4. Mark Hughes, Aged 47
Group Procurement Director
Appointed to the Premier Foods Operations Board in March 2007 following the Company's acquisition of RHM, where he was Group Procurement and Logistics Director. He joined RHM in 2003 as Divisional Services Director (Bread Bakeries) and became a member of the Bread Bakeries Division Executive in 2004. Mr Hughes previously held a number of senior positions with ABF plc and Archer Daniels Midland (UK).

5. Tim Kelly, Aged 50
Chief Operating Officer Hovis
Appointed to the Premier Foods Operations Board in March 2007 following the Company's acquisition of RHM, where he was Chief Operating Officer, Cakes and Customer Partnerships. In December 2007 he assumed additional responsibility for the Group's Bread & Milling businesses. He originally joined RHM as Chief Operating Officer of the Customer Solutions Division in August 2003. Prior to that he was with Constellation Brands where he was Chief Operating Officer, International. He previously held senior marketing roles at Diageo and Coca-Cola Schweppes Beverages.

6. Robert Lawson, Aged 42
Commercial Director
Joined Premier in January 2005 as Director of Mergers and Acquisitions and Investor Relations and joined the Operations Board in October 2006. His responsibilities now include the management of the integration of Premier and RHM. Prior to joining Premier Foods Mr Lawson was Strategy Director at both Kraft Foods Europe and United Biscuits and was a management consultant at Arthur D Little. Mr Lawson has a BA from Oxford University and an MBA from INSEAD.

7. Bob Spooner, Aged 53
Group Operations Director
Joined Premier Foods as Group Operations Director in April 2007. He is also a member of the Group's Operations Board. Prior to joining Premier Foods, Mr Spooner was with Northern Foods plc as Group Supply Chain Director and Managing Director for their pastry products business. He has previously held roles with ICI Paints as European Supply Chain Director and Managing Director of the UK and Ireland Paint business and Commercial Director and Supply Chain Director for Sara Lee's UK Household and Personal Care business.

8. Suzanne Wise, Aged 46
General Counsel & Company Secretary
Joined the Group as General Counsel and Company Secretary in January 2008. She is also a member of the Group's Operations Board. Ms Wise is a qualified Solicitor and was admitted to practice in 1987. Prior to joining Premier, she was with Gallaher Group plc where she held a number of senior positions in the legal function before being appointed as the Group Head of Legal. Prior to her career at Gallaher she was a solicitor in private practice. Ms Wise is a graduate from University of East Anglia.

9. Ian York, Aged 48
Group Sales Director
Joined the Group in 1994 as General Sales Manager for the Canned Foods division. He now has responsibility for all UK sales activities throughout the business having been appointed Group Sales Director in 2001. Previously, Mr York held a variety of positions in the UK grocery market with Quaker Oats Ltd, Associated British Foods and Blue Crest.

From left to right: Robert Lawson, Robert Schofield, Bob Spooner, Ian York, Suzanne Wise, Brian Carlton, Mark Rigby (Business Development Chef), Stephen Bolton, Mark Hughes, Howard Beveridge, Tim Kelly and Paul Thomas.

Premier Foods' brands

Cadbury is a trade mark of Cadbury-Schweppes plc, *Campbell's* is a trade mark of Campbell Soup Company and *Loyd Grossman* is a trade mark of Loyd Grossman each of which is used under licence. *Rombouts* is a trade mark of Koffie F. Rombouts NV.

Accountability

The Board recognises the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity.

Directors' report

The directors have pleasure in presenting the report and audited financial statements of Premier Foods plc and its subsidiaries for the year ended 31 December 2007.

Principal activities
Premier Foods plc is a public limited company incorporated in England and Wales, registered number 5160050, with its registered office at Premier House, Centrium Business Park, Griffiths Way, St Albans, Hertfordshire AL1 2RE.

Details of its principal activities can be found on page 12.

Business review
The Chairman's statement on pages 6 to 9, the Chief Executive's summary on pages 10 to 11, the Business and Financial reviews on pages 12 to 21 and the report on Corporate Governance on pages 29 to 38 provide a review of the business during the year and descriptions of possible future developments and the principal risks and uncertainties facing the Group, and form part of this Directors' Report.

Financial statements
The audited financial statements are presented on pages 52 to 99.

Profit and dividends
The loss on ordinary activities before tax for the year ended 31 December 2007 was £73.5m (2006: restated profit of £59m). The directors are recommending a final dividend of 2.2 pence per share for the year ended 31 December 2007. Subject to shareholders' approval, the final dividend will be paid on 4 July 2008 to members on the register as at 6 June 2008.

Research and development
Applied research and development work continues to be directed towards the introduction of new and improved products, the application of new technology to reduce unit and operating cost and to improve service to customers. Research and development costs of £4.2m were incurred in continuing operations during the year.

Land and buildings
The directors are of the opinion that there is no significant difference between the book and market value of the land and buildings of the Group.

Donations
No donations were made to political parties (2006: £nil). Information on charitable donations can be found on page 38.

Directors
The present directors of the Company are listed on page 29 of the corporate governance report. On 10 May 2007 Ian Ramsay resigned as a director of the Company and on 21 January 2008, David Beever and Christine Cross were appointed as directors of the Company.

Details of the interests in the share capital of the Company of the directors in office as at 31 December 2007 are set out on page 45 of the Directors' Remuneration Report.

Directors' responsibilities
The directors are responsible for preparing the Annual report, Directors' remuneration report and the Group financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the year, and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the consolidated financial statements comply with International Financial Reporting Standards, and the Parent Company Financial Statements comply with UK GAAP;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts comply with the relevant provisions of the Companies Acts 1985 to 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

The directors of the Group have taken all the steps that they ought to have taken as directors in order to make themselves aware of any information needed by the Group's auditors in connection with preparing their report and to establish that the auditors are aware of that information and so far as the directors are aware there is no such information of which the Group's auditors are unaware. The directors are responsible for maintaining the integrity of financial information which includes the Annual Report, together with other financial statements, presentations and announcements on the Group's website www.premierfoods.co.uk. Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' indemnities
Article 225 of the Company's Articles of Association provides that, to the extent permitted by law, every director is entitled to be indemnified out of the assets of the Company against all costs and liabilities incurred by him in the execution of his duties or the exercise of his powers or otherwise in connection with his duties, powers or office including any liability incurred by him in defending any proceedings, civil or criminal, which relate to anything done or omitted to have been done or omitted by him as an officer of the Company and in which judgement is given in his favour or in which he is acquitted.

Substantial shareholdings

As at 3 March 2008, the Company has been notified, in accordance with Disclosure and Transparency Rules issued by the Financial Services Authority, of the following interests in the ordinary shares of the Company:

Notification received from:	Number of ordinary shares as at date of original disclosure	% of issued share capital as at 3 March 2008
Aberdeen Asset Management Plc	103,762,374	12.29%
Capital Group	60,539,929	7.17%
Franklin Mutual Advisers, LLC	50,910,683	6.03%
Newton Investment Management Limited	44,927,811	5.32%
JPMorgan Asset Management	24,800,618	2.94%
Barclays Global Investors	18,291,039	2.17%

Share capital and control

The following additional information is given pursuant to section 992 of the Companies Act 2006.

As at 31 December 2007, the Company's authorised share capital was £15,000,000 divided into 1,500,000,000 ordinary shares of 1 pence each nominal value (ordinary shares). On 31 December 2007 there were 844,600,074 ordinary shares in issue. The ordinary shares are listed on the London Stock Exchange.

All of the ordinary shares rank equally with respect to voting rights and the rights to receive dividends.

The holders of ordinary shares are entitled to receive the Company's reports and accounts; to attend and speak at General Meetings of the Company; to appoint proxies and to exercise voting rights.

There are no restrictions on transfer or limitations on the holding of any class of shares and no requirements for prior approval of any transfers. None of the shares carry any special rights with regard to control of the Company.

There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

Shares acquired through Company share schemes and plans rank pari passu with the shares in issue and have no special rights.

The rules about the appointment and replacement of directors are contained in the Company's Articles of Association. Directors may be appointed by the Company by ordinary resolution or by the Board. A director appointed by the Board holds office only until the next Annual General Meeting (AGM). At each AGM one third of the directors will retire by rotation and be eligible for re-election. The directors to retire will be those who wish to retire and those who have been longest in office since their last appointment or reappointment, with the proviso that all must retire within a three year period.

The powers of the directors are determined by UK legislation and the Memorandum and Articles of Association of the Company in force from time to time. The Company's shareholders approved a resolution at the 2007 AGM for the directors to allot relevant securities (as defined in the Companies Act 1985) up to an aggregate nominal value of £2,813,418. This authority will expire at the conclusion of the 2008 AGM. A further authority to allot relevant securities will be sought at the 2008 AGM. At the AGM in 2008 shareholders will also be requested to authorise the directors to make market purchases of ordinary shares. Any ordinary shares so purchased may be cancelled or held in treasury.

Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force from time to time.

As disclosed in note 33 of the financial statements, following the year end the Company has amended its Term and Revolving facilities and negotiated a further short-term facility. Under the terms of the Supplemental Agreement dated 28 February 2008, the Working Capital Credit Facility dated 31 January 2008 and the Revolving Credit Facilities Agreement dated 28 February 2008, in the event of a change of control, the Company is required to give notification to the facility agent and if so required by the majority lenders the facilities may be cancelled. In addition under a Receivables Purchasing Agreement dated 30 December 2007 in the event of a change of control the agreement may be terminated.

The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Employment policies

A summary of the Group's employment policies and the actions to involve employees is set out in the corporate responsibility section of the Corporate Governance report on pages 37 and 38.

Creditor payment policy

Premier Foods plc is a holding company and had no amounts owing to trade creditors at 31 December 2007 (2006 : £nil). The Group's creditor days outstanding at 31 December 2007 were 70 days (2006: 51 days) of purchases, based on the ratio of Group trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

The Group has a variety of payment terms with suppliers. Payment terms for purchases under major contracts are agreed as per the contract negotiations.

Financial instruments

The financial risk management objectives and policies of the Group, and its exposure to price, credit, liquidity and cash-flow risk are set out in note 21 to the financial statements on pages 76 to 82.

Directors' report

Related party disclosure
Following a technical issue that arose in respect of the second interim dividend for the year ended 31 December 2006 paid to shareholders on 23 February 2007 of £27.3m (5.5 pence per ordinary share) and in respect of the final dividend for the year ended 31 December 2006 paid to shareholders on 6 July 2007 of £21.5m (2.55 pence per ordinary share) (together the ''Dividends''), an Extraordinary General Meeting (EGM) was held on 17 December 2007 to approve various actions to rectify and ratify payment of the Dividends, which were technically paid in breach of the Companies Act 1985. Following approval by shareholders at that EGM, the Company entered into a deed of release (the "Deed") in favour of the Company's directors releasing them from any and all claims which the Company may have against them as a result of the payment of the Dividends. The execution of the Deed by the Company in favour of the directors of the Company constitutes a related party transaction under the provisions of the Listing Rules. The relevant provisions of the Listing Rules were complied with in notifying this transaction to the FSA. The value of this arrangement is not ascertainable as the transaction concerns the release of liability for future claims which may or may not ever be made, and no monetary payments were made either by or to the directors in connection with the Deed.

Post balance sheet events
On 29 February 2008, the Group amended its Term and Revolving credit facilities by agreement with its lending banks to provide greater covenant headroom for the remainder of its financing period. Further details are set out in note 33 to the financial statements on page 95.

Independent Auditors
PricewaterhouseCoopers LLP has indicated its willingness to continue as auditors; accordingly a resolution to reappoint them will be proposed at the forthcoming AGM in accordance with section 385 of the Companies Act 1985. The reappointment of PricewaterhouseCoopers LLP has been approved by the Audit Committee, who will also be responsible for determining their audit fee on behalf of the directors.

Going concern
The directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Annual General Meeting business
The Annual General Meeting of the Company will be held at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ on 16 May 2008 at 11.00am. In addition to the usual business to be conducted at this year's AGM we are asking shareholders to approve a number of amendments to our articles of association, primarily to bring the Company's Articles of Association in line with the Companies Act 2006. As part of this process the Company is seeking the right to use electronic means as the default method of communicating with its shareholders, for example by using the website for delivery of the Annual report and accounts. Shareholders will be given the opportunity to elect to receive a hard copy, rather than receive it by default. It is proposed to make further revisions to the New Articles with effect on and from 1 October 2008 to cater for changes being introduced by the 2006 Act relating to directors' conflicts of interest.

The Notice convening the AGM will be issued separately, together with details of the business to be considered, and full explanations of each resolution that is being proposed. An explanation of the main changes between the proposed and the existing articles of association is set out in the appendix to the Notice.

By order of the Board

Suzanne Wise
General Counsel & Company Secretary
Premier Foods plc
Premier House
Centrium Business Park
Griffiths Way
St Albans
Hertfordshire
AL1 2RE

Registered in England and Wales No. 5160050
3 March 2008

Corporate governance

Corporate governance

The Board believes in conducting the Group's affairs in a fair and transparent manner and in maintaining the highest ethical standards in its business dealings.

Compliance statement

This report set out on pages 29 to 38 describes how the Group has applied the principles of good corporate governance as set out in section 1 of the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 ("the Combined Code").

In respect of the period from 1 January 2007 to 31 December 2007, the Board considers that the Group has complied with the provisions set out in the Combined Code.

The Board

Board structure

During the year the Board consisted of a non-executive Chairman, two executive directors and four non-executive directors, Ian Ramsay retired as a non-executive director on 10 May 2007, following the Company's Annual General Meeting. In accordance with the Combined Code, separate individuals, David Kappler and Robert Schofield, have been appointed to the positions of Chairman and Chief Executive respectively. David Felwick has been appointed the senior independent director. David Beever and Christine Cross were appointed as additional non-executive directors on 21 January 2008.

The Board considers that all the non-executive directors are independent in character and judgement and within the definition of this term in the Combined Code. The Combined Code states that the test of independence is not appropriate in relation to the Chairman after his appointment.

The Chairman and the non-executive directors contribute external expertise and experience in areas of importance to the Group such as marketing, customer and consumer focus, corporate finance, general finance and corporate governance. They also contribute independent challenge and rigour to the Board's deliberations.

Directors and their interests

The following directors held office during the year ended 31 December 2007:

	Designation	Appointment/ Reappointment date
David Kappler	Chairman	14 June 2006
Robert Schofield	Chief Executive	22 June 2004
Paul Thomas	Finance Director	22 June 2004
David Felwick CBE	Senior independent director	20 July 2007
Sharon Hintze	Non-executive director	14 June 2006
Louise Makin	Non-executive director	1 October 2006
Ian McHoul	Non-executive director	20 July 2007
Ian Ramsay	Non-executive director	Resigned 10 May 2007

Details of the directors' service contracts, letters of appointment, emoluments, the interests of the directors and their immediate families in the share capital of the Company and options to subscribe for shares in the Company are shown in the directors' remuneration report on pages 39 to 48.

Operation of the Board

The Board is responsible for the overall management of the Group and has an agreed schedule of matters reserved to it, which includes setting long-term strategic and commercial objectives, approval of annual operating and capital budgets, dividend policy, overseeing the Group's internal control systems and ensuring that appropriate resources are in place to enable the Group to meet its objectives.

The Board normally meets at least ten times in each calendar year and also meets on other occasions as necessary. Meetings are usually held at the Company's head office, in St Albans, but the meetings also provide an opportunity for the Board as a whole to visit the Group's operating facilities. Details of the number of Board and Committee meetings and the attendance at those meetings is set out on page 30.

The Chairman is primarily responsible for the operation of the Board, and sets the agendas in consultation with the Chief Executive and Company Secretary. Board papers, including copies of the minutes of Committee meetings held since the previous Board meeting, are circulated in advance of each meeting. The Chairman periodically holds meetings with the non-executive directors without the executive directors present.

The Chief Executive has overall responsibility for the executive management of the Group and for implementing Board strategy and policy within the approved budgets and timescales. The Chief Executive is supported by the Finance Director and the Operations Board, which consists of the senior executives who head up the Group's principal operations.

The Chairman, David Kappler, is currently a non-executive director of Shire plc and Intercontinental Hotels Group plc.The Board of Premier Foods plc is satisfied that these appointments do not conflict with the Chairman's ability to carry out his duties and responsibilities effectively for the Group. The biographies of the directors and members of the senior management team appear on pages 22 and 23 respectively.

Procedures are in place which allow directors to take independent professional advice in the course of their duties, and all directors have access to the advice and services of the Company Secretary, and where a director has a concern over any unresolved business he is entitled to require the Company Secretary to minute that concern. Should he later resign over this issue, the Chairman will bring it to the attention of the Board.

The Company purchases directors' and officers' liability and indemnity insurance to cover its directors and officers against the costs of defending themselves in civil proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings.

Corporate governance
continued

Meetings
The following table sets out the number of meetings of the Board and its Committees and individual attendances thereat during the financial year to 31 December 2007. In addition to the meetings detailed below, 8 Board or Board Committee meetings were held during the year and 1 written resolution was passed for the consideration of specific business. There were also 5 written resolutions passed by the Remuneration Committee Members for consideration of specific business (*denotes attendance by invitation).

	Group Board	Audit	Nomination	Remuneration
Number of meetings held	10	5	3	7
David Kappler	10	5*	3	7*
Robert Schofield	10	5*	2*	6*
Paul Thomas	10	5*	2*	–
David Felwick CBE	10	5	3	7
Sharon Hintze	10	5	3*	7
Louise Makin	10	5*	3	7
Ian McHoul	9	5	3	1*
Ian Ramsay	4	1*	1	5

Ian Ramsay retired from the Board on 10 May 2007 and was entitled to attend 4 Board meetings and 5 Remuneration Committee meetings and 1 Nominations Committee Meeting.

Directors' interests in contracts
No director had a material interest at any time during the year in any contract of significance, other than a service contract (see directors' remuneration report on pages 39 to 48), with the Company or any of its subsidiary undertakings.

Remuneration
The directors' remuneration report, providing a statement of the Company's policy on directors' and senior managers' remuneration, benefits, share scheme entitlements and pension arrangements is set out on pages 39 to 48.

The directors' remuneration report sets out the status of the Company's compliance with the requirements of the Combined Code with regard to remuneration matters and includes a statement on the Company's policy on directors and senior managers' remuneration, benefits, share scheme entitlements and pension arrangements. A resolution to approve the directors' remuneration report will be proposed at the forthcoming AGM.

Reappointment
The Company's Articles of Association require directors appointed by the Board during the year to retire and offer themselves for reappointment at the first Annual General Meeting ("AGM") following their appointment. David Beever and Christine Cross were appointed as non-executive directors on 21 January 2008 and accordingly will offer themselves for re-election at the forthcoming AGM. The directors were recommended by the Nomination Committee following a rigorous selection process carried out by the Committee in 2007. The directors bring with them a wealth of experience from both the food industry and Corporate Finance.

There is also a process of rotation which ensures that no director holds office for more than three years without being reappointed at an AGM and also that one-third of directors (rounded down) will be required to retire and seek reappointment at each subsequent AGM. Consequently Robert Schofield and Paul Thomas offer themselves for re-election at the AGM to be held on 16 May 2008. The Chairman has reviewed the performance of the Chief Executive and Finance Director and the Nominations Committee has recommended their re-appointment to the Board.

Directors' biographical details are provided on page 22.

Board Committees
The Board has established an effective Committee structure to assist in the discharge of its responsibilities. The terms of reference of these Committees comply with the provisions of the Combined Code and are available for inspection on the Company's website, www.premierfoods.co.uk.

Audit Committee
Ian McHoul chairs the Audit Committee. Its other members are David Felwick, Sharon Hintze and David Beever (with effect from 21 January 2008). Only independent non-executive directors who have no links with external auditors may serve on the Committee. Two members of the Committee, Ian McHoul, as Group Finance Director of Scottish & Newcastle plc, and David Beever, as a member of the KPMG Advisory Board have been identified by the Board as having recent and relevant financial experience. The Audit Committee is scheduled to meet at least four times a year and meets with the internal and external auditors at least twice a year without the executive directors present.

The Audit Committee is responsible for making recommendations to the Board on the appointment of the external auditors and their remuneration, for reviewing the accounting principles, policies and practices adopted in the preparation of the interim and annual accounts and reviewing the scope and findings of the audit. The Committee assists the Board in achieving its obligations under the Combined Code in areas of risk management and internal control, focusing particularly on compliance with legal requirements, accounting standards and the Listing Rules, and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts remains with the Board.

The Committee will keep under review the external auditors' independence including any non-audit services that are to be provided by the external auditors. The auditors are also requested to confirm their independence at least annually. A formal policy has been developed and implemented, which ensures that the nature of the advice to be provided could not impair the objectivity of the external auditors' opinion on the Group's financial statements.

The policy incorporates a fee limit, above which a formal tender process must be undertaken and approval of the Committee obtained prior to any proposed appointment. Additionally, the use of delegated authorities to appoint the external auditors is routinely reported to the Committee.

The Committee has approved a formal whistle-blowing policy whereby staff may, in confidence, disclose issues of concern about possible malpractice or wrongdoings by any of the Group's businesses or any of its employees without fear of reprisal. This includes arrangements to investigate such matters and for appropriate follow-up action.

During the year, the committee:
- Received regular reports from the internal audit function, ensured it was adequately resourced, monitored its activities and effectiveness, and agreed the annual audit plan.
- Conducted a review of the effectiveness of the Internal audit function.
- Approved an amended Internal Audit strategy following the acquisition of RHM in March 2007.
- Approved the Internal Audit Charter as part of an annual process.
- Considered the external auditors' report for the year ended 31 December 2006.
- Conducted an internal review of the Group's external auditors which included a review of the auditor's independence and objectivity and the effectiveness of the audit process.
- Conducted an internal review of its own effectiveness.
- Approved the Company's Risk Management policy and top ten business risks.
- Reviewed matters relating to the Group's key performance indicators and proposals to embed good governance throughout the organisation.
- Approved the amended Corporate Responsibility strategy, designed to develop a consistent approach throughout the business following the acquisition of RHM.

