

Cauldron Foods Limited
Registered number 1679418

Annual Report and Financial Statements
for the year ended 31 December 2005



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Directors and advisers for the year ended 31 December 2005

Directors

L M Card
P A Leach
S T Bolton
P Thomas

Secretary

C A Hines

Registered Office

28 The Green
Kings Norton
Birmingham
West Midlands
B38 8SD

Registered Auditors

PricewaterhouseCoopers LLP
31 Great George Street
Bristol
BS1 5QD

Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

Principal activities

The principal activity of the company is the manufacture of chilled and frozen vegetarian and organic food products.

Review of business and future developments

On 31 October 2005 the entire share capital of Cauldron Foods Limited was acquired by Premier Foods Investments Limited, a subsidiary undertaking of Premier Foods plc.

2005 was a year of steady sales growth of 5%. The Cauldron brand has continued to trade across the UK grocery market. The company will benefit from the investment in marketing and operations that the new owners will bring.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Results and dividends

The profit on ordinary activities after taxation grew to £2,027,000 (2004: £740,000).

An interim dividend of £2,340,083.64 was paid on 31 October 2005. The directors do not recommend the payment of a final dividend.

Directors

The directors who held office during the year were as follows:-

D Arrow (resigned 31 January 2006)
L M Card (appointed 10 February 2005, resigned 17 August 2006)
K Reed (appointed 10 February 2005, resigned 31 January 2006)
P A Leach (appointed 31 October 2005)
S T Bolton (appointed 31 October 2005)
P Thomas (appointed 31 October 2005)
N S Garrow (resigned 11 February 2005)
P Kent (resigned 10 February 2005)
A Long (resigned 10 February 2005)

Directors' report for the year ended 31 December 2005 (continued)

At the year end Mr P Thomas was also a director of Premier Foods Plc. His interests in, and options over, the share capital of group companies are disclosed in the financial statement of that company.

At the year end Mr P A Leach was also a director of Premier Financing Limited. His interests in, and options over, the share capital of group companies are disclosed in the financial statement of that company.

The interests of the other directors, who were directors at the year end, in group companies are shown below:

Premier Foods plc

Options over ordinary shares of £0.01

	1 January 2005	Options granted during the year	Exercised during the year	31 December 2005	Exercise price per share	Exercise period
S T Bolton	191,834 ⁽¹⁾	-	191,834	-	£0.01	23.07.05 - 22.07.14
	144,186 ⁽²⁾	-	-	144,186	£2.15	23.07.07 - 22.07.14

(1) These shares represent rolled-over options granted in respect of the balance of outstanding options under the Premier Foods (Holdings) Limited Employee Share Option Scheme which were exercisable at any time from the first anniversary of Admission. On 13 October 2005, Mr Bolton exercised these options, which were not subject to any performance conditions. On that day the market price was 296.5p and on exercising, each executive director made a profit per share of 295.5p less costs.

(2) Options granted under the Premier Foods plc Executive Share Option Scheme. The exercise of these options is conditional upon the situation of both EPS and TSR-based performance targets.

Long-Term Incentive plan

The following table shows the other directors' interests in the number of shares awarded under the long-term incentive plan. These figures represent the maximum potential award.

	Award Date	Awards held 1 January 2005	Awards during the year	Awards held 31 December 2005	End of period when qualifying conditions must be met
S T Bolton	26.05.05	-	30,743	30,743	26.05.08

Directors' report for the year ended 31 December 2005 (continued)

The vesting of such awards is subject to the fulfilment of performance conditions based on TSR, as measured over a three-year period. TSR measures the growth in share price, as adjusted for reinvested dividends over the performance period. It is the current intention that the vesting of awards granted in 2005 be subject to a minimum requirement that EPS must have exceeded the growth in the UK Retail Prices Index by an average of at least 2% per annum, over the three-year performance period.

On the date of the awards the market price of ordinary shares of Premier Foods plc was 302.5p.

Statement of Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PricewaterhouseCoopers LLP have been appointed as auditors during the year.

