19 March 2012

Premier Foods plc

Premier Foods announces 2011 Full Year results, details of re-financing package and further information on growth strategies

- **2011 Trading profit in line with previous guidance**
- **Consent obtained to landmark 4 ½ year re-financing package**
- **New management in place with clear strategies for growth**
- **2012 focus on stabilising business and investing in future growth**

Following announcement on 12 March of unanimous consent to the terms of a new re-financing package, Premier Foods today announces its Full Year results for 2011 and further details of its growth strategies.

Key elements of the 2011 results, re-financing package and growth strategies are headlined below:

2011 Full Year results

- Sales for Ongoing business[1] declined by 3.4% reflecting challenging consumer environment and the effect of previous customer disputes
- Trading profit for Ongoing business[1] of £173.7m
- Significant one-off items which offset each other are Trading profit neutral for the year
- Goodwill and intangible asset impairment in Bread[2] division of £282.0m resulted in a loss after tax from Continuing operations of £230.0m for the year
- Sales of Meat-free, Canned grocery and Brookes Avana realised total net proceeds of £394m for a combined EBITDA multiple of 8.7x
- Net debt of £995.1m at 31 December 2011

Re-financing package

- Banking facilities of total of £1.4billion extended to June 2016
- Banking covenants re-set to support strategic plan
- Interest rate swaps converted to additional bank term loan
- Pension schemes to defer deficit contributions until January 2014
- Amortisation payment schedule amended and next payments deferred to mid 2014
- Sliding scale of new deferred bank fees at market rates from 2014

Growth strategies

- Growth strategies aligned around “Best in British Food” vision
- Marketing investment behind eight Power Brands will double in 2012 with sustainable increase planned in subsequent years
- Focus on building collaborative relationships with key customers to drive mutual growth
- Targeting gross 4% year on year supply chain savings and doubling of overhead savings to more than £40m by 2013
- Long-term approach to deliver sustainable shareholder value

Outlook

The recently announced re-financing package provides the foundation on which the Group's growth strategies can be implemented. During the coming year, the Group's priorities remain to stabilise its operational performance, while enabling the business to increase its focus through selected disposals. The consumer environment is expected to remain challenging with continued high levels of promotional activity and ongoing cost inflation, albeit at lower levels than 2011. The Group, nevertheless, believes the planned increase in marketing investment, proposed cost reduction programmes, better customer collaboration and renewed focus across the Group will provide the platform to deliver future branded growth.

Consequently, over the medium-term, the Group expects a return to sales growth, and higher gross margins. This will be supported by further sustained increases in marketing investment and a continuation of cost reduction and efficiency programmes. Additionally, the Group will reduce interest charges and net debt.

Commenting on the re-financing package, Michael Clarke, Chief Executive Officer, Premier Foods, said:

"*I'm delighted that we have been able to reach a positive outcome with our banking and pension scheme partners. The consent for this re-financing package represents a strong sign of confidence and support for the business, its strategies and growth plans. This is great news for our employees and all of our stakeholders."*

He continued:

"*We intend to draw a line under the performance of 2011. Having put the financing and strategic building blocks in place, our immediate priorities are to implement this re-financing package, continue stabilising the business, re-focus the portfolio and invest in our future growth. Whilst we recognise that the consumer environment remains challenging, our performance thus far in 2012 is in line with our expectations. I'm convinced we have the right team to turn this business around and I am very positive about our future."*

A presentation to investors and analysts on 2011 results, re-financing package details and growth strategies will take place on 19 March 2012 at 9.30am at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED. The presentation will be webcast at www.premierfoods.co.uk.

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Summary Full Year Results for the year ending 31 December 2011

'Continuing operations' excludes the results of Meat-free and Brookes Avana and 'Ongoing business' excludes the results of Meat-free, Brookes Avana, Canned grocery and Irish brands.

	2011	2010	Change
Continuing operations			
Sales (£m)	1,999.5	2,234.4	(10.5%)
Trading profit (£m)	188.3	283.6	(33.6%)
Operating (loss)/profit (£m)	(176.3)	219.9	-
Basic (loss)/earnings per share (pence)	(9.6)	0.2	-
Ongoing business			
Sales (£m)	1,811.0	1,874.7	(3.4%)
Trading profit (£m)	173.7	245.7	(29.3%)
Adjusted profit before tax (£m)	58.0	100.5	(42.3%)
Adjusted earnings per share (pence)	1.8	3.0	(40.0%)

The following table illustrates the Ongoing business performance for 2011 compared to 2010. Ongoing business results are stated as if the disposals of Meat-free, Canned grocery, Brookes Avana and Irish brands had been completed on 1 January 2010. Meat-free and Brookes Avana are treated as discontinued operations in the 2011 financial statements.

2011 (£m)	Continuing operations	Less: Canned grocery	Less: Irish brands[8]	Ongoing business
Sales	1,999.5	(166.7)	(21.8)	1,811.0
Trading profit	188.3	(5.4)	(9.2)	173.7
EBITDA	230.1	(5.4)	(9.2)	215.5
2010 (£m)				
Sales	2,234.4	(334.2)	(25.5)	1,874.7
Trading profit	283.6	(27.8)	(10.1)	245.7
EBITDA	326.8	(31.7)	(10.1)	285.0

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

	2011 £m	2010 £m
Continuing Trading profit	**188.3**	283.6
Amortisation of intangible assets	**(72.0)**	(65.8)
Foreign exchange valuation items	**(1.7)**	(2.0)
Pension financing credit	**17.0**	4.1
Restructuring costs relating to disposals	**(10.5)**	-
Re-financing costs	**(4.2)**	-
Impairment of goodwill and intangible assets	**(282.0)**	-
Loss on disposal of operations	**(11.2)**	-
Operating (loss)/profit	**(176.3)**	219.9
Net finance expense	**(82.8)**	(191.4)
(Loss)/Profit before tax	**(259.1)**	28.5
Taxation credit/(charge)	**29.1**	(24.4)
(Loss)/Profit after tax	**(230.0)**	4.1
Divided by:		
Average shares in issue (millions)	**2,398.1**	2,398.0

Basic (loss)/earnings per share	**(9.6p)**	0.2p

Adjusted earnings per share is calculated as set out below:

	2011 **£m**	2010 £m
Continuing Trading profit	**188.3**	283.6
Less net regular interest	**(115.7)**	(145.2)
Adjusted profit before tax	**72.6**	138.4
Less notional tax at 26.5%/28%	**(19.2)**	(38.7)
Adjusted profit after tax	**53.4**	99.7
Divided by:		
Average shares in issue (millions)	**2,398.1**	2,398.0
Adjusted earnings per share	**2.2p**	4.2p

Notes to editors:

1. The results of the Group excluding the Meat-free business, Canned grocery operations, Brookes Avana and the Irish Brands businesses are shown as Ongoing business to illustrate business performance following recent divestment activity. In the financial statements, the results of the Meat-free and Brookes Avana businesses are shown as discontinued operations. The results of the Canned grocery operations are included within continuing operations as a separate operating segment, and titled 'Disposed of Canning Operations'. The results of the Irish Brands business are included within continuing operations within the Grocery segment.
2. The previously named 'Hovis' division has been renamed the 'Bread' division.
3. The accounting period is from 1 January 2011 to 31 December 2011. The comparative is based on 1 January 2010 to 31 December 2010.
4. Trading profit is defined as operating profit before re-financing costs, restructuring costs and losses associated with divestment activity, amortisation and impairment of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension credits or charges in relation to the difference between expected return on pension assets, administration costs and interest costs on pension liabilities.
5. Net debt is defined as net borrowings.
6. Comparatives have been restated to reflect the classification of the Meat-free and Brookes Avana businesses as discontinued operations.
7. Net regular interest is defined as total net interest excluding write-off of financing costs, fair value adjustments on interest rate swaps and other financial liabilities at fair value through profit or loss and the unwind of the discount on provisions.
8. Ongoing business Trading profit and EBITDA is stated after the disposed of Irish Brands business. From 2012, Ongoing business will include income relating to a co-pack manufacturing agreement in connection with this disposed business.

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

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

As Britain's largest food producer, Premier Foods is committed to being the 'Best in British Food - delivering the taste the British love, with food that's made in Britain by people who understand British consumers. We supply a range of retail, wholesale, foodservice and other customers with some of Britain's best loved brands, including Ambrosia, Batchelor's, Bisto, Hovis, Loyd Grossman, Mr.Kipling, Oxo and Sharwood's. The company employs around 12,000 people operating from 43 sites from Plymouth to Glasgow.

Chief Executive Officer Review

2011 was clearly a challenging year for Premier Foods. Like many others in the industry, we felt the impact of significant commodity inflation and an unprecedented decline in consumer spending. Unfortunately, our price increases were not able to fully recover higher costs and were largely negated by higher promotional spending which affected margins. In addition, as consumers looked for greater value, we were unable to maintain demand for our brands due to reduced marketing investment. Retail customer support for our brands consequently declined in favour of our competitors and own label, a situation that was exacerbated by the effect of customer disputes.

Our trading results for the year tell the story. They also reflect certain underlying challenges facing the business. Despite its significant scale, the Group has been unable to fully exploit revenue and cost synergies. The business remains complex with insufficient focus and has additionally suffered from a lack of investment behind its brands and a short-term, tactical approach to trading. The need to service significant debt has compounded these challenges.

Since joining the company last August, my focus has been on addressing these challenges. We have a great portfolio of brands that remain hugely popular and employees who are passionate about the business. To help build on these strengths, we have put in place a new leadership team that has significant collective experience. Our initial focus is to continue the stabilisation of the business, to re-focus the portfolio and to invest in our future growth.

Last October, we announced five priorities to help stabilise the business and we are gaining momentum against each of these:

- Invest behind eight Power Brands - seven of our Power Brands will be back on TV with advertising in the first half of 2012 and we will invest significant promotional spend behind the eighth;
- Strengthen capabilities, particularly sales and marketing – new leadership is now in place and we are reorganising to improve effectiveness;
- Divest selected businesses to sharpen focus – the Brookes Avana and Irish Brands disposals have been completed;
- Right-size and reduce the company's cost base – we have announced a doubling of previous overhead cost reduction programmes to achieve more than £40m savings by 2013;
- Agree a re-financing package with the banks – we have obtained consent to an extended re-financing package

I'm delighted that we have been able to reach a positive outcome with our banking, swap counterparties and pension scheme partners on a new financing package. The consent for this re-financing package represents a strong sign of confidence and support for the business and is great news for our employees and all of our stakeholders. It also helps us draw a line under the performance of 2011 and will allow us to move forward in implementing our new growth strategies.

Our growth strategies are aligned around four pillars to achieve our vision to be the 'Best in British Food':

- **Brands** – we plan to invest behind our eight Power Brands of *Hovis, Ambrosia, Mr. Kipling, Sharwood's, Loyd Grossman, Bisto, Oxo* and *Batchelors*. Detailed brand plans have been developed that leverage the 'Britishness' of our brands as well as step-up our innovation in product design, packaging and promotions. Our marketing spend behind these brands will be doubled in 2012 with further sustained increases in marketing investment in subsequent years. To help focus our efforts further we will seek to divest selected, non-core businesses.
- **Partners –** we will build more collaborative relationships with all of our business partners. Specifically, we will develop joint business plans with key customers to drive mutual growth. We also plan to develop specific pricing and promotional strategies for the fast growing

discounter and wholesale segment as well as improve our revenue growth management through optimising our trade investment, systems and processes.

