21 February 2013

Premier Foods plc

Preliminary results for the year ended 31 December 2012

Delivering against strategic priorities

- **Underlying sales, excluding Milling, up 3.2%**
- **Power Brand sales up 2.1%**
- **Grocery Power Brand sales up 4.0%, delivering four successive quarters' growth**
- **Underlying business Trading profit up 10.6% to £123.4m**
- **Operating profit £96.3m**
- **Planned disposal target exceeded by £40m and 20 months early**
- **Cost reduction programme delivered £48m savings to date, ahead of plan**
- **Net debt reduced to £950.7m**

Premier Foods today announces its Preliminary results for 2012, demonstrating the Company's continued delivery against the strategic priorities it set out at the beginning of the year.

Gavin Darby, Chief Executive Officer of Premier Foods, commented:

"Premier Foods has many strengths and great potential. The management team did a great job in 2012 to lay the foundations for future growth and I am very excited to be working with them to develop and grow our Power Brands in the coming years. It's important now to maintain continuity and focus on executing our existing strategies to build further momentum in Grocery while re-building value in Bread."

Commenting on 2012 results, Mark Moran, Chief Financial Officer, said:

"In 2012 we delivered against all of our strategic priorities - reducing Net debt levels, significantly reducing costs, building more collaborative customer partnerships and generating growth in our Power Brands. While it's clear that markets will remain challenging in 2013, we believe we have the right strategies in place, including the delivery of further overhead cost savings, to make further progress this year."

	2012	2011	Change
Continuing operations			
Sales (£m)	1,756.2	1,999.5	(12.2%)
Trading profit (£m)	154.7	188.3	(17.8%)
Operating profit/(loss) (£m)	96.3	(176.3)	-
Adjusted profit before tax (£m)	85.2	72.6	17.4%
Adjusted earnings per share (pence)	26.8	22.3	20.5%
Basic earnings/(loss) per share (pence)	11.0	(95.9)	-
Underlying business			
Sales (excl Milling) (£m)	1,353.8	1,311.7	3.2%
Power Brand sales (£m)	889.2	871.2	2.1%
Trading profit (£m)	123.4	111.6	10.6%

Measures above are defined on page 3 and reconciled to statutory measures in the appendices, where necessary

A presentation to investors and analysts will take place today, 21 February 2013, at 9.00am at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED. The presentation will be webcast at www.premierfoods.co.uk. A recording of the webcast will be available on the Company's website later in the day.

A factsheet of the Preliminary results is available at www.premierfoods.co.uk/investor-relations/results-centre

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Underlying business

The Company's results for the year ended 31 December 2012 are presented on an **'Underlying business'** basis, unless otherwise stated. 'Underlying business' excludes the results of previously announced business disposals, Milling (sales only), and non-core, discrete contract losses. The tables below illustrate these items for 2011 and 2012 results.

The purpose of using the 'Underlying business' basis for measuring performance is to reflect the performance of the core business of the Company. With the Company having undergone a year of restructuring in 2012, this basis better reflects underlying business performance.

'**Continuing operations'** includes the results of disposed businesses for the respective periods until disposal was completed. For example, the Vinegar and Sour Pickles business disposal completed on 28 July; therefore the results of the continuing operations include seven months results of the Vinegar and Sour Pickles business.

£m	Continuing operations	Less: 2011 Disposals	Sub-total	Less: 2012 Disposals	Sub-total	Less: Milling sales[7]	Less: Contract Loss[8]	Underlying business
2012								
Sales	**1,756.2**	(0.9)	**1,755.3**	(210.1)	**1,545.2**	(191.4)	-	**1,353.8**
Trading profit	**154.7**	(0.3)	**154.4**	(31.0)	**123.4**	N/A	-	**123.4**
EBITDA[3]	**194.3**	(0.3)	**194.0**	(35.4)	**158.6**	N/A	-	**158.6**
2011								
Sales	**1,999.5**	(188.5)	**1,811.0**	(282.9)	**1,528.1**	(193.0)	(23.4)	**1,311.7**
Trading profit	**188.3**	(14.6)	**173.7**	(56.5)	**117.2**	N/A	(5.6)	**111.6**
EBITDA[3]	**230.1**	(14.6)	**215.5**	(62.6)	**152.9**	N/A	(5.6)	**147.3**

Further disclosure on disposals can be found in the appendices.

Notes to editors:

1. The accounting period is from 1 January 2012 to 31 December 2012.
2. Trading profit is defined as operating profit before re-financing costs, restructuring costs, profits and losses associated with divestment activity, amortisation and impairment of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension credits or charges in relation to the difference between expected return on pension assets, administration costs and interest costs on pension liabilities.
3. EBITDA is Trading profit excluding depreciation
4. Adjusted profit before tax is defined as Trading profit less net regular interest. Adjusted earnings per share is defined as Adjusted profit before tax less a notional tax charge of 24.5% (2011: 26.5%) divided by the weighted average of the number of shares of 239.8 million. 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.
5. 2011 disposals are Canned grocery and Irish brands.
6. 2012 disposals are Vinegar and Sour Pickles, Elephant Atta Ethnic Flour, Sweet Spreads and Jellies and Sweet Pickles and Table Sauces.
7. Due to the cost plus pricing nature of the Milling business, fluctuations in the cost of wheat have a direct impact on reported sales, but not necessarily on Trading profit. As a result, the Milling business is excluded from the definition of 'Underlying business' for revenue only.
8. Non-core contract loss. In 2012, the Company lost a non-core chocolate powder manufacturing contract and one other non-core discrete contract. The discrete nature of these contracts explains why they are excluded from 'Underlying business'.

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

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

Certain statements in this document are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly, undue reliance should not be placed on forward looking statements.

Operating review

Underlying business

Underlying business excludes all disposals announced in 2011 and 2012, non-core discrete contract losses and Milling sales. The following commentary is based on Underlying business unless otherwise stated.

£m	**2012**	2011	Change
Sales			
Grocery	**856.7**	811.2	5.6%
Bread	**497.1**	500.5	(0.7%)
Total	**1,353.8**	1,311.7	3.2%
Grocery divisional contribution	**195.5**	206.9	(5.5%)
Bread divisional contribution	**26.9**	51.7	(48.0%)
SG&A	**(99.0)**	(147.0)	(32.7%)
Total Trading profit	**123.4**	111.6	10.6%

Introduction

Underlying business sales increased by 3.2% to £1,353.8m in the year, an increase of £42.1m compared to the prior year. Underlying business Trading profit increased by £11.8m to £123.4m in the year.

Grocery divisional contribution decreased by £11.4m to £195.5m during the year, reflecting increased consumer marketing investment partly offset by growth in Power Brand sales.

Bread divisional contribution declined by £24.8m to £26.9m due to adverse customer mix, wheat quality affecting manufacturing efficiencies and higher costs to serve.

Divisional contribution is the measure which the Company uses for managing and reporting divisional performance and excludes all selling, general and administrative (S,G&A) costs.

The Company exceeded its target to reduce S,G&A costs by £40m in 2012, achieving total cost reductions of £48m by the end of the year, contributing to the increase in Underlying Trading Profit. As previously announced, a further £20m of overhead cost savings are expected to be delivered in 2013.

In the year, the Company benefitted from pension credits of approximately £32m. Additionally, the Company increased certain balance sheet provisions on onerous lease provisions relating to vacant properties held by the Company and cleaned up certain legacy fixed assets. These items offset the pension credits recognised in the year, and therefore the impact on Underlying business Trading profit in the year is neutral.

Sales

£m	**2012**	2011	Change
Power Brands	**889.2**	871.2	2.1%
Support brands	**227.2**	233.9	(2.9%)
Total Branded	**1,116.4**	1,105.1	1.0%
Non-branded	**237.4**	206.6	14.9%
Group Sales	**1,353.8**	1,311.7	3.2%

Total Underlying business sales increased by 3.2% to £1,353.8m compared to 2011. Sales of the Company's Power Brands grew by 2.1%; in line with the trend seen in the first three quarters of the year.

In the support brand portfolio, sales declined by 2.9% reflecting declines in Homebaking, owing to a highly competitive business to business channel and lower promotional activity.

Consumer Marketing

£m	**2012**	2011	Change
Consumer Marketing	**39.4**	24.7	59.5%

Total consumer marketing investment increased by nearly £15m in 2012 compared to the prior year, principally due to new TV advertising campaigns for seven of the Company's Power Brands. Investment in the Grocery Power Brands nearly doubled compared to the prior year and included new campaigns for *Sharwood's* (Great British Curry), *Ambrosia (*Picnic) and *Bisto* (Pledge).