An elective resolution of the company has been passed exempting the company from the obligation to appoint auditors annually in accordance with the terms of Section 386 of the Companies Act 1985 (as amended).

By order of the Board



S T Bolton
Director
26th October 2006

Independent Auditors' report to the members of Cauldron Foods Limited

We have audited the financial statements of Cauldron Foods Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Independent Auditors' report to the members of Cauldron Foods Limited

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol

A handwritten signature in cursive script, appearing to read 'PricewaterhouseCoopers LLP', is written over the printed name of the firm.

26th October 2006

Profit & Loss Account for the year ended 31 December 2005

	Note	2005 £000	2004 £000
Turnover	1	15,427	14,708
Cost of sales		(10,329)	(10,127)
Gross profit		5,098	4,581
Net operating expenses	2	(3,248)	(3,381)
Operating profit		1,850	1,200
Interest receivable and similar income	3	91	105
Interest payable and similar charges	4	(9)	(54)
Profit on ordinary activities before taxation	5	1,932	1,251
Tax on profit on ordinary activities	7	95	(511)
Profit on ordinary activities after taxation		2,027	740
Dividend Paid	16	(2,340)	-
Retained (deficit) / profit for the financial year	16	(313)	740
Retained earnings, at beginning of year		6,833	6,093
Retained earnings, at end of year		6,520	6,833

All items dealt with in arriving at operating profit above relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

There are no gains and losses in the year other than those disclosed in the profit and loss account.

Balance Sheet as at 31 December 2005

	Note	2005 £000	2004 £000
Fixed assets			
Tangible assets	8	5,562	5,810
Current assets			
Stocks	9	410	457
Debtors	10	2,175	3,225
Cash at bank and in hand		667	108
		3,252	3,790
Creditors - amounts falling due within one year	11	(1,889)	(2,531)
Net current assets		1,363	1,259
Total assets less current liabilities		6,925	7,069
Creditors - amounts falling due after more than one year	12	(375)	-
Provisions for liabilities and charges	13	(30)	(236)
Net assets		6,520	6,833
Capital and reserves			
Called up share capital	14	290	290
Share Premium Account	15	70	70
Profit and loss account	15	6,160	6,473
Equity shareholders' funds	16	6,520	6,833

The financial statements on pages 9 to 24 were approved by the board of directors on 26th October 2006 and were signed on its behalf by:



S T Bolton
Director

Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the modified historical cost accounting rules.

The financial statements have been prepared on a going concern basis as the ultimate parent undertaking has indicated it will continue to provide financial and other support to the group for the foreseeable future.

Under Financial Reporting Standard No 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that its cash flows are included within the consolidated financial statements of its ultimate parent undertaking which are publicly available (note 19).

Changes in accounting policy

The company has adopted FRS 21 "Events after the balance sheet date", and FRS 25, "Financial instruments: disclosure and presentation", in these financial statements. The adoption of these standards represents a change in accounting policy. The adoption of FRS 21 and FRS 25 has no impact on the financial statements in either the current period or comparative period.

Tangible fixed assets

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	-	life of lease
Plant and machinery	-	10-20% straight line
Fixtures, fittings, tools and equipment	-	10-20% straight line

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, with discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Pensions

The group operates a stakeholder pension scheme through Friends Provident, life assurance cover is also provided. Company contributions to the fund have been charged to the profit and loss account as incurred. The stakeholder pension scheme is individual to the employee and is portable

Turnover

Turnover, which excludes value added tax and is net of trade discounts, represents the value of goods and services supplied and is recognised when the risks and rewards of ownership pass to the customer and when collectability of the related receivables is reasonably assured.

Notes to the financial statements for the year ended 31 December 2005

1. Turnover

	2005	2004
	£000	£000
United Kingdom	15,427	14,705
Overseas (to third parties)	-	3
	15,427	14,708

2. Net Operating Expenses

	2005	2004
	£000	£000
Selling and marketing costs	643	576
Distribution costs	1,372	1,427
Administrative expenses	925	765
Exceptional Items	308	613
	3,248	3,381

Exceptional items in respect of the year ended 31 December 2005 include £137,000 (2004: £613,000) in relation to costs associated with a claim from a supplier following the expansion of the company's manufacturing plant. Exceptional items also include accelerated depreciation charged following a review of the company's manufacturing plant in the year.