- **Focus** – through improving our focus, we plan to drive further efficiency and effectiveness. Our supply chain will continue to target year on year gross savings of around 4% of manufacturing controllable costs and capital expenditure will be skewed to supporting growth and productivity programmes. In addition, we have announced that we will accelerate planned reductions in overhead costs. The £20m overhead savings by 2013 that we announced at the 2011 Half Year will now be doubled to more than £40m over the same time period. The costs to achieve these savings are approximately £21m, the majority of which are expected to be taken in 2012.
- **Sustainability –** we intend to take a longer term approach to the business by ensuring we act sustainably in everything we do. We will continue investing in our brands, people and partnerships, driving high environmental and ethical standards and expanding better-for-you choices as part of our portfolio. Together, this will help us deliver sustainable results.

We recognise that the consumer environment remains challenging. Consumers will continue to focus on value and convenience; and competition will again be intense. There is no doubt that we will need to work hard to make our brands stand out. Nevertheless, our performance thus far in 2012 is in line with our expectations. I'm convinced we have the right team to turn this business around and I am very positive about our future. I look forward to updating you as we progress.

Michael Clarke
Chief Executive Officer

Re-financing package and 2011 Full Year results operating and financial review

Re-financing package

The Group has obtained consent from its banking syndicate, swap counterparties and pension schemes on a re-financing package subject to the formalities of final documents being signed, expected by the end of March.

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

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

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

The total interest rate swap portfolio, including previously restructured swaps, will be restructured into additional term loan totalling approximately £199m. Of this additional term loan, approximately £117m of the previously restructured swaps will be interest bearing with immediate effect. The remaining £82m of previously restructured swaps will attract interest from 1 January 2014. These new tranches of additional term loan will attract the same interest margin as the main term loan. The result of this conversion from swaps to additional term loan will significantly reduce the Group's interest expense in 2012 and 2013 and the previously arranged agreed swap settlements of £35m in 2012 and £82m in 2013 are no longer applicable. A new amortising swap commencing in July 2012, with a nominal value of approximately £750m will be arranged, attracting a swap rate of 1.55%.

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

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

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

Subject to implementation of the new re-financing arrangements, the Trustees of the Group's pension schemes have agreed to defer deficit contribution payments (c.£47m p.a.) until 1 January 2014 and there will be no increase in the agreed deficit contributions before 2016. Regular contributions of approximately £26m per annum will continue to be paid to the pension schemes.

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

The company is restricted from paying dividends under the terms of the re-financing package.

Capital expenditure is to be held in line with target of approximately 3% of sales.

Summary of Re-financing package		
Bank facility maturity	30 June 2016	
Bank margin	2.25% until 31 Dec 2013 3.25% 1 Jan 2014 – 30 June 2016	
Facilities	Term loan A £733m RCF £500m Additional term loan circa £199m	
Amortisation payments	30 June 2014 - £25m 31 Dec 2014 - £25m	30 June 2015 - £30m 31 Dec 2015 - £30m
Disposals	Proceeds shared between banks and swap counterparties £330m disposal proceeds required by 30 June 2014; certain progress milestones from 31 December 2013	
Securitisation	Programme now £120m and now on balance sheet	
Cash sweep	Paid in February 2014, split between banks, swaps and pension schemes Further cash sweeps annually thereafter (excluding pension schemes)	
Consent fee	1% fee on outstanding facilities	
Existing deferred fee	0.5% on existing facilities, paid Dec 2013	
New deferred fee	2.0% on facilities between 28 Mar 2013 - 27 Mar 2014 2.5% on facilities between 28 Mar 2014 - 27 Mar 2015 3.0% on facilities between 28 Mar 2015 - 27 Mar 2016	
Covenant test dates	Biannually, 30 June and 31 December	
Net debt / EBITDA covenant	30 June 2012	6.96x
	31 December 2012	5.87x
	30 June 2013	5.26x
	31 December 2013	4.52x
	30 June 2014	4.66x
	31 December 2014	3.92x
	30 June 2015	3.82x
	31 December 2015	3.26x
EBITDA / interest covenant	30 June 2012	2.37x
	31 December 2012	3.69x
	30 June 2013	4.50x
	31 December 2013	4.50x
	Each test thereafter	4.50x

The re-financing package is subject to final documentation being put in place and the directors are confident that this will be achieved and signed by the end of March. On this basis, the directors believe it is appropriate to continue to adopt the going concern basis of accounting as fully described in note 1.

2011 Results - Operating review

Continuing operations

£m	**2011**	2010	
Revenue			
Grocery	**1,121.5**	1,212.6	(7.5%)
Bread	**711.3**	687.6	3.4%
Disposed of Canning Operations	**166.7**	334.2	(50.1%)
Total revenue	**1,999.5**	2,234.4	(10.5%)
Trading profit			
Grocery	**179.5**	220.5	(18.6%)
Bread	**3.4**	35.3	(90.4%)
Disposed of Canning Operations	**5.4**	27.8	(80.6%)
Total Trading profit	**188.3**	283.6	(33.6%)
Amortisation of intangible assets	**(72.0)**	(65.8)	(9.4%)
Foreign exchange valuation items (charge)	**(1.7)**	(2.0)	15.0%
Pension financing credit	**17.0**	4.1	-
Restructuring costs relating to disposals	**(10.5)**	-	-
Re-financing fees	**(4.2)**	-	-
Impairment of goodwill and intangible assets	**(282.0)**	-	-
Loss on disposal of operations	**(11.2)**	-	-
Operating (loss)/profit	**(176.3)**	219.9	-

Ongoing business

£m	**2011**	2010	
Revenue			
Grocery	**1,099.7**	1,187.1	(7.4%)
Bread	**711.3**	687.6	3.4%
Total revenue	**1,811.0**	1,874.7	(3.4%)
Trading profit			
Grocery	**170.3**	210.4	(19.1%)
Bread	**3.4**	35.3	(90.4%)
Total Trading profit	**173.7**	245.7	(29.3%)

The Brookes Avana business is disclosed in the financial statements as a discontinued operation. Consequently this business is reported before the allocation of group overheads. Trading profit for Grocery and Bread are, therefore, stated after the allocation of group overheads previously assigned to Brookes Avana.

The previously named 'Hovis' division has been renamed the 'Bread' division.

Introduction

In the financial statements for the year ended 31 December 2011, the Meat-free and Brookes Avana businesses are both treated as discontinued operations, reflecting their status as individual operating segments within the Group structure. Canned grocery is treated as a continuing operation in the financial statements and reported separately as an operating segment, 'Disposed of Canning Operations'. The Irish Brands business, the disposal of which completed on 23 January 2012, was a constituent part of the Grocery segment for the duration of 2011 and is, therefore, treated as a continuing operation.

The definition of 'Ongoing business' is used as a basis to illustrate the business performance of the Group following recent divestment activity. It excludes the Meat-free, Canned grocery, Brookes Avana and Irish Brands businesses. All commentary refers to Ongoing business unless otherwise stated.

Ongoing business revenue decreased by 3.4% to £1,811.0m in the year, a decrease of £63.7m compared to the prior year. Ongoing business Trading profit decreased by 29.3% to £173.7m in the year, reflecting a challenging consumer environment and customer disputes.

Significant one-off items

The reported Ongoing business Trading profit of £173.7m in the year is stated after recognising pension credits of £37.4m and aged receivable reviews and associated commercial provisions of £37.4m.

The pension credits in 2011 include a credit in H1 2011 amounting to £12.1m, of which £10.0m related to the Ongoing business and reflected the move from final salary scheme to CARE and defined contribution schemes. An additional credit in H2 of £29.9m, of which £27.4m related to the Ongoing business, was due to changes in the statutory inflation assumption used in calculating certain scheme liabilities. The statutory inflation assumption change, prompted by legislation, involves replacing the retail price index (RPI) with the consumer price index (CPI) in calculating certain scheme liabilities. This amendment has been made to certain of the Premier Foods pension scheme liabilities only in 2011; the Group and Trustees of the RHM Pension Scheme are currently seeking legal clarification to ascertain the extent to which certain provisions of the RHM Pension Scheme are also affected by the move from RPI to CPI. In 2010, the Group's results included a pension credit of £11.6m owing to past service credits.

Additionally, following recent disposal and restructuring activity, the Group has re-assessed the recoverability of assets held on the balance sheet. Following this review, the Group has written off some aged receivable balances deemed unrecoverable and adjusted some associated commercial provisions. Accordingly, the Group recognised an expense of £37.4m in Ongoing business Trading profit.

The effect on Ongoing business Trading profit of these one-off items results is neutral for the full year. Of the £27.4m pension credit recognised in H2, £26.0m was reflected in Ongoing business Trading profit of the Grocery division. The write-off of aged receivable balances and adjusted commercial provisions were all recognised in the Grocery division. A pension credit of £11.6m owing to past service credits was also recorded in 2010 reported Trading profit.

Group net debt as at 31 December 2011 was £995.1m. This is stated after gross disposal proceeds of £30.3m from the completed divestiture of the Brookes Avana business. Average net debt decreased from £1,424m in 2010 to £1,179m in 2011. Historically, the Group has experienced a low point in the working capital cycle at the end of December. In future, the Group expects to have a lower degree of variability in net debt levels.

An impairment charge of £282.0m is attributable to the Bread segment as a result of the decline in profitability of the business in 2011 compared to the prior year and hence the assessment of future forecasted cashflows for this segment. Additionally, and as a result of the sale of the Brookes Avana business, an impairment charge of £80.4m was taken against the assets of the business in 2011, reflecting the difference between the net sale proceeds and the carrying value of the business.

Grocery division

£m	**2011**	2010	Change
Branded sales	**892.5**	972.8	(8.3%)
Non-branded sales	**207.2**	214.3	(3.3%)
Total sales	**1,099.7**	1,187.1	(7.4%)
Gross profit	**331.1**	408.6	(19.0%)
Trading profit	**170.3**	210.4	(19.1%)

Sales in our Grocery division decreased by 7.4% to £1,099.7m compared to £1,187.1m in 2010. Trading profit was £170.3m, a 19.1% decline in the year.

Grocery category performances in 2011 were characterised by the effect of challenging market conditions and high promotional activity. During the year, our markets declined by 2.5% in volume terms, significantly down on long-term averages, although this trend improved in the second half of 2011. Overall, branded volumes in the Grocery division declined year on year, owing to these market declines and a protracted customer dispute that particularly affected the Ambrosia, Batchelors, Loyd Grossman and Sharwood's brands.

The Group experienced a significant wave of input cost inflation during the first quarter of 2011. In response, price increases were negotiated and achieved, however, these only became effective from the beginning of the second quarter. As a result of this time lag, gross margins declined by £14m in the first quarter.

During the year, promotional activity in the market continued at historically elevated levels. While volumes on promotion were higher than 2010, the annual rate of increase slowed and the depth of discount increased.

We continue to generate savings in the supply chain, both in increasing manufacturing efficiency at our sites and through procurement gains. Manufacturing efficiencies benefited Trading profit by £20m as a result of improvement programmes across a number of sites, while procurement gains delivered £14m.

A pension credit of £33m is recognised in Ongoing business Trading profit, owing to the change in inflation rate assumption from RPI to CPI and the movement of pension schemes from final salary to career average schemes.