Remuneration Committee
David Felwick chairs the Remuneration Committee. The other members of the Committee are Sharon Hintze, Louise Makin and Christine Cross (with effect from 21 January 2008). Ian Ramsay was a member of the Committee until his retirement from the Board on 10 May 2007. Only independent, non-executive directors may serve on the Committee. The Chairman and Chief Executive attend Remuneration Committee meetings at the invitation of the Committee Chairman. The Remuneration Committee will normally meet at least twice a year.

The Remuneration Committee has responsibility for making recommendations to the Board on the Company's policy on remuneration of executive directors and senior managers and for determining, within agreed terms of reference, specific remuneration packages for each of the Chairman, the executive directors of the Company and such members of senior management as it is delegated to consider, including pension rights; any compensation payments; and the implementation of executive incentive schemes. In accordance with the Committee's terms of reference, no director may participate in discussions relating to their own terms and conditions of service or remuneration.

Further information on the activities of the Remuneration Committee is set out in the directors' remuneration report on pages 39 to 48.

Nomination Committee
David Kappler chairs the Nomination Committee, and its other members are Ian McHoul, David Felwick, Ian Ramsay (who resigned on 10 May 2007) and Louise Makin. David Kappler will not chair the Committee when it is dealing with a successor to the Chairmanship of the Company. The Committee, which will normally meet not less than twice a year, has responsibility for considering the size, structure and composition of the Board of the Company, retirements and appointments of additional and replacement directors and making appropriate recommendations so as to maintain an appropriate balance of skills and experience on the Board.

The Nomination Committee has established a process for Board appointments that it considers to be formal, rigorous and transparent. This process includes a review of the skills, experience and knowledge of the existing directors, to assess which of the potential short listed candidates would most benefit the balance of the Board having regard also to the need for succession planning.

During the year, the Committee:
- Approved directors for reappointment at the AGM.
- Approved the selection and appointment of two new non-executive directors using an external search consultancy.
- Conducted an internal review of its own effectiveness.

The terms of appointment for the non-executive directors are available for inspection on the Company's website www.premierfoods.co.uk.

Performance and effectiveness reviews
The Board follows a performance evaluation procedure which measures its own performance and that of its Committees.

In 2007 this was an internal process and was combined with individual performance evaluation as described below:
- The Chairman appraises the Chief Executive annually.
- The senior non-executive director meets with all the non-executive directors to discuss the performance of the Chairman, taking into account the views of the executive directors.
- The Chairmen of the Audit and Remuneration Committees are appraised annually as part of the Committee effectiveness review process and any non-executive directors due for re-election at the following Annual General Meeting are appraised initially by the Chairman, and thereafter their suitability for re-election is confirmed by the Nomination Committee prior to those non-executive directors offering themselves for re-election.
- The senior management are formally appraised annually by the Chief Executive, who also appraises the Finance Director.

Corporate governance
continued

Shareholders

Relations with shareholders

The Board recognises that its primary role is to represent and promote the interests of its shareholders, and that it is accountable to shareholders for the performance and activities of the Company.

The interim and annual reports remain the primary means of communicating with the Company's shareholders, and the Group's website, www.premierfoods.co.uk, contains the full text of such reports, together with Stock Exchange Announcements, after their release to the market.

The Company announces its results on a half-yearly basis. Presentations are made to analysts and major shareholders following the release of the interim and year end results. The Company announces trading updates and/or interim management statements at relevant times throughout the year followed by conference calls with analysts and major shareholders. In addition the Company also held an Analyst Conference in November 2007.

The Chief Executive and Finance Director are also available to meet with shareholders during the year. The Chairman and, if appropriate, the senior independent director are available to discuss issues and concerns of shareholders. Shareholders are also provided with the opportunity to ask questions of the Board, including the Chairmen of the various committees, and to present their views at the Annual General Meeting.

Notice of the Annual General Meeting, together with the Annual Report and Accounts, is sent to shareholders at least 20 working days before the meeting, and details of the proxy votes for and against each resolution or in respect of which a vote is withheld are announced after the result of the vote on the show of hands and made available on the Company's website.

Internal control

The directors are responsible for the Group's systems of internal control and for reviewing their effectiveness annually. The Board has conducted a review of the effectiveness of the Group's internal controls covering all material controls, including financial, operational and compliance controls and risk management systems in place throughout the year under review. Necessary actions have been, or are being, taken to remedy any significant failings or weaknesses identified from the Board's review of the effectiveness of the internal control system.

The Board has delegated day-to-day responsibility for reviewing the Group's system of internal control and for regularly monitoring its effectiveness to the Audit Committee. The principal aim of the system of internal control is to provide an ongoing process that identifies, evaluates and manages the risks that are significant in relation to the fulfilment of the Group's business objectives. The internal control systems have been designed to manage rather than to eliminate risk and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The principal role of the Internal Audit function is to review the effectiveness of the controls operating within the business by undertaking an agreed schedule of independent audits each year. The nature and scope of this annual audit programme is reviewed and approved by the Audit Committee at the beginning of each calendar year and may be revised from time to time in circumstances such as the acquisition or disposal of a business or any other significant business development.

The findings of these risk-based audits are reported initially to executive management and any necessary corrective actions are agreed. Summaries of these reports are presented to, and discussed with, the Audit Committee along with details of progress against action plans as appropriate. In addition to the internal audit programme, senior business managers are required to complete internal control self assessment questionnaires confirming the operation of internal controls within the business units for which they are responsible throughout the year or from the date of acquisition, if this was during the year. The result of this exercise, which also details any material control breakdowns, to the extent that they have occurred, is reviewed by the Board.

The Group's comprehensive risk review process continued to operate during the year. Risk registers are built at a corporate and business unit level. The Risk Review Committee is chaired by the Group Finance Director and is responsible for the identification of emerging risks and ensuring that progress and focus is maintained on implementing agreed action plans. Progress against action plans and key performance indicators are reported to the Operations Board. These include social, environmental and ethical risks (see also pages 33 to 38 which detail our approach to corporate responsibility). In addition the Operations Board formally reviews and reassesses the top ten risks of the company on an annual basis and the results of this review are considered by the plc Board. The risk management process is reviewed bi-annually with the Audit Committee.

Risk management

The Board is ultimately responsible for ensuring that key operational risks are effectively managed. The Board has considered and approved the risk management policy and risk appetite of the Company and has delegated the regular review of these risks to the Audit Committee. The Board annually reviews the top 10 operational risks of the Company, but delegates day-to-day responsibility for risk management to the Operations Board.

Through its normal business operations, the Group is exposed to a number of principal risks and uncertainties which could impact on the results of the Group.

Customers and consumers

The Group operates in a highly competitive consumer market. Its ability to compete effectively will require the successful sales and marketing of its existing products, new product development and innovation and cost rationalisation.

New product development takes into account changing trends in consumer preferences, including dietary and nutritional concerns. Market factors and the need to develop and provide modified or alternative products may increase costs, and either or both of these factors may adversely affect the result of operations.

The consumer market in which the Group operates is not normally subject to the volatility in purchasing decision-making that is experienced in other consumer goods markets; however, the demand for convenience foods can be influenced by such things as weather, including changes in the prevailing average monthly temperatures.

Our products
The Group owns a number of popular UK domestic brands, and brand name recognition is a key factor in the success of many of these products. There is a need to monitor closely all various trademarks, whether registered or not, to ensure the appropriate level of protection for current needs, whilst at the same time anticipating any future strategies.

Raw materials
The prices of raw materials used in the business are affected by among other things, the agricultural policies of the UK Government and of the European Union. A portion of the raw materials used are traded as commodity products, the prices of which are subject to a number of factors that are not in our control.

Movement in the price levels of these raw materials has in the past had, and may in the future have, a corresponding impact on finished product cost. Any failure to pass through price increases may adversely affect the Group's financial performance.

Business integration
The Group has a number of ongoing integration programmes. These include the introduction of a common technology platform across the Group and also the rationalisation of the Group's manufacturing base. There is a need to maintain close control of these programmes in order to ensure that implementation is successfully managed in terms of timing and cost and to prevent any detrimental impact on the Group's operational capabilities.

Regulations
Past and present business operations, and particularly those associated with the manufacture of products intended for human consumption, are subject to a broad range of environmental laws and regulations as a result of which exposure to environmental costs and liabilities, including those associated with divested assets and past activities, may arise. Future regulatory developments may increase such costs and liabilities and could have an adverse affect on operational results.

As a manufacturer of products intended for human consumption we are subject to extensive regulation from the United Kingdom, and the European Union. Modifications to existing legislation and/or regulation and the introduction of new legislative and regulatory initiatives may affect our operations and the conduct of our business.

Treasury
The Group's current levels of bank borrowings require a significant portion of cash flow generated to service this debt. This may make it difficult for the Group to pursue its business strategy, and this debt level may limit ability to react to changing market conditions, changes in the business and changes in the industry in which we operate.

Because raw materials are sourced from around the world and products are exported to various countries, the Group's financial position and results of operations are subject to currency transaction risk. Although we manage against this exposure to currency rate fluctuations, sustained movement in exchange rates affects the results of operations.

Pensions
Pension expenses are based on actuarial assumptions, details of which are set out in note 24 to the financial statements. The market value of the pension assets could decline and a change in assumptions could affect these pension costs.

Corporate Responsibility
Premier Foods is committed to managing its business in a socially responsible manner; indeed it believes strongly that Corporate Responsibility should be one of its key strategic priorities. In today's grocery marketplace, all of our stakeholders - particularly employees, customers, suppliers and consumers - are concerned with the quality and 'healthiness' of our products, the ethical way in which we interact with our supply chain and the effect that the production and transport of our products has on the environment.

Our response to this has been to develop our Corporate Responsibility strategy into one based on "doing the right thing" across a number of key areas: Customer and Consumer; Food Safety and Quality; Ethical Trading; Health and Safety; Environment; Employees and External Stakeholders. We have established a number of cross-functional working groups to implement the strategy, ensuring that we develop our business and our brands in a socially responsible manner. Dedicated resource is in place to ensure the co-ordination of the related activities.

Whilst the business units within Premier Foods pursue the policy of "doing the right thing", it is the Board's responsibility to ensure that the Company operates in a responsible manner. Our Chief Executive, Robert Schofield takes the leading role and chairs the Corporate Responsibility Steering Group by which our strategy is developed and delivered. This Steering Group meets quarterly to discuss and ultimately approve actions and decisions driven out of the Working Groups.

Corporate governance
continued

Customers and consumers

The Group will always keep the consumer firmly at the heart of the business. We remain committed to offering a balanced range of dietary choices to suit a wide range of consumers and their different needs at different times throughout the day. Providing consumers with clear, relevant and reliable information about the product and its content ensures they can continue to rely upon our well-loved brands. We do not market king-sized or super-sized portions and we drive the reformulation of products to ensure we keep abreast of changing consumer demands.

When marketing our products we always ensure compliance with relevant advertising standards and food labeling regulations, including the accuracy of any disclosures about the products in relation to their nutrition and health benefits. Our marketing activities do not portray or endorse inappropriate or excessive consumption and we provide clear and concise information in relation to the content of our products, with relevant serving sizes, which enable consumers to compare similar products. We continually monitor these activities to make sure that they remain appropriate to market and audience needs and demands. As an example we received the "Best Product of the Year" award for our work in reducing fat in *Mr Kipling Delightfuls*.

We consider the environmental impact of the products that we make and the use of raw materials, taking care to minimise the use of materials that deplete our natural resources and our strategy is to develop a sustainability umbrella under which all of our brands can develop plans across a wide range of environmental issues.

The Group continues to work with the Food Standards Agency ("FSA"), both directly and through the Food and Drink Federation ("FDF"), to find solutions to issues around the increasing variety of health and ingredient debates. During the year we continued to roll out front-of-pack label information in line with FDF Guideline Daily Amounts ("GDAs") guidance. We actively participated in Project Neptune, an FDF initiative to reduce the salt content of soups and sauces by 30% over 3 years. This initiative then rolled into the FSA Salt Model, which was published in Spring 2006. We were instrumental in shaping the original Model and are now actively participating in reporting progress to date against the Model targets, and attending interim progress report meetings. As a business we are continuing to make good progress with salt reduction across all of our food categories and working towards the Model's 2010 targets. Gradual small reductions in added salt, aimed at reducing consumer tolerance to salty food over time, have proved to be more acceptable than a single large reduction.

Food safety and quality

The Premier Foods Group produces both branded and own-label products for consumption and is responsible for protecting the quality of both much-loved brands and of the products to which our customers attach their names. The number of products has increased significantly following the acquisition of RHM plc in March 2007. The Group's approach to food quality and safety is enshrined within the Quality Management System that is operated at each site, we take our responsibility very seriously and expect every individual involved in the production process to ensure that our quality standards are properly applied. A professional technical function exists to provide guidance and advice on discharging this responsibility.

All suppliers are required to comply with raw material specifications supplied by Premier. This includes the requirement for Hazard Analysis Critical Control Point ("HACCP") or equivalent food safety systems, and the compliance with Premier standards and other UK and European food safety regulations. A fully documented HACCP is in place for all products, with all critical control points monitored, recorded and verified at each relevant stage of production. Internal systems are constantly reviewed and opportunities for improvement established.

In addition all manufacturing sites are subject to annual British Retail Consortium ("BRC") audits and internal audits by in-house technical teams. All sites were scored B or above by the appointed external auditors, where B is the second level of a four tier grade system (A-D). It is the Group's intention to maintain or improve these scores during 2008 across the enlarged Group.

It is Premier's policy to audit ingredient suppliers using a specialist team of technical auditors. Suppliers are risk assessed by reference to criteria including product supplied and associated risks, known potential contaminants, country of origin and volumes handled. The results are used as a basis for developing the supplier audit plan. In 2007, we commited to auditing 25% of the ingredient suppliers within the business as it existed at that time. Against this target, we actually audited 27%. It has been our policy that over time, we would audit all ingredient suppliers, the frequency being dependent on the risk assessment and in addition we would support this with self-assessment questionnaires.

As well as auditing suppliers, ingredients have been risk assessed against known contaminants and a testing regime developed that is applied across all ex-Premier sites. For example 100% of all spices at risk of contamination with illegal colours are tested at accredited laboratories. We also test incoming honey and peanuts and have an extensive annual screening programme for pesticide and trace contaminants such as heavy metals and mycotoxins. The testing regimes are under constant review. Premier Foods have undertaken a major project with Campden and Chorleywood Food Research Association to establish best practices for the risk assessment of ingredients, regular review, and identification of possible future areas of concern. We are in the process of aligning policy and raw material testing regimes across the enlarged group.

Ethical trading

Premier Foods believes that its supply chain is critical to the quality of its products, and acts fairly with suppliers with the aim of ensuring that they operate to appropriate quality and ethical standards. Operating in global and emerging markets, the Group recognises that there are challenges within the supply base and opportunities for supplier development.

We have been involved in ethical supply chain work since 1992 and are a founder member of the Ethical Trading Initiative, which seeks to identify and promote good practice in the implementation of international labour codes. An Ethical Assurance Programme, incorporating a number of ethical supplier audits performed by an in-house team of specially trained auditors, has been developed and designed to ensure that suppliers achieve these labour standards through a policy of sustainable and continuous improvement.

We believe that the sustainable quality of our products is dependent on the sustainable development of the supply chain and we continue to encourage and support its development. There is an ongoing commitment to working with all our suppliers and to maintaining good working relationships.

Health & Safety

Premier Foods is committed to operating high standards of Health & Safety, designed to minimise the risk of injuries and ill health to employees, contractors, visitors and others who come into contact with the business. The Group believes that Health & Safety is a fundamental ingredient to a successful business and we constantly review our standards for effectiveness, driving through and embedding a Health & Safety culture throughout the organisation. Regular external audits are undertaken as part of the Group's improvement strategy to help benchmark against both legal requirements and Company procedure.

Through acquisition and restructure the base employee number has increased by a factor of more than three from approximately 5,000 employees at the start of 2007 to approximately 18,000 employees at the end of 2007. All data within this report now represents the full combined business performance.

A business decision has been made to standardise on the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR") metric – per 100,000 man hours, rather than per 100,000 employees. This metric will be used moving forward as the key RIDDOR measure for the full business.

Premier moved from .59 - 2006 to .49 - 2007 RIDDOR frequency per 100,000 man hours. This represents a 17% year on year improvement for the full business. While there is a good overall improvement trend it is still recognised that we need to improve on our performance and that all sites do not perform equally well. Safety focus during 2007 was therefore to assemble a combined business Health & Safety strategy. The strategy had to take into account the varying types of manufacture, distribution and office based roles. Delivery of the strategy commenced during 2007 and will continue through 2008. Much of the framework of the strategy is taken from the Bread Bakery business which has demonstrated an excellent improvement curve over the past three years.

The 2008 Business Safety Strategy revolves around 4 key themes:

1. Clearly defined safety roles and responsibilities for all employees.
2. A management led safety improvement process that revolves around tours of the workplace to identify and remove hazards.
3. Independent safety audits for each site that produces a gap analysis and action plan.
4. Focus on process safety and the detail behind the safe control of the varying processes we run.

The base principle of the full strategy is a greater site focus on the removal of risk.

Environment

As a leading food producer, Premier Foods is aware of its responsibility to the environment and is committed to monitoring, managing and seeking continually to improve its environmental performance. Our objective is to provide a comprehensive framework of good environmental management practices that are applied across the business and are extended as far as practicable to our supply chain.

Good environmental performance demonstrates high standards of corporate responsibility and generates cost saving opportunities. We believe that every individual has an important role to perform in ensuring that the environmental standards are properly applied. A professional Environmental function has been established to provide advice and guidance in discharging this responsibility and in ensuring compliance with relevant environmental legislation. The Company has in place emergency procedures to minimise the environmental impact of potential incidents.

Corporate governance
continued

We aim to create a culture of awareness of the cost and impact of environmental issues across the business, including assessing the environmental impact of capital projects. The Company considers the environmental impact of the products that it makes and the sourcing of raw materials, taking care to minimise the use of materials that deplete natural resources, and recognising its responsibility with regards to the use of agrochemicals in the supply chain. We do not currently use or intend to use biomass fuels, produced from primary agricultural products, in our production processes. We have developed an energy strategy and this involves evaluating alternative energy sources, which we consider to be appropriate to our business needs. We operate a utility reduction programme, the results of which are tracked on a Carbon Trust funded database and we currently have projects looking at the viability of producing electricity and heat from process residues and waste; the feasibility of using wind turbines on certain sites; and the use of biomass fuels derived from waste and by-product materials.

The Company is developing a sustainability matrix in relation to production and brands which seeks to set minimum standards that are applied and monitored for compliance and effectiveness, and to identify opportunities for improvement. This includes setting targets aimed at delivering and demonstrating continual improvement in relation to our carbon footprint, packaging (including participation in the Waste Resources Action Programme ("WRAP")), waste (generation and handling), water, ethical trading , animal welfare and sustainable agriculture.

The Company endorses and supports the Food and Drink Federation's "Five-Fold Environmental Ambition" launched in October 2007, which challenges members to:

- Achieve a 20% absolute reduction in CO_2 emissions by 2010 compared to 1990 and to show leadership nationally and internationally by aspiring to a 30% reduction in CO_2 emissions by 2020.
- Send zero food and packaging waste to landfill from 2015.
- Make a significant contribution to WRAP's work to achieve an absolute reduction (340,000 tonnes) in the level of packaging reaching households by 2010 compared to 2005 and provide more advice to consumers on how best to recycle or otherwise recover used packaging.
- Achieve significant reductions in water use to help reduce stress on the nation's water supplies and contribute to an industry-wide absolute target to reduce water use by 20% by 2020 compared to 2007.
- Embed environmental standards in our transport practices to achieve fewer and friendlier food transport miles, and contribute to an absolute target for the food chain to reduce its environmental and social impacts by 20% by 2012 compared to 2002.

The Company continues to improve its performance in terms of energy use. The Specific Energy Consumption (SEC) for the year was 525 kWh delivered energy per tonne of product. The Climate Change Agreement (CCA) returns indicate that the Group is on track to meet its Milestone 4 target at the end of September 2008. The Group now operates at 40.2 kilogrammes of carbon per tonne of product, which is 10% less carbon emissions per tonne than in 2000 (Enviros). Over the CCA year the Group achieved an overall reduction of 0.6% in its carbon emissions per tonne of product. Six of the Group's manufacturing sites are or will be required to join the European Emissions Trading Scheme in 2008 and are working towards participation with this scheme.

Waste disposal to landfill has been reduced to 9.3 kilogrammes per tonne of product. This represents a further reduction of waste sent to landfill of 11% year on year. This reduction has been achieved through a combination of site based waste reduction initiatives and improved waste segregation at source which has led to an increase in the number and quantity of materials sent for recycling and recovery. The Company is actively seeking to eliminate waste from all areas of operation and is working in conjunction with a waste management service provider to identify further opportunities for diverting waste from landfill by increasing the proportion of materials sent for recycling and recovery.

The Company has recently signed up to the Food and Drink Federation House Commitment, a high level commitment developed by the FDF in conjunction with Envirowise. The Commitment will be used to measure the collective contribution that FDF members make towards an industry-wide absolute target to reduce water use, outside of that embedded in products themselves, by 20% by 2020 against a 2007 baseline.

The overall water consumption throughout the Group was 2.49 cubic metres per tonne of product. It is anticipated that significant reductions in water consumption will be made over the next twelve months as a result of site based water reduction initiatives and the completion of a number of infrastructure projects designed to recycle and reuse wastewater.

Continuing efforts have been made to reduce the amount of packaging used on products. The Company has been actively working with WRAP to reduce the packaging weights on a range of products. The weight of packaging used throughout the Group was 80 kilogrammes per tonne of product. The reduction in the weight of packaging used as a result of the various packaging reduction initiatives is expected to be reflected in the audited annual packaging submission, which will be available at the end of March 2008.

Two major projects to upgrade and improve effluent treatment facilities were completed in 2007. The Group continues to monitor and improve its record in relation to environmental management. The Company views its obligations very seriously, and constantly takes steps to improve effluent controls.

There are twelve manufacturing sites within the Group that are regulated under the Integrated Pollution Prevention Control (IPPC) Regulations. These sites have applied for and have been issued with Permits to operate under the Regulations. All sites undertake the prescribed emissions monitoring, and submit the required reports within the prescribed timescales.