The Company expects to continue to benefit from the significant step-up in investment in 2012, with consumer marketing expenditure expecting to remain at similar levels in 2013, but with greater emphasis on Grocery marketing investment.

Grocery division

£m	**2012**	2011	Change
Branded sales	**742.0**	724.2	2.5%
Non-branded sales	**114.7**	87.0	31.8%
Total sales	**856.7**	811.2	5.6%
Power Brands sales	**533.1**	512.6	4.0%
Divisional contribution	**195.5**	206.9	(5.5%)

Sales in the Grocery division increased by 5.6% to £856.7m compared to £811.2m in 2011. Following recent disposals, this business has increased its proportion of branded sales by over five percentage points to 86.6% and retains strong EBITDA margins which the Company believes it can build on.

Grocery Power Brand sales, in particular, continued to gather momentum during the year increasing by 4.0%, demonstrating four successive quarters of growth. This growth was driven by improved customer collaboration and increased levels of consumer marketing investment.

Marketing investment in the Grocery division increased by 96% compared to the prior year, as consumer marketing spend rose by around £16m reflecting higher spend across all the Grocery Power Brands.

During the year, *Sharwood's* benefitted from the launch of Wrap Kits, *Batchelors* growth was well supported by the new Deli Box range and *Ambrosia* Rice pots performed well.

Consequently, Divisional contribution was £195.5m, a 5.5% decrease on the previous year.

In the fourth quarter, the Company confirmed it has agreed an extension to the licence it holds to produce Cadbury branded cakes and ambient desserts until June 2017. The brand is the fastest growing in the ambient cake category and the Company plans to work closely with Cadbury to leverage the potential of other Cadbury trademarks over time, where appropriate.

Non-branded sales in the Grocery division increased by 31.8% in the year, due to contract gains in Cake and additional co-pack arrangements following recent disposals.

Savings in manufacturing controllable costs are expected to continue to deliver gross savings in 2013 through process improvements at our manufacturing sites.

Bread division

£m	**2012**	2011	Change
Branded bread sales	**374.4**	380.9	(1.7%)
Non-branded bread sales	**122.7**	119.6	2.6%
Total bread sales	**497.1**	500.5	(0.7%)
Milling sales	**191.4**	193.0	(0.8%)
Total sales	**688.5**	693.5	(0.7%)
Divisional contribution	**26.9**	51.7	(48.0%)

Sales for the Bread division excluding Milling declined 0.7% to £497.1m in the year while total sales for the division decreased by 0.7% to £688.5m. Divisional contribution declined by £24.8m to £26.9m in the year.

During the year, *Hovis* maintained its value market share in a highly competitive market, where promotional activity levels remain high.

However, changes in the customer and product mix during the course of the year, as a result of a number of contract gains and losses, have adversely impacted Divisional contribution. Additionally, some of the contract gains require higher costs to serve. Continued collaboration with our retail customers in 2013 is expected to result in an improved mix impact year on year.

Adverse wheat quality following the worst harvest for 35 years also affected manufacturing efficiencies and negatively impacted Divisional contribution in the second half of the year. Price increases were achieved in the Baking and Milling businesses in the third quarter of 2012 to offset wheat price inflation following the lower quality harvest seen during the year, and while the Company has taken the decision to diversify its sources of wheat in the short-term, it remains committed to supporting British farming.

As previously announced, the Company will lose a branded and non-branded bread contract with a retail customer in the second quarter of 2013, equivalent to approximately £75.0m of annual sales. The lost volume and margin from this contract is expected to be offset by manufacturing and distribution cost savings from the previously announced closures of the Birmingham, Greenford and Eastleigh bakeries and distribution centres at Mendlesham and Plymouth. Additionally, the Company recently announced the proposed closure of its Glasgow Mill to optimise capacity in its Milling business in light of reduced volumes. As previously announced, the cash costs associated with this restructuring are expected to be approximately £28m in 2013.

Milling sales were £191.4m in 2012, down 0.9% compared to the prior year, while margins were also affected by the lower wheat quality from the 2012 harvest.

In 2013, the Company plans to re-build value in its Bread division through focusing on reducing costs to serve, improving profitability and targeting capital investment to enhance flexibility, efficiency and customer service.

Cost Savings Programme and SG&A costs

£m	**2012**	2011	Change
Total SG&A	**99.0**	147.0	32.7%

The restructuring of the SG&A cost base announced at the beginning of 2012 has delivered savings of £48m, ahead of plan. This has been achieved through right-sizing both the commercial and support functions to ensure the overhead cost base better reflects the Company’s scale following disposal activity.

As previously announced, a further £20m cost savings are expected to be delivered in this area during 2013. The expected costs to achieve the delivery of the total savings programme are £32m, of which approximately £24m were taken in 2012 and a further £8m are expected to be charged in 2013. The cash impact of this programme is expected to be approximately £12m in 2013.

The Company will continue to explore further cost opportunities to fuel branded growth.

Net regular interest

£m	**2012**	2011	Change
Term debt interest	**36.0**	40.1	10.2%
Swap contract interest	**17.3**	59.7	71.0%
Securitisation interest	**3.1**	2.5	(24.0%)
	56.4	102.3	44.9%
Amortisation and deferred fees	**13.1**	13.4	2.2%
Net regular interest	**69.5**	115.7	39.9%

Net regular interest charge was £69.5m in the year, 39.9% lower than the prior year, and compares to guidance of £70-£75m. This lower charge was principally due to the conversion of the higher rate interest rate swaps into additional term loan at the end of March, at a significantly lower interest rate and following completion of the previously announced re-financing agreement. Term debt interest was lower reflecting reduced levels of Net debt following the disposal of businesses during the course of the year.

The Company expects Net regular interest for 2013 to be in the range of £60-65 million, of which amortisation of deferred financing fees are expected to be approximately £22 million.

Cash flow

£m	**2012**	2011
Underlying business Trading profit	**123.4**	111.6
Depreciation	**37.5**	39.0
Other non-cash items	**8.8**	(44.1)
Interest	**(52.5)**	(108.3)
Taxation	**0.3**	(2.4)
Pension contributions	**(17.7)**	(56.0)
Regular capital expenditure	**(56.4)**	(61.7)
Working capital	**6.6**	(0.1)
Recurring cash inflow/(outflow)	**50.0**	(122.0)

Group recurring cash inflow before non-recurring items such as restructuring activity, financing fees and the impact of disposals was £50.0m in the year.

Underlying business Trading profit was ahead of last year while depreciation was £1.5m lower. Other non-cash items in 2012 largely reflect the add-back of share based payments.

Cash interest was significantly lower in the year owing to the close out of the higher rate interest rate swaps following the re-financing agreement announced in March 2012. A tax credit in the year of £0.3m reflected tax relief from allowances on capital expenditure, pension contributions and brought forward losses. Cash tax in 2013 is expected to be minimal.

Pension deficit contribution payments to the Company schemes in the year (including administrative costs) were £17.7m, compared to £56.0m last year, owing to reduced pension deficit contribution payments as agreed with the Trustees as part of the re-financing agreement concluded earlier this year.

Regular capital expenditure was £56.4m, in line with guidance of approximately 3% of sales. Capital expenditure for 2013 is expected to be in the range 3-3.5% of sales.

£m	**2012**	2011
Recurring cash inflow/(outflow)	**50.0**	(122.0)
Trading profit & other cash flows from disposed businesses	**5.8**	14.0
Restructuring activity	**(21.6)**	-
Operating cash flow from total Company	**34.2**	(108.0)
Disposal proceeds	**312.2**	400.2
Financing fees & finance leases	**(24.0)**	(7.3)
Free cash flow	**322.4**	284.9

Free cash flow, before repayment of borrowings, was £322.4m in the year, compared to £284.9m in 2011. Restructuring activity relating to disposed businesses, including costs related to the cost savings programme, resulted in a cash outflow of £21.6m in the year.

Disposal proceeds of £312.2m are from the sale of the Irish brands, Vinegar & Sour Pickles, Elephant Atta Ethnic Flour and Sweet Spreads & Jellies businesses. Cash paid due to fees directly relating to the re-financing agreement concluded in March 2012 accounted for outflows of £24.0m.

Net debt

	£m
Reported Net debt at 31 December 2011	**995.1**
Additional term loan	188.1
Securitised debtors programme	73.8
Pro forma Net debt at 31 December 2011	**1,257.0**
Movement in cash 2012	(322.4)
Other non-cash items	16.1
Reported Net debt at 31 December 2012	**950.7**

Group Net debt at 31 December 2012 was £950.7m.

Following the re-financing agreement announced in March 2012, both the mark to market of interest rate swap liabilities and the securitised debtors programme the Company participates in, are now included in the definition of Net debt. The interest rate swap liabilities have been restructured into an additional term loan as part of the banking agreements. The securitised debtors programme is excluded from the definition of Net debt for covenant purposes.