Bread division

£m	2011	2010	Change
Branded bakery sales	**372.0**	375.6	(1.0%)
Non-branded bakery sales	**128.5**	139.6	(8.0%)
Total bakery sales	**500.5**	515.2	(2.9%)
Milling sales	**210.8**	172.4	22.3%
Total sales	**711.3**	687.6	3.4%
Gross profit	**208.0**	239.9	(13.3%)
Trading profit	**3.4**	35.3	(90.4%)

Reported Trading profit of the Bread division in 2010 of £38.8m has been re-stated to £35.3m to reflect the reallocation of costs previously absorbed by the discontinued Brookes Avana business. Additionally, in 2010, other group and central costs have been allocated to the Bread division to more closely reflect support function activity. The net effect of these items has been to reduce reported Trading profit by £9.8m.

Total sales for the Bread division increased 3.4% in 2011 to £711.3m, while Trading profit declined from £35.3m in 2010 to £3.4m. Sales in our Bakery operations were down 2.9% in the year while Milling sales increased by 22.3%, largely due to higher pricing compared to the previous year to cover higher raw material costs.

The performance of the Bakery business reflected challenging market conditions, with category volumes down 3.3% during the year. High levels of promotional activity remained a key feature of the market and as a result, Trading profit was lower in the year. Hovis branded market share was broadly flat during the year, while non-branded volumes were lower, partly as a result of a contract loss.

Brookes Avana (Discontinued operation)

£m	2011	2010	Change
Revenue	**195.4**	203.6	(4.0%)
Trading (loss)/profit	**(11.6)**	11.3	-

The disposal of the Brookes Avana business to 2 Sisters Food Group was completed on 30 December 2011 for gross proceeds of £30.3m. In line with the key priorities for the Group, the disposal of Brookes Avana allows the business to better focus its resources behind growing the eight Power Brands.

Revenue for Brookes Avana decreased by 4.0% to £195.4m, down from £203.6m in 2010. This reflects the loss of a major pie contract at the Leicester site during the middle of the year, partly offset by pricing achieved in the first half.

A Trading loss of (£11.6m) was recorded in the year owing to competitive pricing pressure, significant contract churn and the resultant impact on supply chain efficiencies. A restructuring charge of £4m was taken in H1 due to redundancy costs associated with a lost pie contract and asset write-offs. The loss is stated before previously absorbed group overheads which would have amounted to £10.7m in 2011.

Sales

£m	2011	2010	Change
Power Brands	**871.2**	923.3	(5.6%)
Support brands	**419.0**	447.3	(6.3%)
Total Branded	**1,290.2**	1,370.6	(5.9%)
Non-branded	**520.8**	504.1	3.3%
Total Sales	**1,811.0**	1,874.7	(3.4%)
Branded sales %	***71.2%***	*73.1%*	(1.9ppt)

Total Ongoing business sales declined 3.4% compared to the prior year and the branded sales mix reduced by 1.9ppt to 71.2%.

Power Brands sales declined 5.6% during the year reflecting market declines and the effect of major customer disputes. Support brands, defined as all other brands outside the Power Brands group, were down 6.3% to £419.0m in the year.

Non-branded sales increased by 3.3% as increased milling sales were partly offset by lower non-branded bakery sales and reduced Grocery non-branded sales.

Gross Profit

£m	2011	2010	Change
Gross profit (£m)	**539.1**	**648.6**	**(16.9%)**
Gross margin %	*29.8%*	*34.6%*	*(4.8ppt)*
Gross margin movements:			
Branded growth, product mix, manufacturing efficiency and procurement	(1.6ppt)		
Commodity costs, pricing and promotions	(3.2ppt)		
Total change (ppt)	**(4.8ppt)**		

Gross margin declined by 4.8% in 2011 to 29.8%. Manufacturing controllable costs improvements and procurement gains were offset by adverse product mix as non-branded sales increased by 3.3% while branded sales declined by 5.9%.

The impact of commodity costs, pricing and promotional activity reduced Gross margin by 3.2%. Pricing recovery to offset input cost inflation in the first half of the year maintained gross profit, but increased turnover and hence reduced the gross margin. Additionally, unrecovered commodity cost inflation in Q1 reduced gross margin.

Consumer Marketing

£m	2011	2010	Change
Consumer Marketing	**25.6**	31.6	(19.0%)

Marketing investment declined by 19.0% during 2011 as the business sought to reduce costs in response to the challenging environment. The Group has taken the opportunity to re-define the definition of consumer marketing, to include, but not limited to, media spend, production costs, design, research, PR, sampling and associated fees. The table above reflects this revised definition. Costs of instore marketing with our customers are not included in this revised definition of consumer marketing.

Cash flow

£m	**2011**	2010
Ongoing business Trading profit	**173.7**	245.7
Depreciation	**41.8**	39.3
Other non-cash items	**(25.4)**	16.1
Interest	**(108.3)**	(118.0)
Taxation	**(2.4)**	(1.8)
Pension contributions	**(74.7)**	(64.3)
Regular capital expenditure	**(61.7)**	(58.7)
Working capital	**(0.1)**	11.1
Recurring cash flow from Ongoing business	**(57.1)**	69.4

Group recurring cash flow from Ongoing business before non-recurring items in the year was an outflow of £57.1m compared to an inflow of £69.4m in the prior year. This adverse movement reflected a reduction in Trading profit in the year of £72.0m, higher pension contributions and an adverse movement in working capital of £11.2m. Historically, the Group's working capital cycle reaches a low point in December, and while this remains so, the extent of this low point was reduced in December 2011 resulting in this working capital movement.

Other non-cash items includes the add-back of the pension credit recognised in Trading profit, partly offset by the pension financing credit. Lower cash interest of £108.3m was due to lower average debt levels following divestitures partly offset by phasing differences.

£m	**2011**	2010
Recurring cash flow from Ongoing business	**(57.1)**	69.4
Trading profit & restructuring activity from disposed businesses	**(10.3)**	65.1
Other cash flows from disposed businesses	**(40.6)**	(18.9)
Operating cash flow from total group	**(108.0)**	115.6
Disposal proceeds	**400.2**	9.1
Financing fees & finance leases	**(7.3)**	(39.6)
Movement in net debt	**284.9**	85.1

Movement in net debt in the year was £284.9m, an increase of £199.8m compared to 2010. Total disposal proceeds from the sale of Meat-free, Canned grocery and Brookes Avana totalled £394.8m and other smaller asset sales amounted to £5.4m. These proceeds were partly offset by the recurring cash outflow from Ongoing business of £57.1m and cash outflows from disposed businesses of £50.9m.

Net debt

£m	**2011**	2010
Gross debt	**1,011.1**	1,301.3
Deferred financing fees	**(16.0)**	(21.3)
Net debt	**995.1**	1,280.0

Group net debt at the year end was £284.9m lower in the year at £995.1m.

Pensions

Total cash paid to the pension schemes in the year was £77.3m, comprising £29.0m of regular contributions and administrative expenses and £48.3m of deficit contributions. This is in line with guidance provided at the Half Year. At 31 December 2011, the deficit as calculated on an IAS 19 basis was £282.4m, equivalent to £212.4m net of deferred tax.

Pensions	**31 Dec 2011**	31 Dec 2010
Assets		
Equities	**425.1**	588.1
Bonds	**472.4**	445.7
Property	**127.6**	121.5
Absolute return	**721.9**	566.8
Swaps	**231.6**	80.9
Cash & other	**1,177.4**	996.4
Total Assets	**3,156.0**	2,799.4
Liabilities		
Discount rate	**4.80%**	5.45%
Inflation rate (RPI/CPI)	**(3.15%/1.95%)**	(3.45%/N/A)
Total Liabilities	**(3,438.4)**	(3,120.3)
Gross deficit (IAS 19)	**(282.4)**	**(320.9)**
Deferred tax	**70.0**	85.8
Net deficit (IAS 19)	**(212.4)**	**(235.1)**

Business Disposals

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

During the course of the year, the Group completed the disposal of the Meat-free, Canned grocery operations and Brookes Avana chilled ready meals and cake businesses. The disposal of Meat-free to Exponent was completed on 7 March 2011 for a cash consideration of £205.0m and the disposal of the Canned grocery business to Princes Limited was completed on 23 July 2011 for a cash consideration of £182.2m. Brookes Avana was sold to 2 Sisters Food Group on 30 December 2011 for £30.3m. Additionally, on 23 January 2012, the Group announced the completed disposal of the Irish Brands business, comprising the Chivers, Gateaux, and McDonnell's brands and the Erin licence to The Boyne Valley Group for €41.4m. Net proceeds will be confirmed in due course, following the completion of final working capital statements.

	Meat-free	**Canned grocery**	**Irish Brands**	**Brookes Avana**
Announcement	24 January 2011	8 February 2011	7 December 2011	15 December 2011
Completion	7 March 2011	23 July 2011	23 January 2012	30 December 2011
Gross Proceeds	£205.0m	£182.2m	€41.4m	£30.3m
Net Proceeds	£196.6m	£165.3m	Not concluded	£31.6m
Loss on disposal	£12.4m	£11.2m	Not concluded	£2.2m
Purchaser	Exponent	Princes Ltd	Boyne Valley Group	2 Sisters Food Group

The table below serves to illustrate key financial metrics of the four transactions outlined above; Meat-free and Canned grocery are based on 2010 results and Irish Brands and Brookes Avana are based on 2011 results.

£m	Meat-free	Canned grocery	Brookes Avana	Irish Brands	Total Disposals
Branded sales	128.8	147.5	-	21.8	298.1
Non-branded sales	-	186.7	195.4	-	382.1
Total sales	**128.8**	**334.2**	**195.4**	**21.8**	**680.2**
Trading profit/(loss)	**16.2**	**27.8**	**(11.6)**	**9.2**	**41.6**
EBITDA	19.3	31.7	(7.1)	9.2	53.1
Capital expenditure	1.2	2.1	5.3	-	8.6

Outlook

The recently announced re-financing package provides the foundation on which the Group's growth strategies can be implemented. During the coming year, the Group's priorities remain to stabilise its operational performance, while enabling the business to increase its focus through selected disposals. The consumer environment is expected to remain challenging with continued high levels of promotional activity and ongoing cost inflation, albeit at lower levels than 2011. The Group, nevertheless, believes the planned increase in marketing investment, proposed cost reduction programmes, better customer collaboration and renewed focus across the Group will provide the platform to deliver future branded growth

Consequently, over the medium term, the Group expects a return to sales growth, and higher Gross margins. This will be supported by further sustained increases in marketing investment and a continuation of cost reduction and efficiency programmes. Additionally, the Group will reduce interest charges and net debt.

2011 Results - Financial review

The Group is presenting its financial results for the year ending 31 December 2011 with comparative information for the year ending 31 December 2010.

Group structure

During the year, the Group disposed of its Meat-free business (incorporating the Quorn and Cauldron brands), the Canned grocery operations business and the Brookes Avana chilled ready meals and cake business. The sale of the Irish Brands McDonnell's, Gateaux, Chivers and Erin licence also completed on 23 January 2012.

The results of the Meat-free and Brookes Avana businesses are set out in note 6 to the financial statements. The income statement for 2010 has been restated to reflect the Meat-free and Brookes Avana businesses as discontinued operations. The Canned grocery operations business is treated as a continuing operation in the financial statements and reported separately as an operating segment, 'Disposed of Canning Operations'. All commentary on the performance of the Group included below refers to continuing operations unless otherwise stated and incorporates the Irish Brands business.