3. Interest Receivable and Similar Income

	2005	2004
	£000	£000
Bank interest receivable	16	-
Interest receivable from fellow Group companies	75	105
	91	105

4. Interest Payable and Similar Charges

	2005	2004
	£000	£000
On bank loans and bills payable	-	54
On finance lease obligations	9	-
	9	54

5. Profit on Ordinary Activities Before Taxation

	2005	2004
	£000	£000
Operating profit is stated after charging		
Depreciation of tangible fixed assets		
- owned assets	960	797
- leased assets	20	-
Operating lease charges		
- vehicles and equipment	74	111
- land and buildings	264	264
Auditors remuneration		
- audit services	17	15
- non-audit services	-	-

6. Staff Costs

The average monthly number of employees was as follows (excluding directors):

By activity	2005 Number	2004 Number
Manufacturing	160	149
Engineering	6	6
Marketing and distribution	22	22
Finance and administration	11	12
	199	189

Their aggregate remuneration comprised:

	2005 £000	2004 £000
Wages and salaries	3,705	3,467
Social security costs	351	313
Pensions contributions	76	69
Staff costs	4,132	3,849

Directors' remuneration:

	2005 £000	2004 £000
Emoluments	322	93
Company contributions to stakeholder pensions	9	-
Company contributions to money purchase schemes	10	10
	341	103

6. Staff Costs (continued)

Amounts shown above include the following amounts paid to the highest paid director:

	2005	2004
	£000	£000
Emoluments	190	93
Company contributions to money purchase schemes	10	10
	200	103

Pensions:

One (2004: one) director was a member of a money purchase pension scheme. Two (2004: none) were members of the Stakeholder Pension Scheme.

7. Tax on Profit on Ordinary Activities

a) Analysis of charge in the year

	2005	2004
	£000	£000
Current tax:		
UK corporation tax on profits of the year	111	440
Adjustment in respect of prior years	-	(68)
Total current tax charge	111	372
Deferred tax:-		
Origination and reversal of timing differences	(206)	139
Total deferred tax charge	(206)	139
Tax charge/(credit) on profit on ordinary activities	(95)	511

7. Tax on Profit on Ordinary Activities (continued)

b) Factors affecting tax charge for year

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows:

	2005 £000	2004 £000
Profit on ordinary activities before taxation	1,932	1,251
Tax charge on (loss)/profit on ordinary activities at standard UK corporation tax rate of 30%	580	375
Effects of:		
Expenses not deductible for tax purposes	2	132
Accelerated capital allowances / other timing differences	(132)	(66)
Taxation losses surrendered to the company by former group member for nil consideration	(339)	-
Adjustments in respect of prior years	-	(69)
Current tax charge for the year	111	372

c) Factors affecting future tax charges

Deferred tax assets not provided amount to £30,000 which relate to surplus tax losses and an excess of capital allowances over depreciation. These assets would be available for offset against trading profits of future periods.

8. Tangible Assets

	Leasehold improvements	Plant and equipment	Furniture fixtures & fittings	Computer and office equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2005	2,993	5,646	106	598	9,343
Additions	10	694	8	20	732
Disposals	-	(540)	-	-	(540)
At 31 December 2005	3,003	5,800	114	618	9,535
Accumulated depreciation					
At 1 January 2005	543	2,588	85	317	3,533
Charge for the year	263	618	6	93	980
Disposals	-	(540)	-	-	(540)
At 31 December 2005	806	2,666	91	410	3,973
Net book value					
At 31 December 2005	2,197	3,134	23	208	5,562
At 31 December 2004	2,450	3,058	21	281	5,810

Leased assets included above:

	£000	£000	£000	£000	£000
Net book value					
At 31 Dec 2005	-	564	-	-	-
At 31 Dec 2004	-	-	-	-	-

9. Stocks

	2005	2004
	£000	£000
Raw Materials and Consumables	296	311
Work in Progress	64	33
Finished Goods and Goods for sale	50	113
	410	457

10. Debtors

	2005	2004
	£000	£000
Trade debtors	1,748	1,573
Amounts owed by former group undertakings	-	811
Other debtors	120	516
Prepayments and accrued income	307	325
	2,175	3,225

Included in prepayments and accrued income are debtors due to greater than one year of £44,000 (2004: £15,000).