Disposal proceeds received during the year amounted to £312.2m. Additionally, proceeds from the Sweet Pickles and Table Sauces disposal of £92.5m were received in February 2013.

Pensions

Cash paid to pension schemes in the year was £39.1m. This comprised £21.4m regular contributions and £17.7m for deficit contributions, administrative expenses and government levies. The net IAS 19 deficit at 31 December 2012 was £466.8m, equivalent to £352.4m net of deferred tax. The next triennial valuation date of the Company pension schemes is on 5 April 2013, the outcome of which is expected in early 2014.

Pensions (£m)	**31 Dec 2012**	31 Dec 2011
Assets		
Equities	**411.3**	425.1
Government & Corporate bonds	**1,197.7**	1,077.4
Property	**105.3**	92.1
Absolute/Target returns	**712.1**	790.9
Swaps	**(169.0)**	231.6
Cash	**494.4**	239.1
Other	**457.5**	299.8
Total Assets	**3,209.3**	3,156.0
Liabilities		
Discount rate	**4.45%**	4.80%
Inflation rate (RPI/CPI)	**2.95%/2.15%**	3.15%/1.95%
Total Liabilities	**(3,676.1)**	(3,438.4)
Gross deficit (IAS 19)	**(466.8)**	(282.4)
Deferred tax (24.5% 2012)	**114.4**	70.0
Net deficit (IAS 19)	**(352.4)**	(212.4)

In the classification disclosed in the table above, ‘Other’ includes investments in infrastructure assets and private equity funds. The negative swaps valuation is due to these assets having been re-couponed to release cash in 2012; this is reflected in the higher cash asset balance compared to the prior year.

The Group acknowledges the significance of the current pension deficit in determining a fair reflection of the Group's Enterprise value. The Group's preferred approach is to discount the post tax future cash flows of the agreed pension deficit contribution schedule, which amount to approximately £275 million.

Business Disposals

During the course of the year, the Company was successful in exceeding its planned disposals proceeds target by nearly £40 million and 20 months early, achieving total proceeds of £369.5 million. This has resulted in lower Net debt, allowing the Company to focus on investing behind its Power Brands. The average EBITDA multiple for the four transactions announced in 2012, based on expected 2012 results and including additional £20m SG&A cost savings recently announced, was 8.9x EBITDA.

Proceeds from Vinegar & Sour Pickles, Ethnic Flour and Sweet Spreads & Jellies businesses are reflected in reported Net debt as at 31 December 2012. The Sweet Pickles and Table Sauces divestiture completed on 2 February 2013, therefore gross proceeds of £92.5m will be included in reported Net debt in 2013.

	Vinegar & Sour Pickles	**Elephant Atta Ethnic Flour**	**Sweet Spreads & Jellies**	**Sweet Pickles & Table Sauces**
Announcement	15 June 2012	6 July 2012	23 August 2012	30 October 2012
Completion	28 July 2012	6 July 2012	27 October 2012	2 February 2013
Gross Proceeds	£41.0m	£34.0m	£202.0m	£92.5m

Outlook

In 2012, the Company delivered its strategic priorities to stabilise the business, re-focus the portfolio and invest in its future growth. Growth momentum was generated behind the Company's Grocery Power Brands and strategic decisions were taken to re-build value in Bread. While markets are expected to remain challenging in 2013, the Company believes the right strategies and plans are in place, including the delivery of further cost savings, to make progress in 2013.

Financial review

The Company presents its financial results for the year ended 31 December 2012 with comparative information for the year ended 31 December 2011.

Company structure

The Company completed the disposals of the following businesses during the year: Irish brands, Vinegar and Sour Pickles, Elephant Atta Ethnic Flour and Sweet Spreads and Jellies. Additionally, the Company announced the disposal of the Sweet Pickles and Table Sauces business on 30 October 2012, and completed this transaction on 2 February 2013.

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 Company included below refers to continuing operations unless otherwise stated and therefore reflects the respective periods that the Company maintained ownership of the businesses disposed during the year. For example, the Vinegar and Sour Pickles business disposal completed on 28 July; therefore the results of the continuing operations include seven months results of the Vinegar and Sour Pickles business.

Income statement

Revenue from continuing operations was £1,756.2m, a decrease of £243.3m compared to the prior year. The major driver of the decline is attributed to the disposals of the Canned grocery operations, Irish brands, Vinegar and Sour Pickles, Elephant Atta Ethnic Flour and Sweet Spreads and Jellies businesses, partly offset by Power Brands sales growth.

Operating profit

Operating profit for continuing operations was £96.3m, compared to a prior year loss of (£176.3m).

Trading profit was £154.7m in the year, a decline of £33.6m, principally reflecting the impact of the businesses disposed during 2011 and 2012. During the year, significant savings in the overhead cost base were partly offset by increased consumer marketing investment.

Restructuring costs and losses associated with disposal activity were £46.1m in the year. These charges relate to access costs associated with the Company's cost savings programme and restructuring activity associated with the previously announced closure of three bakeries and two distribution sites in the Bread division.

Amortisation of intangible assets was £53.3m in year, a reduction of £18.7m from the prior year. This reflects the impairment of goodwill and the *Hovis* brand in 2011 and also the impact of disposals made during 2012. Impairment charges in 2012 were £36.2m which relate to the write down of part of the carrying value of the Bread business following the decision to restructure the supply chain. This compares to a charge in 2011 of £282.0m.

The pension financing credit was £12.5m in 2012, £4.5m lower than the prior year, primarily due to lower expected asset returns.

Finance expense

Net finance expense in the year to 31 December 2012 was £91.9m, compared to £82.8m in the prior year. Net regular interest reduced from £115.7m to £69.5m, due to the conversion of higher rate interest rate swaps into additional term loan at a significantly lower interest rate in addition to lower levels of Net debt following the disposal of businesses during the course of the year. Partly offsetting this reduction in net finance expense is the year on year net movement of interest rate instruments. In the prior year, there was a positive movement in the fair valuation of interest rate derivatives of £36.9m, compared to a adverse movement of £9.7m in the year to 31 December 2012. Additionally, an exceptional write off of financing costs amounting to £10.8m was recognised in the year, relating to debt issuance costs associated with the previous financing agreement. This compares to a £1.6m charge in the prior year.

Profit before taxation

The Company made a profit before tax of £4.4m, compared to a prior year loss of £259.1m. Operating profit in the year was £96.3m due to the reasons outline above and net finance expense was £91.9m. The prior year loss of £259.1m was principally due to impairment charges associated with goodwill in the Bread division and the *Hovis* brand.

Taxation

The taxation credit for the year was £21.9m (31 December 2011: £29.1m). The effective rate of corporation tax for the year was 24.5%. The taxation credit during the year is principally a result of recognising a deferred tax asset for prior year tax losses.

The corporation tax rate for 2013 is expected to be 23.25%. The deferred tax rate is expected to be 21.0% for the tax year ending 5 April 2014.

Earnings per share

Basic earnings per share of 11.0 pence for the year on continuing operations is calculated by dividing the profit attributed to ordinary shareholders of £26.3m (31 December 2011: £230.0m loss) by the weighted number of shares in issue during the year. This compares to a loss per share of 95.9p for the prior year.

Adjusted earnings per share for continuing operations was 26.8 pence (31 December 2011: 22.3 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 £85.2m (31 December 2011: £72.6m) by the weighted number of ordinary shares in issue during each period. These earnings have been calculated by reflecting tax at a notional rate of 24.5% (31 December 2011: 26.5%).

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

Cash flow and borrowings

Company net borrowings as at 31 December 2012 were £950.7m, a decrease of £44.4m since 31 December 2011. Of the movement since 31 December 2011, the cash and non-cash elements were £250.0m inflow and £205.6m outflow respectively. The non-cash movement principally reflects the conversion of the previous mark to market swap liabilities to additional term loan, which amounted to £188.1m.

The cash inflow from operating activities to 31 December 2012 was £4.2m (31 December 2011: outflow of £29.1m). This included cash inflow from continuing operations of £54.8m (31 December 2011: £134.6m) and cash inflow from discontinued operations of £1.6m (31 December 2011: £47.9m outflow). Additionally, net cash interest paid was £52.5m (31 December 2011: £113.4m) due to lower bank margins following the re-financing agreement concluded in March 2012. Tax received in the year was £0.3m (31 December 2011: £2.4m paid).

Sale of subsidiaries and property, plant and equipment in the year amounted to £312.2m following the completed disposals outlined above. Net capital expenditure on tangible and intangible assets in the year was £66.4m (31 December 2011: £73.5m), of which £56.4m relates to Underlying business.