Income statement

Revenue from continuing operations was £1,999.5m, a decrease of £234.9m in the year. The primary reason for the decrease was due to the disposal of the Canned grocery operations business in July 2011 and reduced branded sales resulting from market declines and customer disputes.

Operating profit

Operating profit for continuing operations before impairment and loss on disposal was £116.9m, a 46.8% decrease on the year to 31 December 2010. This decrease was largely due to a reduction in Trading profit of £95.3m in the year to £188.3m. The Grocery division declined due to the reasons outlined in the income statement above while the Bread division experienced high levels of promotional activity in a competitive market, impacting profitability.

An operating loss of £176.3m was recorded for the year compared to a profit of £219.9m in 2010 reflecting the Trading profit movement and an impairment of goodwill and intangible assets of £282.0m.

The impairment charge of £282.0m was recognised against the goodwill and intangible assets of the Bread division, which has arisen following adverse trading conditions within this operating segment in the year. Additionally, a loss on disposal of £11.2m was recognised relating to the divestiture of the Canned grocery operation. A charge of £10.5m for restructuring costs associated with disposed of businesses is due to redundancy and restructuring costs and closure of the Windsor office.

Finance expense

Net finance expense in 2011 was £82.8m, compared with £191.4m in 2010. This decrease is primarily due to lower average debt levels following disposals and hence lower applicable bank margin, in addition to a positive movement in the fair valuation in the mark to market of interest rate swaps.

Net regular interest costs were £115.7m, compared to £145.2m in 2010, principally due to reduced average debt levels and lower bank margin, as outlined above. Amortisation and deferred fees in the year were £13.4m compared to £14.4m in the prior year. The fair valuation of interest rate financial instruments reduced in the year by £36.9m.

Taxation

The taxation credit for 2011 was £29.1m compared to a charge of £24.4m in 2010. In the year, the current tax credit was £0.3m and the deferred tax credit amounted to £28.8m. The deferred tax credit is principally due to reduction in tax liabilities following the impairment of intangible assets in the year and also the reduction in the deferred tax rate from 27% in 2010 to 25% in 2011.

The corporation tax rate for 2012 is expected to be 25.25% and the deferred tax rate is expected to be 24.0% from April 2012.

Earnings per share

A basic loss per share of 9.6 pence for the year on continuing operations is calculated by dividing the loss attributed to ordinary shareholders of £230.0m (31 December 2010: £4.1m profit) by the weighted number of shares in issue during the period. This compares to earnings per share of 0.2p for the year to 31 December 2010.

Adjusted earnings per share for continuing operations was 2.2 pence (31 December 2010: 4.2 pence). Adjusted earnings per share on continuing operations has been calculated by dividing the adjusted earnings (defined as Trading profit less net regular interest payable and notional taxation) attributed to ordinary shareholders of £53.4m (31 December 2010: £99.7m) by the weighted number of ordinary shares in issue during each period. These earnings have been calculated by reflecting tax at a notional rate of 26.5% (31 December 2010: 28.0%).

Cash flow and borrowings

In the year, the net borrowings of the Group decreased from £1,280.0m at 1 January 2011 to £995.1m, a decrease of £284.9m. Of this movement, the cash and non-cash elements were £290.8m and (£5.9m) respectively. The non-cash movement related to amortisation of debt issuance costs.

The cash outflow from operating activities was £29.1m (31 December 2010: inflow of £180.5m). This included cash inflow from continuing operations of £134.6m (31 December 2010: £275.6m) and cash outflow from discontinued operations of £47.9m (31 December 2010: inflow of £37.6m). Additionally, net cash interest paid was £113.4m (31 December 2010: £131.0m) of which £108.3m relates to Ongoing business, reflecting lower average debt and lower bank margin levels. Tax paid in the year was £2.4m (31 December 2010: £1.7m).

Sale of subsidiaries and property, plant and equipment in the year amounted to £400.2m following the completed disposals of the Meat-free and Brookes Avana businesses and the Canned grocery operations.

Net capital expenditure in the year was £71.9m (31 December 2010: £62.0m), of which £61.7m relates to Ongoing business reflecting the focus on our eight Power Brands, investing in sites for our Mr. Kipling, Ambrosia and Hovis brands.

Repayment of borrowings in 2011 was £363.6m (31 December 2010: £116.2m) reflecting the pay down of term loan debt following disposals completed during the year.

Pension schemes

At 31 December 2011 the Group's pension schemes showed a gross deficit of £282.4m demonstrating a reduction of £38.5m in the year from £320.9m as at 31 December 2010. This comprised a £267.7m deficit in relation to Premier schemes and a deficit of £14.7m in relation to the RHM schemes. The reduction in the RHM scheme deficit reflects a positive movement in the market value of the scheme assets during the year partially offset by an increase in liabilities as a result of a decrease in discount rate from 5.45% to 4.80%. The increase in the valuation of the Premier scheme liabilities is primarily due to the decrease in the discount rate from 5.45% to 4.80%. The discount rate is based on UK corporate AA bond yields.

A UK Government change to the statutory inflation index applied to certain pension scheme liabilities was applied to the Premier Foods pension schemes during the year. This amendment has been made to the Premier Foods pension schemes only in 2011. The effect of this change resulted in a credit of £29.9m reflected in continuing operations Trading profit (£27.4m in Ongoing business Trading profit). The Group and Trustees of the RHM Pension Scheme are currently seeking legal clarification to ascertain the extent to which certain provisions of the RHM Pension Scheme are also affected by the move from RPI to CPI.

In the first half of the year, a credit of £11.4m was taken in Trading profit (Ongoing business £10.0m) following the move from final salary to career average schemes for existing employees.

The Group has been in discussion with one of the Group Pension Schemes relating to the possibility that it may have to recognise some additional liability as a result of alleged failure to adequately equalise retirement ages between 1990 and 1993. During 2011 the Group decided to seek a court ruling. On 20 February 2012 the case was heard in court and on 2 March 2012 the judge ruled in favour of the Group. As a result there is no material additional liability to be recognised and no impact on pension deficit recovery payments relating to this case.

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

Mark Moran
Chief Financial Officer

APPENDICES

2011	Continuing operations	Less: Canned grocery	Less: Irish Brands	Ongoing business
Sales	1,999.5	(166.7)	(21.8)	1,811.0
Gross profit	563.4	(12.8)	(11.5)	539.1
Trading profit	188.3	(5.4)	(9.2)	173.7
Depreciation	41.8	0.0	0.0	41.8
EBITDA	230.1	(5.4)	(9.2)	215.5
Capital expenditure	*64.7*	*(3.0)*	*0.0*	*61.7*

2010	Continuing operations	Less: Canned grocery	Less: Irish Brands	Ongoing business
Sales	2,234.4	(334.2)	(25.5)	1,874.7
Gross profit	711.7	(49.8)	(13.2)	648.6
Trading profit	283.6	(27.8)	(10.1)	245.7
Depreciation	43.2	(3.9)	0.0	39.3
EBITDA	326.8	(31.7)	(10.1)	285.0
Capital expenditure	*60.8*	*(2.1)*	*0.0*	*58.7*

Consolidated income statement

	Note	Year ended 31 Dec 2011 £m	Year ended 31 Dec 2010 (Restated)[1] £m
Continuing operations			
Revenue	2	1,999.5	2,234.4
Cost of sales		(1,436.1)	(1,522.7)
Gross profit		563.4	711.7
Selling, marketing and distribution costs		(272.2)	(300.8)
Administrative costs		(466.8)	(192.9)
Net other operating (expense)/income		(0.7)	1.9
Operating (loss)/profit		(176.3)	219.9
Before impairment and loss on disposal of operations		116.9	219.9
Impairment of goodwill and intangible assets		(282.0)	-
Loss on disposal of operations	7	(11.2)	-
Finance expense	3	(126.9)	(160.1)
Finance income	3	7.2	12.0
Net movement on fair valuation of interest rate financial instruments	3	36.9	(43.3)
(Loss)/profit before taxation from continuing operations		(259.1)	28.5
Taxation credit/(charge)	4	29.1	(24.4)
(Loss)/profit after taxation from continuing operations		(230.0)	4.1
Loss from discontinued operations	6	(109.0)	(103.4)
Loss for the year attributable to equity shareholders of the parent company		(339.0)	(99.3)
Basic and diluted loss per share (pence)	5	(14.1)	(4.1)
Basic and diluted (loss)/earnings per share (pence) - continuing	5	(9.6)	0.2
Basic and diluted loss per share (pence) - discontinued	5	(4.5)	(4.3)
Adjusted earnings per share (pence) - continuing[2]	5	2.2	4.2

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

2 Adjusted earnings per share is defined as trading profit less net regular interest payable, less a notional tax charge at 26.5% (2010: 28.0%) divided by the weighted average number of ordinary shares of the Company.

Consolidated statement of comprehensive income

	Note	Year ended 31 Dec 2011 £m	Year ended 31 Dec 2010 £m
Loss for the year		(339.0)	(99.3)
Other comprehensive (losses)/income			
Actuarial (losses)/gains on pensions	10	(79.3)	46.4
Deferred tax charge	4	(4.1)	(29.9)
Exchange differences on translation		0.4	(0.3)
Fair value movement on net investment hedge		-	0.8
Total other comprehensive (losses)/income for the year, net of tax		(83.0)	17.0
Total comprehensive losses attributable to owners of the Company		(422.0)	(82.3)

Consolidated balance sheet

	Note	As at 31 Dec 2011 £m	As at 31 Dec 2010 £m
ASSETS:			
Non-current assets			
Property, plant and equipment		417.3	485.1
Goodwill		856.2	1,096.1
Other intangible assets		822.7	1,017.2
		2,096.2	2,598.4
Current assets			
Assets held for sale	8	33.8	406.3
Inventories		136.8	135.2
Trade and other receivables		297.4	356.3
Financial assets – derivative financial instruments		0.5	1.4
Current income tax assets		0.5	-
Cash and bank deposits	11	45.8	1.9
		514.8	901.1
Total assets		2,611.0	3,499.5
LIABILITIES:			
Current liabilities			
Trade and other payables		(434.8)	(496.2)
Financial liabilities			
– short-term borrowings	9	(113.6)	(190.1)
– derivative financial instruments		(12.6)	(29.6)
– other financial liabilities at fair value through profit or loss		(187.0)	(206.3)
Accrued interest payable		(0.9)	(12.3)
Provisions		(8.3)	(10.5)
Current income tax liabilities		-	(2.0)
Liabilities held for sale	8	-	(48.8)
		(757.2)	(995.8)
Non-current liabilities			
Financial liabilities			
– long-term borrowings	9	(927.3)	(1,091.8)
Retirement benefit obligations	10	(282.4)	(320.9)
Provisions		(38.6)	(28.4)
Other liabilities		(21.9)	(17.0)
Deferred tax liabilities		(10.9)	(56.1)
		(1,281.1)	(1,514.2)
Total liabilities		(2,038.3)	(2,510.0)
Net assets		572.7	989.5
EQUITY:			
Capital and reserves			
Share capital		24.0	24.0
Share premium		1,124.7	1,124.7
Merger reserve		606.0	890.7
Other reserves		(9.3)	(9.3)
Profit and loss reserve		(1,172.8)	(1,040.7)
Capital and reserves attributable to the Company's equity shareholders		572.6	989.4
Non-controlling interest		0.1	0.1
Total shareholders' funds		572.7	989.5