The Company avoids the use of genetically modified ingredients in its products. It seeks to ensure that ingredients and products are sourced and produced in a manner that addresses both security of supply and sustainability issues. The Company is committed to developing these areas with its supply chain partners and to developing sustainable sourcing programmes for agricultural raw materials, ingredients, goods and services.

Employees

As a major employer, Premier Foods is aware of its responsibility to its employees and our policy on employee welfare and human rights sets a minimum standard to which all of the Group companies adhere in order to meet their moral, legal, ethical and humanitarian responsibilities. Our policy incorporates the standards set out in the Ethical Trading Initiative and is encapsulated within our Ethical Assurance Policy Statement of Principles.

It is our policy that each of our manufacturing sites is audited over a 3 year rolling period for compliance with our ethical standards.

We recognise that our employees are our single most valuable asset and we strive to be an employer of choice in the areas in which we operate. We have high expectations of all staff and everyone is required to perform and deliver value. This creates an environment that is both challenging and rewarding, thus enabling employees to develop quickly and pursue new opportunities.

Following the acquisition of RHM, we were committed to ensuring the appointment and retention of the "best of the best" from the combined management group including the appointment of 2 ex-RHM directors to the Operations Board. We believe that this has provided a strong platform to support the integration and ongoing performance of the underlying business.

We are committed to a fair but robust approach to equal opportunities in all areas of our business, with people gaining promotion on merit. We recruit, train, promote and retain skilled and motivated people irrespective of sex, age, marital status, disability, sexual orientation, race, religion, ethnic or national origin. In line with this commitment we also promote a culture of openness and responsibility within our business. The Group has in place specific disciplinary and grievance procedures, and welcomes the reporting of genuine and serious grievances or alleged breaches of Company policy. No employee will suffer as a consequence of notifying such alleged breaches in accordance with the Whistle Blowing Policy.

In accordance with our core values, we believe that every employee should be treated with the same respect and dignity and we are committed to providing a working environment that is free from bullying and harassment. We will not tolerate bullying or harassment in the workplace either as a management style or between work colleagues and will take disciplinary action against any employee who is proven to have bullied or harassed others.

In order to promote career development, the Group provides its employees with access to relevant training and development schemes through in-house training, educational assistance, participation in National Vocational Qualification Schemes and encouraging professional memberships. The aim is to ensure that there is a highly trained and motivated workforce, capable of meeting the highest standards required by customers and investors. A significant number of employees participate in a formal performance and development review at least annually, and we are continuing to develop this process across the entire business.

A key element of our employment package relates to the provision of retirement benefits for employees. Premier provides a valuable range of defined benefit and defined contribution pension schemes in which the majority of our employees participate. The Company also operates an all-employee sharesave scheme that has been developed to more closely align an element of employee reward to business value enhancement.

Premier Foods continues to seek ways in which the Group's internal communications framework can be further enhanced as we recognise the value of good communication in engaging our employees towards the achievement of common goals. We have a number of employee consultation and communication mechanisms in place including:

- Regular communication meetings with employees within the organisation.
- Intranet site.
- Specific consultation and involvement regarding major changes to business operations.
- Employee questionnaires.

Corporate governance
continued

Premier Foods' Integration Employee Communication was Class Winner in the Strategic Change/Merger category of the Communicators in Business Central Awards (announced 1st February 2008) for its work bringing Premier and RHM together.

We recently conducted an exercise to review the employer brand of the new enlarged Premier Group with a selection of employees from across the business. The output from this exercise has been invaluable in helping to shape the ongoing employee strategy and action plan. Our progress in implementing this strategy will be a KPI, which is regularly reviewed by the Operations Board.

External stakeholders
At Premier, we recognise the importance of participating in and having an open dialogue with our external stakeholders.

Our communities
Each site is encouraged to actively participate with the local community and encourage regular dialogue. We endeavour to be a good neighbour and minimise the impact of our operations on the local communities. We bring employment opportunities, both directly and indirectly, to the areas in which we operate. Our policy is to recruit local people where possible.

Charitable donations
During 2007, the Group made charitable donations amounting to £158,000 (2006: £52,000). The annual donations budget is administered locally to a policy directed predominantly towards assisting those communities in which the Group's businesses are located and in addition the Group makes donations to national charitable organisations.

Industry forums
We actively engage with industry forums that represent manufacturing in both the UK and Europe and that impact on our key product groups. This assists in responding to and controlling legislative change, shaping future codes of practice and communicating industry issues. Bodies that we participate with include (but are not restricted to):

The Food and Drink Federation	Sustainability and Regulatory Affairs Committee
Food Processors Association	Campden and Chorleywood Food Research Association
Organisation of European Industries transforming Fruit and Veg	Leatherhead Food International
BCCCA (Biscuit, Cake, Chocolate and Confectionery Association)	Inter Company Consumer Affairs Association
The Consumer Goods Study Group	Health and Safety Affairs Association
The Soil Association	Royal Society for the Prevention of Accidents
The Honey Association	British Safety Council
The Ethical Trading Initiative	

Policy statements in relation to the above are available on our website: www.premierfoods.co.uk.

Directors' remuneration report
For the year ended 31 December 2007

This report, prepared by the Remuneration Committee ("the Committee") on behalf of the Board, has been prepared pursuant to Schedule 7A of the Companies Act 1985 and the Listing Rules issued by the Financial Services Authority.

Remuneration Committee

Membership

The Committee comprised the following independent non-executive directors during the financial year to 31 December 2007:

David Felwick CBE (Committee Chairman)
Sharon Hintze
Louise Makin
Ian Ramsay – retired 10 May 2007

Christine Cross was appointed as an additional member of the Committee on 21 January 2008.

Meetings

During 2007 the Committee met on seven occasions. David Felwick, Sharon Hintze and Louise Makin attended all the meetings. Ian Ramsay attended all the meetings held up to the point of his retirement on 10 May 2007. The Chairman, David Kappler, and the Group Chief Executive, Robert Schofield are invited to attend the Committee's meetings, when appropriate.

Role

The Board has delegated to the Remuneration Committee responsibility for reviewing and recommending the pay and benefits and contractual arrangements of the Chairman, executive directors and the Company Secretary and for overseeing the Group's share plans and bonus schemes.

The Committee recommends and monitors the structure and levels of remuneration for senior managers throughout the Group and ensures that contractual terms on termination, and any payments made, are fair to the individual and the Company, ensuring that failure is not rewarded and that the departing manager's duty to mitigate loss is fully recognised.

It is committed to principles of accountability and transparency to ensure that remuneration arrangements demonstrate a clear link between reward and performance. In its work, the Committee considers fully the principles and provisions of the Combined Code on Corporate Governance and its terms of reference are available on the Group's website: www.premierfoods.co.uk.

Responsibilities

- To review and recommend the remuneration policy of executive directors and senior managers.
- Within this policy, agreeing individual remuneration packages for the Chairman, executive directors and senior managers, including the Company Secretary.
- Reviewing and recommending the terms and conditions to be included in service agreements for executive directors.
- Reviewing and recommending any employee share based incentive schemes.
- Reviewing and recommending changes to the rules of employee share based incentive schemes.
- Reviewing and recommending appropriate performance conditions and targets for the variable element of remuneration packages.

Advisers

Deloitte & Touche LLP ("Deloitte") were appointed by the Committee as their retained advisers in 2005, and continue to provide advice to the Committee on matters relating to remuneration, including market comparison data and best practice. During the year Deloitte also provided valuation services to the Group. Additional advice in relation to the Premier Foods Co-Investment Plan ("CIP") was provided by New Bridge Street Consultants.

The Committee consults with the Chairman and the Chief Executive as appropriate, and is also supported by the Director of Human Resources.

Directors' remuneration report
continued

Activities
During the year the Committee:

- Conducted an internal effectiveness review which concluded that there were no items of concern which needed to be considered by the Committee.
- Reviewed the remuneration policy for executive directors and senior managers, including the Company Secretary.
- Carried out 2007 salary reviews for executive directors and senior managers, including the Company Secretary.
- Reviewed and recommended the annual bonuses for the executive directors in respect of 2006 and set the targets for the annual bonus in respect of 2007.
- Approved proposals to pay variable discretionary bonuses to senior managers, subject to the achievement of synergy savings in 2008, following the acquisition of Campbell's in 2006 and RHM in 2007.
- Granted awards under the employee sharesave scheme ("SAYE") 2007, which included all eligible employees in the United Kingdom and Ireland.
- Recommended to Trustees awards to be made under the 2007 Long-Term Incentive Plan ("LTIP"). This included awards made to senior management who were previously employed by RHM, prior to the acquisition in March 2007.
- Reviewed the performance conditions of the Premier Foods Co-Investment Plan ("CIP") to ensure that they were appropriately challenging and approved awards to be made in 2007.
- Granting awards over Premier Foods shares for participants who previously held awards under share schemes operated by RHM. This included awards for option holders under the RHM Group sharesave scheme and the grant of replacement awards under the Premier Group Performance Share Plan (see page 43).

Remuneration policy

Broad policy
The broad policy of the Board and the Committee is to continue to set remuneration levels so as to attract and retain high-calibre executives and to encourage and to reward superior business performance. Remuneration for executive directors is intended to reward against criteria that are relevant and realistic but also challenging, so that superior performance is encouraged. Therefore, remuneration policy is reviewed annually and focuses on performance-related incentives, as well as annual salary, to encourage the alignment of operating objectives as well as delivering shareholder value.

Annual salaries continue to be rigorously tested and reviewed and set at levels not normally exceeding median. In relation to bonuses and long-term incentive plans, the policy will continue to be to provide an opportunity for executives to earn total remuneration packages in the upper quartile range, provided that stretching and demanding performance conditions are met.

The Committee have reviewed all aspects of the remuneration policy, including pay benchmarking for the most senior roles and consideration of the performance measures used, and have not made any changes to the remuneration policy adopted in 2005.

The remuneration policy in place for senior executives is designed to place emphasis on key performance objectives and strengthening executive shareholding.

While committed to the use of equity-based performance-related remuneration as a means of aligning directors' interests with those of shareholders, the Committee is aware of shareholders' concerns on dilution through the issue of new shares to satisfy such awards. Therefore, when reviewing remuneration arrangements, the Committee takes into account the effects such arrangements may have on dilution.

In determining the remuneration arrangements for executive directors, the Committee is sensitive to the pay and employment conditions elsewhere in the Group, especially when determining base salary increases.

Share ownership
A minimum shareholding requirement was introduced in 2006 whereby executive directors are required after three years to hold shares with a market value at least equal to their annual basic salary. At 31 December 2007, Mr Schofield held shares with a total market value equivalent to 4.01 times his annual basic salary and Mr Thomas held shares with a total market value equivalent to 3.25 times his annual basic salary.

Remuneration for executive directors
The Committee considers that the remuneration package of an executive director should be aligned closely with the interests of shareholders and, therefore, that a significant proportion of the remuneration package should be performance related.

In arriving at the balance between fixed and variable remuneration it is agreed that the fixed portion will relate only to annual salary, whilst the variable portion includes both annual bonuses and long-term incentive arrangements.

It is the Committee's policy that, for 2008, the balance between fixed and variable remuneration for the executive directors shall be as follows:

	At Target	At Maximum
Chief Executive Officer	40% Fixed : 60% Variable	13% Fixed : 87% Variable
Finance Director	44% Fixed : 56% Variable	16% Fixed : 84% Variable

Base salaries
Basic salary for executive directors takes into account the responsibilities and performance of the individual. This is normally reviewed annually unless responsibilities change. Salary levels are set with reference to the relevant marketplace for companies of a comparable size and complexity, and for 2008 have been set at £606,900 (2007:£595,000) for the Chief Executive and £408,000 (2007: £400,000) for the Finance Director.

Annual bonus
At the discretion of the Committee, executive directors are eligible to receive an annual bonus subject to the achievement of performance targets (which are set each year by the Committee). Bonus potentials are set on an individual basis. Executive directors are required to defer 50% of any such bonus earned into shares in the Company until they have built up a significant personal shareholding in the Company (see page 40). The deferred bonus shares will normally vest three years after their award. Generally, the deferred bonus shares will not be forfeitable. However, in the event that the executive's employment is terminated by reason of his gross misconduct or by reason of a material breach of his employment contract, his deferred bonus shares may, at the discretion of the Remuneration Committee, be forfeited.

For 2008, the annual bonus potentials are set at 100% of salary for Mr Schofield and 75% for Mr Thomas, with a target level of 50% of salary and remain unchanged from 2007. The performance targets will be based on profit before tax and growth in branded sales. Bonuses are not pensionable.

In 2007 Mr Schofield and Mr Thomas were paid discretionary bonuses of £125,000 and £75,000 respectively in recognition of their contribution to the successful acquisitions of Campbell's and RHM.

Pensions
Mr Thomas is a member of the Premier Foods Pension Scheme ("PFPS") which is a funded, registered, scheme that provides benefits on a defined benefit (final salary) basis and is contracted out of the State Second Pension. Under the PFPS he accrues benefit at the rate of 1/45th of final salary for each year of pensionable service. Final salary is subject to a Scheme "earnings cap" equivalent to that previously imposed by the Finance Act 1989. Mr Schofield elected for enhanced protection under the Finance Act 2004 with effect from 6 April 2006, and no longer accrues benefits under the Scheme. Instead Mr Schofield receives a payment in lieu of pension accrual which is included in his salary. His benefit accrued up to 6 April 2006 continues to be linked to his final salary, subject to the Scheme earnings cap. Further details of pension arrangements can be found on page 48.

Other benefits
Each executive director is entitled to a car and telecommunication services and an allowance for personal tax and financial planning. Each executive director is also provided with private health cover and permanent health insurance. Mr Thomas is entitled to a housing allowance of £18,303 p.a.

Other directorships
The Group is supportive of executive directors who wish to take on a non-executive directorship with a publicly quoted company in order to broaden their experience. They are entitled to retain any fees they may receive. Neither Mr Schofield nor Mr Thomas currently serves as a director of another public company.

Share Plans
Following the acquisition on RHM during 2007, the Company implemented new long-term incentive arrangements for executive directors and key senior executives, after the Committee determined that the size and scale of the transaction justified a review of the Company's existing remuneration arrangements.

The CIP is intended to be the primary long-term incentive arrangement for executive directors and other key individuals and looks to ensure that those who are most able to have a real impact on performance are sufficiently and appropriately incentivised.

The Premier Foods LTIP will be retained for the purposes of incentivising other members of senior management. It is intended that individuals will not be invited to participate in both plans in the same year other than in exceptional circumstances (e.g. in relation to recruitment).

There is currently no intention to grant further options to executive directors under the Premier Foods plc Executive Share Option Scheme ("ESOS"), other than in exceptional circumstances.

Directors' remuneration report
continued

In 2007 the Company also adopted the Premier Group Performance Share Plan ("PSP"). The awards granted under this plan were made to individuals previously employed by RHM and replaced awards previously made under the RHM Group Performance Share Plan that lapsed on the date of the completion of the RHM acquisition. There is currently no intention to grant further awards under the PSP, other than in exceptional circumstances.

Awards made under the CIP, LTIP, ESOS and PSP are all subject, in part, to Total Shareholder Return ("TSR") based performance conditions. All TSR measurements for the purposes of calculating vesting under the relevant plans will be calculated on an independent basis by Deloitte.

Co-Investment Plan
The CIP requires participants to commit and retain a significant amount of capital in the form of Premier Foods shares. The purpose of the commitment is so that the participants are encouraged to adopt the attitudes of shareholders.

CIP participation is restricted to individuals who will have a real and measurable impact on the delivery of Group performance targets and long-term growth in shareholder value. Based on the current senior team of Premier, this is considered to be 12 to 15 individuals (including the executive directors). However, this number may grow to reflect executive responsibilities, but shall not be more than 20 in any one Plan cycle. Participants in the CIP will not be eligible for participation in any other form of discretionary share plan operated in the same year other than in exceptional circumstances.

The CIP is structured as a share matching plan. An investment of shares pledged or purchased by the participant can be matched by Company-provided shares on the basis of the achievement of the performance targets over a three year period. To the extent that the performance conditions are achieved, then the level of Company matching of the purchased/pledged shares is enhanced. At the maximum level of performance, a match of 3:1 (i.e. 300%) Company shares is provided for the achievement of exceptionally stretching performance criteria.

At the time awards vest under the CIP participants will be required to retain no less than half of the vested matching shares until such time that they are no longer an employee of the Company.

The Committee will decide the maximum level of individual share purchases or pledges that may be made within the terms of the CIP, taking account of Company and individual performance. At the discretion of the Committee, the maximum level of invested shares pledged or purchased by executive directors is 200% of salary.

In respect of the 2007 grant cycle for the CIP, Mr Schofield was invited to pledge into the plan shares up to a value of 200% of salary and Mr Thomas up to a value of 150% of salary. Both Mr Schofield and Mr Thomas decided to pledge up to the full level of invitation.

At tiers of participation below executive director level, the level of investment from the employee will be set at a maximum of 100% of base salary.

In subsequent years of the CIP's operation, the Committee will decide the appropriate level of share purchase/pledge, and the associated match (up to a maximum of 3:1), taking full account of Company and personal performance at that time. For the 2008 grant cycle, Mr Schofield and Mr Thomas will be invited to pledge or purchase into the scheme shares up to the value of 200% and 150% of salary respectively.

Performance will be measured on the basis of strong EPS growth and by delivering shareholder returns ahead of those provided by the market. The Committee therefore agreed a performance target for the CIP awards which was based on a combination of EPS growth performance measured in absolute real terms, and performance against the constituent companies of the FTSE 250 Index (excluding investment trusts) over a three year period. Following the publication of ABI guidelines in 2007 which recommended that lengthy averaging periods should be avoided when calculating TSR the Committee has agreed that for awards under the CIP made in 2008 and future years a 3 month TSR averaging period will be adopted. The interaction between these two key performance criteria is as follows:

		Potential match available as % of executive share price								
Real EPS growth p.a.	17.0%+	0%	0%	50%	100%	150%	200%	250%	300%	300%
	14.0% <17.0%	0%	0%	0%	50%	100%	150%	200%	250%	300%
	11.0% <14.0%	0%	0%	0%	0%	100%	150%	200%	250%	250%
	8.0% <11.0%	0%	0%	0%	0%	50%	100%	150%	200%	250%
	5.0% < 8.0%	0%	0%	0%	0%	50%	100%	100%	150%	200%
	< 5.0%	0%	0%	0%	0%	0%	50%	100%	100%	150%
		10th Percentile	20th Percentile	30th Percentile	40th Percentile	50th Percentile	60th Percentile	70th Percentile	80th Percentile	90th Percentile
		TSR against FTSE 250 index constituents								

It should be noted that a combination of truly exceptional real annual EPS growth and TSR market out-performance is required for the maximum match. The Committee believes that the performance scale represents a truly exceptional level of stretch which will require a confluence of both internal and external factors.

There will be no retesting of performance conditions under the CIP. To the extent that performance conditions are not met on the vesting date, all matching awards shall lapse.

The Company believes that this performance matrix remains robust and therefore intends to apply the same condition in respect of awards to be granted in 2008.

Long-Term Incentive Plan
Awards under the LTIP have been made since 2005 (see page 47). The executive directors will not participate in future awards.

Following the approval and implementation of the CIP, the Committee also reviewed the performance conditions of the LTIP. The Committee has decided that the performance conditions used for the CIP will also apply to the LTIP, in order to align all levels of senior management.

Vesting of awards under the LTIP will therefore be subject to a combination of EPS growth and TSR-based performance conditions, as measured over a three-year period. The vesting schedule for the CIP (as detailed above) will also apply to future awards made under the LTIP, with the exception that no investment shares will be required in order to qualify for matching shares. As with the CIP for awards under the LTIP made in 2008 and future years a 3 month TSR averaging period will be adopted.

The maximum value of initial awards under the LTIP will be 33.3% of base salary with the potential to achieve up to three times this award (i.e. 300% match) for exceptional EPS and TSR performance. As in previous years, awards for full vesting therefore remain capped at 100% of base salary.

As with the CIP, there will be no retesting of performance conditions under the LTIP. To the extent that performance conditions are not met on the vesting date, LTIP awards shall lapse.

The Committee may determine that alternative secondary performance conditions might apply for future awards under the LTIP.

Premier Group Performance Share Plan
As part of the process of ensuring a successful integration of the RHM business into the Premier Foods group, during the year former RHM employees who held outstanding RHM share awards were given the opportunity to receive proportionate replacement Premier Foods awards. As previously disclosed, the size of these special "rollover" awards correspond to the 2005 and 2006 RHM PSP awards which lapsed due to the pro-rating of the awards, as a result of the acquisition.

The performance conditions applicable to these replacement awards are identical to the performance conditions on outstanding Premier Foods LTIP awards for the equivalent performance periods (see above). The Committee believes that this is the most appropriate way of aligning all levels of senior management throughout the enlarged Premier Foods Group.

The awards replacing the 2005 RHM PSP awards will ordinarily vest in July 2008, subject to continued employment and the same performance conditions as applied to the 2005 LTIP awards. Similarly, the awards replacing the 2006 RHM PSP awards will ordinarily vest in July 2009, subject to continued employment and the same performance conditions as applied to the 2006 LTIP award. The current intention is that no further awards will be granted under the PSP, other than in exceptional circumstances.

Directors' remuneration report
continued

Share options

The Premier Foods plc Executive Share Option Scheme (the "ESOS")
The Company adopted the ESOS at the time of Admission. Options granted under the ESOS may be exercised between three and 10 years after grant provided that the applicable performance criteria have been met.

Options were granted to executive directors under the ESOS at the time of flotation in 2004. The grants were split into three portions, each subject to a stretching performance condition. Two of the portions (representing 50% of the total award) are subject to a performance condition based on TSR, and the third portion (representing the other 50% of the total award) is subject to a performance condition based on adjusted EPS. The performance conditions (which are summarised in the table below) were chosen because they align the interests of executive directors with those of shareholders.