11. Creditors – Amounts Falling Due Within One Year

	2005	2004
	£000	£000
Bank loans and overdrafts		
Trade creditors	1,398	1,788
Obligations under finance leases and hire purchase contracts	156	-
Other creditors	112	628
- Corporation tax payable	111	-
- Social security and PAYE	83	82
Accruals and deferred income	29	33
	1,889	2,531

12. Creditors – Amounts Falling Due After More Than One Year

	2005	2004
	£000	£000
Obligations under finance leases and hire purchase contracts	375	-

Finance Leases

Future minimum payments under finance leases are as follows:

	2005	2004
	£000	£000
Within one year	173	-
In more than one year, but not more than two years	173	-
In more than two years, but not more than five years	238	-
Total Gross Payments	584	-
Less finance charges included in the above	53	-
	531	-

13. Provisions for Liabilities and Charges

The movement in the deferred tax provision is as follows:

	2005 £000	2004 £000
At 1 January 2005	236	97
(Release)/charge to profit and loss account	(206)	139
	30	236

The amount of deferred tax provided under the full liability method at 30% (2004: 30%) is set out below:

	2005 £000	2004 £000
Tax effect of timing differences because of:		
Accelerated capital allowances	40	237
Other timing differences	(10)	(1)
At 31 December 2005	30	236

14. Called Up Share Capital

	2005	2004
	£000	£000
Authorised		
303,333 ordinary shares of £1 each	303	-
283,333 ordinary shares of £1 each	-	283
20,000 "A" ordinary shares of £1 each	-	20
	303	303
Allotted, called-up and fully paid		
290,000 ordinary shares of £1 each	290	-
283,333 ordinary shares of £1 each	-	283
6,667 "A" ordinary shares of £1 each	-	7
	290	290

On 8 December 2005 the "A" ordinary shares were converted into Ordinary shares having the rights and being subject to the conditions set out in the Articles of Association which were adopted on 8 December 2005.

15. Movement in reserves

	Profit and loss account £000	Share premium account £000
At 1 January 2005	6,473	70
Retained profit for the year	2,027	-
Dividend paid	(2,340)	-
At 31 December 2005	6,160	70

16. Reconciliation of Movements in Equity Shareholders' Funds

	2005 £000	2004 £000
Opening equity shareholders' funds	6,833	6,093
Dividend Paid	(2,340)	-
Retained profit for the financial year	2,027	740
Closing equity shareholders' funds	6,520	6,833

17. Financial Commitments

(a) Capital commitments

The company has capital commitments totalling £nil as at 31 December 2005 (2004: £nil).

(b) Operating Lease commitments

The minimum annual rental under the foregoing leases are as follows:

	2005 Land and Buildings £000	2005 Other £000	2004 Land and Buildings £000	2004 Other £000
Operating leases which expire				
- within one year	-	1	-	41
- between two and five years	-	52	-	43
- after five years	264	-	264	1
	264	53	264	85

18. Related Party Transactions

Cauldron Foods Limited, being a wholly owned subsidiary undertaking, has taken advantage of the exemptions available to them under Financial Reporting Standard No 8 with respect to the disclosure of related party transactions. Copies of the financial statements of the ultimate parent company are publicly available (see note 19).

19. Ultimate Parent Company

The immediate parent of the company is Premier Financing Limited and the ultimate parent undertaking is Premier Foods plc.

Premier Foods plc is the smallest and largest group for which group accounts are prepared. Group accounts can be obtained from:

Premier Foods plc
Premier House
Centrium Business Park
Griffiths Way
St Albans
Hertfordshire
AL1 2RE