Net proceeds from borrowings and the debtors securitisation programme were £1.5m and £72.4m respectively, reflecting the conversion of the debtors securitisation programme to Net debt. Financing fees associated with the re-financing agreement in March 2012 were £24.0m.

Pension schemes

At 31 December 2012 the Company's pension schemes under the IAS 19 accounting valuation showed a gross deficit of £466.8m, compared to £282.4m at 31 December 2011. The valuation at 31 December 2012 comprised a £131.6m deficit in respect of the RHM schemes and a deficit of £335.2m in relation to the Premier Foods schemes.

The deficit increase reflects an increase in the scheme liabilities of £237.7m to £3,676.1m, partly offset by an increase in the valuation of assets of £53.3m to £3,209.3m. The adverse movement in liabilities is predominantly due a reduction in the discount rate from 4.80% at 31 December 2011 to 4.45% at 31 December 2012. The increase in the valuation of the scheme assets is due to investment performance.

In 2012, the Group and trustees of the RHM Pension Scheme agreed to change the inflation assumption used in calculating certain scheme liabilities, for the majority of scheme members, from an RPI to CPI basis, following a similar move by the Premier Foods Schemes in 2011. The impact of this change was to reflect a credit of £44.0m, and is partially offset by an equalisation charge of £12.3m, resulting in a net credit of £31.7m.

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

The next triennial actuarial valuation date of the pension schemes is on 5 April 2013, the outcome of which is expected in early 2014.

Mark Moran
Chief Financial Officer

APPENDICES

'**Continuing operations'** includes the results of disposed businesses for the respective periods until disposal was completed.

'Underlying business' excludes the results of previously announced business disposals, Milling (sales only) and non-core,discrete, contract losses.

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

	2012 **£m**	2011 £m
Continuing Trading profit	**154.7**	188.3
Amortisation of intangible assets	**(53.3)**	(72.0)
Foreign exchange valuation items	**2.1**	(1.7)
Pension financing credit	**12.5**	17.0
Restructuring costs relating to divestment activity	**(46.1)**	(10.5)
Re-financing costs	**(1.1)**	(4.2)
Profit/(Loss) on disposal	**63.7**	(11.2)
Impairment of intangible and tangible assets	**(36.2)**	(282.0)
Operating profit	**96.3**	(176.3)
Net finance expense	**(91.9)**	(82.8)
Profit/(Loss) before tax	**4.4**	(259.1)
Taxation credit	**21.9**	29.1
Profit/(loss) after tax	**26.3**	(230.0)
Divided by:		
Average shares in issue (millions)	**239.8**	239.8
Basic earnings/(loss) per share	**11.0p**	(95.9p)

Adjusted earnings per share is calculated as set out below:

	2012 **£m**	2011 £m
Continuing Trading profit	**154.7**	188.3
Less net regular interest	**(69.5)**	(115.7)
Adjusted profit before tax	**85.2**	72.6
Less notional tax at 24.5%/26.5%	**(20.9)**	(19.2)
Adjusted profit after tax	**64.3**	53.4
Divided by:		
Average shares in issue (millions)	**239.8**	239.8
Adjusted earnings per share	**26.8p**	22.3p

£m	**Continuing operations**	**Less: Disposals**	**Less: Milling sales[7]**	**Less: Contract Loss[8]**	**Underlying business**
2012					
Sales	**1,756.2**	(211.0)	(191.4)	-	1,353.8
Trading profit	**154.7**	(31.3)	N/A	-	123.4
EBITDA	**194.3**	(35.7)	N/A	-	158.6
2011					
Sales	**1,999.5**	(471.4)	(193.0)	(23.4)	1,311.7
Trading profit	**188.3**	(71.1)	N/A	(5.6)	111.6
EBITDA	**230.1**	(77.2)	N/A	(5.6)	147.3

£m	Disposed businesses[5,6]								Total
	Announced in 2011			Announced in 2012					
	Canned Grocery	Irish brands	**Sub-total**	Vinegar & Pickles	Ethnic Flour	Sweet Spreads	Sweet Pickles	**Sub-total**	
2012									
Sales	0.9	-	**0.9**	14.8	8.8	128.3	58.2	**210.1**	**211.0**
Trading profit	0.3	-	**0.3**	0.5	3.3	23.1	4.1	**31.0**	**31.3**
EBITDA	0.3	-	**0.3**	0.9	3.3	24.8	6.4	**35.4**	**35.7**
Months owned				7	7	10	12		
2011									
Sales	166.7	21.8	**188.5**	34.0	17.8	165.1	66.0	**282.9**	**471.4**
Trading profit	5.4	9.2	**14.6**	5.5	6.4	36.1	8.5	**56.5**	**71.1**
EBITDA	5.4	9.2	**14.6**	6.2	6.4	38.2	11.7	**62.6**	**77.2**

Consolidated income statement (unaudited)

	Note	Year ended 31 Dec 2012 £m	Year ended 31 Dec 2011 (Restated)[1] £m
Continuing operations			
Revenue	3	1,756.2	1,999.5
Cost of sales		(1,261.2)	(1,445.0)
Gross profit		495.0	554.5
Selling, marketing and distribution costs		(262.5)	(263.3)
Administrative costs		(132.2)	(466.8)
Net other operating expense		(4.0)	(0.7)
Operating profit/(loss)		96.3	(176.3)
Before impairment and profit/(loss) on disposal of operations		68.8	116.9
Impairment of intangible and tangible assets		(36.2)	(282.0)
Profit/(loss) on disposal of operations	8	63.7	(11.2)
Finance cost	4	(86.3)	(126.9)
Finance income	4	4.1	7.2
Net movement on fair valuation of interest rate financial instruments	4	(9.7)	36.9
Profit/(loss) before taxation from continuing operations		4.4	(259.1)
Taxation credit	5	21.9	29.1
Profit/(loss) after taxation from continuing operations		26.3	(230.0)
Loss from discontinued operations	7	(13.5)	(109.0)
Profit/(loss) for the year attributable to owners of the Parent		12.8	(339.0)
Basic and diluted earnings/(loss) per share (pence)[3]	6	5.3	(141.4)
Basic and diluted earnings/(loss) per share (pence) - continuing[3]	6	11.0	(95.9)
Basic and diluted loss per share (pence) - discontinued[3]	6	(5.6)	(45.5)
Adjusted earnings per share (pence) - continuing[2,3]	6	26.8	22.3

1. Comparatives have been restated following an £8.9m reclassification of certain costs to align categorisation across the Group.
2 Adjusted earnings per share is defined as trading profit less net regular interest payable, less a notional tax charge at 24.5% (2011: 26.5%) divided by the weighted average number of ordinary shares of the Company.
3 2011 comparatives have been restated following the 10:1 share consolidation effected during 2012.

Consolidated statement of comprehensive income (unaudited)

	Note	Year ended 31 Dec 2012 £m	Year ended 31 Dec 2011 £m
Profit/(loss) for the year		12.8	(339.0)
Other comprehensive losses			
Actuarial losses on pensions	11	(231.6)	(79.3)
Deferred tax credit/(charge)	5	46.7	(4.1)
Exchange differences on translation		-	0.4
Total other comprehensive losses for the year, net of tax		(184.9)	(83.0)
Total comprehensive losses attributable to owners of the Company		(172.1)	(422.0)

Consolidated balance sheet (unaudited)

	Note	As at 31 Dec 2012 £m	As at 31 Dec 2011 £m
ASSETS:			
Non-current assets			
Property, plant and equipment		374.2	417.3
Goodwill		713.9	856.2
Other intangible assets		677.0	822.7
Deferred tax assets		71.9	-
		1,837.0	2,096.2
Current assets			
Assets held for sale	9	81.0	33.8
Inventories		116.2	136.8
Trade and other receivables		298.6	297.4
Financial assets – derivative financial instruments		1.0	0.5
Current income tax assets		-	0.5
Cash and bank deposits	12	53.2	45.8
		550.0	514.8
Total assets		2,387.0	2,611.0
LIABILITIES:			
Current liabilities			
Liabilities held for sale	9	(3.4)	-
Trade and other payables		(406.8)	(434.8)
Financial liabilities			
– short-term borrowings	10	(229.8)	(113.6)
– derivative financial instruments		(19.6)	(12.6)
– other financial liabilities at fair value through profit or loss		-	(187.0)
Accrued interest payable		(5.6)	(0.9)
Provisions		(25.6)	(8.3)
Current income tax liabilities		(0.8)	-
		(691.6)	(757.2)
Non-current liabilities			
Financial liabilities			
– long-term borrowings	10	(774.1)	(927.3)
Retirement benefit obligations	11	(466.8)	(282.4)
Provisions		(48.3)	(38.6)
Other liabilities		(1.3)	(21.9)
Deferred tax liabilities		-	(10.9)
		(1,290.5)	(1,281.1)
Total liabilities		(1,982.1)	(2,038.3)
Net assets		404.9	572.7
EQUITY:			
Capital and reserves			
Share capital		24.0	24.0
Share premium		1,124.7	1,124.7
Merger reserve		587.5	606.0
Other reserves		(9.3)	(9.3)
Profit and loss reserve		(1,322.1)	(1,172.8)
Capital and reserves attributable to owners of the Parent		404.8	572.6
Non-controlling interest		0.1	0.1
Total equity		404.9	572.7