TSR: against FTSE 250	TSR: against select comparator group	EPS
25% of Option	25% of Option	50% of Option
50% of the above portion vests for median performance, rising on a straight-line basis to full vesting for upper quartile performance.	Full vesting of the above portion if the Company is in first or second position of the comparator group; 75% of the above portion if the Company is in third position. 50% of the above portion if the Company is in fourth position. None of the above portion if the Company is below fourth position.	Increase in adjusted earnings per share must be equal or exceed the cumulative increase in the retail price index plus 3% per annum, over the three-year performance period.
No retesting	No retesting	One retest at end of fourth year (from same base year)

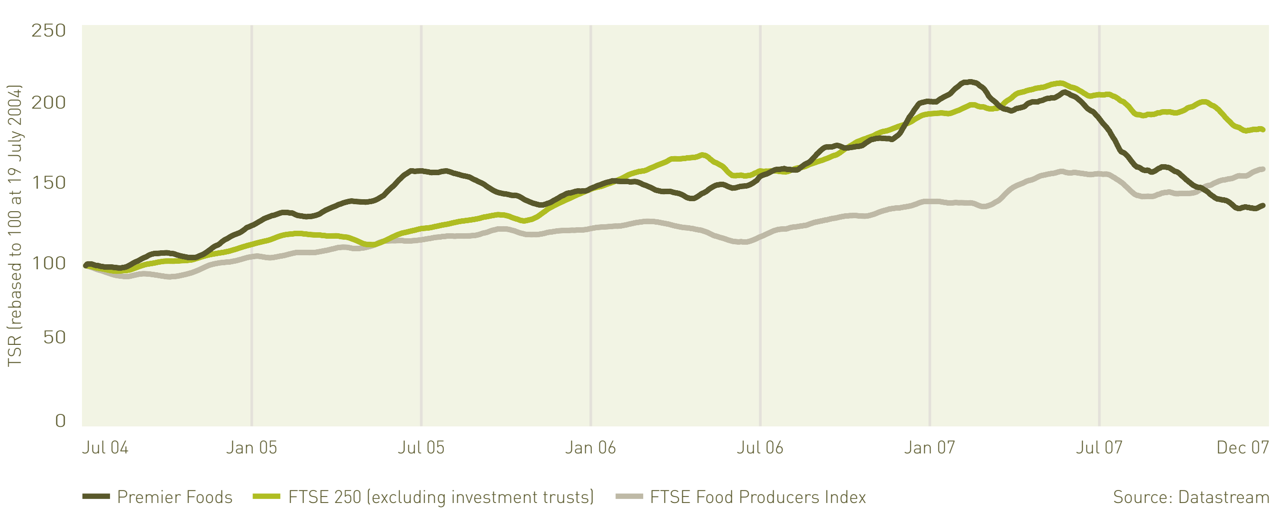
In respect of the 2004 ESOS awards, the performance periods for the two TSR portions of the award ended during 2007. Following independent review of performance, the Committee decided that 37.5% of the total award vested and became available for exercise; accordingly 12.5% of the award lapsed on this date. The remaining 50% of the award, which is subject to EPS targets will be considered by the Committee following the year end.

The current intention is that no further options will be granted under the ESOS, other than in exceptional circumstances (e.g. in relation to recruitment).

Performance graph

The following graph shows the TSR performance of the Company since listing in July 2004, against the FTSE 250 (which was chosen because it represents a broad equity market index of which the Company is a constituent) and the FTSE Food Producers and Processors Index (which was chosen because it contains the Company's key comparators).

TSR was calculated by reference to the growth in share price, as adjusted for reinvested dividends.



All employee share schemes
The Company offers annual invitations to employees to participate in Savings Related Share Option Schemes and in 2007 this was extended to include all Republic of Ireland-based employees. Executive directors may also participate in the Company's Savings Related Share Option Scheme, on the same basis as all other employees. There are no performance conditions attached to these schemes.

Service agreements

The Committee periodically reviews the Company's policy on the duration of directors' service agreements, and the notice periods and termination provisions contained in those agreements. The current policy of the Committee is that notice periods contained in executive directors' service contracts should be limited to 12 months (other than in exceptional circumstances, such as for the purposes of recruitment) and that provisions for early termination should reflect prevailing market practice.

Executive directors have service agreements that continue until terminated by 12 months' notice on either side. Both Mr Schofield's and Mr Thomas' service agreements are dated 20 July 2004.

In the event of early termination (other than for a reason justifying summary termination in accordance with the terms of the service agreement) the Company may (but is not obliged to) pay to the executive director, in lieu of notice, a sum equal to the annual value of the executive director's then salary, benefits, pension contributions and on-target bonus (calculated on a pro rata daily basis) which he would have received during the contractual notice period the sum of which shall be payable in 12 monthly instalments. To the extent that the executive director receives any sums as a result of alternative employment or provision of services while he is receiving such payments from the Company, the payments shall be reduced by the amount of such sums.

The service contracts of executive directors do not provide for any enhanced payments in the event of a change of control of the Company.

None of the non-executive directors have employment contracts with the Company. However, each has entered into a letter of appointment with the Company confirming their appointment for periods ranging from two to three years, unless terminated by either party giving the other one month's written notice. The appointments are subject to the provisions of the Companies Act 1985 and 2006 and the Company's Articles of Association, in particular the need for periodic re-election. Continuation of an individual non-executive director's appointment is also contingent on that non-executive director's satisfactory performance, which is evaluated annually.

There are no provisions for compensation being payable upon early termination of an appointment of a non-executive director.

Details of non-executive appointment periods appear below:

	Date of current appointment or reappointment	Expiry Date	Notice Period
David Kappler	14 June 2006	13 June 2008	One month
David Felwick CBE	20 July 2007	19 July 2010	One month
Sharon Hintze	14 June 2006	13 June 2008	One month
Louise Makin	1 October 2006	30 September 2009	One month
Ian McHoul	20 July 2007	19 July 2010	One month

Directors' interests in ordinary shares

The interests of directors all of which are beneficial at the beginning and end of the year in shares in Premier Foods plc were:

	Fully paid Ordinary Share of 1p each	
	As at 31.12.07	As at 31.12.06
Robert Schofield	1,163,040	1,113,040
Paul Thomas	626,836	606,836
David Kappler	247,558	232,558
David Felwick CBE	74,418	74,418
Sharon Hintze	16,000	Nil
Louise Makin	4,000	Nil
Ian McHoul	84,418	74,418

Directors' share interests include the interests of their spouses, civil partners and infant children, or step children as required by Section 822 of the Companies Act 2006. There were no changes in the beneficial interests of the directors in the Company's shares between 31 December 2007 and 3 March 2008.

Directors' remuneration report
continued

Information subject to audit

Remuneration of Executive directors year ended 31 December 2007

Details of the payments made to executive directors in respect of the year ended 31 December 2007 are shown below:

	Salary & Fees 2007 £	Annual Bonus 2007 £	Benefits 2007 £	Total 2007 £	Total 2006 £
Robert Schofield	593,525	125,000	18,280	736,805	543,967
Paul Thomas	394,500	75,000	20,251	489,751	399,551

Benefits include payments made in relation to housing, tax advice, private health insurance and car and fuel cost.

Remuneration of non-executive directors

The remuneration of the non-executive directors is determined by the Chairman and executive members of the Board, and the remuneration of the Chairman is determined by the Remuneration Committee. Details of the payments made to non-executive directors is shown below:

	Fees £	Committee Chairman's Fees £	Committee Membership Fees £	Total 2007 £	Total 2006 £
David Kappler	203,750	1,500	1,250	206,500	134,500
David Felwick CBE	55,500	9,000	3,750	68,250	62,250
Sharon Hintze	51,750	–	2,500	54,250	51,500
Louise Makin	51,750	–	2,500	54,250	13,000
Ian McHoul	51,750	12,125	2,500	66,375	61,000
Ian Ramsay[1]	19,667	–	2,500	22,167	51,500

(1) Ian Ramsay resigned at the AGM on 10 May 2007.

From 1 April 2007, the basic fee for a non-executive director increased to £55,000 (2006: £42,000) and now incorporates Committee Membership Fees which were previously paid separately. The basic fee for the Chairman of the Group increased to £230,000 from 1 April 2007, reflecting the increased size and scale of the business following the Campbell's and RHM acquisitions. The Chairmen of the Remuneration and Audit committees receive £10,000 and £12,500 respectively and the senior independent director receives an additional fee of £5,000.

The Chairman and the other non-executive directors are not eligible to participate in the Company's bonus arrangements, share option schemes, long-term incentive plans or pension arrangements.

Directors' interest in share options

At the beginning of the year and at 31 December 2007, the following directors had options to subscribe for shares of 1 pence each granted under the terms of the Premier Foods plc Executive Share Option Scheme or Savings Related Share Option Scheme:

	Options as at 31.12.06	Granted during the Year	Exercised during the Year	Lapsed during the year	Options as at 31.12.07	Adjusted exercise Price	Exercise Period
Robert Schofield	1,267,326[1]	–	–	158,416	1,108,910	169.65p	23.07.07 – 22.07.14
	2,078[2]	–	–	–	2,078	182.27p	01.06.08 – 30.11.08
	3,012[3]	–	–	–	3,012	186.22p	01.06.09 – 30.11.09
Paul Thomas	754,501[1]	–	–	94,313	660,188	169.65p	23.07.07 – 22.07.14
	2,078[2]	–	–	–	2,078	182.27p	01.06.08 – 30.11.08
	–	2,938[4]	–	–	2,938	196.00p	01.12.10 – 31.05.11

(1) Options granted under the Premier Foods plc Executive Share Option Scheme and subsequently adjusted for the rights issue of 14 August 2006. The portion of the award relating to TSR-based measures became partially exercisable during the year and the award lapsed to the extent performance conditions were not met. The portion of the award subject to EPS performance targets will be assessed by the Committee following the year-end.

(2) Options granted on 15 April 2005, under the Premier Foods plc Savings Related Share Option Scheme and subsequently adjusted for the rights issue of 14 August 2006. Exercise of these options are not subject to any performance conditions.

(3) Options granted on 18 April 2006, under the Premier Foods plc Savings Related Share Option Scheme and subsequently adjusted for the rights issue of 14 August 2006. Exercise of these options are not subject to any performance conditions.

(4) Options granted on 5 October 2007, under the Premier Foods plc Savings Related Share Option Scheme. Exercise of these options are not subject to any performance conditions.

On 31 December 2007 the market price of ordinary shares of Premier Foods plc was 204.75 pence and the range during 2007 was 185.25 pence to 335.25 pence. No options have expired unexercised during 2007.

There were no changes in the options held by the directors between 31 December 2007 and 3 March 2008. The Register of Interests, which is open to inspection, contains full details of directors' shareholdings and options.

Co-Investment Plan

The following table shows the executive directors' interests in shares awarded under the Premier Foods Co-Investment plan.

	Award Date	Market price on date of Awards	Number of shares pledged	Maximun matching Award	End of period when qualifying conditions must be met
Robert Schofield	16.05.07	315.5p	390,163	1,170,489	16.05.10
Paul Thomas	16.05.07	315.5p	196,721	590,163	16.05.10

The vesting of maximum awards under the CIP will be measured against a performance target which is based on a combination of EPS growth performance measured in absolute real terms, and performance against the constituent companies of the FTSE 250 Index (excluding investment trusts) over a three year period. The interaction between these two key performance criteria is shown on pages 42 and 43.

Long-Term Incentive Plan

The following table shows the executive directors' interests in shares awarded under the long-term incentive plan.

These figures represent the maximum potential award.

	Award Date	Market price on date of Awards	Awards held 31.12.06	Awards during the year	Awards held 31.12.07	End of period when qualifying conditions must be met
Robert Schofield	26.05.05	302.50p	182,849		182,849	26.05.08
	13.04.06	289.75p	198,155		198,155	13.04.09
Paul Thomas	26.05.05	302.50p	107,251		107,251	26.05.08
	13.04.06	289.75p	114,973		114,973	13.04.09

Vesting of awards is subject to the fulfilment of TSR-based performance conditions measured over a three year period against appropriate comparators. Relative TSR performance will be measured against two appropriate comparator groups: 50% based on performance measured against the FTSE 250 (excluding investment companies) and 50% based on performance measured against a group of relevant companies from the food sector[1]. For both parts of awards, 30% will vest for median performance, rising on a straight-line basis to full vesting for upper quartile performance.

In addition, to ensure that underlying financial performance is also achieved, vesting of awards will be subject to the minimum requirement that Premier Foods' EPS must have exceeded the growth in the UK Retail Prices Index by an average of at least 2% per annum, over the performance period.

(1) The food sector comparator Group for the 2005 and 2006 awards at the date of grant was Arla Foods plc, Associated British Foods plc, Cadbury Schweppes plc, Cranswick plc, Dairy Crest Group plc, Devro plc, Greencore plc, Geest plc, Northern Foods plc, Richmond Foods plc, Robert Wiseman Dairies plc, Tate & Lyle plc and Uniq plc. Richmond Group was removed from the Group after the company de-listed on 3 July 2006. Kerry Group plc were substituted into the Group for Geest plc who were taken over, and subsequently de-listed in May 2005. Kerry Group plc's TSR will be measured from the beginning of the performance period.

Directors' remuneration report
continued

Pension entitlements

The following tables set out information on the defined benefit pension entitlements of both Mr Schofield and Mr Thomas under the PFPS:

	Age at 31 December 2007	Years service at 31 December 2007	Total accrued benefit at 31 December 2007 £	Increase in accrued benefit during the year £	Increase in accrued benefit during the year, excluding inflation £
Robert Schofield	56	4 years 10 months	18,004	628	2
Paul Thomas	52	5 years 6 months	13,322	2,782	2,403

For each director, the total accrued benefit at 31 December 2007 represents the annual pension that is expected to be payable on eventual retirement, given the length of service and salary (subject to the earnings cap) of each director at 31 December 2007. The increase in accrued benefit earned during the year represents the increase in this expected pension (including the effect of inflation) when compared with the position at 31 December 2006. The increase in accrued pension excluding the effect of inflation over the year is also shown.

Requirements under:	Schedule 7A of the Companies Act 1985			The Listing Rules
	Transfer value at 31.12.06 of total accrued benefit £	Transfer value at 31.12.07 of total accrued benefit £	Increase in transfer value of accrued benefit during the year £	Transfer value of the increase in accrued benefit, excluding inflation £
Robert Schofield	213,800	230,100	16,300	0
Paul Thomas	109,300	143,600	34,300	25,900

All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the director's pension benefits. They do not represent sums payable to individual directors and therefore cannot be added meaningfully to annual remuneration.

For each director, the increase in transfer value of accrued benefits under the requirements of Schedule 7A of the Companies Act 1985 is the amount obtained by subtracting from the transfer value of the total accrued benefit at 31 December 2007 the corresponding transfer value at 31 December 2006. The transfer value of the increase in accrued benefits under the Listing Rules is the transfer value at 31 December 2007 of the increase in accrued benefits during the period, excluding inflation.

The transfer values disclosed above are net of directors' contributions and do not represent a sum paid or payable to the individual director. Instead, they represent a potential liability of the pension scheme.

David Felwick
Chairman of the Remuneration Committee
Premier Foods plc
3 March 2008

Financial statements

Independent auditors' report to the members of Premier Foods plc
The Group

We have audited the Group consolidated financial statements of Premier Foods plc for the year ended 31 December 2007 which comprise the Consolidated income statement, the Consolidated balance sheet, the Consolidated cash flow statement, the Consolidated statement of recognised income and expense and the related notes. These Group consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Premier Foods plc for the year ended 31 December 2007 and on the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the Group consolidated financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Group consolidated financial statements give a true and fair view and whether the Group consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group's consolidated financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement, the Chief Executive's summary, the Business review, the Financial review and the report on Corporate Governance that is cross referred from the Business review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group consolidated financial statements. The other information comprises the Chairman's statement, the Chief Executive's summary, the Business review, the Financial review, the unaudited part of the Remuneration report, the Directors' report and the Corporate Governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group consolidated financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group consolidated financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group consolidated financial statements.

Opinion
In our opinion:

- the Group consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss and cash flows for the year then ended;
- the Group consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group consolidated financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

3 March 2008

Notes:
(a) The maintenance and integrity of the Premier Foods plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements 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.

Independent auditors' report to the members of Premier Foods plc
The Company

We have audited the parent company financial statements of Premier Foods plc for the year ended 31 December 2007 which comprise the balance sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Premier Foods plc for the year ended 31 December 2007.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement, the Chief Executive's summary, the Business review, the Financial review and the report on Corporate Governance that is cross referred from the Business review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's statement, the Chief Executive's summary, the Business review, the Financial review, the unaudited part of the Remuneration report, the Directors' report and the Corporate Governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion
In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

3 March 2008

Notes:
(a) The maintenance and integrity of the Premier Foods plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements 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.

Consolidated income statement

	Note	Year ended 31 December 2007 £m	2006 (Restated)* £m
Continuing operations			
Turnover	4	**2,247.6**	840.7
Cost of sales		**(1,569.6)**	(596.7)
Gross profit		**678.0**	244.0
Selling, marketing and distribution costs		**(318.3)**	(65.2)
Administrative costs		**(286.1)**	(75.1)
Net other operating income/(expenditure)		**2.5**	(3.2)
Operating profit	6	**76.1**	100.5
Before exceptional items		**234.8**	119.9
Exceptional items	5	**(158.7)**	(19.4)
Interest payable and other financial charges	8	**(176.4)**	(56.3)
Interest receivable and other financial income	8	**26.8**	14.8
(Loss)/profit before taxation for continuing operations		**(73.5)**	59.0
Taxation credit/(charge)	9	**37.7**	(11.1)
(Loss)/profit after taxation for continuing operations		**(35.8)**	47.9
Loss from discontinued operations	10	**(27.5)**	(0.8)
(Loss)/profit for the year attributable to equity shareholders		**(63.3)**	47.1
Basic and diluted (loss)/earnings per share (pence)	11	**(8.2)**	12.7
Basic and diluted (loss)/earnings per share (pence) – continuing	11	**(4.6)**	12.9
Basic and diluted loss per share (pence) – discontinued	11	**(3.6)**	(0.2)
Dividends	12		
Recommended final dividend (£m)		**18.6**	12.6
Declared interim dividend (£m)		**36.3**	39.7
Recommended final dividend (pence)		**2.20**	2.55
Declared interim dividends (pence)		**4.30**	9.45

* Comparatives have been restated to reflect the disposals of the Fresh Produce business MBMG on 30 March 2007 and Erin Foods Limited on 28 May 2007. See note 10 for further details.

Consolidated balance sheet

	Note	As at 31 December 2007 £m	2006 (Restated)* £m
ASSETS:			
Non-current assets			
Property, plant and equipment	13	**607.6**	254.6
Goodwill	14	**1,648.9**	480.2
Other intangible assets	15	**1,237.8**	389.6
Current assets			
Non-current assets held for sale	10b	**30.6**	–
Inventories	17	**207.9**	120.6
Trade and other receivables	18	**329.3**	170.6
Financial assets – derivative financial instruments	21	**8.5**	6.9
Cash and cash equivalents	21	**23.9**	7.8
Total assets		**4,094.5**	1,430.3
LIABILITIES:			
Current liabilities			
Trade and other payables	19	**(538.5)**	(181.0)
Financial liabilities			
– short term borrowings	20	**(112.7)**	(131.5)
– derivative financial instruments	21	**(25.6)**	(3.5)
Accrued interest payable	21	**(12.9)**	(3.7)
Provisions	23	**(56.6)**	(7.7)
Current income tax liabilities		**(8.1)**	(6.9)
Non-current liabilities			
Financial liabilities			
– long term borrowings	20	**(1,529.7)**	(517.7)
Retirement benefit obligations	24	**(123.2)**	(84.7)
Provisions	23	**(17.7)**	(0.5)
Other liabilities		**(1.1)**	–
Deferred tax liabilities	22	**(208.1)**	(32.1)
Total liabilities		**(2,634.2)**	(969.3)
Net assets		**1,460.3**	461.0
EQUITY:			
Capital and reserves			
Share capital	25	**8.5**	5.0
Share premium	26	**760.6**	760.6
Merger reserve	26	**890.7**	(136.8)
Other reserves	26	**(3.1)**	–
Profit and loss reserve	26	**(196.5)**	(167.8)
Capital and reserves attributable to the Company's equity shareholders		**1,460.2**	461.0
Minority interest		**0.1**	–
Total shareholders' funds		**1,460.3**	461.0

* The 2006 comparatives have been restated for the final fair value adjustments in respect of acquired businesses which were previously determined on a provisional basis. See note 27 for further details.

The notes on pages 56 to 95 are an integral part of these consolidated financial statements.
Signed on behalf of the Board of Directors, who approved the financial statements on 3 March 2008.

Robert Schofield
Director and Chief Executive

Paul Thomas
Finance Director

Consolidated statement of recognised income and expense

	Note	2007 £m	2006 £m
		Year ended 31 December	
Actuarial gain	24	**135.3**	16.1
Deferred tax charge on actuarial gain	22	**(39.5)**	(5.1)
Fair value movement on net investment hedge		**(3.1)**	–
Deferred tax (charge)/credit on share options	22	**(1.1)**	1.5
Net income recognised directly in equity		**91.6**	12.5
(Loss)/profit for the year		**(63.3)**	47.1
Total recognised income in the year attributable to equity shareholders		**28.3**	59.6

Consolidated cash flow statement

	Note	2007 £m	2006 £m
		Year ended 31 December	
Cash generated from operating activities	28	**360.2**	91.9
Interest paid		**(122.8)**	(49.2)
Interest received		**24.8**	9.7
Taxation received/(paid)		**8.7**	(12.3)
Cash inflow from operating activities		**270.9**	40.1
Acquisition of Campbell's	27	**(0.3)**	(380.3)
Acquisition of RHM	27	**(306.1)**	–
Acquisition of Chivers Ireland	27	**(18.4)**	–
Sale of subsidiaries	28	**22.0**	–
Purchase of property, plant and equipment		**(115.9)**	(44.7)
Purchase of intangible assets		**(8.7)**	(12.3)
Sale of property, plant and equipment		**47.8**	4.5
Sale of intangible assets		**1.1**	–
Cash outflow from investing activities		**(378.5)**	(432.8)
Repayment of original borrowings		**(962.9)**	(29.1)
Proceeds from new borrowings		**1,901.5**	86.0
Proceeds from securitisation programme		**67.6**	–
Financing costs		**(18.8)**	(4.4)
Proceeds from share issue		**1.3**	458.6
Share issue costs		**(2.2)**	(17.0)
Purchase of own shares		**(3.0)**	–
Repayment of debt and interest acquired with RHM		**(793.5)**	–
Repayment of debt acquired with Campbell's		**–**	(88.6)
Dividends paid		**(61.1)**	(23.5)
Cash inflow from financing activities		**128.9**	382.0
Net inflow/(outflow) of cash and cash equivalents		**21.3**	(10.7)
Cash and cash equivalents at beginning of year		**2.5**	13.2
Cash and cash equivalents at end of year	28	**23.8**	2.5

Notes to the financial statements

1. General information
Premier Foods plc ("the Company") is a public limited company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office and principal place of business is identified on page 26. The principal activity of the Company and its subsidiaries ("the Group"), is the supply of branded and own label food and beverage products, as described in note 16.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 3 March 2008.