Consolidated statement of cash flows

	Note	Year ended 31 Dec 2011 £m	Year ended 31 Dec 2010 £m
Cash generated from operating activities	11	86.7	313.2
Interest paid		(120.9)	(143.5)
Interest received		7.5	12.5
Taxation paid		(2.4)	(1.7)
Cash (outflow)/inflow from operating activities		(29.1)	180.5
Sale of subsidiaries/businesses		394.8	-
Purchase of property, plant and equipment		(58.0)	(51.1)
Purchase of intangible assets		(20.9)	(16.6)
Sale of property, plant and equipment		5.4	5.2
Sale of intangible assets		-	3.9
Cash inflow/(outflow) from investing activities		321.3	(58.6)
Repayment of borrowings		(363.6)	(116.2)
Proceeds from borrowings		124.1	-
Financing fees and other costs of finance		(1.6)	(18.8)
Cash outflow from financing activities		(241.1)	(135.0)
Net inflow/(outflow) of cash and cash equivalents		51.1	(13.1)
Cash and cash equivalents at beginning of year		(28.7)	(15.1)
Effect of movement in foreign exchange		(0.3)	(0.5)
Cash and cash equivalents at end of year	11	22.1	(28.7)

Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	Non-controlling interest £m	Total £m
At 1 January 2011	24.0	1,124.7	890.7	(9.3)	(1,040.7)	0.1	989.5
Loss for the year	-	-	-	-	(339.0)	-	(339.0)
Actuarial losses on pensions	-	-	-	-	(79.3)	-	(79.3)
Deferred tax charge	-	-	-	-	(4.1)	-	(4.1)
Exchange differences on translation	-	-	-	-	0.4	-	0.4
Other comprehensive losses	-	-	-	-	(83.0)	-	(83.0)
Total comprehensive losses	**-**	**-**	**-**	**-**	**(422.0)**	**-**	**(422.0)**
Share-based payments	-	-	-	-	5.2	-	5.2
Realisation of merger reserve	-	-	(284.7)	-	284.7	-	-
At 31 December 2011	**24.0**	**1,124.7**	**606.0**	**(9.3)**	**(1,172.8)**	**0.1**	**572.7**
At 1 January 2010	24.0	1,124.7	890.7	(10.1)	(964.5)	0.1	1,064.9
Loss for the year	-	-	-	-	(99.3)	-	(99.3)
Actuarial gains on pensions	-	-	-	-	46.4	-	46.4
Deferred tax charge	-	-	-	-	(29.9)	-	(29.9)
Exchange differences on translation	-	-	-	-	(0.3)	-	(0.3)
Fair value movement on net investment hedge	-	-	-	0.8	-	-	0.8
Other comprehensive income	-	-	-	0.8	16.2	-	17.0
Total comprehensive income/(losses)	**-**	**-**	**-**	**0.8**	**(83.1)**	**-**	**(82.3)**
Share-based payments	-	-	-	-	6.9	-	6.9
At 31 December 2010	24.0	1,124.7	890.7	(9.3)	(1,040.7)	0.1	989.5

1. Basis of preparation

The consolidated financial statements of Premier Foods plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) ("adopted IFRS") in response to IAS regulation (EC1606/2002), related interpretations and the Companies Act 2006 applicable to companies reporting under IFRS, and on the historical cost basis, with the exception of derivative financial instruments which are incorporated using fair value. Amounts are presented to the nearest £0.1m.

The financial information set out below does not constitute the Company's statutory accounts for the year ending 31 December 2011 or 31 December 2010. Statutory accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts. Their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts.

There have been no significant changes in accounting policies from those set out in Premier Foods plc's Annual report and accounts for the year ended 31 December 2010.

Basis for preparation of financial statements on a going concern basis

The Group has obtained consent from its banking syndicate, swap counterparties and pension schemes on a re-financing package subject to the formalities of final documents being signed, expected by the end of March.

As a result of the consent obtained for re-financing the Group will extend the maturity of its current Term loan and Revolving Credit facilities from 31 December 2013 to 30 June 2016. The existing term loan (£733m) and revolving credit facility (£500m), previously due to mature on 31 December 2013, will be extended to a new maturity date of 30 June 2016. The current applicable bank margin of 2.25% will increase to 3.25% with effect from 1 January 2014.

Banking covenants of Net debt/EBITDA and EBITDA/interest remain in place; they are tested bi-annually and have been re-set to reflect the Group's strategic plan.

The total interest rate swap portfolio, including previously restructured swaps, will be restructured into additional term loan totalling approximately £199m. The result of this conversion from swaps to additional term loan will significantly reduce the Group's interest expense in 2012 and 2013 and the previously agreed swap settlements of £35m in 2012 and £82m in 2013 are no longer applicable.

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

Planned future disposal proceeds will be shared between the banking syndicate and swap counterparties.

Subject to implementation of the new re-financing arrangements, the Trustees of the Group's pension schemes have agreed to defer deficit contribution payments (c.£47m p.a.) until 1 January 2014. Additionally, there will be no increase in the agreed deficit contributions before 2016.

As a result of the consent to this re-financing package, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors are confident that the necessary documentation will be finalised and signed by the end of March and that all conditions precedent will be met. The directors therefore have a reasonable expectation that the Group has adequate resources to operate in the ordinary course of business and to meet its obligations as they fall due. Thus the financial statements have been prepared on a going concern basis.

2. Segmental analysis

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

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

The Group's operating and reporting segments are "Grocery", "Bread" and "Disposed of Canning Operations". In 2010 the Group reported the Retailer Branded Chilled business as a separate operating segment and the results of the Meat-free operation within discontinued operations. As a result of the Group's disposal of the Retailer Branded Chilled business in December 2011 and the completion of the disposal of the Meat-free business in March 2011, results previously shown for these operating segments are presented as discontinued operations in both the current year and the prior year.

In July 2011 the Group disposed of its East Anglian canned grocery operations, which was previously part of the Grocery segment. The results of the East Anglian canned grocery operations for the year ended 31 December 2011 were reported separately to the CODM throughout the year and therefore have been recognised as a separate operating segment for both the current year and the prior year. During the year, the Hovis operating segment was renamed "Bread".

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

The segment results for the year ended 31 December 2011 and for the year ended 31 December 2010 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial statements are as follows:

	Grocery	Bread	Disposed of Canning Operations	Year ended 31 Dec 2011 Total for Group
	£m	£m	£m	£m
Revenue from continuing operations				
External	1,121.5	711.3	166.7	1,999.5
Inter-segment	2.5	26.6	-	29.1
Result				
Trading profit	179.5	3.4	5.4	188.3
Amortisation of intangible assets				(72.0)
Fair value movements on foreign exchange and other derivative contracts				(1.7)
Restructuring costs relating to disposal activities				(10.5)
Re-financing costs				(4.2)
Pension financing credit				17.0
Operating profit before impairment and loss on disposal of operations				116.9
Impairment of goodwill and intangible assets				(282.0)
Loss on disposal of operations				(11.2)
Operating loss				(176.3)
Finance expense				(126.9)
Finance income				7.2
Net movement on fair valuation of interest rate financial instruments				36.9
Loss before taxation from continuing operations				(259.1)
Depreciation	24.2	17.6	-	41.8
Amortisation	53.9	18.1	-	72.0
Impairment of goodwill and other intangibles	-	282.0	-	282.0
Balance sheet				
Segment assets	2,042.2	412.2	-	2,454.4
Unallocated assets				156.6
Consolidated total assets				2,611.0

	Grocery	Bread	Disposed of Canning Operations	Total for Group
				Year ended 31 Dec 2010 (Restated)[1,2]
	£m	£m	£m	£m
Revenue from continuing operations				
External	1,212.6	687.6	334.2	2,234.4
Inter-segment	3.9	27.7	-	31.6
Result				
Trading profit	220.5	35.3	27.8	283.6
Amortisation of intangible assets				(65.8)
Fair value movements on foreign exchange and other derivative contracts				(2.0)
Pension financing credit				4.1
Operating profit				219.9
Finance expense				(160.1)
Finance income				12.0
Net movement on fair valuation of interest rate financial instruments				(43.3)
Profit before taxation from continuing operations				28.5
Depreciation	22.0	17.3	3.9	43.2
Amortisation	47.3	18.3	0.2	65.8
Impairment of property, plant and equipment	0.7	-	-	0.7
Balance sheet				
Segment assets	2,146.1	663.1	151.1	2,960.3
Unallocated assets				539.2
Consolidated total assets				3,499.5

[1] Comparatives have been restated to reflect the reclassification of the Retailer Branded Chilled business as a discontinued operation.
[2] Comparatives have been restated to reflect the separation of the Canning business which was previously reported within Grocery.

Revenues, on a continuing basis, of approximately £345.6m and £285.7m (2010: £454.0m and £336.9m) are derived from two external customers. These revenues are attributable across the three segments above.

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

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

Unallocated assets comprise cash and cash equivalents, taxation balances, retirement benefit assets, derivative financial assets, Group-wide software and hardware and head office assets.

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

Continuing operations - revenue	Year ended 31 Dec 2011	Year ended 31 Dec 2010 (Restated)[1]
	£m	£m
United Kingdom	1,880.8	2,111.6
Other Europe	87.4	100.1
Rest of world	31.3	22.7
Total	1,999.5	2,234.4

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

Non-current assets	As at 31 Dec 2011	As at 31 Dec 2010
	£m	£m
United Kingdom	2,066.1	2,534.8
Other Europe	30.1	63.6
Total for Group	2,096.2	2,598.4

3. Finance income and expense

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
	£m	£m
Interest payable on bank loans and overdrafts	(13.6)	(20.2)
Interest payable on term facility	(28.6)	(45.2)
Interest payable on revolving facility	(7.6)	(6.0)
Interest payable on interest rate derivatives	(19.1)	(59.5)
Interest payable on interest rate financial liabilities designated as other financial liabilities at fair value through profit or loss	(40.6)	(11.9)
Unwind of discount on provisions	(2.4)	(1.3)
Amortisation of debt issuance costs and deferred fees	(13.4)	(14.4)
	(125.3)	(158.5)
Write-off of financing costs	(1.6)	(1.6)
Total finance expense	(126.9)	(160.1)
Interest receivable on bank deposits	7.2	12.0
Total finance income	7.2	12.0
Movement on fair valuation of interest rate derivatives	17.6	133.7
Movement on fair valuation of interest rate financial liabilities designated as other financial liabilities at fair value through profit or loss	19.3	(177.0)
Net movement on fair valuation of interest rate financial instruments	36.9	(43.3)
Net finance expense	(82.8)	(191.4)

The fair value of interest rate swaps and other financial liabilities at fair value through profit or loss has decreased from a £234.5m liability at 31 December 2010 to a £197.6m liability at 31 December 2011 resulting in a net movement of £36.9m for the year. The change in fair value in the year is due to a change in the yield curve offset by amortisation. The liability at 31 December 2011 represents the net present value of the interest cash flows calculated using the contracted fixed rates compared to the net present value of interest cash flows that would arise if the interest was calculated on a floating basis.

The total facility as at 31 December 2011 was £1,233m.