Consolidated statement of cash flows (unaudited)

	Note	Year ended 31 Dec 2012 £m	Year ended 31 Dec 2011 £m
Cash generated from operating activities	12	56.4	86.7
Interest paid		(56.8)	(120.9)
Interest received		4.3	7.5
Taxation paid		0.3	(2.4)
Cash inflow/(outflow) from operating activities		4.2	(29.1)
Sale of subsidiaries/businesses		312.2	394.8
Purchase of property, plant and equipment		(49.4)	(58.0)
Purchase of intangible assets		(17.2)	(20.9)
Sale of property, plant and equipment		0.2	5.4
Cash inflow from investing activities		245.8	321.3
Repayment of borrowings		(312.2)	(363.6)
Proceeds from borrowings		1.5	124.1
Proceeds from securitisation programme		72.4	-
Financing fees and other costs of finance		(24.0)	(1.6)
Cash outflow from financing activities		(262.3)	(241.1)
Net (outflow)/inflow of cash and cash equivalents		(12.3)	51.1
Cash and cash equivalents at beginning of year		22.1	(28.7)
Effect of movement in foreign exchange		(0.1)	(0.3)
Cash and cash equivalents at end of year	12	9.7	22.1

Consolidated statement of changes in equity (unaudited)

	Note	Share capital	Share premium	Merger reserve	Other reserves	Profit and loss reserve	Non-controlling interest	Total
		£m	£m	£m	£m	£m	£m	£m
At 1 January 2012		24.0	1,124.7	606.0	(9.3)	(1,172.8)	0.1	572.7
Profit for the year		-	-	-	-	12.8	-	12.8
Actuarial losses on pensions	11	-	-	-	-	(231.6)	-	(231.6)
Deferred tax credit	5	-	-	-	-	46.7	-	46.7
Other comprehensive losses		-	-	-	-	(184.9)	-	(184.9)
Total comprehensive losses		**-**	**-**	**-**	**-**	**(172.1)**	**-**	**(172.1)**
Share-based payments		-	-	-	-	4.3	-	4.3
Realisation of merger reserve		-	-	(18.5)	-	18.5	-	-
At 31 December 2012		**24.0**	**1,124.7**	**587.5**	**(9.3)**	**(1,322.1)**	**0.1**	**404.9**
At 1 January 2011		24.0	1,124.7	890.7	(9.3)	(1,040.7)	0.1	989.5
Loss for the year		-	-	-	-	(339.0)	-	(339.0)
Actuarial losses on pensions	11	-	-	-	-	(79.3)	-	(79.3)
Deferred tax charge	5	-	-	-	-	(4.1)	-	(4.1)
Exchange differences on translation		-	-	-	-	0.4	-	0.4
Other comprehensive losses		-	-	-	-	(83.0)	-	(83.0)
Total comprehensive losses		**-**	**-**	**-**	**-**	**(422.0)**	**-**	**(422.0)**
Share-based payments		-	-	-	-	5.2	-	5.2
Realisation of merger reserve		-	-	(284.7)	-	284.7	-	-
At 31 December 2011		24.0	1,124.7	606.0	(9.3)	(1,172.8)	0.1	572.7

1. Basis of preparation

The financial information in this announcement does not constitute the Group's statutory accounts for the years ended 31 December 2012 or 2011. The preliminary results for the year ended 31 December 2012 have been extracted from unaudited consolidated financial statements. The financial information for the year ended 31 December 2011 is derived from the statutory accounts for that year after adjustment to align classification of certain costs across the Group.

The consolidated financial statements of Premier Foods plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union, International Financial Reporting Interpretation Committee ("IFRIC") interpretations, and the Companies Act 2006 applicable to Companies reporting under IFRS and on the historical cost basis.

Basis for preparation of financial statements on a going concern basis

In March 2012 the Group signed a re-financing package with its banking syndicate, swap counterparties and pension schemes whereby the term loan and revolving credit facility were extended from 31 December 2013 to 30 June 2016. The current margin of 2.25% will increase to 3.25% on 1 January 2014.

This facility includes net debt/ EBITDA and EBITDA/interest covenant tests and a requirement to realise disposal proceeds of £330m by 30 June 2014. In the event these covenants are not met then the Group would be in breach of its financing agreement and, as would be the case in any covenant breach, the banking syndicate could withdraw their funding to the Group.

Following the completion of the disposal of the Sweet Pickles and Table Sauces business on 2 February 2013 the Group has successfully met the disposal proceeds target. It is also in compliance with covenant tests at 31 December 2012. The Group's forecasts, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities including covenant tests.

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2. Critical accounting estimates and judgements

The following are areas of particular significance to the Group's financial statements and include the use of estimates and the application of judgement.

Employee benefits

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

At each reporting date, and on a continuous basis, the Group reviews the macro-economic, Company and scheme specific factors influencing each of these assumptions, using professional advice, in order to record the Group's ongoing commitment and obligation to defined benefit schemes in accordance with IAS 19. Key assumptions used are mortality rates, discount rates and inflation set with reference to bond yields. If the Group's assumption on the mortality of its members was amended to assume an increase of a further one year improvement in mortality, total liabilities would increase by approximately 3.1%. Each 0.1% decrease/ increase in bond yields would increase/decrease the deficit by a further £62m/£60m. Each 0.1% increase/ decrease in the assumed inflation rate would increase/decrease the deficit by a further £27m/£26m. Each of the underlying assumptions is set out in more detail in note 11.

Goodwill and other intangible assets

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

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

Advertising and promotion costs

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

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

3. Segmental analysis

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

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

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

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

During 2012 the Group completed the disposal of the four Irish Brands (*Chivers, Gateaux, McDonnells* and the *Erin* licence), the *Elephant Atta* Ethnic Flour Business, the Vinegar and Sour Pickles business and the Sweet Spreads and Jellies business; the results of these businesses have not been reported separately as they were fully integrated within the Grocery and Bread segments.

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 2012 and for the year ended 31 December 2011 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial statements are as follows:

				Year ended 31 Dec 2012
	Grocery	**Bread**	**Disposed of Canning Operations**	**Total for Group**
	£m	**£m**	**£m**	**£m**
Revenue from continuing operations				
External	1,058.0	697.3	0.9	1,756.2
Inter-segment	0.5	21.2	-	21.7
Result				
Divisional contribution	223.7	30.2	0.2	254.1
Total SG&A costs				(99.4)
Trading profit				154.7
Amortisation of intangible assets				(53.3)
Fair value movements on foreign exchange and other derivative contracts				2.1
Restructuring costs associated with divestment activity				(46.1)
Refinancing costs				(1.1)
Pension financing credit				12.5
Operating profit before impairment and profit on disposal of operations				68.8
Impairment of property, plant and equipment and intangible assets				(36.2)
Profit on disposal of operations				63.7
Operating profit				96.3
Finance cost				(86.3)
Finance income				4.1
Net movement on fair valuation of interest rate financial instruments				(9.7)
Profit before taxation from continuing operations				4.4
Depreciation	21.6	18.0	-	39.6
Amortisation	50.5	2.8	-	53.3
Impairment of property, plant and equipment and intangible assets	-	36.2	-	36.2
Balance sheet				
Segment assets	1,750.0	380.3	-	2,130.3
Unallocated assets				256.7
Consolidated total assets				2,387.0

	Year ended 31 Dec 2011 (Restated)[1]			
	Grocery	**Bread**	**Disposed of Canning Operations**	**Total for Group**
	£m	**£m**	**£m**	**£m**
Revenue from continuing operations				
External	1,121.5	711.3	166.7	1,999.5
Inter-segment	2.5	26.6	-	29.1
Result				
Divisional contribution	253.2	58.1	5.7	317.0
Total SG&A costs				(128.7)
Trading profit				188.3
Amortisation of intangible assets				(72.0)
Fair value movements on foreign exchange and other derivative contracts				(1.7)
Restructuring costs associated with divestment activity				(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 cost				(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 property, plant and equipment, goodwill and intangible assets	-	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

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

Revenues, on a continuing basis, of approximately £329.1m and £213.1m (2011: £333.5m and £274.9m) are derived from two external customers. These revenues are attributable across the grocery and bread segments.