2. Accounting policies
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation
The consolidated financial statements of Premier Foods plc have been prepared in accordance with International Financial Reporting Standards ("IFRS's") as endorsed by the European Union ("EU"), International Financial Reporting Interpretation Committee ("IFRIC") interpretations, and the Companies Act 1985 applicable to companies reporting under IFRS, and on the historical cost basis with the exception of derivative financial instruments, defined pension schemes, and share based payments, that are incorporated using fair value. The principal accounting policies adopted are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

IFRS 7, "Financial Instruments: Disclosures", and the complimentary amendment to IAS 1, "Presentation of Financial Statements – Capital Disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group or Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

New standards and interpretations not applied.
During the year ended 31 December 2007, the International Accounting Standards Board ("IASB") and the "IFRIC" have issued the following standards and interpretations with an effective date after the date of these financial statements:

		Effective for accounting periods beginning on or after:
International Financial Reporting Standards		
IFRS 8	Operating segments	1 January 2009
International Financial Reporting Interpretations Committee		
IFRIC 11	IFRS 2 Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

IFRICs 12, 13 and 14 are not endorsed by the EU. These standards will be adopted by the Group in future accounting periods.

The Directors do not anticipate that the adoption of any of these standards and interpretations will have a material impact on the Group's financial statements except for segmental analysis. Although, the Group is not required to adopt "IFRS 8: Operating Segments" until the financial statements for the year ending 31 December 2009, the Group proposes to align its reportable segments next year into those components that best represent those segments about which separate financial information is available and which are evaluated by the board in deciding how to allocate resources and in assessing performance. To this end the expected segments next year will be Grocery, Chilled & Ireland, and Bread & Milling.

Certain of these standards and interpretations will require additional disclosures over and above those currently included in these financial statements in the period of initial application.

2.2 Basis of consolidation
The consolidated financial statements include the financial statements of Premier Foods plc and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The purchase method of accounting is used for all acquisitions.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recorded as goodwill.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where the Group completes its fair value exercise in accordance with IFRS 3, Business Combinations ("IFRS 3") in the year following acquisition, comparatives are restated for the final fair value adjustments, while comparatives are also restated to reclassify disposed businesses into discontinued operations.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

All inter-Group transactions, balances, income and expenses are eliminated on consolidation.

2.3 Turnover
Turnover comprises the invoiced value for the sale of goods net of sales rebates, discounts, value added tax and other taxes directly attributable to turnover and after eliminating sales within the Group. Turnover is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Turnover is recognised on the following basis:

(i) *Sale of goods*
Sales of goods are recognised as turnover on transfer of the risks and rewards of ownership, which generally coincides with the time when the merchandise is delivered to customers and title passes.

(ii) *Interest income*
Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iii) *Sales rebates and discounts*
Sales rebates and discount reserves are established based on management's best estimate of the amounts necessary to meet claims by the Group's customers in respect of these rebates and discounts. The provision is made at the time of sale and released, if unutilised, after assessment that the likelihood of such a claim being made has become remote.

2.4 Segmental reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments. Income and expenses that are not directly attributable to a particular segment are allocated based on levels of senior management activity on the basis that this closely reflects the use of the Group's resources.

2.5 Share Based payments
The fair value of employee share option plans is calculated using an option-pricing model. In accordance with IFRS 2, "Share Based Payment" ("IFRS 2"), the resulting cost is charged to the income statement over the vesting period of the options. The amount of the charge is adjusted to reflect expected and actual levels of options vesting.

2.6 Foreign currency translation
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling, the Group's presentational currency, at rates of exchange ruling at the end of the financial year.

The results of overseas subsidiaries with functional currencies other than in sterling are translated into sterling at the average rate of exchange ruling in the year. Exchange differences arising from retranslation at year end exchange rates of the net investment in foreign subsidiaries are recorded in reserves as a separate component of equity. When a foreign operation is sold exchange differences previously taken to equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

All other exchange gains or losses are recorded in the income statement.

Notes to the financial statements
continued

2.7 Property, plant and equipment ("PPE")
Property, plant and equipment is initially recorded at cost. Subsequent expenditure is added to the carrying value of the asset when it is probable that incremental future economic benefits will transfer to the Group. All other subsequent expenditure is expensed in the period it is incurred.

Differences between the cost of each item of PPE and its residual value are written off over the estimated useful life of the asset using the straight-line method. Reviews of the estimated remaining useful lives and residual values of individual productive assets are performed annually, taking account of commercial and technological obsolescence as well as normal wear and tear. Freehold land is not depreciated. The useful lives of owned assets range from 20 to 50 years for buildings, and 3 to 35 years for vehicles, plant and equipment.

All items of PPE are reviewed for impairment when there are indications that the carrying value may not be fully recoverable. PPE is stated at cost less depreciation after taking into account the assets' useful economic life.

2.8 Business combinations and goodwill
On the acquisition of a business, fair values are attributed to the tangible and intangible assets and liabilities acquired. Goodwill arises when the fair value of the consideration for a business exceeds the fair value of the aggregate of the net assets acquired. Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable.

Items of PPE acquired as part of a business acquisition are stated at fair value at the date of acquisition using a market value or depreciated replacement cost model.

On acquisition, the Group undertakes a review of the accounting policies of the business acquired to ensure compliance both with IFRS's and the accounting policies of the Group.

2.9 Intangible assets
In addition to goodwill the Group recognises the following intangible assets:

Acquired intangibles
Acquired trademarks, brands, customer relationships, licences, recipes and similar assets that are controlled through custody or legal rights and that could be sold separately from the rest of the business are capitalised, where fair value can be reliably measured. A reputable independent specialist performs the valuations. All of these assets are considered to have finite lives and are amortised on a straight-line basis over their estimated useful economic lives that range from 7 to 40 years.

Research and development
Research expenditure is charged to the income statement in the year in which it is incurred.

Costs incurred in developing a product, typically its recipe or packaging, are charged to the income statement in the year in which they are incurred unless the future economic benefits of the project can be regarded as reasonably assured and are in accordance with International Accounting Standard 38, "Intangible Assets" ("IAS 38"), in which case they are capitalised and amortised over their estimated useful economic lives.

Software development costs
Assets acquired or internally developed, such as software, are capitalised when the future economic benefit is reasonably assured and the criteria within IAS 38 are met. Software development costs are capitalised and amortised over their estimated useful lives on a straight-line basis over a range of 3 to 10 years.

2.10 Impairment
The useful economic lives of intangible assets are determined, based on a review of a combination of factors including the asset ownership rights acquired and the nature of the overall product life cycle.

Intangible assets and property, plant and equipment are also tested for impairment when an event that might affect asset values has occurred. An impairment loss is recognised, in the income statement, to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future earnings from operating the assets in accordance with International Accounting Standard 36, "Impairment of Assets" ("IAS 36").

Intangible assets with finite lives are subject to impairment testing on indication of impairment. Any impairment losses are written off immediately.

2.11 Interest
Borrowing costs are accounted for on an accruals basis in the income statement using the effective interest method.

2.12 Leases
Assets held under finance leases, where substantially all the risks and rewards of ownership are transferred to the Group, are capitalised and included in property, plant and equipment at the lower of the minimum lease payments or fair value. Each asset is depreciated over the shorter of the lease term or its estimated useful life on a straight-line basis. Obligations relating to finance leases, net of finance charges in respect of future periods, are included under borrowings. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Rental costs under operating leases are charged to the income statement on a straight-line basis over the lease period.

2.13 Inventories
Inventory is valued at the lower of cost and net realisable value. No interest is included but, where appropriate, cost includes production and other attributable overhead expenses as described in International Accounting Standard 2, "Inventories" ("IAS 2"). Cost is calculated on a first-in-first-out basis by reference to the invoiced value of supplies and attributable costs of bringing the inventory to its present location and condition.

All inventories are reduced to net realisable value where the estimated selling price is lower than cost.

2.14 Taxation
The charge or credit for taxation is based on the profit or loss for the year and takes into account deferred taxation.

Deferred taxation is accounted for in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit. Deferred taxation is not provided on the initial recognition of an asset or liability in a transaction, other than in a business combination, if at the time of the transaction there is no effect on either accounting or taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the asset or liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. It is recognised in the income statement except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

2.15 Employee benefits
Group companies provide a number of long-term employee benefit arrangements, primarily through pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds determined by periodic independent actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity, which then invests the contributions to buy annuities for the pension liabilities as they become due based on the value of the fund, hence the Group has no legal or constructive obligations to pay further contributions.

Defined benefit plans
The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains or losses and past service costs. Defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of recognised income and expense in the year in which they arise.

Current service costs, past-service costs, administration costs, expected return on assets and interest costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Notes to the financial statements
continued

Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as they fall due.

2.16 Provisions
Provisions are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources will be required to settle the obligations and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Where material, the Group discounts its provisions.

2.17 Contingent liabilities and contingent assets
A contingent liability is a possible obligation that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When an outflow becomes probable, it is recognised as a provision.

A contingent asset is a possible asset that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain an asset is recognised.

2.18 Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables
Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost less any provision for impairment. A provision is made for impairment when there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables. Trade and other receivables are discounted when the time value of money is considered material.

The rights and obligations relating to those trade receivables that have been sold to third parties are de-recognised from the balance sheet where the risks and rewards of ownership are considered to have transferred. Cash received from third parties in exchange for the transfer of ownership is recorded with cash and cash equivalents with the cost of financing prior to settlement by the customer recorded as interest on an accruals basis. Amounts received from customers for receivables in respect of which title has transferred represent amounts owed to the transferee and are recorded as short term borrowings.

Cash and cash equivalents
Cash and cash equivalents, with original maturities at inception of less than 90 days, comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank, cash in hand, short-term deposits with an original maturity of three months or less held for the purpose of meeting short-term cash commitments and bank overdrafts.

Financial liabilities and equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings
Interest-bearing bank loans and overdrafts are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs and inclusive of debt issuance costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Trade and other payables
Trade and other payables are initially measured at fair value and subsequently measured at amortised cost. Trade payables and other liabilities are discounted when the time value of money is considered material.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of directly attributable issue costs.

Derivative financial instruments
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with unrealised gains or losses reported in the income statement. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Movements in fair value of foreign exchange derivatives are recognised within other operating income and expense and those relating to interest swaps are recorded in interest payable and other financial charges or interest receivable and other financial income.

Net investment hedge
Any gain or loss on the hedging instrument relating to the effective portion of changes in the fair value of derivatives that are designated and qualify as net investment hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other operating income and expenditure.

2.19 Investment in own shares
Investments in own shares are shown as a deduction in shareholders' funds.

3. Critical accounting policies, estimates and judgements
The following are areas of particular significance to the Group's financial statements and include the application of judgment, which is fundamental to the compilation of a set of financial statements.

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

At each reporting date, and on a continuous basis, the Group reviews the macro-economic and company specific factors influencing each of these assumptions, using professional advice, in order to record the Group's ongoing commitment and obligation to defined benefit schemes in accordance with IFRS. One such assumption is the assumption of mortality rates and how these are expected to change in the future. If the Group's assumption on the mortality of its members was amended to assume an increase of a further one year improvement in mortality, total liabilities would increase by 3.5%.

The Group is aware of, and alert to, the need to inform the Pensions Regulator to the extent that the Group is involved in any corporate activity that affects the rights of pension scheme members and the carrying value of the pension schemes.

Each of the underlying assumptions is set out in more detail in note 24.

3.2 Goodwill and other intangible assets
Impairment reviews in respect of goodwill are performed annually unless an event indicates that an impairment review is necessary. Impairment reviews in respect of intangible assets are performed when an event indicates 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.

The Group has considered the impact of the assumptions used on the calculations and has conducted sensitivity analysis on the impairment tests of the CGUs' carrying values. See note 14 for further details.

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 judgment. For further detail see note 15.

3.3 Advertising and promotion costs
Trade spend and promotional activity is dependent on market conditions and negotiations with customers. Trade spend is charged to the income statement according to the substance of the agreements with customers and the terms of any contractual relationship. Promotional support is generally charged to the income statement at the time of the relevant promotion. These costs may be accrued on 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 where a particular campaign is used more than once. In this case it is charged in line with the airtime profile.

3.4 Exceptional items
Exceptional items are not explicitly addressed under IFRS. Accordingly, the Group has defined exceptional items as those items of financial significance to be disclosed separately in order to assist in understanding the financial performance achieved and in making projections of future results. Each of these items relate to events or circumstances that are non-recurring in nature, such as a major restructuring, disposal of a business or asset, or integration of an acquisition.

Notes to the financial statements
continued

3.5 Securitisation
During the year, the Group sold the rights and obligations relating to certain of its trade receivable balances under a receivables purchasing agreement in order to achieve an overall lower cost of funding and permanently accelerate the generation of cash from working capital. Accounting for a sale of this nature is judgmental and dependent on evidence of the substantive transfer of risk and reward from the Group to a third party. In this instance, transference of the two primary risks, those of late payment and credit default was achieved at the balance sheet date. The Group anticipates that the receivables purchasing agreement will remain in place over the medium term and that de-recognition of the receivables subject to it will continue to be achieved, dependent upon ongoing review of the assessment of risk and reward transfer.

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

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

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

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

As a consequence of the extensive integration of the business, certain operating costs have been incurred centrally. These costs have been allocated between the Group's operating segments and are reflected in the analysis below.

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

Other information

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

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

Other information

	Core Premier £m	Bread Bakeries £m	Culinary Brands £m	Cakes £m	Customer Partnerships £m	Discontinued £m	Total for Group £m
Capital expenditure	63.7	–	–	–	–	20.4	84.1
Intangible asset expenditure	456.8	–	–	–	–	–	456.8
Depreciation	18.0	–	–	–	–	1.9	19.9
Amortisation	10.9	–	–	–	–	0.1	11.0
Impairment of PPE and intangibles	4.5	–	–	–	–	–	4.5

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

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continued

Discontinued Operations

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

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

Segmental analysis – secondary

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

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

5. Exceptional items

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

During the year, the Group incurred the following:

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

(a) Integration of RHM operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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6. Operating profit for continuing operations

6a. Analysis of costs by nature

	2007 £m	2006 £m
Cost of inventories sold (included in cost of sales)	**1,281.4**	537.9
Employee benefits expense (note 7)	**529.2**	144.3
Depreciation of property, plant and equipment:		
– owned assets	**48.2**	17.8
– under finance leases	**0.6**	0.2
Amortisation of intangible assets (included in Administrative costs):		
– software and licences	**4.3**	1.2
– brands and trademarks	**30.2**	9.7
– customer relationships	**31.7**	–
Impairment of inventory	**0.8**	–
Impairment of property, plant and equipment (included in Administrative costs)	**15.9**	4.4
Impairment of intangible assets	**0.6**	0.1
Operating lease rental payments:		
– plant and machinery	**7.1**	4.4
– land and buildings	**8.5**	2.8
Repairs and maintenance expenditure	**39.8**	19.3
Research and development costs	**4.2**	3.6
Loss/(gain) on disposal of property, plant and equipment/intangible assets	**1.2**	(2.8)
Net foreign exchange losses	**3.8**	4.6
Auditor remuneration	**2.0**	0.9

Operating lease obligations are further disclosed in note 29.

6b. Auditor remuneration

	2007 £m	2006 (Restated) £m
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	**0.6**	0.3
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries, pursuant to legislation	**0.8**	0.5
– Other services relating to taxation	**0.1**	–
– Other services pursuant to legislation	**0.1**	0.1
– Services relating to corporate finance transactions	**0.1**	0.3
– Other services	**0.3**	–
Total auditor remuneration	**2.0**	1.2
Charged to operating profit	**2.0**	0.9
Charged to the balance sheet	**–**	0.3

7. Employees

	2007 £m	2006 £m
Staff costs for the Group during the year for continuing operations		
Wages and salaries	**386.1**	116.5
Social security costs	**41.2**	11.7
Termination benefits	**79.6**	5.6
Share options granted to directors and employees	**3.9**	2.2
Pension costs – defined contribution plans (note 24)	**1.2**	1.1
Pension costs – defined benefit plans (note 24)	**17.2**	7.2
Total staff costs	**529.2**	144.3

	Number	Number
Average monthly number of people employed (including Executive Directors)		
Management	**984**	396
Administration	**1,837**	860
Production, distribution and other	**15,116**	3,858
Total employees	**17,937**	5,114

Directors' remuneration (including retirement benefits accruing to the directors under defined benefit schemes) is disclosed in the auditable sections of the directors' remuneration report on pages 39 to 48 which form part of these financial statements.

8. Interest payable and receivable

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

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

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

	2007 £m	2006 £m
Interest payable		
Interest payable on bank loans, senior notes and overdrafts	**19.5**	10.9
Interest payable on bridging loan facility	**–**	1.6
Interest payable on term facility	**84.5**	19.4
Interest payable on revolving facility	**28.0**	19.0
Unwind of discount on provisions	**0.8**	–
Amortisation of debt issuance costs	**4.2**	1.4
	137.0	52.3
Accelerated amortisation of debt issuance costs	**8.4**	4.0
Movement on fair valuation of interest rate swaps	**31.0**	–
Total interest payable and other financial charges	**176.4**	56.3
Movement on fair valuation of interest rate swaps	**–**	(7.1)
Interest receivable — bank deposits	**(26.8)**	(7.7)
Total interest receivable and other financial income	**(26.8)**	(14.8)
Net interest	**149.6**	41.5

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

Analysis of the credit for the year:

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

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

Income tax charge for the year

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

Notes to the financial statements
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Tax relating to items recorded in equity for continuing operations was:

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

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

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

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

10 a) Discontinued operations

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

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

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

10 b) Non-current assets held for sale

Non-current assets held for sale are as follows:

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

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

11. (Loss)/earnings per share

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

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

Dilutive effect of share options

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

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

The issue of 348,324,199 ordinary shares on 16 March 2007 has been included in determining the weighted average for the current year (see note 25).

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

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

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12. Dividends

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

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

2006 equivalent dividends
The equivalent dividends represent the amounts appropriate to the shareholders for each share, restated to reflect the bonus element of the rights issue in the prior year. This equates to an uplift in the number of shares of 26.7% and hence a corresponding reduction in the dividend per share.

13. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold land and buildings £m	Short leasehold land and buildings £m	Vehicles, plant and equipment £m	Total £m
Cost					
At 1 January 2006	63.4	2.2	0.6	265.4	331.6
Additions	3.3	–	–	41.4	44.7
Acquisition of subsidiaries/businesses	16.4	–	0.7	22.4	39.5
Fair value adjustment	–	–	–	(0.1)	(0.1)
Disposals	(2.7)	–	–	(8.6)	(11.3)
Reclassification	4.6	–	–	(4.5)	0.1
At 31 December 2006 (restated)	85.0	2.2	1.3	316.0	404.5
Additions	4.1	–	0.3	111.5	115.9
Acquisition of subsidiaries/businesses	116.5	11.3	32.0	238.9	398.7
Disposal of subsidiaries/businesses	(12.5)	–	(1.0)	(23.3)	(36.8)
Disposals	(10.7)	(0.7)	(0.2)	(113.3)	(124.9)
Transferred to held for sale	(37.3)	(2.2)	(1.1)	(11.7)	(52.3)
At 31 December 2007	**145.1**	**10.6**	**31.3**	**518.1**	**705.1**
Aggregate depreciation and impairment					
At 1 January 2006	11.5	–	–	123.6	135.1
Depreciation charge for the year	1.7	0.3	–	17.9	19.9
Disposals	(1.5)	–	–	(8.1)	(9.6)
Impairment	–	1.9	0.7	1.8	4.4
Reclassification	–	–	–	0.1	0.1
At 31 December 2006	11.7	2.2	0.7	135.3	149.9
Depreciation charge for the year	4.1	0.3	1.5	44.1	50.0
Disposal of subsidiaries/businesses	(3.3)	–	(0.4)	(16.6)	(20.3)
Disposals	(3.1)	(0.7)	(0.1)	(72.4)	(76.3)
Impairment	–	–	0.4	15.5	15.9
Transferred to held for sale	(8.0)	(1.2)	(0.9)	(11.6)	(21.7)
At 31 December 2007	**1.4**	**0.6**	**1.2**	**94.3**	**97.5**
Net book value					
At 31 December 2006	73.3	–	0.6	180.7	254.6
At 31 December 2007	**143.7**	**10.0**	**30.1**	**423.8**	**607.6**

The net book value of the Group's vehicles, plant and equipment includes an amount of £1.1m (2006: £1.4m) in respect of assets held under finance leases.

At 31 December 2007, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £42.6m (2006: £10.0m).

The impairment in 2007 of £15.9m relates to the integration of the administrative functions of RHM's former head office at Marlow, the Culinary Brands business at Addlestone and Middlewich, the Manor Bakeries business at Windsor, the announced closures of the six manufacturing sites as a result of the Group's manufacturing review, the announced closures of the bread manufacturing sites in Bradford and Plymouth, and a depot in Telford, the closure of the King's Lynn manufacturing site as a result of the Campbell's integration and the closure of the Coolock and Thurles manufacturing sites as a result of the integration of the Irish operations.