2010

In October 2010, the Group restructured all of its five long dated swaps and its two “other” callable swaps into six new fixed rate swaps. These fixed rate swaps are hybrid instruments comprising an underlying host with embedded derivatives and have been reclassified as “Other financial liabilities at fair value through profit or loss”.

The total facility as at 31 December 2010 was £1,680m.

Subsequent events

For details of amendments to the Group’s financing arrangements please see note 13.

4. Tax

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

	Continuing operations £m	Discontinued operations £m	Total £m
2011			
Current tax			
- Current year	-	-	-
- Prior years	1.5	-	1.5
Overseas current tax			
- Current year	(1.2)	-	(1.2)
- Prior years	-	-	-
Deferred tax			
- Current year	20.6	11.5	32.1
- Prior years	0.3	-	0.3
- Adjustment to restate opening deferred tax at 25.0%	7.9	0.7	8.6
Income tax credit for the year	29.1	12.2	41.3
2010			
Current tax			
- Current year	(36.2)	36.1	(0.1)
- Prior years	-	(1.2)	(1.2)
Overseas current tax			
- Current year	(1.3)	-	(1.3)
- Prior years	-	1.4	1.4
Deferred tax			
- Current year	(5.4)	(3.9)	(9.3)
- Prior years	14.3	2.2	16.5
- Adjustment to restate opening deferred tax at 27.0%	4.2	1.3	5.5
Income tax (charge)/credit for the year	(24.4)	35.9	11.5

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

	Year ended 31 Dec 2011 £m	Year ended 31 Dec 2010 £m
Deferred tax charge on reduction of corporate tax rate	(4.5)	(3.6)
Deferred tax credit/(charge) on pension movements	0.4	(12.4)
Deferred tax charge on losses relating to pensions	-	(13.9)
	(4.1)	(29.9)

The tax charge for the year differs from the standard rate of corporation tax in the United Kingdom of 26.5% (2010: 28.0%). The reasons for this are explained below:

	Year ended 31 Dec 2011 £m	Year ended 31 Dec 2010 £m
(Loss)/profit before taxation for continuing operations	(259.1)	28.5
Tax credit/(charge) at the domestic income tax rate of 26.5% (2010: 28.0%)	68.7	(8.0)
Tax effect of:		
Non-deductible items	(47.8)	(34.9)
Other disallowable items	(0.5)	0.7
Adjustment for overseas results taxed at different rate	1.4	1.0
Adjustment for share-based payments	(1.3)	(1.9)
Previously unrecognised losses utilised	16.3	-
Capital gain on disposal of business	(16.3)	-
Adjustment due to current year deferred tax being provided at 25.0% (2010: 27.0%)	(1.1)	0.2
Adjustment to restate opening deferred tax at 25.0% (2010: 27.0%)	7.9	4.2
Adjustments to prior years	1.8	14.3
Income tax credit/(charge)	29.1	(24.4)

The Finance Bill 2011, which was published on 31 March 2011, includes legislation reducing the main rate of corporation tax from 28% to 26% from 1 April 2011. This gives rise to an effective rate of corporation tax for the year of 26.5%.

Deferred tax balances at 31 December 2010 were calculated at 27%, the rate which was substantively enacted to apply from 1 April 2011. The Finance (No.3) Act 2011, substantively enacted on 5 July 2011, reduces the main rate of corporation tax to 25% from 1 April 2012. This 2% reduction for the 2011 financial year has been reflected in the financial statements by restating the deferred tax liability at 31 December 2010 giving a credit of £7.9m to continuing operations. This is offset by a charge to equity of £4.5m to reflect where the credits were originally made. In addition, the deferred tax movements in the period have been reflected at 25%, being the rate at which the liabilities are expected to reverse, which has resulted in a £1.1m decrease to the income tax credit.

Further reductions to the main rate of corporation tax are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. However, as these further reductions in the main rate of corporation tax have not been substantively enacted at the balance sheet date they are not reflected in the deferred tax recognised on the balance sheet.

5. (Loss)/earnings per share

Basic loss per share has been calculated by dividing the loss attributable to ordinary shareholders of £339.0m loss (2010: £99.3m loss) by the weighted average number of ordinary shares of the Company.

	Year ended 31 Dec 2011			Year ended 31 Dec 2010 (Restated)[1]		
	Basic	Dilutive effect of share options	Diluted	Basic	Dilutive effect of share options	Diluted
Continuing operations						
(Loss)/profit after tax (£m)	(230.0)	-	(230.0)	4.1	-	4.1
Weighted average number of shares (m)	2,398.1	-	2,398.1	2,398.0	-	2,398.0
(Loss)/earnings per share (pence)	(9.6)	-	(9.6)	0.2	-	0.2
Discontinued operations						
Loss after tax (£m)	(109.0)	-	(109.0)	(103.4)	-	(103.4)
Weighted average number of shares (m)	2,398.1	-	2,398.1	2,398.0	-	2,398.0
Loss per share (pence)	(4.5)	-	(4.5)	(4.3)	-	(4.3)
Total						
Loss after tax (£m)	(339.0)	-	(339.0)	(99.3)	-	(99.3)
Weighted average number of shares (m)	2,398.1	-	2,398.1	2,398.0	-	2,398.0
Loss per share (pence)	(14.1)	-	(14.1)	(4.1)	-	(4.1)

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

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 performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options.

For the years ended 31 December 2011 and 31 December 2010, there is no dilutive effect as the outstanding share options that could have been acquired at fair value is less than the monetary value of the subscription rights attached to these options.

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

	2011 Number	2010 Number
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	2,398,058,019	2,398,021,581
Effect of dilutive potential ordinary shares:		
- Share options	-	-
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	2,398,058,019	2,398,021,581

Adjusted earnings per share ("Adjusted EPS")

Adjusted earnings per share is defined as trading profit less net regular interest payable, less a notional tax charge at 26.5% (2010: 28.0%) divided by the weighted average number of ordinary shares of the Company.

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

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

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

		Year ended 31 Dec 2011	
	Continuing £m	**Discontinued £m**	**Total £m**
Operating loss	(176.3)	(106.5)	(282.8)
Impairment of goodwill and intangibles assets	282.0	80.4	362.4
Loss on disposal of operations	11.2	-	11.2
Operating profit/(loss) before impairment and loss on disposal of operations	116.9	(26.1)	90.8
Pension financing credit	(17.0)	-	(17.0)
Fair value movements on foreign exchange and other derivative contracts	1.7	-	1.7
Amortisation of intangible assets	72.0	11.9	83.9
Restructuring costs relating to disposal activities	10.5	-	10.5
Re-financing costs	4.2	-	4.2
Trading profit/(loss)	188.3	(14.2)	174.1
Less net regular interest payable	(115.7)	(0.1)	(115.8)
Adjusted profit/(loss) before tax	72.6	(14.3)	58.3
Notional tax at 26.5%	(19.2)	3.8	(15.4)
Adjusted profit/(loss) after tax	53.4	(10.5)	42.9
Average shares in issue (m)	2,398.1	2,398.1	2,398.1
Adjusted EPS (pence)	2.2	(0.4)	1.8
Net regular interest payable			
Net interest payable	(82.8)	(0.1)	(82.9)
Exclude write-off of financing costs	1.6	-	1.6
Exclude fair value adjustments on interest rate financial instruments	(36.9)	-	(36.9)
Exclude unwind of discount on provisions	2.4	-	2.4
Net regular interest payable	(115.7)	(0.1)	(115.8)

	Year ended 31 Dec 2010 (Restated)[1]		
	Continuing	**Discontinued**	**Total**
	£m	**£m**	**£m**
Operating profit/(loss)	219.9	(139.1)	80.8
Impairment	-	150.0	150.0
Operating profit before Impairment	219.9	10.9	230.8
Pension financing credit	(4.1)	-	(4.1)
Fair value movements on foreign exchange and other derivative contracts	2.0	-	2.0
Amortisation of intangible assets	65.8	16.4	82.2
Trading profit	283.6	27.3	310.9
Less net regular interest payable	(145.2)	(0.2)	(145.4)
Adjusted profit before tax	138.4	27.1	165.5
Notional tax at 28.0%	(38.7)	(7.6)	(46.3)
Adjusted profit after tax	99.7	19.5	119.2
Average shares in issue (m)	2,398.0	2,398.0	2,398.0
Adjusted EPS (pence)	4.2	0.8	5.0
Net regular interest payable			
Net interest payable	(191.4)	(0.2)	(191.6)
Exclude write-off of financing costs	1.6	-	1.6
Exclude fair value adjustments on interest rate financial instruments	43.3	-	43.3
Exclude unwind of discount on provisions	1.3	-	1.3
Net regular interest payable	(145.2)	(0.2)	(145.4)

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

6. Discontinued operations

Discontinued operations for the year comprise the Meat-free business and the Retailer Branded Chilled business.

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

The results of the Meat-free business for the period to 7 March 2011 and the prior year comparatives are included in discontinued operations in the Group's consolidated income statement.

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

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

	Year ended 31 Dec 2011 £m	Year ended 31 Dec 2010 (Restated)[1] £m
Revenue	218.6	335.0
Operating expenses	(325.1)	(474.1)
Operating loss before loss on disposal	(106.5)	(139.1)
Interest payable	(0.1)	(0.6)
Interest receivable	-	0.4
Loss before taxation	(106.6)	(139.3)
Taxation credit	12.2	35.9
Loss after taxation on discontinued operations for the year	(94.4)	(103.4)
Loss on disposal before taxation	(14.6)	-
Tax credit on loss on disposal	-	-
Loss on disposal after taxation	(14.6)	-
Total loss arising from discontinued operations	(109.0)	(103.4)

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

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

Included in the operating expenses for the year end 31 December 2010 above is an impairment charge of £25.0m, recognised against the goodwill allocated to the Meat-free CGU and £125.0m recognised against the goodwill allocated to the Retailer Branded Chilled CGU.

During the year, discontinued operations contributed a net outflow of £47.9m (2010: £37.6m inflow) to the Group's net operating cash flows, and a £6.9m outflow to investing activities (2010: £5.7m outflow).

7. Disposal of businesses

Meat-free

On 7 March 2011, the Group completed the sale of its Meat-free business to Exponent Private Equity and Intermediate Capital Group for £205.0m, before disposal costs and working capital adjustments. The impact on the results of the Group is disclosed in note 6.

Canning

On 23 July 2011, the Group completed the sale of its East Anglian canned grocery operations to Princes Limited for £182.2m, before disposal costs and working capital adjustments.

Retailer Branded Chilled

On 30 December 2011, the Group completed the sale of its Brookes Avana business to Solway Foods Limited (part of the 2 Sisters Food Group) for £30.3m, before disposal costs and working capital adjustments. The impact on the results of the Group is disclosed in note 6.

On the relevant dates of disposal, the net assets of the businesses, the consideration and the losses on disposal were as follows.