Inter-segment transfers or transactions are entered into under the same terms and conditions that would be available to unrelated third parties.

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

Unallocated assets comprise cash and cash equivalents, taxation balances, derivative financial assets, 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 by geographical location.

Continuing operations - revenue	Year ended 31 Dec 2012 £m	Year ended 31 Dec 2011 £m
United Kingdom	1,697.4	1,880.8
Other Europe	36.5	87.4
Rest of world	22.3	31.3
Total	1,756.2	1,999.5

Non-current assets	As at 31 Dec 2012 £m	As at 31 Dec 2011 £m
United Kingdom	1,837.0	2,066.1
Other Europe	-	30.1
Total for Group	1,837.0	2,096.2

4. Finance income and costs

	Year ended 31 Dec 2012 £m	Year ended 31 Dec 2011 £m
Interest payable on bank loans and overdrafts	(10.3)	(13.6)
Interest payable on term facility	(24.6)	(28.6)
Interest payable on revolving facility	(9.4)	(7.6)
Interest payable on interest rate derivatives	(5.8)	(19.1)
Interest payable on interest rate financial liabilities designated as other financial liabilities at fair value through profit or loss	(11.5)	(40.6)
Unwind of discount on provisions	(0.8)	(2.4)
Amortisation of debt issuance costs and deferred fees	(13.1)	(13.4)
	(75.5)	(125.3)
Write off of financing costs[1]	(10.8)	(1.6)
Total finance cost	(86.3)	(126.9)
Interest receivable on bank deposits	4.1	7.2
Total finance income	4.1	7.2
Movement on fair valuation of interest rate derivatives	(14.8)	17.6
Movement on fair valuation of interest rate financial liabilities designated as other financial liabilities at fair value through profit or loss	5.1	19.3
Net movement on fair valuation of interest rate financial instruments	(9.7)	36.9
Net finance cost	(91.9)	(82.8)

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

2012

The net movement on fair valuation of interest rate financial instruments relates to £9.5m favourable movement on swaps held before re-financing in March 2012 offset by adverse movement of £19.2m on swaps entered into as part of the re-financing package.

2011

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 2012 was £1,142.4m (2011: £1,233m).

5. Taxation

Current tax

Analysis of the credit for the year:

	Continuing operations £m	Discontinued operations £m	Total £m
2012			
Current tax			
- Current year	-	-	-
- Prior years	0.1	-	0.1
Overseas current tax			
- Current year	(1.1)	-	(1.1)
- Prior years	-	-	-
Deferred tax			
- Current year	31.4	4.0	35.4
- Prior years	(13.9)	-	(13.9)
- Adjustment to restate opening deferred tax at 23.0%	5.4	-	5.4
Income tax credit for the year	21.9	4.0	25.9
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

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

	Year ended 31 Dec 2012 £m	Year ended 31 Dec 2011 £m
Deferred tax charge on reduction of corporate tax rate	(4.5)	(4.5)
Deferred tax credit on pension movements	43.6	0.4
Deferred tax credit on losses	7.6	-
	46.7	(4.1)

The tax credit for the year differs from the standard rate of corporation tax in the United Kingdom of 24.5% (2011: 26.5%).The reasons for this are explained below:

	Year ended 31 Dec 2012 £m	Year ended 31 Dec 2011 £m
Profit/(loss) before taxation for continuing operations	4.4	(259.1)
Tax (charge)/credit at the domestic income tax rate of 24.5% (2011: 26.5%)	(1.1)	68.7
Tax effect of:		
Non-deductible items[2]	19.4	(47.8)
Other disallowable items	(0.2)	(0.5)
Adjustment for overseas results taxed at different rate	(1.1)	1.4
Adjustment for share-based payments	(1.1)	(1.3)
Previously unrecognised losses utilised	11.6	16.3
Capital gain on disposal of business	(13.0)	(16.3)
Adjustment due to current year deferred tax being provided at 23.0% (2011: 25.0%)	(1.0)	(1.1)
Previously unrecognised losses recognised	16.8	-
Adjustment to restate opening deferred tax at 23.0% (2011: 25.0%)	5.4	7.9
Adjustments to prior years[1]	(13.8)	1.8
Income tax credit	21.9	29.1

[1] In 2012 this largely relates to a disclaim of capital allowances in 2011 group accounts not repeated in the tax returns.

[2] Non-deductible items relates primarily to profits made on the disposal of businesses during the year.

The Finance Act 2012, enacted on 3 July 2012, reduces the main rate of corporation tax from 26% to 24% from 1 April 2012. This gives rise to an effective rate of corporation tax for the year of 24.5%.

Deferred tax balances at 31 December 2011 were calculated at 25%, the rate applicable from 1 April 2011. The Finance Act 2012 also reduces the main rate of corporation tax to 23% from 1 April 2013. This 2% reduction for the 2012 financial year has been reflected in the financial statements by restating the deferred tax liability at 31 December 2011 giving a credit of £5.4m to continuing operations, off-set by a charge to equity of £4.5m to reflect where the charges and credits were originally made. In addition, the deferred tax movements in the period have been reflected at 23%, being the rate at which the liabilities are expected to reverse, which has resulted in a £0.7m decrease to the income tax credit.

A further 2% reduction to the main rate of corporation tax is proposed to reduce the rate to 21% from 1 April 2014. However, as this further reduction in the main rate of corporation tax was not substantively enacted at the balance sheet date it is not reflected in the deferred tax recognised on the balance sheet.

6. Earnings/(loss) per share

Basic earnings per share has been calculated by dividing the profit attributable to owners of the Parent of £12.8m (2011: £339.0m loss) by the weighted average number of ordinary shares of the Company.

	Year ended 31 Dec 2012			Year ended 31 Dec 2011 (Restated)[1]		
	Basic	Dilutive effect of share options	Diluted	Basic	Dilutive effect of share options	Diluted
Continuing operations						
Profit/(loss) after tax (£m)	26.3	-	26.3	(230.0)	-	(230.0)
Weighted average number of shares (m)	239.8	-	239.8	239.8	-	239.8
Earnings/(loss) per share (pence)	11.0	-	11.0	(95.9)	-	(95.9)
Discontinued operations						
Loss after tax (£m)	(13.5)	-	(13.5)	(109.0)	-	(109.0)
Weighted average number of shares (m)	239.8	-	239.8	239.8	-	239.8
Loss per share (pence)	(5.6)	-	(5.6)	(45.5)	-	(45.5)
Total						
Profit/(loss) after tax (£m)	12.8	-	12.8	(339.0)	-	(339.0)
Weighted average number of shares (m)	239.8	-	239.8	239.8	-	239.8
Earnings/(loss) per share (pence)	5.3	-	5.3	(141.4)	-	(141.4)

[1] Comparatives have been restated following the 10:1 share consolidation effected during 2012.

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 2012 and 31 December 2011, 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 earnings/(loss) per share.

	2012 Number	2011 Number (Restated)[1]
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	239,806,206	239,805,802
Effect of dilutive potential ordinary shares:		
- Share options	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	239,806,206	239,805,802

[1] Comparatives have been restated following the 10:1 share consolidation effected during 2012.

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 24.5% (2011: 26.5%) divided by the weighted average number of ordinary shares of the Company. There is no difference between basic and diluted adjusted EPS.

Trading profit is defined as operating profit before refinancing costs, restructuring costs, profits 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 non-cash items, namely 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 2012
	Continuing	**Discontinued**	**Total**
	£m	**£m**	**£m**
Operating profit/ (loss)	96.3	(17.5)	78.8
Impairment of property, plant and equipment and intangible assets	36.2	-	36.2
Profit on disposal of operations	(63.7)	-	(63.7)
Operating profit/(loss) before impairment and profit on disposal of operations	68.8	(17.5)	51.3
Pension financing credit	(12.5)	-	(12.5)
Fair value movements on foreign exchange and other derivative contracts	(2.1)	-	(2.1)
Amortisation of intangible assets	53.3	-	53.3
Restructuring costs associated with divestment activity	46.1	-	46.1
Refinancing costs	1.1	-	1.1
Trading profit/(loss)	154.7	(17.5)	137.2
Less net regular interest payable	(69.5)	-	(69.5)
Adjusted profit/(loss) before tax	85.2	(17.5)	67.7
Notional tax at 24.5%	(20.9)	4.3	(16.6)
Adjusted profit/(loss) after tax	64.3	(13.2)	51.1
Average shares in issue (m)	239.8	239.8	239.8
Adjusted EPS (pence)	26.8	(5.5)	21.3
Net regular interest payable			
Net interest payable	(91.9)	-	(91.9)
Exclude write-off of financing costs and other	11.9	-	11.9
Exclude fair value adjustments on interest rate financial instruments	9.7	-	9.7
Exclude unwind of discount on provisions	0.8	-	0.8
Net regular interest payable	(69.5)	-	(69.5)

	Year ended 31 Dec 2011 (Restated)[1]		
	Continuing	Discontinued	Total
	£m	£m	£m
Operating loss	(176.3)	(106.5)	(282.8)
Impairment of goodwill and intangible 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 associated with divestment activity	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)	239.8	239.8	239.8
Adjusted EPS (pence)	22.3	(4.4)	17.9
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)

[1] Comparatives have been restated following the 10:1 share consolidation effected during 2012.