The impairment charge in 2007 reflects the difference between the carrying value of assets and their expected recoverable amounts. Recoverable amounts have been determined on the basis of value in use. As at 31 December 2007, the rate used to discount the forecasted cash flows was 8.37% (2006: 8.50%).

The impairment in 2006 of £4.4m relates to the closure of the Cambourne office as a result of the Campbell's integration and the closure of the Portishead site as a result of the Meat-free restructuring.

The Group's borrowings are secured on the assets of the Group.

14. Goodwill

	2007 £m	2006 (Restated) £m
Cost		
At 1 January	**480.2**	259.1
Acquisition of subsidiaries (note 27)	**1,170.8**	217.9
Fair value adjustments (note 27)	**–**	3.2
Disposal of subsidiaries/businesses (note 10)	**(2.1)**	–
At 31 December	**1,648.9**	480.2

Impairment tests for goodwill
Goodwill acquired in a business combination is allocated by cash-generating unit ("CGU") as follows:

	2007 £m	2006 £m
Ambrosia	**54.8**	54.8
Nestlé	**73.6**	73.6
Marlow	**77.5**	77.5
Bird's	**38.4**	38.4
Cauldron	**12.1**	12.1
Gedney's	**–**	2.1
Campbell's	**221.1**	221.1
RHM – Bread Bakeries	**441.1**	–
RHM – Culinary Brands	**374.9**	–
RHM – Cakes	**144.4**	–
RHM – Customer Partnerships	**203.7**	–
Chivers Ireland	**6.7**	–
Other	**0.6**	0.6
Net carrying value of goodwill	**1,648.9**	480.2

Goodwill of £1,164.1m has arisen on the acquisition of RHM. This represents the benefits available to the Group from a combination of future sales growth, the significant commercial savings and cost synergies to be achieved by the integration of administrative and manufacturing functions, an improved competitive position due to increased scale, the value attributed to RHM's workforce, and the opportunities available for category extension and new product launches.

Goodwill of £6.7m has arisen on the acquisition of Chivers Ireland and the goodwill attributed to Campbell's has increased by £3.2m as a result of the finalisation of final fair values and acquisition costs which have been incurred (refer note 27).

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill may be impaired. Confirmation of the CGU's carrying value is determined based on value in use calculations. The key assumptions for value in use calculations are those relating to discount rates, growth rates and expected changes in selling prices and direct costs during the period. Discount rates are estimated using pre-tax rates based on the weighted average cost of capital ("WACC") of the Group. Given that the products are closely related and share similar risks and rates of return, consistent Group discount rates are used for all CGU's. Changes in selling price and direct costs are based on past practices and expectations of future changes in the market.

All projections are based on information approved by management in respect of the following five years' cash flows. A growth rate of 2% was applied to the perpetuity cash flows reflecting growth within the UK as a whole.

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Assumptions are based upon events in prior periods as adjusted for expected developments in the following year with reference to market conditions. All turnover and costs are taken into account and an estimate of capital expenditure required to maintain these cash flows is also made. As at 31 December 2007, the pre-tax rate used to discount the forecasted cash flows was 8.37% (2006: 8.50%).

The unprecedented level of increases in wheat prices and decreased volume as a result of a general decline in consumption of bread in the UK, has adversely impacted the profitability of the Bread Bakeries CGU. The Group has considered this impact on the assumptions used and has conducted sensitivity analysis on the impairment test of the CGU's carrying value.This has not resulted in any impairment of the carrying value at 31 December 2007 as the CGU's recoverable amount exceeds its carrying value by £257m. However, if the unprecedented cost pressures were to continue and only a 1% annual growth rate in the forecast cash flows is achieved, then this would result in the CGU's recoverable amount reducing to a level comparable with its carrying value.

There were no impairments resulting from the reviews performed in 2006 or 2007.

15. Other intangible assets

	Software/ Licences £m	Brands/ Trademarks £m	Customer Relationships £m	Total £m
Cost				
At 1 January 2006	4.9	171.7	–	176.6
Additions	12.3	–	–	12.3
Acquisition of subsidiaries/businesses	1.4	222.0	–	223.4
Disposals	(0.1)	–	–	(0.1)
Reclassifications	(0.2)	–	–	(0.2)
At 31 December 2006	18.3	393.7	–	412.0
Additions	8.7	–	–	8.7
Acquisition of subsidiaries/businesses	31.8	598.0	280.0	909.8
Disposals	(1.5)	(2.0)	–	(3.5)
At 31 December 2007	**57.3**	**989.7**	**280.0**	**1,327.0**
Amortisation				
At 1 January 2006	2.0	9.6	–	11.6
Charge for the year	1.3	9.7	–	11.0
Impairments	0.1	–	–	0.1
Disposals	(0.1)	–	–	(0.1)
Reclassifications	(0.2)	–	–	(0.2)
At 31 December 2006	3.1	19.3	–	22.4
Charge for the year	4.4	30.2	31.7	66.3
Impairments	0.6	–	–	0.6
Disposals	–	(0.1)	–	(0.1)
At 31 December 2007	**8.1**	**49.4**	**31.7**	**89.2**
Net book value 31 December 2006	15.2	374.4	–	389.6
Net book value 31 December 2007	**49.2**	**940.3**	**248.3**	**1,237.8**

Brands and trademarks are considered to have finite useful lives and are amortised on a straight-line basis over their estimated useful lives of 20 to 40 years. Software is amortised on a straight-line basis over its estimated useful life of 3 to 10 years.

Contained within brands and trademarks are values attributed to the fair value adjustment in relation to the acquisition of Campbell's and RHM plc. The fair values of intangible assets at acquisition for these brands were £222.0m and £598.0m respectively. The remaining periods of amortisation for these assets are between 20 and 40 years for both the Campbell's and RHM's brands.

The fair value attributed to customer relationships acquired as part of the acquisition of RHM plc, was £280.0m and represents the value of own label contracts with new and existing customers. Customer relationships are amortised on a straight-line basis over their estimated useful lives of 7 years.

Software and licences reflect the fair value adjustment in relation to the acquisition of RHM. The fair value of licences at acquisition was £29.9m, which are amortised over the remaining lives of the licence agreements.

On the acquisition of Chivers Ireland, a fair value adjustment was recognised under IFRS 3 in respect of a beneficial property lease agreement. As a result of the announcement to close the Coolock site, a £0.6m impairment was recognised.

There is no restriction to the title of any of the intangible assets carried by the Group.

The material brands held on the balance sheet are as follows:

Brand/Trademark	Carrying value at 31 December 2007 £m	Estimated useful life remaining years
Bisto	**175.3**	29
Hovis	**156.8**	39
Oxo	**106.3**	39
Batchelors	**92.6**	29
Sharwoods	**82.8**	29
Quorn	**73.2**	28
Mr Kipling	**68.2**	29

Included in the software additions for the year above are £1.8m of internal costs (2006: £1.5m).

16. Investments

	2007 £m	2006 £m
Unlisted investments		
At 1 January	**–**	0.1
Amortisation of debentures	**–**	(0.1)
At 31 December	**–**	–

The investments included above represent investments in unlisted equity securities and debentures which have no fixed maturity or coupon rate.

Principal subsidiaries

Name of Subsidiary	Country of incorporation or registration and principal operations	Principal activity	Effective interest in ordinary share capital at 31 December 2007	Effective interest in ordinary share capital at 31 December 2006
Operating subsidiaries				
Chivers Hartley Limited	United Kingdom	Spreads and pickles manufacturing	100%	100%
H.L. Foods Limited	United Kingdom	Food canning and processing	100%	100%
Premier Ambient Products (UK) Limited	United Kingdom	Spreads, pickles, vinegar, jelly and desserts manufacturing	100%	100%
Premier International Foods UK Limited	United Kingdom	Hot and cold beverages manufacturing	100%	100%
Marlow Foods Holding Limited (Quorn)	United Kingdom	Meat-free manufacturing	100%	100%
Cauldron Foods Limited	United Kingdom	Meat-free manufacturing	100%	100%
Premier Grocery Products Limited	United Kingdom	Manufacture and distribution of soups, meat and other food products	100%	100%
Premier Grocery Products Ireland Limited	Republic of Ireland	Manufacture and distribution of soups, meat and other food products	100%	100%
Premier Foods Group Limited	United Kingdom	Manufacture and distribution of cake, bread, own label and other food products	100%	–
Other subsidiaries				
Premier Brands Foods Limited	United Kingdom	Intermediate holding company	100%	100%
Premier Financing Limited	United Kingdom	Intermediate holding company	100%	100%
Premier Foods (Holdings) Limited	United Kingdom	Intermediate holding company	100%	100%
Premier Foods Investments Limited	United Kingdom	Financing	100%	100%
Premier Foods Investments No. 1 Limited	United Kingdom	Intermediate holding company	100%	100%
Premier Foods Investments No. 2 Limited	United Kingdom	Intermediate holding company	100%	100%
Premier Foods Investments No. 3 Limited	United Kingdom	Intermediate holding company	100%	100%
RHM Group Services Limited	United Kingdom	Intermediate holding company	100%	–
RHM Limited	United Kingdom	Intermediate holding company	100%	–

Premier Foods Investments No. 3 Limited and RHM Limited are direct wholly owned subsidiary undertakings of Premier Foods plc. All other subsidiary undertakings are held indirectly by Premier Foods plc.

Each of the principal subsidiary undertakings have the same year end as Premier Foods plc. The companies listed above are those that materially affect the results and the assets of the Group. A full list of subsidiary undertakings is available from the Company Secretary.

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17. Inventories

	2007 £m	2006 £m
Raw materials	**85.4**	40.7
Work in progress	**4.1**	2.7
Finished goods and goods for resale	**118.4**	77.2
Inventories	**207.9**	120.6

The borrowings of the Group are secured against all the assets of the Group including inventory.

18. Trade and other receivables

	2007 £m	2006 £m
Trade receivables	**279.1**	145.8
Trade receivables impaired	**(3.4)**	(1.3)
Net trade receivables	**275.7**	144.5
Prepayments	**28.9**	7.2
Interest receivable	**3.6**	1.7
Other tax and social security receivable	**13.3**	9.4
Other receivables	**7.8**	7.8
Trade and other receivables	**329.3**	170.6

On 31 December 2007, the Group completed the securitisation of certain of its trade receivables balances. Refer to note 21 for further details.

19. Trade and other payables

	2007 £m	2006 (Restated) £m
Trade payables	**453.6**	127.9
Other tax and social security payable	**13.2**	2.1
Other payables	**41.1**	32.9
Accruals	**30.6**	18.1
Trade and other payables	**538.5**	181.0

20. Bank and other borrowings

	2007 £m	2006 £m
Due within one year:		
Secured Senior Credit Facility – Term A (note b)	–	40.0
Debt issuance costs	–	(0.7)
	–	39.3
Secured Senior Credit Facility – Revolving (note a, b)	–	87.0
Debt issuance costs	–	(0.6)
	–	86.4
Secured Senior Credit Facility – Term A2 (note a)	**100.0**	–
Debt issuance costs	**(0.9)**	–
	99.1	–
Bank overdrafts	**0.1**	5.3
Total bank borrowings due within one year	**99.2**	131.0
Finance lease obligations (note 21)	**1.0**	0.5
Other unsecured loans	**12.5**	–
Total borrowings due within one year	**112.7**	131.5
Due after more than one year:		
Secured Senior Credit Facility – Term A (note b)	–	260.0
Debt issuance costs	–	(1.1)
	–	258.9
Secured Senior Credit Facility – Revolving (note a, b)	**200.5**	259.0
Debt issuance costs	**(1.8)**	(1.4)
	198.7	257.6
Secured Senior Credit Facility – Term A1 (note a)	**289.8**	–
Debt issuance costs	**(2.6)**	–
	287.2	–
Secured Senior Credit Facility – Term A2 (note a)	**1,050.0**	–
Debt issuance costs	**(9.5)**	–
	1,040.5	–
Finance lease obligations (note 21)	**3.3**	1.1
Other unsecured loans	–	0.1
Total other	**3.3**	1.2
Total borrowings due after one year	**1,529.7**	517.7
Total bank and other borrowings	**1,642.4**	649.2

The Group's borrowings are denominated in pounds sterling. The borrowings are secured by a floating charge over all assets of the Group.

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

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a) Senior Term Credit Facility and Revolving Credit Facility Arrangement – 2007
On 16 March 2007, the Group entered into an amended and restated £2.1bn term and revolving credit facility. This was arranged by Barclays Capital, Bayerische Landesbank, BNP Paribas, Rabobank International, Lloyds TSB Bank plc and The Royal Bank of Scotland plc as lead arrangers and underwriters and Lloyds TSB Bank plc as facility agent and security trustee.

The Senior Term Credit Facility comprised £1.5bn Term A facilities and £100.0m Term B acquisition related facilities. The Revolving Credit Facility is a multi-currency revolving credit facility of up to £500.0m (or its equivalent in other currencies). The final maturity date of the above arrangements is 16 March 2012.

These facilities were amended on 29 February 2008 to provide the Group with additional headroom. See note 33 for further details.

b) Senior Term Credit Facility and Revolving Credit Facility Arrangement – 2006
On 14 August 2006, the Group entered into an amended and restated £1,085.0m term and revolving credit facility. This was arranged by BNP Paribas, J.P. Morgan plc, Lloyds TSB Bank plc and The Royal Bank of Scotland plc as lead arrangers and underwriters and Lloyds TSB Bank plc as facility agent and security trustee.

The Senior Term Credit Facility comprised £325.0m Term A facilities and £200.0m Term B facilities. The Revolving Credit Facility was a multi-currency revolving credit facility of up to £560.0m (or its equivalent in other currencies). The final maturity date of the above arrangements was 6 June 2010, although all borrowings were fully repaid on 15 March 2007 and the facility terminated.

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

21. Financial instruments

The Group is subject to the risks arising from adverse movements in interest rates, commodity prices and foreign currency. The Group uses a variety of derivative financial instruments to manage these risks. The managing of these risks, along with the day-to-day managing of treasury activities is performed by the Group Treasury function. The policy framework governing the managing of these risks is defined by the Treasury Committee which itself is a sub-committee appointed by the Directors. These policies are reviewed and approved by the Audit Committee annually. The framework for management of these risks is incorporated into a policies and procedures manual.

The Group also enters into contracts with suppliers for its principal raw material requirements, some of which are considered commodities. These contracts are part of the Group's normal purchasing activities and always result in receipt of raw materials.

a) Market Risk
i) *Foreign exchange risk*
The Group's functional and presentational currency is pounds sterling although some transactions are executed in non-sterling currencies, including Euros, US Dollars, Canadian Dollars, Swiss Francs and Swedish Krona. The transactional amounts realised or settled are therefore subject to the effect of movements in these currencies against the pound. Management of these exposures is centralised and managed by the Group's Treasury Function. It is the Group's policy to manage the exposures arising using forward foreign currency exchange contracts and currency options. Hedge accounting is not sought for these transactions.

The Group generates some of its profits in non-sterling currencies and has assets in non-sterling jurisdictions, principally the Euro. The translation exposure resulting from these Euro denominated profits and overseas net assets is hedged. This matter is reviewed regularly by the Treasury Committee.

The principal foreign currency affecting the translation of subsidiary undertakings within the Group financial statements is the Euro. The rates applicable are as follows:

Principal rate of exchange EUR/£	**Year ended 31 December 2007**	Year ended 31 December 2006
Year end	**1.362**	1.493
Average	**1.460**	1.470

The carrying amounts of the Group's financial assets are denominated in the following currencies:

	Cash at bank and in hand		Trade and other receivables	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Currency				
Sterling	**12.7**	3.2	**244.1**	148.9
Euro	**8.9**	2.1	**43.0**	5.1
US Dollar	**1.6**	2.1	**–**	–
Other	**0.7**	0.4	**–**	–
	23.9	7.8	**287.1**	154.0

The table below shows the Group's currency exposures as at 31 December 2007 and 2006 that gave rise to net currency gains and losses recognised in the consolidated income statement. Such exposures comprise monetary assets and liabilities that are not denominated in the functional currency of the subsidiaries involved.

The amounts shown below are after taking into account the effect of forward foreign currency exchange contracts and other derivative instruments entered into to manage these exposures.

	Functional currency of the subsidiaries		
	Sterling £m	Euro £m	Total £m
At 31 December 2007			
Net foreign currency monetary assets/(liabilities)			
Sterling	**–**	**5.7**	**5.7**
Euro	**(0.4)**	**–**	**(0.4)**
US Dollar	**2.7**	**–**	**2.7**
Other currencies	**0.5**	**–**	**0.5**
Total	**2.8**	**5.7**	**8.5**
At 31 December 2006			
Net foreign currency monetary assets			
Sterling	–	0.2	0.2
Euro	4.2	–	4.2
US Dollar	2.0	–	2.0
Other currencies	0.8	–	0.8
Total	7.0	0.2	7.2

At 31 December 2007, if the Euro had weakened/strengthened against sterling by 10% with all other variables held constant, post tax profit would have decreased by £1.7m (2006: £3.8m) or increased by £1.4m (2006: £3.1m).

At 31 December 2007, if the Dollar had weakened/strengthened against sterling by 10% with all other variables held constant, post tax profit would have decreased by £3.3m (2006: £3.9m) or increased by £2.7m (2006: £3.2m).

ii) *Price risk*
The Group purchases a variety of commodities which can experience significant price volatility, which include inter-alia wheat, tinplate and energy. The price risk on these commodities is managed by the Group through the Treasury Risk Management Committee. It is the Group's policy to minimise its exposure to this volatility by adopting an appropriate forward purchase strategy or by the use of derivative instruments where they are available.

iii) *Cash flow and interest rate risk*
The Group borrows principally in pounds sterling at floating rates of interest and seeks to mitigate the effect of adverse movements in interest rates by entering into derivative financial instruments that reduce the level of exposure to floating rates. The Group actively monitors its interest rate exposure, since the high level of debt makes its profitability sensitive to movements in interest rates. The target of fixed/capped debt is defined in the Group Treasury policy and procedures. The Group will generally maintain a proportion of debt that is fixed or capped of no less than 30% and no more than 75%, however, this can be amended subject to agreement by the Treasury Committee. The Group currently has a higher level of its debt economically hedged. Hedge accounting is not sought for these transactions.

In addition the Group has entered into a debt securitisation programme which has the effect of reducing the interest cost by a further 40 basis points on the amount advanced.

Cash and deposits earn interest at floating rates based on banks' short-term treasury deposit rates. Short-term trade generally and other receivables are interest free.

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The interest rate risk profile of the Group's non-derivative financial liabilities (debt before issuance costs) after taking account of the interest rate swaps used to manage the interest profile was:

	Floating rate £m	Fixed/ capped rate £m	Total £m
At 31 December 2007	**58.2**	**1,567.5**	**1,625.7**
At 31 December 2006	250.5	398.7	649.2

In addition, the Group's provisions of £74.3m as at 31 December 2007 (2006: £8.2m) for restructuring and other liabilities were considered to be floating rate financial liabilities. These cash flows are discounted where the effect is material.

Fixed rate financial liabilities

	Weighted average interest rate %	Weighted average period for which rate is fixed in years
Currency sterling		
At 31 December 2007	**4.7**	**1.3**
At 31 December 2006	4.8	2.6

The weighted average interest rates for fixed rate liabilities excludes the borrowing margin as the derivative instruments used to fix the interest rates are not allocated specifically against the Term and Revolving Credit Facilities. The pricing basis for all floating rate borrowings is based on the London Inter Bank Offered Rate ("LIBOR") as adjusted by agreed interest margins. If default occurs (such as a breach of financial covenant) the interest margin will immediately rise to 1.20% until the default has been corrected. The analysis of average interest rates and years to maturity on fixed rate debt is after adjusting for interest rate swaps. Exposure to movements in interest rates and years to maturity on fixed rate debt is after adjusting for interest rate swaps.

Since the year end the Group has amended the terms of its facilities by agreement with its banks, details are contained in note 33.

	Rates	Within 1 year £m	1 and 2 years £m	2 and 3 years £m	3 and 4 years £m	4 and 5 years £m	Over 5 years £m	Total £m
Fixed rate	4.4% – 5.4%	312.5	230.0	125.0	–	–	–	667.5
Callable swaps	4.5% – 4.6%	–	–	200.0	–	–	–	200.0
Cap and floor	6.25%/4.5%	–	–	–	–	700.0	–	700.0
		312.5	230.0	325.0	–	700.0	–	1,567.5

The floating rates applicable to interest rate swaps are reset quarterly based on the prevailing market rate at the reset date.

At 31 December 2007, if interest rates were 10 basis points higher/lower, with all other variables held constant, post tax profit, excluding derivative fair value movements, would have decreased/increased by £0.6m (2006: £0.2m).

At 31 December 2007, if interest rates were 50 basis points higher/lower, with all other variables held constant, post tax profit, excluding derivative fair value movements, would have decreased by £2.8m (2006: £0.9m) or increased by £1.5m (2006: £0.9m).

b) Credit risk
The Group's principal financial assets are cash and cash deposits, trade and other receivables and investments.

The Group has no significant concentrations of credit risk. Cash and cash equivalents are deposited with high-credit quality financial institutions and trade receivables are due principally from major grocery retailers (though it is the Group's policy to insure trade debt).

As at 31 December 2007, the ageing of trade receivables was as follows:

	Fully performing £m	1-30 days £m	31-60 days £m	61-90 days £m	91-120 days £m	120+ days £m	Total £m
Trade receivables							
2007	**242.8**	**11.3**	**7.3**	**3.7**	**10.4**	**0.2**	**275.7**
2006	137.6	3.4	2.2	0.3	0.8	0.2	144.5

Movements in the provision for impairment of trade receivables are as follows:

	2007 £m	2006 £m
At 1 January	**1.3**	0.5
Provision for receivables – on acquisition	**5.1**	–
Unused provision reversed	**(0.3)**	–
Receivables written off during the year as uncollectable	**(3.3)**	–
Provision for receivables impairment disposed	**(0.4)**	–
Provision for receivables impairment raised	**1.0**	0.8
At 31 December	**3.4**	1.3

These provisions of £3.4m (2006: £1.3m) have been raised against gross trade receivables of £279.1m (2006: £145.8m).