	Meat-free	Canning	Brookes Avana
	£m	£m	£m
Property, plant and equipment	68.4	58.7	31.0
Intangible assets and goodwill	139.7	62.9	-
Inventories	23.6	54.6	9.6
Trade and other receivables	24.9	0.3	26.9
Trade and other payables	(21.4)	-	(26.2)
Provisions and lease obligations	(26.2)	-	(7.5)
Net assets disposed	209.0	176.5	33.8
Less net consideration	(196.6)	(165.3)	(31.6)
Loss on disposal	12.4	11.2	2.2
Net cash inflow arising on disposal:			
Initial consideration	205.0	182.2	30.3
Working capital adjustments and disposal costs	(8.4)	(16.9)	1.3
Net cash inflow for the year	196.6	165.3	31.6

8. Assets and liabilities held for sale

	2011	2010
	£m	£m
Non-current assets:		
Property, plant and equipment	-	114.2
Goodwill	31.2	125.2
Other intangible assets	0.9	77.4
Current assets:		
Inventories	1.7	68.1
Trade and other receivables	-	21.4
Total assets held for sale	33.8	406.3
Current liabilities:		
Trade and other payables	-	(23.0)
Non-current liabilities:		
Deferred tax liabilities	-	(25.8)
Total liabilities held for sale	-	(48.8)
Net assets and liabilities held for sale	33.8	357.5

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

As at 31 December 2010, the assets and associated liabilities relating to the Meat-free and the East Anglian canned grocery operations were held for sale in light of the decision to sell these businesses.

9. Bank and other borrowings

	2011 £m	2010 £m
Due within one year:		
Secured Senior Credit Facility – Term (note a)	(67.3)	(100.0)
Debt issuance costs	0.8	1.3
	(66.5)	(98.7)
Bank overdrafts	(23.7)	(30.6)
Total bank borrowings due within one year	(90.2)	(129.3)
Finance lease obligations	(0.2)	(7.4)
Other unsecured loans (note b)	(23.2)	(53.4)
Total borrowings due within one year	(113.6)	(190.1)
Due after more than one year:		
Secured Senior Credit Facility – Revolving (note a)	(276.1)	(20.0)
Debt issuance costs	6.5	6.5
	(269.6)	(13.5)
Secured Senior Credit Facility – Term (note a)	(665.8)	(1,080.0)
Debt issuance costs	8.7	13.5
	(657.1)	(1,066.5)
Finance lease obligations	(0.5)	(11.7)
Other unsecured loans (note b)	(0.1)	(0.1)
Total other	(0.6)	(11.8)
Total borrowings due after one year	(927.3)	(1,091.8)
Total bank and other borrowings	(1,040.9)	(1,281.9)

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.

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

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

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

The Senior Term Credit Facility now comprises £733m of Term and a multi-currency Revolving Credit Facility of up to £500m (or its equivalent in other currencies). The final maturity date of the above arrangements is 31 December 2013.

(b) Other unsecured loans

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

Subsequent events

For details of amendments to the Group's financing arrangements please see note 13.

10. Retirement benefit schemes

Defined benefit schemes

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

(a) Premier schemes

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

(b) RHM schemes

As a result of the acquisition of RHM plc, the Group also acquired the RHM Pension Scheme, the Premier Foods Ireland Pension Scheme (1994), the Premier Foods Ireland Van Sales Scheme and the French Termination Indemnity Arrangements. These schemes are presented together below as the RHM schemes, with the exception of the French Termination Indemnity Arrangements which were disposed of with the speciality bakery businesses in 2009, and the Premier Foods Ireland Van Sales Scheme which was wound up in 2010.

The most recent full actuarial valuation of both the PFPS and RHM pension schemes was carried out on 5 April 2010.

The exchange rates used to translate the overseas Euro based schemes are £1.00 = 1.1508 Euros for the average rate during the year, and £1.00 = 1.1917 Euros for the closing position at 31 December 2011.

Until 30 June 2011, the employees of the above schemes accrued retirement benefits which varied as a percentage of final salary on retirement. On 30 June 2011 the link to final salary was closed to future accrual for UK schemes and members' retirement benefits are now linked to their salary on that date, index linked at Retail Price Index (subject to a 5.0% cap) until retirement date. From 1 July 2011 employees accrued career average benefits or chose to transfer to the new defined contribution scheme. Those contributing members of the PAPPS and PGPPS choosing career average benefits joined the PFPS on 1 July 2011 and transferred their past service entitlements to the scheme. Membership of the Group's defined benefit pension schemes is now closed to new employees, who are entitled to join the Group's main defined contribution scheme, the Group Personal Pension Plan. The closure of the final salary schemes resulted in a past service credit of £12.1m.

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

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

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

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

	Premier schemes 2011	**RHM schemes 2011**
Discount rate	4.80%	4.80%
Inflation – RPI	3.15%	3.15%
Inflation – CPI	1.95%	n/a
Expected salary increases	4.15%	4.15%
Future pension increases	2.10%	2.10%
	2010	**2010**
Discount rate	5.45%	5.45%
Inflation – RPI	3.45%	3.45%
Inflation – CPI	n/a	n/a
Expected salary increases	4.45%	3.30%
Future pension increases	2.20%	2.20%

For the smaller overseas schemes the discount rate used was 5.45% (2010: 5.50%), expected salary increases of 3.00% (2010: 3.00%), and future pension increases of 1.75% (2010: 1.75%).

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

2011

Life expectancy	**Premier schemes**	**RHM schemes**	**Total**
Male pensioner, currently aged 65	87.9	86.0	86.5
Female pensioner, currently aged 65	90.1	88.4	88.8
Male non-pensioner, currently aged 45	89.3	87.3	87.8
Female non-pensioner, currently aged 45	91.7	90.0	90.4

2010

Life expectancy	**Premier schemes**	**RHM schemes**	**Total**
Male pensioner, currently aged 65	87.4	85.5	86.0
Female pensioner, currently aged 65	89.4	87.7	88.1
Male non-pensioner, currently aged 45	88.5	86.6	87.1
Female non-pensioner, currently aged 45	90.6	88.9	89.3

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

Pension scheme assets	Premier schemes £m	RHM schemes £m	Total £m
Assets at 31 December 2011			
Equities	27.4	397.7	425.1
Government bonds	14.2	8.4	22.6
Corporate bonds	96.1	353.7	449.8
Property	1.0	126.6	127.6
Absolute/target return products	269.8	452.1	721.9
Interest rate and inflation swaps	25.5	206.1	231.6
Cash/other	80.2	1,097.2	1,177.4
Fair value of scheme assets	514.2	2,641.8	3,156.0
Assets at 31 December 2010			
Equities	98.7	489.4	588.1
Government bonds	15.3	6.7	22.0
Corporate bonds	93.0	330.7	423.7
Property	1.0	120.5	121.5
Absolute/target return products	241.0	325.8	566.8
Interest rate and inflation swaps	24.8	56.1	80.9
Cash/other	39.0	957.4	996.4
Fair value of scheme assets	512.8	2,286.6	2,799.4

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

The expected rates of return on assets were:

	Premier schemes	RHM schemes	Total
2011 (for 2012 return)			
Expected rate (%)	6.6	5.8	5.9
Market value (£m)	514.2	2,641.8	3,156.0
2010 (for 2011 return)			
Expected rate (%)	7.8	6.7	6.9
Market value (£m)	512.8	2,286.6	2,799.4
2009 (for 2010 return)			
Expected rate (%)	8.0	7.0	7.2
Market value (£m)	477.1	2,052.9	2,530.0
2008 (for 2009 return)			
Expected rate (%)	7.4	6.3	6.5
Market value (£m)	415.4	2,112.9	2,528.3
2007 (for 2008 return)			
Expected rate (%)	8.0	6.9	7.2
Market value (£m)	506.2	2,079.2	2,585.4

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

The actual rate of return on plan assets was a gain of 0.8% (2010: 8.5% gain) for Premier schemes, and a gain of 18.1% for RHM schemes (2010: 14.4% gain).

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

	Premier schemes £m	RHM schemes £m	Total £m
2011			
Present value of funded obligations	(781.9)	(2,656.5)	(3,438.4)
Fair value of plan assets	514.2	2,641.8	3,156.0
Deficit in scheme	(267.7)	(14.7)	(282.4)
2010			
Present value of funded obligations	(748.0)	(2,372.3)	(3,120.3)
Fair value of plan assets	512.8	2,286.6	2,799.4
Deficit in scheme	(235.2)	(85.7)	(320.9)
2009			
Present value of funded obligations	(685.5)	(2,273.0)	(2,958.5)
Fair value of plan assets	477.1	2,052.9	2,530.0
Deficit in scheme	(208.4)	(220.1)	(428.5)
2008			
Present value of funded obligations	(587.7)	(1,952.1)	(2,539.8)
Fair value of plan assets	415.4	2,112.9	2,528.3
(Deficit)/surplus in scheme	(172.3)	160.8	(11.5)
2007			
Present value of funded obligations	(581.7)	(2,126.9)	(2,708.6)
Fair value of plan assets	506.2	2,079.2	2,585.4
Deficit in scheme	(75.5)	(47.7)	(123.2)

The aggregate deficit has decreased by £38.5m during the year primarily due to an increase in the fair value of plan assets, offset by an increase in the defined benefit obligation. This was primarily a result of a fall in discount rate assumption used, which is based on the AA bond yield, from 5.45% to 4.80%.

Experience gains/(losses) on the two schemes are as follows:

	Premier schemes £m	RHM schemes £m	Total £m
2011			
Experience adjustments on:			
Scheme assets			
Amount (£m)	**(35.5)**	**261.9**	**226.4**
Percentage of scheme assets	**6.9%**	**9.9%**	**7.2%**
Scheme obligations			
Amount (£m)	**3.3**	**0.2**	**3.5**
Percentage of scheme obligations	**0.4%**	**-**	**0.1%**
2010			
Experience adjustments on:			
Scheme assets			
Amount (£m)	2.8	153.2	156.0
Percentage of scheme assets	0.5%	6.7%	5.6%
Scheme obligations			
Amount (£m)	1.0	35.8	36.8
Percentage of scheme obligations	0.1%	1.5%	1.2%
2009			
Experience adjustments on:			
Scheme assets			
Amount (£m)	42.5	(135.0)	(92.5)
Percentage of scheme assets	8.9%	6.6%	3.7%
Scheme obligations			
Amount (£m)	6.4	2.4	8.8
Percentage of scheme obligations	0.9%	0.1%	0.3%
2008			
Experience adjustments on:			
Scheme assets			
Amount (£m)	(131.6)	(50.3)	(181.9)
Percentage of scheme assets	31.7%	2.4%	7.2%
Scheme obligations			
Amount (£m)	(6.4)	(2.2)	(8.6)
Percentage of scheme obligations	1.1%	0.1%	0.3%
2007			
Experience adjustments on:			
Scheme assets			
Amount (£m)	(14.8)	11.7	(3.1)
Percentage of scheme assets	2.9%	0.6%	0.1%
Scheme obligations			
Amount (£m)	30.6	-	30.6
Percentage of scheme obligations	5.3%	-	1.1%

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

	Premier schemes £m	RHM schemes £m	Total £m
2011			
Opening defined benefit obligation	(748.0)	(2,372.3)	(3,120.3)
Current service cost	(8.8)	(9.6)	(18.4)
Past service (cost)/credit	46.8	(4.8)	42.0
Interest cost	(40.1)	(126.9)	(167.0)
Actuarial loss	(58.8)	(246.9)	(305.7)
Other income/exchange differences	0.9	0.5	1.4
Curtailments/settlements	0.3	(1.7)	(1.4)
Contributions by plan participants	(5.2)	(13.2)	(18.4)
Benefits paid	31.0	118.4	149.4
Closing defined benefit obligation	(781.9)	(2,656.5)	(3,438.4)
2010			
Opening defined benefit obligation	(685.5)	(2,273.0)	(2,958.5)
Current service cost	(13.2)	(7.5)	(20.7)
Past service credit	6.7	4.9	11.6
Interest cost	(39.2)	(129.1)	(168.3)
Actuarial loss	(42.8)	(66.8)	(109.6)
Other income/exchange differences	1.5	0.5	2.0
Curtailments/settlements	-	1.5	1.5
Contributions by plan participants	(5.1)	(10.8)	(15.9)
Benefits paid	29.6	108.0	137.6
Closing defined benefit obligation	(748.0)	(2,372.3)	(3,120.3)