7. Discontinued operations

Discontinued operations in 2011 comprised the Meat-free business and the Retailer Branded Chilled business which were sold in 2011. Income and expenditure incurred in discontinued operations throughout the year relates to operations that were disposed of in previous years and predominantly comprises of past service costs in relation to the Premier Foods pension scheme. There are no new discontinued operations in 2012.

	Year ended 31 Dec 2012 £m	Year ended 31 Dec 2011 £m
Revenue	-	218.6
Operating expenses	(17.5)	(325.1)
Operating loss before loss on disposal	(17.5)	(106.5)
Interest payable	-	(0.1)
Loss before taxation	(17.5)	(106.6)
Taxation credit	4.0	12.2
Loss after taxation on discontinued operations for the year	(13.5)	(94.4)
Loss on disposal	-	(14.6)
Total loss arising from discontinued operations	(13.5)	(109.0)

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.

During the year, discontinued operations contributed to a net inflow of £1.6m (2011: £47.9m outflow) to the Group's net operating cash flows, and nil to investing activities (2011: £6.9m outflow).

8. Disposal of businesses

Irish Brands

On 23 January 2012, the Group completed its sale of the four Irish Brands (*Chivers, Gateaux, McDonnells* and the *Erin* Licence) to The Boyne Valley Group for £34.7m (€41.4m) before disposal costs.

Elephant Atta ethnic flours

On 6 July 2012, the Group completed its sale of the Elephant Atta ethnic flour business to Westmill Foods (a subsidiary of Associated British Foods) for £34.0m before disposal costs.

Vinegar and sour pickles

On 28 July 2012, the Group completed its sale of its Vinegar and Sour Pickles business to the Mizkan Group for £41.0m before disposal costs.

Sweet spreads and jellies

On 27 October 2012, the Group completed its sale of its Sweet Spreads and Jellies business to the Hain Celestial Group for £202.0m before disposal costs.

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

	Irish Brands	Elephant Atta	Vinegars and sour pickles	Sweet spreads and jellies	Total
	£m	£m	£m	£m	£m
Net cash inflow arising on disposal:					
Initial consideration	34.7	34.0	41.0	202.0	311.7
Working capital adjustments and disposal costs	(1.3)	(1.2)	(1.9)	(6.8)	(11.2)
Net cash inflow for the year	33.4	32.8	39.1	195.2	300.5
Property, plant and equipment	-	-	7.8	33.5	41.3
Intangible assets and goodwill	32.1	2.9	23.7	118.4	177.1
Inventories	1.4	-	5.6	17.4	24.4
Provisions and lease obligations	-	(0.7)	(1.3)	(4.0)	(6.0)
Net assets disposed	33.5	2.2	35.8	165.3	236.8
(Loss)/profit on disposal	(0.1)	30.6	3.3	29.9	63.7

9. Assets and liabilities held for sale

	2012 £m	2011 £m
Non-current assets:		
Property, plant and equipment	37.6	-
Goodwill	31.1	31.2
Other intangible assets	3.1	0.9
Current assets:		
Inventories	9.2	1.7
Total assets held for sale	81.0	33.8
Non-current liabilities:		
Deferred tax liabilities	(3.4)	-
Total liabilities held for sale	(3.4)	-
Net assets and liabilities held for sale	77.6	33.8

As at 31 December 2012, the assets and associated liabilities relating to the Sweet Pickles and Table Sauces business were held for sale in light of the announcement of the conditional sale of this business on 30 October 2012. The disposal completed on 2 February 2013 for consideration of £92.5m.

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 this business. The disposal completed on 23 January 2012.

Both businesses are part of the Grocery segment.

10. Bank and other borrowings

	2012 £m	2011 £m
Due within one year:		
Secured Senior Credit Facility – Revolving (note a)	(15.0)	-
Debt issuance costs	0.3	-
	(14.7)	-
Secured Senior Credit Facility – Term (note a)	(77.4)	(67.3)
Debt issuance costs	1.5	0.8
	(75.9)	(66.5)
Bank overdrafts	(43.5)	(23.7)
Total bank borrowings due within one year	(134.1)	(90.2)
Finance lease obligations	(0.1)	(0.2)
Other loans (note b)	(95.6)	(23.2)
Total borrowings due within one year	(229.8)	(113.6)
Due after more than one year:		
Secured Senior Credit Facility – Revolving (note a)	(116.7)	(276.1)
Debt issuance costs	7.7	6.5
	(109.0)	(269.6)
Secured Senior Credit Facility – Term (note a)	(677.8)	(665.8)
Debt issuance costs	13.1	8.7
	(664.7)	(657.1)
Finance lease obligations	(0.3)	(0.5)
Other loans (note b)	(0.1)	(0.1)
Total other	(0.4)	(0.6)
Total borrowings due after one year	(774.1)	(927.3)
Total bank and other borrowings	(1,003.9)	(1,040.9)

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 - 2012

In March 2012 the Group signed a re-financing package with its banking syndicate, swap counterparties and pension schemes. This amended certain terms of its Senior Term Credit Facility and Revolving Credit Facility Arrangement of 16 March 2007.

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

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

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

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 disposal proceeds are shared between the banks in the banking syndicate (including those swap counterparties whose swaps have been restructured into additional term loans as described above).

(b) Other loans

Other loans falling due within one year includes amounts drawn under the debtors securitisation facility, which in 2012 is secured against the Group's trade receivables.

11. 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 = 1.2317 Euros for the average rate during the year, and £1.00 = 1.2257 Euros for the closing position at 31 December 2012.

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

In July 2010, the UK government announced changes to the inflation index used for statutory pension increases (both for pensions in payment and pensions in deferment) to apply to private sector pension schemes. This resulted in a credit to past service costs of £46.4m in respect of the RHM Pension scheme during the year. In 2011 a credit of £29.9m in respect of the Premier pension schemes was recognised.

In March 2012, as part of the Group's re-financing package, trustees of the Group's UK pension schemes agreed to defer deficit contribution payments until 1 January 2014.

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	**RHM schemes**
	2012	**2012**
Discount rate	4.45%	4.45%
Inflation – RPI	2.95%	2.95%
Inflation – CPI	2.15%	2.15%
Expected salary increases	3.95%	3.95%
Future pension increases	2.05%	2.05%
	2011	**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%

For the smaller overseas schemes the discount rate used was 3.40% (2011: 5.45%), expected salary increases of 3.00% (2011: 3.00%), and future pension increases of 1.75% (2011: 1.75%).

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

2012

Life expectancy	Premier schemes	RHM schemes	Total
Male pensioner, currently aged 65	88.1	86.1	86.6
Female pensioner, currently aged 65	90.2	88.5	88.9
Male non-pensioner, currently aged 45	89.4	87.4	87.9
Female non-pensioner, currently aged 45	91.8	90.0	90.5

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

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

Pension scheme assets	Premier schemes £m	% of total %	Expected return on assets %	RHM schemes £m	% of total %	Expected return on assets %	Total £m	% of total
Assets at 31 December 2012								
Equities	16.7	3.1	7.7	394.6	14.8	7.7	411.3	12.8
Corporate and government bonds	102.0	19.0	4.2	1,095.7	40.9	4.2	1,197.7	37.3
Property	1.0	0.2	7.3	104.3	3.9	7.3	105.3	3.3
Absolute /target return products	271.7	50.7	5.6	440.4	16.5	5.9	712.1	22.2
Interest rate and inflation swaps	25.6	4.8	4.7	(194.6)	(7.3)	3.1	(169.0)	(5.3)
Cash	2.6	0.5	2.8	491.8	18.4	2.8	494.4	15.4
Other	116.3	21.7	9.0	341.2	12.8	7.7	457.5	14.3
Fair value of scheme assets	535.9	100	6.1	2,673.4	100	5.5	3,209.3	100
Assets at 31 December 2011								
Equities	27.4	5.3	6.8	397.7	15.1	7.8	425.1	13.5
Corporate and government bonds	110.3	21.4	4.7	967.1	36.6	4.7	1,077.4	34.2
Property	1.0	0.2	7.3	91.1	3.4	7.3	92.1	2.9
Absolute / target return products	338.8	65.9	7.6	452.1	17.1	5.8	790.9	25.0
Interest rate and inflation swaps	25.5	5.0	5.2	206.1	7.8	3.1	231.6	7.3
Cash	1.9	0.4	2.8	237.2	9.0	2.8	239.1	7.6
Other	9.3	1.8	6.1	290.5	11.0	7.8	299.8	9.5
Fair value of scheme assets	514.2	100	6.6	2,641.8	100	5.8	3,156.0	100

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

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

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
2012			
Present value of funded obligations	(871.1)	(2,805.0)	(3,676.1)
Fair value of plan assets	535.9	2,673.4	3,209.3
Deficit in scheme	(335.2)	(131.6)	(466.8)
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)

The aggregate deficit has increased by £184.4m during the year primarily due to a fall in discount rate assumption used, which is based on the AA bond yield, from 4.80% to 4.45%, partly offset by the reduction in RPI inflation assumption from 3.15% to 2.95%.