The Group does not hold any collateral as security against its financial assets.

During December 2007, the Group put in place a £100m securitisation programme to allow it to transfer trade receivable balances to one of the Group's primary banks. This programme also allows the Group to de-link its own credit rating from that of the underlying assets and achieve a lower cost of funding.

c) Liquidity risk
The Group has negotiated facilities with its bankers that provide sufficient headroom to ensure liquidity and continuity of funding. It has sufficient un-drawn banking facilities and reserve borrowing capacity. The Group tends to experience significant fluctuations in its short-term borrowing position due to seasonal factors, however, available revolving credit facilities are set at a level sufficient to meet the projected peak borrowing requirements.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the expected undiscounted cash flows.

	Within 1 year £m	1 and 2 years £m	2 and 3 years £m	3 and 4 years £m	4 and 5 years £m	Over 5 years £m	Total £m
At 31 December 2007							
Bank Term Loan	**100.0**	**150.0**	**180.0**	**–**	**1,009.8**	**–**	**1,439.8**
Bank Revolver Facility (drawn down)	**–**	**–**	**–**	**–**	**200.5**	**–**	**200.5**
Bank overdraft	**0.1**	**–**	**–**	**–**	**–**	**–**	**0.1**
Finance leases	**1.0**	**1.1**	**0.9**	**0.6**	**0.6**	**0.9**	**5.1**
At 31 December 2006							
Bank Term Loan	40.0	55.0	60.0	145.0	–	–	300.0
Bank Revolver Facility (drawn down)	87.0	–	–	259.0	–	–	346.0
Bank overdraft	5.3	–	–	–	–	–	5.3
Finance leases	0.6	0.3	0.3	0.3	0.2	0.3	2.0

The Bank Term Loan and Bank Revolver Facility are re-priced quarterly, loan notes every six months and other liabilities are not re-priced before the maturity date.

The Group has £400m of facilities available and not drawn as at 31 December 2007 (2006: £404.2m), expiring between 4 and 5 years.

The un-drawn facilities form part of the Group's overall working capital lines, the drawn down amounts of which bear interest at floating rates, subject to any hedge overlay, and are committed until 16 March 2012.

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The following table analyses the expected undiscounted cash flows of interest on the floating rate debt to maturity.

	Within 1 year £m	1 and 2 years £m	2 and 3 years £m	3 and 4 years £m	4 and 5 years £m	Over 5 years £m	Total £m
Interest							
2007	**98.3**	**92.3**	**83.3**	**72.5**	**15.1**	**–**	**361.5**
2006	32.8	26.3	23.5	10.8	–	–	93.4

The following table analyses the Group's derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the undiscounted cash flows. Where it relates to options the Mark to Market value is used.

	Within 1 year £m	1 and 2 years £m	2 and 3 years £m	3 and 4 years £m	4 and 5 years £m	Over 5 years £m	Total £m
At 31 December 2007							
Forward foreign exchange contracts:							
Outflow	**(68.9)**	**(8.8)**	**–**	**–**	**–**	**–**	**(77.7)**
Inflow	**68.1**	**8.8**	**–**	**–**	**–**	**–**	**76.9**
Interest rate swaps:							
Outflow	**(26.3)**	**(23.3)**	**(11.5)**	**(6.8)**	**–**	**–**	**(67.9)**
Outflow on options	**–**	**–**	**–**	**–**	**(13.3)**	**–**	**(13.3)**
Inflow	**33.9**	**30.4**	**15.0**	**9.0**	**–**	**–**	**88.3**
	6.8	**7.1**	**3.5**	**2.2**	**(13.3)**	**–**	**6.3**
At 31 December 2006							
Forward foreign exchange contracts:							
Outflow	(63.4)	(13.3)	–	–	–	–	(76.7)
Inflow	64.4	13.6	–	–	–	–	78.0
Interest rate swaps:							
Outflow	(18.0)	(13.6)	(8.4)	–	–	–	(40.0)
Inflow	19.2	15.0	9.2	–	–	–	43.4
	2.2	1.7	0.8	–	–	–	4.7

d) Fair value
The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. The fair value of interest rate swaps and foreign currency forward contracts is estimated by calculating the present value using quoted market prices at the balance sheet date. The fair value of foreign exchange option contracts is determined using forward exchange market rates at the balance sheet date using the Garman Kohlhagen model. Where the model is unable to revalue the options, valuations are sought from reliable third parties.

For the purposes of valuing trade and other receivables, cash and cash equivalents, trade and other payables, the amounts, paid, payable, received or receivable are assumed to approximate fair value. For retirement benefit obligations, the measurement of liabilities is defined and related assets are stated at market (bid) value. For disclosure purposes the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Set out below the table is a summary of methods and assumptions used for each category of financial instruments.

	2007 Carrying amount £m	2007 fair value £m	2006 Carrying amount £m	2006 fair value £m
Loans and receivables:				
Cash and cash equivalents	**23.9**	**23.9**	7.8	7.8
Trade and other receivables	**287.1**	**287.1**	154.0	154.0
Financial assets at fair value through profit or loss:				
Derivatives financial instruments				
– Forward foreign currency exchange contracts/currency options	**2.1**	**2.1**	0.8	0.8
– Interest rate swaps	**6.4**	**6.4**	6.1	6.1
Financial liabilities at fair value through profit or loss:				
Derivatives financial instruments				
– Forward foreign currency exchange contracts/currency options	**(0.7)**	**(0.7)**	(3.5)	(3.5)
– Interest rate swaps	**(24.9)**	**(24.9)**	–	–
Financial liabilities at amortised cost:				
Trade and other payables	**(525.3)**	**(525.3)**	(178.9)	(178.9)
Bank Term Loan	**(1,426.8)**	**(1,426.8)**	(298.2)	(298.2)
Bank Revolver Facility (drawn down)	**(198.7)**	**(198.7)**	(344.0)	(344.0)
Bank overdraft	**(0.1)**	**(0.1)**	(5.3)	(5.3)
Finance leases	**(4.3)**	**(4.3)**	(1.6)	(1.6)
Other	**(12.5)**	**(12.5)**	(0.1)	(0.1)
Interest payable	**(12.9)**	**(12.9)**	(3.7)	(3.7)

Fair value estimation

Derivatives

Forward exchange contracts are marked to market using prevailing market prices. Hedge accounting has not been applied to forward contracts and as a result the movement in the fair value of £4.7m has been credited to the income statement in the year (2006: £3.5m charge). Interest rate swaps are marked to market using prevailing market prices. Interest rate swaps are also not designated for hedge accounting. As a result the movement in the fair value of £31.0m has been charged to the income statement in the year (2006: £7.1m credit).

Short and long-term borrowings, loan notes and interest payable

Fair value is calculated based on discounted expected future principal and interest rate cash flows.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements.

Trade and other receivables/payables

The carrying value of receivables/payables with a remaining life of less than one year is deemed to reflect the fair value given their short maturity. The fair values of non-current receivables/payables are also considered to be the same as the carrying value due to the size and nature of the balances involved.

e) Obligations under finance leases

	Minimum lease payments 2007 £m	Minimum lease payments 2006 £m	Present value of minimum lease payments 2007 £m	Present value of minimum lease payments 2006 £m
Not later than one year	**1.0**	0.6	**1.0**	0.5
Later than one year but not later than five years	**3.2**	1.1	**2.7**	0.9
Later than five years	**0.9**	0.3	**0.6**	0.2
	5.1	2.0	**4.3**	1.6
Less: future finance charges	**(0.8)**	(0.4)	**n/a**	n/a
Present value of lease obligations	**4.3**	1.6	**4.3**	1.6
Less: amount due for settlement within 12 months			**(1.0)**	(0.5)
Amounts due for settlement after 12 months			**3.3**	1.1

It is the Group's policy to lease certain items of plant and equipment under finance leases. The average lease term is 3 years, the longest being 10 years. For the year ended 31 December 2007, the average effective borrowing rate was 8.3% (2006: 6.5%). Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying value. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

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f) Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The gearing ratios at 31 December 2007 and 31 December 2006 were as follows:

	2007 £m	2006 £m
Total borrowings	**1,642.4**	649.2
Less: cash and cash equivalents	**23.9**	7.8
Net debt	**1,618.5**	641.4
Total equity	**1,460.3**	461.0
Total capital	**3,078.8**	1,102.4
Gearing ratio	**53%**	58%

22. Deferred tax
Deferred tax is calculated in full on temporary differences using the tax rate appropriate to the jurisdiction in which the (asset)/liability arises and the tax rates that are expected to apply in the periods in which the asset or liability is settled. In all cases this is 28% except for an asset of £0.2m (2006: £0.1m) relating to Irish retirement benefit obligations where the local rate of 12.5% has been used.

	2007 £m	2006 £m
At 1 January	**32.1**	19.1
Acquisition of subsidiaries/businesses (note 27)	**166.1**	(2.5)
(Credited)/charged to the income statement for continuing operations	**(29.6)**	11.9
Debited to equity	**40.6**	3.6
Disposal of subsidiaries/businesses	**(1.1)**	–
At 31 December	**208.1**	32.1

Due to the unpredictability of future profit streams the Group has not recognised deferred tax assets of £48.1m (2006: £26.0m) relating to capital losses, £10.1m (2006: £9.5m) relating to UK corporation tax losses, £1.3m (2006: £1.1m) Irish corporate tax losses and £34.8m (2006: £34.8m) relating to ACT. These losses can generally be carried forward indefinitely under current legislation.

Deferred tax liabilities

	Accelerated tax depreciation £m	Intangibles £m	Total £m
At 1 January 2006	18.6	31.3	49.9
Charged to the income statement	5.7	1.0	6.7
Acquisition of subsidiaries/businesses	5.2	–	5.2
At 31 December 2006	**29.5**	**32.3**	**61.8**
Prior years restatement of opening balances	(2.0)	(2.2)	(4.2)
Acquisition of subsidiaries/businesses	9.6	271.6	281.2
Current year restatement of acquired balances	(0.8)	(18.0)	(18.8)
Current year charge/(credit)	10.6	(12.7)	(2.1)
Prior years (credit)/charge	(0.5)	2.0	1.5
Disposal of subsidiaries/businesses	(1.1)	–	(1.1)
At 31 December 2007	**45.3**	**273.0**	**318.3**

It was announced in the 2007 Budget that provisions to effect a phasing out of industrial buildings allowances from 2008 onwards would be enacted in the Finance Act 2008. If enacted at December 2007 these changes would have the effect of increasing the deferred tax liability for accelerated tax depreciation by £27.7m.

Deferred tax assets

	Retirement benefit obligations £m	Pension payment relief deferral £m	Share based payments £m	Losses £m	Other £m	Total £m
At 1 January 2006	(25.3)	(1.4)	(0.3)	–	(3.8)	(30.8)
Charged/(credited) to the income statement	2.6	0.8	(0.7)	–	2.5	5.2
Debited/(credited) to equity	5.1	–	(1.5)	–	–	3.6
Acquisition/disposal of subsidiaries/businesses	(7.7)	–	–	–	–	(7.7)
At 31 December 2006	(25.3)	(0.6)	(2.5)	–	(1.3)	(29.7)
Prior years restatement of opening balances	0.3	–	0.2	–	–	0.5
Acquisition of subsidiaries/businesses	(72.3)	(3.6)	–	(28.6)	(10.6)	(115.1)
Current year restatement of acquired balances	4.6	0.2	–	1.9	0.5	7.2
Current year charge/(credit)	17.9	2.2	(1.1)	(25.4)	(6.8)	(13.2)
Prior year credit	–	–	–	–	(0.5)	(0.5)
Debited to equity	39.5	–	1.1	–	–	40.6
At 31 December 2007	**(35.3)**	**(1.8)**	**(2.3)**	**(52.1)**	**(18.7)**	**(110.2)**

Net deferred tax liability

	£m
At 31 December 2007	**208.1**
At 31 December 2006	32.1

Where there is a legal right of offset and an intention to settle as such, deferred tax assets and liabilities may be presented on a net basis. This is the case for most of the Group's deferred tax balances and therefore they have been offset in the tables above. Substantial elements of the Group's deferred tax assets and liabilities, primarily relating to the defined benefit pension obligation, are greater than one year in nature.

23. Provisions for liabilities and charges

	Restructuring £m	Other £m	Total £m
At 1 January 2006	0.6	0.4	1.0
Utilised during the year	(0.6)	–	(0.6)
Additional charge in year	6.7	1.1	7.8
At 31 December 2006	6.7	1.5	8.2
Acquired in the year	17.7	15.8	33.5
Utilised during the year	(16.4)	(2.9)	(19.3)
Additional charge in year	50.2	0.9	51.1
Unwind of provision	0.4	0.4	0.8
At 31 December 2007	**58.6**	**15.7**	**74.3**

			2007 £m
Analysis of total provisions:			
Current	**50.5**	**6.1**	**56.6**
Non-current	**8.1**	**9.6**	**17.7**
	58.6	**15.7**	**74.3**

			2006 £m
Analysis of total provisions:			
Current	6.7	1.0	7.7
Non-current	–	0.5	0.5
	6.7	1.5	8.2

At 31 December 2007, restructuring provisions have been raised in respect of the integration and restructuring of RHM's administrative functions and manufacturing facilities, integration of the Irish operations and the integration of Campbell's UK into the Group's existing Core Premier operations. It is anticipated that the majority of these provisions will be utilised during 2008.

Other provisions primarily relate to dilapidations against leasehold properties. The costs relating to these provisions will be incurred over a number of years in accordance with the length of the leases. These provisions have been discounted at rates between 4.4% and 6.1%. The unwinding of the discount is charged to the income statement under interest payable.

The 2006 provision amounts mainly relate to the restructuring of the Group's Meat-free operations, integration of Campbell's operations, and other redundancies.

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24. Retirement benefit schemes

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

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

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

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

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

Under the schemes, employees are entitled to retirement benefits which vary as a percentage of final salary on retirement.

The assets of all schemes are held by the trustees of the respective schemes and are independent of the Group's finances. The schemes invest through investment managers appointed by the trustees in UK and European equities and in investment products comprising a broader range of assets.

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

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

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

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

For the smaller overseas schemes the discount rate ranges from 4.0% to 5.6%, expected salary increases from 3.3% to 4.0% and future pension increases from 2.5% to 3.3%. The mortality assumption used is below the national average because it reflects the socio-economic profile of the membership and the schemes' actual and anticipated mortality experience.

The mortality assumptions above for Core Premier relate to the main scheme, PFPS. The mortality figures for the Premier Grocery Products Pension Scheme are 21 years for future service and 20 years for past service.

The fair values of plan assets and the expected rates of return on assets were:

	Core Premier	RHM	Total
2007			
Expected rate (%)	8.0	6.5	**6.8**
Market value (£m)	506.2	2,079.2	**2,585.4**
2006			
Expected rate (%)	7.5	–	7.5
Market value (£m)	465.7	–	465.7

The expected return on pension scheme assets is based on the long-term investment strategy set out in the Schemes' Statement of Investment Principles at the start of the year. In 2007, the expected return of 6.8% is calculated using 8.2% for Equities, 4.5% for Government Bonds, 4.8% for Corporate Bonds, 7.0% for Property and 7.3% for Other Investments.

The actual rate of return on plan assets was 4.6% (2006: 9.2%) for Core Premier and 5.8% for RHM. 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.

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

	Core Premier £m	RHM £m	Total £m
2007			
Present value of funded obligations	(581.7)	(2,126.9)	(2,708.6)
Fair value of plan assets	506.2	2,079.2	2,585.4
Deficit in scheme	**(75.5)**	**(47.7)**	**(123.2)**
2006			
Present value of funded obligations	(550.4)	–	(550.4)
Fair value of plan assets	465.7	–	465.7
Deficit in scheme	(84.7)	–	(84.7)
2005			
Present value of funded obligations	(418.9)	–	(418.9)
Fair value of plan assets	334.5	–	334.5
Deficit in scheme	(84.4)	–	(84.4)
2004			
Present value of funded obligations	(368.3)	–	(368.3)
Fair value of plan assets	303.2	–	303.2
Deficit in scheme	(65.1)	–	(65.1)

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

	Core Premier £m	RHM £m	Total £m
2006			
Opening defined benefit obligation	(418.9)	–	(418.9)
Acquisition of subsidiary undertaking	(124.7)	–	(124.7)
Current service cost	(7.2)	–	(7.2)
Past service cost	(0.1)	–	(0.1)
Interest cost	(23.3)	–	(23.3)
Actuarial gain	4.4	–	4.4
Curtailments	0.9	–	0.9
Contributions by plan participants	(2.7)	–	(2.7)
Benefits paid	21.2	–	21.2
Closing defined benefit obligation	(550.4)	–	(550.4)
2007			
Opening defined benefit obligation	(550.4)	–	(550.4)
Acquisition of subsidiary undertaking	(15.9)	(2,231.8)	(2,247.7)
Current service cost	(10.2)	(7.0)	(17.2)
Past service cost	–	(2.1)	(2.1)
Interest cost	(29.1)	(89.6)	(118.7)
Actuarial gain	2.6	135.8	138.4
Other costs/exchange differences	(3.1)	(1.0)	(4.1)
Curtailments	0.6	(4.6)	(4.0)
Contributions by plan participants	(3.7)	(10.8)	(14.5)
Benefits paid	27.5	84.2	111.7
Closing defined benefit obligation	**(581.7)**	**(2,126.9)**	**(2,708.6)**

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

	Core Premier £m	RHM £m	Total £m
2006			
Opening fair value of plan assets	334.5	–	334.5
Acquisition of subsidiary undertaking	99.2	–	99.2
Expected return	28.0	–	28.0
Administrative and life insurance costs	(1.4)	–	(1.4)
Actuarial gains	11.7	–	11.7
Contributions by employer	12.2	–	12.2
Contributions by plan participants	2.7	–	2.7
Benefits paid	(21.2)	–	(21.2)
Closing fair value of plan assets	465.7	–	465.7
2007			
Opening fair value of plan assets	465.7	–	465.7
Acquisition of subsidiary undertaking	13.2	1,993.3	2,006.5
Expected return	36.3	104.6	140.9
Administrative and life insurance costs	(1.9)	(4.2)	(6.1)
Actuarial (loss)/gains	(14.8)	11.7	(3.1)
Contributions by employer	28.8	46.3	75.1
Contributions by plan participants	3.7	10.8	14.5
Other income/exchange differences	2.7	0.9	3.6
Benefits paid	(27.5)	(84.2)	(111.7)
Closing fair value of plan assets	**506.2**	**2,079.2**	**2,585.4**

The history of the plan for the current and prior period is as follows:

	Core Premier £m	RHM £m	Total £m
2007			
Experience adjustments on plan liabilities	2.6	135.8	138.4
Experience adjustments on plan assets	(14.8)	11.7	(3.1)
Net actuarial (loss)/gain for period	(12.2)	147.5	135.3
Cumulative actuarial (loss)/gain	**(78.0)**	**147.5**	**69.5**
2006			
Experience adjustments on plan liabilities	4.4	–	4.4
Experience adjustments on plan assets	11.7	–	11.7
Net actuarial gain for period	16.1	–	16.1
Cumulative actuarial loss	(65.8)	–	(65.8)
2005			
Experience adjustments on plan liabilities	(43.7)	–	(43.7)
Experience adjustments on plan assets	17.8	–	17.8
Net actuarial loss for period	(25.9)	–	(25.9)
Cumulative actuarial loss	(81.9)	–	(81.9)
2004			
Experience adjustments on plan liabilities	(65.8)	–	(65.8)
Experience adjustments on plan assets	9.8	–	9.8
Net actuarial loss for period	(56.0)	–	(56.0)
Cumulative actuarial loss	–	–	–

In accordance with the transitional provisions in the amendment to IAS 19, "Employee Benefits" in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

The actual return on plan assets was £137.8m (2006: £39.7m), which is £3.1m less (2006: £11.7m more) than the expected return on plan assets of £140.9m (2006: £28.0m) at the start of the relevant periods.

The actuarial gain on liabilities of £138.4m (2006: £4.4m gain) comprises a gain on member experience of £30.6m (2006: £14.2m gain) and an actuarial gain due to changes in assumptions of £107.8m (2006: £9.8m loss).

The net actuarial gains taken to the statement of recognised income and expense were £135.3m (2006: £16.1m gain). These were £95.8m (2006: £11.0m gain) net of taxation (with tax at 28% for UK schemes and 12.5% for Irish schemes).

The Group expects to contribute approximately £73.0m to its defined benefit plans in 2008, £22.0m of regular contributions and £51.0m of additional contributions to fund the scheme deficits.

The amounts recognised in the income statement are as follows:

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

Defined Contribution Schemes
A number of companies in the Group operate defined contribution schemes, predominantly Stakeholder arrangements. In addition a number of schemes providing life assurance benefits only are operated. The total expense recognised in the income statement of £1.2m (2006: £1.1m) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

Other post retirement benefits
The Group does not provide any other post retirement benefits.

25. Share capital

	2007 £m	2006 £m
Authorised		
1,500,000,000 (2006: 1,000,000,000) ordinary shares of 1 pence each	**15.0**	10.0
Issued and fully paid		
844,600,074 (2006: 495,698,727) ordinary shares of 1 pence each	**8.5**	5.0

2007
On 15 February 2007, a special resolution was passed to increase the authorised share capital of the Company to £15.0m by the creation of 500m ordinary shares at 1 pence each.

On 16 March 2007, the Group completed the acquisition of 100% of RHM plc for a total consideration of £1,338.0m. The consideration for the acquisition was one new ordinary Premier Foods' share and 83.2 pence in cash for each RHM share held. Premier Foods issued 348,324,199 shares at 296.25 pence for each ordinary share in RHM plc.

During the year, 577,148 1 pence ordinary shares were issued to certain employees at a premium of between 171 and 230 pence per ordinary share upon the exercise of share options and were fully paid up.

2006
On 14 August 2006, Premier Foods plc issued 247,848,157 new 1 pence ordinary shares for 185 pence, in a one for one Rights Issue of existing ordinary shares (resulting in net proceeds of £441.6m after fees) including:

(i) 230,709 1 pence ordinary shares were issued to Mr Robert Schofield, an executive director as part of the Rights Issue, and were fully paid up;

(ii) 124,070 1 pence ordinary shares were issued to Mr Paul Thomas, an executive director as part of the Rights Issue, and were fully paid up;

(iii) 211,742 1 pence ordinary shares were issued to certain key employees as part of the Rights Issue and were fully paid up.