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

	Premier schemes £m	RHM schemes £m	Total £m
2011			
Opening fair value of plan assets	512.8	2,286.6	2,799.4
Expected return	39.5	151.6	191.1
Administrative and life insurance costs	(3.6)	(3.5)	(7.1)
Actuarial (loss)/gain	(35.5)	261.9	226.4
Contributions by employer	27.5	50.8	78.3
Contributions by plan participants	5.2	13.2	18.4
Other costs/exchange differences	(0.7)	(0.4)	(1.1)
Benefits paid	(31.0)	(118.4)	(149.4)
Closing fair value of plan assets	514.2	2,641.8	3,156.0
2010			
Opening fair value of plan assets	477.1	2,052.9	2,530.0
Expected return	37.6	141.4	179.0
Administrative and life insurance costs	(3.1)	(3.5)	(6.6)
Actuarial gain	2.8	153.2	156.0
Assets disposed due to settlement	-	(1.6)	(1.6)
Contributions by employer	24.1	41.9	66.0
Contributions by plan participants	5.1	10.8	15.9
Other costs/exchange differences	(1.2)	(0.5)	(1.7)
Benefits paid	(29.6)	(108.0)	(137.6)
Closing fair value of plan assets	512.8	2,286.6	2,799.4

Actuarial gains and losses are as follows:

	Premier Schemes £m	RHM Schemes £m	Total £m
2011			
Actuarial loss on plan liabilities	(58.8)	(246.9)	(305.7)
Actuarial (loss)/gain on plan assets	(35.5)	261.9	226.4
Net actuarial (loss)/gain for the year	(94.3)	15.0	(79.3)
Cumulative actuarial loss	**(359.3)**	**(16.7)**	**(376.0)**
2010			
Actuarial loss on plan liabilities	(42.8)	(66.8)	(109.6)
Actuarial gain on plan assets	2.8	153.2	156.0
Net actuarial (loss)/gain for the year	(40.0)	86.4	46.4
Cumulative actuarial loss	**(265.0)**	**(31.7)**	**(296.7)**

The actual return on plan assets was a £417.5m gain (2010: £335.0m gain), which is £226.4m more (2010: £156.0m more) than the expected return on plan assets of £191.1m (2010: £179.0m) at the start of the relevant periods.

The actuarial loss on liabilities of £305.7m (2010: £109.6m loss) comprises a gain on member experience of £3.5m (2010: £36.8m gain) and an actuarial loss due to changes in assumptions of £309.2m (2010: £146.4m loss).

The net actuarial loss taken to the statement of comprehensive income was £79.3m (2010: £46.4m gain). This was £83.4m (2010: £16.5m gain) net of taxation (with tax at 25.0% for UK schemes, and 12.5% for Irish schemes).

The Group expects to contribute approximately £31.9m (2011: £78.3m) to its defined benefit plans in 2012, £26.4m (2011: £30.0m) of regular contributions and expenses and £5.5m (2011: £48.3m) of additional contributions to fund the scheme deficits. The decrease in future deficit funding is a result of the amendments to the Group's financing arrangements detailed in note 13.

The total amounts recognised in the Group's income statement are as follows:

	Premier schemes	RHM schemes	Total
	£m	**£m**	**£m**
2011			
Operating profit			
Current service cost	(8.8)	(9.6)	(18.4)
Past service credit/(cost)	46.8	(4.8)	42.0
Gain/(loss) on curtailment	0.3	(1.7)	(1.4)
Interest cost	(40.1)	(126.9)	(167.0)
Expected return on plan assets	39.5	151.6	191.1
Administrative and life insurance costs	(3.6)	(3.5)	(7.1)
Total	**34.1**	**5.1**	**39.2**
2010			
Operating profit			
Current service cost	(13.2)	(7.5)	(20.7)
Past service credit	6.7	4.9	11.6
Losses on curtailment	-	(0.1)	(0.1)
Interest cost	(39.2)	(129.1)	(168.3)
Expected return on plan assets	37.6	141.4	179.0
Administrative and life insurance costs	(3.1)	(3.5)	(6.6)
Total	**(11.2)**	**6.1**	**(5.1)**

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 £0.3m (2010: £1.1m) represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

Other post retirement benefits

The Group does not provide any other post retirement benefits.

11. Notes to the cash flow statement

Reconciliation of operating profit to cash flows from operating activities

	Year ended 31 Dec 2011 £m	Year ended 31 Dec 2010 (Restated)[1] £m
Continuing operations		
Operating (loss)/profit	(176.3)	219.9
Depreciation of property, plant and equipment	41.8	43.2
Amortisation of intangible assets	72.0	65.8
Loss on the sale of canning operations	11.2	-
Gain on disposal of property, plant and equipment	(0.9)	(0.2)
Gain on disposal of intangible assets	-	(3.9)
Impairment of goodwill and intangible assets	282.0	-
Fair value movements on foreign exchange and other derivative contracts	1.7	2.0
Non-cash movement relating to retirement benefits	(41.3)	5.7
Share-based payments	3.9	6.9
Net cash inflow from operating activities before interest and tax and movements in working capital	194.1	339.4
(Increase)/decrease in inventories	(26.3)	6.7
(Increase)/decrease in trade and other receivables	53.8	(24.6)
(Decrease)/increase in trade and other payables and provisions	(10.9)	18.4
Movement in retirement benefit obligations	(76.1)	(64.3)
Cash generated from continuing operations	134.6	275.6
Discontinued operations	(47.9)	37.6
Cash generated from operating activities	86.7	313.2

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

Reconciliation of cash and cash equivalents to net borrowings

	Year ended 31 Dec 2011 £m	Year ended 31 Dec 2010 £m
Net inflow/(outflow) of cash and cash equivalents	51.1	(13.1)
Decrease/(increase) in finance leases	18.4	(17.7)
Decrease in borrowings	221.3	121.7
Other non-cash movements	(5.9)	(5.8)
Decrease in borrowings net of cash	284.9	85.1
Total net borrowings at beginning of year	(1,280.0)	(1,365.1)
Total net borrowings at end of year	(995.1)	(1,280.0)

Analysis of movements in borrowings

	As at 1 Jan 2011 £m	Cash flow £m	Other non-cash movements £m	As at 31 Dec 2011 £m
Bank overdrafts	(30.6)	6.9	-	(23.7)
Cash and bank deposits	1.9	44.2	(0.3)	45.8
Net cash and cash equivalents	(28.7)	51.1	(0.3)	22.1
Borrowings - term facilities	(1,180.0)	446.9	-	(733.1)
Borrowings - revolving credit facilities	(20.0)	(256.1)	-	(276.1)
Finance leases	(19.1)	18.4	-	(0.7)
Other	(53.5)	30.2	-	(23.3)
Gross borrowings net of cash[1]	(1,301.3)	290.5	(0.3)	(1,011.1)
Debt issuance costs	21.3	0.3	(5.6)	16.0
Total net borrowings[1]	(1,280.0)	290.8	(5.9)	(995.1)

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

12. Contingencies

The Group has been in discussion with one of the Group Pension Schemes relating to the possibility that it may have to recognise some additional liability as a result of alleged failure to adequately equalise retirement ages between 1990 and 1993. During 2011 the Group decided to seek a court ruling. On 20 February 2012 the case was heard in court and on 2 March 2012 the judge ruled in favour of the Group. As a result there is no material additional liability to be recognised and no impact on pension deficit recovery payments relating to the case.

There were no other material contingent liabilities at 31 December 2011.

13. Subsequent events

Disposal of the Irish brand business

On 15 December 2011 the Group announced that it had agreed to sell its four Irish brands (Chivers, Gateaux, McDonnells and the Erin licence) to The Boyne Valley Group for €41.4m. The disposal of the Irish brands completed on 23 January 2012.

Financing arrangements

On 12 March 2012 the Group announced that it had obtained consent from its banking syndicate, swap counterparties and pension schemes on a re-financing package subject to the formalities of final documents being signed, expected by the end of March.

Pension arrangements

Subject to implementation of the new re-financing arrangements, the Trustees of the Group's pension schemes have agreed to defer deficit contribution payments (c.£47m p.a.) until 1 January 2014 and there will be no increase in the agreed deficit contributions before 2016. Regular contributions of approximately £26m per annum will continue to be paid to the pension schemes.

Lending arrangements

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

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

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

The total interest rate swap portfolio, including previously restructured swaps, will be restructured into additional term loan totalling approximately £199m. Of this additional term loan, approximately £117m of the previously restructured swaps will be interest bearing with immediate effect. The remaining £82m of previously restructured swaps will attract interest from 1 January 2014. These new tranches of additional term loan will attract the same interest margin as the main term loan. The result of this conversion from swaps to additional term loan will significantly reduce the Group's interest expense in 2012 and 2013 and the previously arranged agreed swap settlements of £35m in 2012 and £82m in 2013 are no longer applicable. A new amortising swap commencing in July 2012, with a nominal value of approximately £750m, will be arranged attracting a swap rate of 1.55%.

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

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

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

The Company is restricted from paying dividends under the terms of the re-financing package.

Summary of Re-financing package		
Bank Facility Maturity	30 June 2016	
Bank Margin	2.25% until 31 Dec 2013 3.25% 1 Jan 2014 – 30 June 2016	
Facilities	Term loan A £733m RCF £500m Additional term loan circa £199m	
Amortisation payments	30 June 2014 - £25m 31 Dec 2014 - £25m	30 June 2015 - £30m 31 Dec 2015 - £30m
Disposals	Proceeds shared between banks and swap counterparties £330m disposal proceeds required by 30 June 2014; certain progress milestones from 31 December 2013	
Securitisation	Programme now £120m and now on balance sheet	
Cash sweep	Paid in Feb 2014, split between banks, swaps and pension schemes Further cash sweeps annually thereafter (excluding pensions schemes)	
Consent fee	1% fee on outstanding facilities	
Existing deferred fee	0.5% on existing facilities, paid Dec 2013	
New deferred fee	2.0% on facilities between 28 March 2013 – 27 March 2014 2.5% on facilities between 28 March 2014 – 27 March 2015 3.0% on facilities between 28 March 2015 – 27 March 2016	
Covenant test dates	Bi-annually, 30 June and 31 December	
Net debt/EBITDA covenant	30 June 2012	6.96x
	31 December 2012	5.87x
	30 June 2013	5.26x
	31 December 2013	4.52x
	30 June 2014	4.66x
	31 December 2014	3.92x
	30 June 2015	3.82x
	31 December 2015	3.26x
EBITDA/Interest covenant	30 June 2012	2.37x
	31 December 2012	3.69x
	30 June 2013	4.50x
	31 December 2013	4.50x
	Each test thereafter	4.50x

Receivables Purchase Agreement

The Group's Receivables Purchase Agreement with DLLI (a wholly owned subsidiary of Rabobank Group) is due to expire on 31 March 2012.

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