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

	Premier schemes £m		RHM schemes £m		Total £m	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
2012	7.8	(9.0)	(21.1)	(24.6)	(13.3)	(33.6)
2011	(35.5)	3.3	261.9	0.2	226.4	3.5
2010	2.8	1.0	153.2	35.8	156.0	36.8
2009	42.5	6.4	(135.0)	2.4	(92.5)	8.8
2008	(131.6)	(6.4)	(50.3)	(2.2)	(181.9)	(8.6)

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

	Premier schemes £m	RHM schemes £m	Total £m
2012			
Opening defined benefit obligation	(781.9)	(2,656.5)	(3,438.4)
Current service cost	(6.1)	(11.2)	(17.3)
Past service (cost)/credit	(19.4)	33.4	14.0
Interest cost	(37.5)	(124.3)	(161.8)
Actuarial loss	(58.1)	(160.2)	(218.3)
Exchange differences	1.0	0.4	1.4
Curtailments/settlements	0.8	(1.8)	(1.0)
Contributions by plan participants	(3.8)	(6.8)	(10.6)
Benefits paid	33.9	122.0	155.9
Closing defined benefit obligation	(871.1)	(2,805.0)	(3,676.1)
2011			
Opening defined benefit obligation	(748.0)	(2,372.3)	(3,120.3)
Current service cost	(8.8)	(9.6)	(18.4)
Past service credit/(cost)	46.8	(4.8)	42.0
Interest cost	(40.1)	(126.9)	(167.0)
Actuarial loss	(58.8)	(246.9)	(305.7)
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)

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

	Premier schemes £m	RHM schemes £m	Total £m
2012			
Opening fair value of plan assets	514.2	2,641.8	3,156.0
Expected return	32.2	150.1	182.3
Administrative and life insurance costs	(3.3)	(4.7)	(8.0)
Actuarial (loss)/gain	7.8	(21.1)	(13.3)
Contributions by employer	16.1	23.0	39.1
Contributions by plan participants	3.8	6.8	10.6
Exchange differences	(1.0)	(0.5)	(1.5)
Benefits paid	(33.9)	(122.0)	(155.9)
Closing fair value of plan assets	535.9	2,673.4	3,209.3
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
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

Actuarial gains and losses are as follows:

	Premier Schemes £m	RHM Schemes £m	Total £m
2012			
Actuarial loss on plan liabilities	(58.1)	(160.2)	(218.3)
Actuarial gain/(loss) on plan assets	7.8	(21.1)	(13.3)
Net actuarial loss for the year	(50.3)	(181.3)	(231.6)
Cumulative actuarial loss	**(409.6)**	**(198.0)**	**(607.6)**
2011			
Actuarial loss on plan liabilities	(58.8)	(246.9)	(305.7)
Actuarial 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)**

The actual return on plan assets was a £169.0m loss (2011: £417.5m gain), which is £13.3m less (2011: £226.4m more) than the expected return on plan assets of £182.3m (2011: £191.1m) at the start of the relevant periods.

The actuarial loss on liabilities of £218.3m (2011: £305.7m loss) comprises a loss on member experience of £33.6m (2011: £3.5m gain) and an actuarial loss due to changes in assumptions of £184.7m (2011: £309.2m loss).

The net actuarial loss taken to the statement of comprehensive income was £231.6m (2011: £79.3m loss). These were £192.5m (2011: £83.4m) net of taxation (with tax at 24.0% for UK schemes, and 12.5% for Irish schemes).

The Group expects to contribute approximately £25.6m (2012: £31.9m) to its defined benefit plans in 2013, £23.6m (2012: £26.4m) of regular contributions and expenses and £2.0m (2012: £5.5m) of additional contributions to fund the scheme deficits. The decrease in future deficit funding is a result of the revised re-financing package whereby the Trustees of the Group's UK pension schemes have agreed to the suspension of deficit contribution payments until 1 January 2014.

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

	Premier schemes £m	RHM schemes £m	Total £m
2012			
Operating profit			
Current service cost	(6.1)	(11.2)	(17.3)
Past service (cost)/credit	(19.4)	33.4	14.0
Gain/(loss) on curtailment	0.8	(1.8)	(1.0)
Interest cost	(37.5)	(124.3)	(161.8)
Expected return on plan assets	32.2	150.1	182.3
Administrative and life insurance costs	(3.3)	(4.7)	(8.0)
Total	**(33.3)**	**41.5**	**8.2**
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**

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 £0.8m (2011: £0.3m) 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.

12. Notes to the cash flow statement

Reconciliation of profit before tax to cash flows from operating activities

	Year ended 31 Dec 2012 £m	Year ended 31 Dec 2011 £m
Continuing operations		
Profit before taxation	4.4	(259.1)
Net finance cost	91.9	82.8
Operating profit/(loss)	96.3	(176.3)
Depreciation of property, plant and equipment	39.6	41.8
Amortisation of intangible assets	53.3	72.0
(Profit)/loss on the sale of businesses	(63.7)	11.2
Loss/(gain) on disposal of property, plant and equipment	7.1	(0.9)
Impairment of property, plant and equipment	12.5	-
Loss on disposal of intangible assets	0.4	-
Impairment of intangible assets	23.7	282.0
Revaluation (gains)/losses on financial instruments	(2.1)	1.7
Share based payments	4.7	3.9
Net cash inflow from operating activities before interest and tax and movements in working capital	171.8	235.4
Increase in inventories	(11.3)	(26.3)
(Increase)/decrease in trade and other receivables	(11.5)	53.8
Decrease in trade and other payables and provisions	(30.2)	(10.9)
Movement in retirement benefit obligations	(64.0)	(117.4)
Cash generated from continuing operations	54.8	134.6
Discontinued operations	1.6	(47.9)
Cash generated from operating activities	56.4	86.7

Reconciliation of cash and cash equivalents to net borrowings

	Year ended 31 Dec 2012 £m	Year ended 31 Dec 2011 £m
Net (outflow)/inflow of cash and cash equivalents	(12.3)	51.1
Decrease in finance leases	0.3	18.4
Decrease in borrowings	262.0	221.3
Other non-cash movements	(205.6)	(5.9)
Decrease in borrowings net of cash	44.4	284.9
Total net borrowings at beginning of year	(995.1)	(1,280.0)
Total net borrowings at end of year	(950.7)	(995.1)

Analysis of movement in borrowings

	As at 1 Jan 2012 £m	Cash flow £m	Other non-cash movements £m	As at 31 Dec 2012 £m
Bank overdrafts	(23.7)	(19.8)	-	(43.5)
Cash and bank deposits	45.8	7.5	(0.1)	53.2
Net cash and cash equivalents	22.1	(12.3)	(0.1)	9.7
Borrowings - term facilities[2]	(733.1)	166.0	(188.1)	(755.2)
Borrowings - revolving credit facilities	(276.1)	144.4	-	(131.7)
Finance leases	(0.7)	0.3	-	(0.4)
Other	(23.3)	(72.4)	-	(95.7)
Gross borrowings net of cash[1]	(1,011.1)	226.0	(188.2)	(973.3)
Debt issuance costs	16.0	24.0	(17.4)	22.6
Total net borrowings[1]	(995.1)	250.0	(205.6)	(950.7)

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

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

13. Contingencies

There were no material contingent liabilities at 31 December 2012.

14. Subsequent events

Disposal of the Sweet Pickles and Table Sauces business

The disposal of the Sweet Pickles and Table Sauces completed on 2 February 2013 for proceeds of £92.5m.