During the prior year, 9,409 1 pence ordinary shares were issued to certain employees at a premium of between 182 and 230 pence per ordinary share upon the exercise of share options and were fully paid up.

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Share option schemes
The Company has share option schemes for certain senior executives and key individuals. The employees involved in the schemes hold options to subscribe for up to 20.4m ordinary shares of 1 pence each between 2008 and 2017 at prices ranging between 1 pence per ordinary share and 196 pence per ordinary share. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below. For 2007, a summary of the Company's schemes is as follows:

(i) The Company adopted an Executive Share Option Scheme ("ESOS") at the time of admission for executive directors. Options granted under the ESOS may be exercised between 3 and 10 years after grant provided that the applicable performance criteria have been met.

These options are equity settled and the number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below.

(ii) A Savings Related Share Option Scheme for employees. The employees involved in the scheme have the right to subscribe for up to 11.4m ordinary shares.

As a result of the acquisition of RHM plc on 16 March 2007, participants to RHM's Savings Related Share Option scheme had the choice to either exercise their options or roll over the options into an option of equivalent value of Premier Foods' shares.

The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below. These options are equity-settled, have a maximum term of 3.5 years and generally vest only if employees remain in employment to the vesting date.

(iii) A Long-Term Incentive Plan for directors and senior managers. The individuals involved in the scheme have the right to subscribe for up to 4.7m ordinary shares at 1 pence per ordinary share. The number of shares subject to awards, the periods in which they were granted and the periods in which they may be awarded are given below. These awards are equity-settled and have a maximum term of 10 years.

Following the acquisition of RHM plc, awards made to RHM employees under the RHM Group Performance Share Plan in 2005 and 2006 vested on a pro-rata basis to the extent that performance conditions had been satisfied as at the date of the Court sanction of the Scheme of Arrangement. Awards were satisfied by the issue of 1 Premier Foods share and 83.2 pence for each RHM share that vested and the remaining portion of the awards lapsed. Rollover awards over Premier Foods shares were granted to RHM employees under a new Premier Group Performance Share Plan ("Premier PSP") to replace the portion of the 2005 and 2006 awards that lapsed following the Scheme of Arrangement. Awards under the Premier PSP are subject to the same performance conditions as the Premier Long-Term Incentive Plan and therefore have been incorporated with the existing plan.

The vesting conditions attached to the Company's Long-Term Incentive Plan arrangements are explained in detail in the directors' remuneration report on pages 39 to 48.

(iv) A Co-Investment Incentive Plan for directors and senior managers was introduced in 2007. The scheme is structured as a share matching plan and the individuals involved in the scheme are required to commit and retain a significant amount of capital in the form of Premier Foods' shares. The number of shares subject to awards, the periods in which they were granted and the periods in which they may be awarded are given below. These awards are equity-settled and have a maximum term of 10 years.

(v) A small number of shadow awards have been made to senior management of the Group. These awards are cash-settled, have a maximum term of 10 years and vest with the employees in accordance with the terms of the Long-Term Incentive Plan noted below. They have an exercise price of 1 pence and remaining contractual life of 8.5 years.

Details of the share options of the Premier Foods Executive Share Option Scheme are as follows:

	Year of expiry	2007 Options	2007 Weighted average exercise price (p)	2006 Options	2006 Weighted average exercise price (p)
Outstanding at beginning of year		**3,036,978**	**170**	2,585,673	215
Granted from Rights Issue		**–**	**–**	691,212	170
Forfeited during the year		**(438,935)**	**170**	(239,907)	170
Outstanding at the end of the year	2014	**2,598,043**	**170**	3,036,978	170
Exercisable at the end of the year		**1,113,447**	**170**	–	–

In the prior year, 0.7m options were granted in order to reflect the increase in ordinary shares issued from the one for one Rights Issue, though this does not represent an increase in value. The exercise price for all share options granted under the Executive Share Option Scheme was adjusted to 170 pence per ordinary share. The options outstanding at 31 December 2007 had a weighted average exercise price of 170 pence (2006: 170 pence), and a weighted average remaining contractual life of 6.6 years.

The options under the Premier Foods plc Executive Share Option Scheme are equity-settled and have a maximum term of 10 years. Options to subscribe for 2.6m of the ordinary shares under this scheme are subject to vesting conditions as set out in the directors' remuneration report on pages 39 to 48.

Details of the share awards of the Premier Foods Savings Related Share Option Schemes are as follows:

	2007 Options	2007 Weighted average exercise price (p)	2006 Options	2006 Weighted average exercise price (p)
Outstanding at beginning of year	**2,713,315**	**184**	1,278,112	231
Scheme rolled over from RHM acquisition	**3,992,613**	**171**	–	–
Exercised during the year	**(100,832)**	**173**	(9,409)	231
Granted during the year	**5,655,364**	**196**	1,132,506	236
Granted from Rights Issue	**–**	**–**	575,264	184
Forfeited during the year	**(886,538)**	**179**	(263,158)	184
Outstanding at the end of the year	**11,373,922**	**186**	2,713,315	184
Exercisable at the end of the year	**–**	**–**	–	–

During the year, 5.7m (2006: 1.1m) options were granted under the Savings Related Share Option Scheme, with a weighted average exercise price at the date of exercise of 196 pence per ordinary share.

In the prior year, a further 0.6m options were granted in order to reflect the increase in ordinary shares issued from the one for one Rights Issue, though this does not represent an increase in value. The weighted average exercise price for share options granted under the Savings Related Option Scheme was adjusted to 184 pence per ordinary share. The options outstanding at 31 December 2007 had a weighted average exercise price of 186 pence (2006: 184 pence), and a weighted average remaining contractual life of 2.0 years.

Notes to the financial statements
continued

Details of the share awards of the Premier Foods Long-Term Incentive Plan are as follows:

	2007 Options	2007 Weighted average exercise price (p)	2006 Options	2006 Weighted average exercise price (p)
Outstanding at beginning of year	**2,253,829**	**1**	855,617	–
Scheme rolled over from RHM acquisition	**2,128,490**	**1**	–	–
Granted during the year	**994,198**	**1**	1,050,754	1
Granted from Rights Issue	**–**	**–**	498,495	1
Forfeited during the year	**(958,856)**	**1**	(151,037)	1
Outstanding at the end of the year	**4,417,661**	**1**	2,253,829	1
Exercisable at the end of the year	**–**	**–**	–	–

During the year, 1.0m of awards were granted under the Long-Term Incentive Plan, with a weighted average share price at the date of exercise of 1 pence. In the prior year a further 0.5m awards were granted in order to reflect the increase in ordinary shares issued from the one for one Rights Issue, though this does not represent an increase in value. The awards outstanding at 31 December 2007 had a weighted average exercise price of 1 pence, and a weighted average remaining contractual life of 8.5 years. Details of executive director participation in the above schemes can be found in the directors' remuneration report on pages 39 to 48.

The weighted average fair value of awards granted during the year was 206 pence per option (2006: 91 pence). This was determined using a closed-form approach as a proxy for a stochastic Monte Carlo valuation model (which takes into account market based performance conditions) except for the Savings Related Share Option Scheme where the Black-Scholes model was used. The significant inputs into the model were:

	2007	2006
Weighted average share price (pence)	**272**	228
Annual risk-free interest rate (%)	**5.5**	5
Expected dividend (%)	**5.3**	5
Expected option life (years)	**3**	4
Expected volatility (%)	**21**	25

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years.

Details of the share awards of the Premier Foods Co-Investment Incentive Plan issued in 2007 are as follows:

	2007 Options	2007 Weighted average exercise price (p)
Outstanding at beginning of year	**–**	**–**
Granted during the year	**1,272,454**	**1**
Outstanding at the end of the year	**1,272,454**	**1**
Exercisable at the end of the year	**–**	**–**

The weighted average fair value of awards granted during the year was 238 pence per award. This was determined using a closed-form approach as a proxy for a stochastic Monte Carlo valuation model. The significant inputs into the model were:

	2007
Weighted average share price (pence)	**314**
Annual risk-free interest rate (%)	**5.5**
Expected dividend (%)	**5.3**
Expected option life (years)	**3**
Expected volatility (%)	**21**

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years.

In 2007, the Group recognised an expense of £3.9m (2006: £2.2m) related to all equity-settled share based payment transactions.

26. Reserves

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

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

(b) Actuarial gains and losses relating to the Group's retirement benefit schemes are recognised directly within the profit and loss reserve (note 24).

(c) Amounts are in respect of outstanding share option schemes in accordance with IFRS 2, "Share Based Payment".

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

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

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

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

Notes to the financial statements
continued

27. Acquisitions of subsidiaries/businesses

The following companies were acquired during the year:

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

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

The financial performance of the companies acquired was as follows:

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

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

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

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

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

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

	RHM	
	Provisional fair value £m	Book value £m
Property, plant and equipment	398.3	422.0
Intangible assets	908.9	328.8
Inventories	83.2	88.9
Trade and other receivables	271.9	275.1
Other investments	0.6	0.6
Bank overdraft	(0.7)	(0.7)
Trade and other payables	(304.3)	(298.5)
Financial liabilities – borrowings and other loans	(780.5)	(780.5)
Retirement benefit obligations	(238.5)	(177.5)
Current tax asset/(liability)	1.4	(1.9)
Deferred tax (liability)/asset	(166.4)	70.4
Net assets/(liabilities) acquired	**173.9**	**(73.3)**
Purchase price		
Cash consideration	289.8	
One new Premier share for each RHM share	1,031.9	
Debt and interest liability acquired	793.5	
Purchase price	2,115.2	
– Less: debt acquired	(793.5)	
– Direct costs relating to the acquisition	16.3	
Purchase consideration	1,338.0	
Provisional fair value of net assets acquired	173.9	
Goodwill (note 14)	**1,164.1**	

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

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

The principal fair value adjustments arising from the fair value review under IFRS 3 are a decrease in PPE of £23.7m, an increase in Brands, Licences and Customer Relationships of £580.1m, an increase in the retirement benefit obligation of £61.0m and a movement in deferred tax of £236.8m.

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

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

28. Notes to the cash flow statement
Reconciliation of operating profit to cash flows from operating activities:

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

Additional analysis of cash flows

	2007 £m	2006 £m
Interest received	**24.8**	9.7
Interest paid	**(122.8)**	(49.2)
Issue costs of new bank loan	**(18.8)**	(4.4)
Return on financing	**(116.8)**	(43.9)
Sale of subsidiaries/businesses (see note 10)	**22.0**	–

Notes to the financial statements
continued

Reconciliation of cash and cash equivalents to net borrowings

	2007 £m	2006 £m
Net inflow/(outflow) of cash and cash equivalents	**21.3**	(10.7)
Debt acquired with Campbell's	**–**	(88.6)
Debt acquired with RHM	**(0.5)**	–
Unamortised debt issuance acquired with RHM	**4.8**	–
Increase in finance leases	**(2.7)**	–
(Increase)/decrease in borrowings	**(987.4)**	36.1
Other non-cash changes	**(12.6)**	(6.1)
Increase in borrowings net of cash	**(977.1)**	(69.3)
Total borrowings net of cash at beginning of year	**(641.4)**	(572.1)
Total borrowings at end of year	**(1,618.5)**	(641.4)

Analysis of movement in borrowings

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

29. Operating lease commitments

The Group had lease agreements in respect of properties, plant and equipment, for which future minimum payments extend over a number of years.

	2007		2006	
	Property £m	**Plant and equipment £m**	Property £m	Plant and equipment £m
Within one year	**7.8**	**12.0**	2.9	3.0
Between 2 and 5 years	**38.8**	**34.2**	9.5	3.3
After 5 years	**61.1**	**–**	7.8	–
	107.7	**46.2**	20.2	6.3

The Group sub-lets various offices under non-cancellable lease arrangements.

30. Capital commitments

	2007 £m	2006 £m
Contracts placed for future capital expenditure not provided in the financial statements	**42.6**	10.0

31. Contingencies

There were no material contingent liabilities at 31 December 2007.

Other contingencies and guarantees in respect of the Parent Company are described in note 8 of the Parent Company financial statements.

32. Related party transactions

Key management personnel of the Group are considered to be the Executive and Non-Executive Directors, the Operations Board and the Company Secretary.

Details of their remuneration are set out below in aggregate for each of the categories specified in IAS 24, "Related Party Disclosures". Further information about the remuneration of individual directors is provided in the audited part of the directors' remuneration report on pages 39 to 48.

	2007 £m	2006 £m
Salaries and other short-term employee benefits	**4.4**	2.6
Post employment benefits	**0.4**	0.1
Termination benefits	**0.6**	0.3
Share based payments	**0.8**	0.7
	6.2	3.7

Apart from the information above and the related party transaction disclosed in the directors' report on page 28, there were no other related party transactions.

33. Post balance sheet events

Financing arrangements

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

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

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

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

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

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

Premier Food plc – Company financial statements

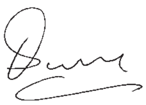
The following statements reflect the financial position of the Company, Premier Foods plc as at 31 December 2007 and 2006. These financial statements have been prepared in accordance with Generally Accepted Accounting Standards in the United Kingdom ("UK GAAP"). The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the Company alone.

Balance sheet

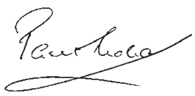
		As at 31 December	
	Note	**2007 £m**	2006 £m
Non-current assets			
Investments	3	**1,739.3**	397.9
Deferred tax assets		**1.0**	0.9
Current assets			
Debtors	4	**360.4**	389.5
Cash at bank		**0.3**	–
Total assets		**2,101.0**	788.3
Current liabilities			
Creditors	5	**(127.0)**	(4.1)
Total liabilities		**(127.0)**	(4.1)
Net assets		**1,974.0**	784.2
Capital and reserves			
Share capital	6	**8.5**	5.0
Share premium	6	**760.6**	760.6
Merger reserve	6	**1,027.5**	–
Profit and loss reserve	6	**177.4**	18.6
Total shareholders' funds		**1,974.0**	784.2

The notes on pages 97 to 99 are an integral part of these financial statements.

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



Robert Schofield
Director and Chief Executive



Paul Thomas
Finance Director

Notes to the Company financial statements

1. Accounting policies

Basis of preparation
The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom ("UK GAAP"), under the historical cost convention. The profit for the year of £216.0m (2006: £3.8m loss) is recorded in the accounts of Premier Foods plc. The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the Company.

The Company has taken exemption under Financial Reporting Standard 1, "Cash Flow Statements" ("FRS 1") to not prepare a cash flow statement. The Company is also exempt under the terms of Financial Reporting Standard 8, "Related Party Transactions" ("FRS 8") from disclosing related party transactions with entities that are part of the Premier Foods plc Group or investees of the Premier Foods plc Group.

Fixed asset investments
Investments held as fixed assets are stated at cost less any provision for impairment in their value.

Taxation
The charge for taxation is based on the profit for the year and takes into account deferred taxation. The Company provides in full for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their inclusion in tax computations to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future. The Company discounts its deferred tax liability as appropriate.

Cash and liquid resources
Short-term cash deposits, which can be called on demand without any material penalty, are included within cash balances in the balance sheet.

Share based payments
The fair value of employee share option plans is calculated using an option-pricing model. In accordance with Financial Reporting Standard 20, "Share Based Payment" ("FRS 20"), the resulting cost is charged to the profit and loss account over the vesting period of the options for employees employed by the Parent Company, or treated as an investment in subsidiaries in respect of employees employed by the subsidiaries where the cost is recharged. The value of the charge is adjusted to reflect expected and actual levels of options vesting.

Dividends
Dividend distribution to the Company shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders, and for interim dividends in the period in which they are paid.

2. Operating profit

Audit fees in respect of the Company are £nil (2006: £nil).

The Company has 8 employees (2006: 9), and their remuneration totalled £1.7m (2006: £2.3m).

3. Investments

	2007 £m	2006 £m
Shares in subsidiary undertakings		
At 1 January	**397.9**	396.8
Additions	**1,341.4**	1.1
At 31 December	**1,739.3**	397.9

During 2007 a capital contribution of £3.4m (2006: £1.1m) was given in the form of share incentive awards to employees of subsidiary companies which was reflected as an increase in investments. See note 16 on page 73 in the Group financial statements for a list of the principal subsidiary undertakings. A full list of subsidiary undertakings is available from the Company Secretary.

The additions in the year relate to the purchase of RHM plc of £1,338.0m, and a capital contribution of £3.4m (2006: £1.1m) given in the form of share incentive awards to employees of subsidiary companies. For further information on the acquisition of RHM plc see note 27 on page 92 in the Group financial statements.

4. Debtors

	2007 £m	2006 £m
Amounts falling due within one year		
Amounts owed by subsidiaries	**357.4**	388.0
Prepayments	**0.2**	0.3
Corporation tax	**2.8**	1.2
Total debtors falling due within one year	**360.4**	389.5

The above balances are not subject to interest rate risk as they are interest free. Carrying value approximates fair value.

Notes to the Company financial statements
continued

5. Creditors

	2007 £m	2006 £m
Amounts payable within one year		
Amounts due to subsidiaries	**125.4**	3.0
Accruals	**1.6**	1.1
Total creditors falling due within one year	**127.0**	4.1

The above balances are not subject to interest rate risk as they are interest free. Carrying value approximates fair value.

6. Share capital and other reserves

	Share capital £m	Share premium £m	Merger reserve £m	Profit and loss reserve £m	Total £m
At 1 January 2006	2.5	321.5	–	43.7	367.7
Rights Issue (a)	2.5	456.1	–	–	458.6
Rights Issue costs (a)	–	(17.0)	–	–	(17.0)
Loss for the year	–	–	–	(3.8)	(3.8)
Dividends paid	–	–	–	(23.5)	(23.5)
Share based payments (c)	–	–	–	2.2	2.2
At 31 December 2006	5.0	760.6	–	18.6	784.2
Shares issued (a)	3.5	–	1,029.7	–	1,033.2
Cost of shares issued (a)	–	–	(2.2)	–	(2.2)
Profit for the year (b)	–	–	–	216.0	216.0
Dividends paid (b)	–	–	–	(61.1)	(61.1)
Share based payments (c)	–	–	–	3.9	3.9
At 31 December 2007	**8.5**	**760.6**	**1,027.5**	**177.4**	**1,974.0**

For details on authorised share capital, and the Company share option schemes see note 25 on page 87 in the Group financial statements.

(a) On 15 February 2007, a special resolution was passed to increase the authorised share capital of the Company to £15.0m by the creation of 500m ordinary shares at 1 pence each.

On 16 March 2007, the Company completed the acquisition of 100% of RHM plc for a total consideration of £1,338.0m. The consideration for the acquisition was one new ordinary Premier Foods' share and 83.2 pence in cash for each RHM share held. Premier Foods issued 348,324,199 shares at 296.25 pence for each ordinary share in RHM plc.

During the year, 577,148 1 pence ordinary shares were issued to certain employees at a premium of between 171 and 230 pence per ordinary share upon the exercise of share options and were fully paid up.

The excess of share price over the nominal value of shares issued in relation to the acquisition of RHM plc, has been taken to the merger reserve in accordance with section 131 of the Companies Act 1985, as the Company acquired more than 90% of the issued share capital of RHM plc.

On 14 August 2006, Premier Foods plc issued 247,848,157 new 1 pence ordinary shares for a premium of 184 pence, in a one for one rights issue of existing ordinary shares. Gross proceeds were £456.1m and rights issue costs of £17.0m were incurred and have been charged to the Share Premium account.

The issuance of new ordinary shares includes:
(i) 230,709 1 pence ordinary shares were issued to Mr Robert Schofield, an executive director as part of the Rights Issue, and were fully paid up;
(ii) 124,070 1 pence ordinary shares were issued to Mr Paul Thomas, an executive director as part of the Rights Issue, and were fully paid up;
(iii) 211,742 1 pence ordinary shares were issued to certain key employees as part of the Rights Issue and were fully paid up.

Also during the prior year, 9,409 1 pence ordinary shares were issued to certain employees at a premium between 230 and 182 pence per ordinary share upon exercise of share options and were fully paid up.

(b) The profit for the year of £216.0m, before external dividends of £61.1m, includes £220.0m of dividends received from subsidiary undertakings.

On 23 February 2007 and 6 July 2007, the Company paid dividends to shareholders without sufficient distributable reserves being available in the Company, despite the fact that there were sufficient distributable reserves across the Group which the Company could call upon to make those payments. As a result, the accounting treatment required by the Companies Act treats these payments as interest free loans to shareholders rather than as dividends. In order to satisfy the Companies Act requirements, dividends have been passed up from subsidiaries to ensure sufficient distributable reserves are in place as at 31 December 2007.

At an Extraordinary General Meeting held on 17 December 2007, shareholders approved a special resolution to release both shareholders and Directors from any liability to the Company in respect of the dividend payments and the shareholder loans have reverted back to being dividends.

(c) These costs reflect the cost of share option schemes in operation.

7. Operating lease commitments

At 31 December 2007, the Company had annual commitments under non-cancellable operating leases in respect of land and buildings as follows:

	2007 £m	2006 £m
Within one year	**–**	–
Between 2 and 5 years	**–**	–
After 5 years	**0.3**	0.3
Total creditors falling due within one year	**0.3**	**0.3**

The lease expense has been borne by a subsidiary company.

8. Contingencies and guarantees

Premier Foods plc has provided guarantees to third parties in respect of borrowings of certain subsidiary undertakings. The maximum amount guaranteed at 31 December 2007 is £2.1bn (2006: £1.1bn).

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Financial Calendar 2008
(All future dates may be subject to change)

Final dividend for 2007:
Announcement date: 4 March 2008
Annual General Meeting: 16 May 2008
Ex dividend date: 4 June 2008
Record date: 6 June 2008
Payment of dividend: 4 July 2008

Interim dividend for 2008:
Announcement date: 28 August 2008
Ex dividend date: 26 November 2008
Record date: 28 November 2008
Payment of dividend: 2 January 2009

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