

Premier Financing Limited
(Registered Number 3716362)

Directors' Report and Accounts
For The Year Ended 31 December 2000



Premier Financing Limited

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Premier Financing Limited

Report of the Directors

The directors present their report together with the audited financial statements of the company for the year ended 31 December 2000.

Principal activities and Business review

The principal activities of the company are that of a financing and holding company.

Results

The company made a loss in the year ended 31 December 2000 of £5,866,059 (1999: £24,929,149). The directors do not recommend payment of a dividend. The retained loss for the year ended 31 December 2000 was £5,866,059.

Directors and their interests

The directors who held office during the year are listed below.

Name	Date of appointment (where relevant)	Date of resignation (where relevant)
Jacob Richard Capps	-	14 February 2000
Lyndon Lea	-	-
Andrew Rosen	-	-
John Rockwell Muse	-	-
Robert Darwent	-	14 February 2000
Keith Michael Buchanan	-	-
Rosalind Campbell	-	-
Paul Alan Leach	-	21 August 2000
Charles Dean Metropoulos	14 February 2000	-
Stephen Alexander	8 June 2000	-

Aggregate emoluments paid to directors by group companies in respect of services to subsidiaries of the company totalled £2.4 million (1999: £1.0 million) for the year. Retirement benefits accrue to three directors under defined benefit schemes. The highest paid director was paid £1.0 million (1999: 0.5 million). No directors received emoluments in respect of their services to the company during the year ended 31 December 2000.

The interests of the directors in Hillsgdown Holdings Limited are disclosed in the financial statements of that company. No directors held interests in shares, share options or debentures of the company or any other corporate in the group during the year ended 31 December 2000.

Premier Financing Limited

Report of the Directors (Continued)

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 of the profit or loss of the company 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;
- 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

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board



KM Buchanan
Director

April 30, 2001

Premier Financing Limited

Auditors' Report to the Members of Premier Financing Limited

We have audited the financial statements on pages 4 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6NN

April 30, 2001

Premier Financing Limited

Profit and Loss Account for the Year Ended 31 December 2000

	Note	2000 £	1999 £
Net operating expenses		(1,352,143)	(9,385,635)
Operating profit/(loss) before interest and taxation		(1,352,143)	(9,385,635)
Income from investments		31,700,000	-
Profit/(loss) on ordinary activities before interest and taxation		30,347,857	(9,385,635)
Interest receivable and similar income	3	5,544,805	2,113,216
Interest payable and similar charges	4	(57,942,048)	(22,138,730)
Loss on ordinary activities before taxation		(22,049,386)	(29,411,149)
Tax credit on loss on ordinary activities	5	16,183,327	4,482,000
Loss for the financial year		(5,866,059)	(24,929,149)
Retained loss for the financial year		(5,866,059)	(24,929,149)

All operations are continuing.

There were no recognised gains and losses other than those passing through the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

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

The notes on pages 6 to 14 form part of these accounts.

Premier Financing Limited

Balance Sheet as at 31 December 2000

	Note	2000 £	1999 £
Fixed assets			
Investments	6	683,200,000	683,200,000
Current assets			
Debtors	7	34,333,010	4,482,000
Cash at bank and in hand		5,018,418	31,218,472
		39,351,428	35,700,472
Creditors - amounts falling due within one year			
Borrowings	8	(87,431,521)	(18,480,037)
Other	8	(1,160,330)	(19,472,134)
		(88,591,851)	(37,952,171)
Net current liabilities		(49,240,423)	(2,251,699)
Total assets less current liabilities		633,959,577	680,948,301
Creditors - amounts falling due after more than one year			
Borrowings	9,10	(274,563,003)	(315,685,668)
Other	9	(190,967,448)	(190,967,448)
		(465,530,451)	(506,653,116)
Net assets		168,429,126	174,295,185
Capital and reserves			
Called up share capital	11	60,000,002	60,000,002
Share premium account	12	139,224,332	139,224,332
Profit and loss account	12	(30,795,208)	(24,929,149)
Equity shareholders' funds	13	168,429,126	174,295,185

Approved by the Board on



KM Buchanan

April 30, 2001

The notes on pages 6 to 14 form part of these accounts.

Premier Financing Limited

Notes to the Financial Statements – 31 December 2000

1 Accounting policies

Basis of accounting

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

The company is exempt under Section 229 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it is included in the consolidated financial statements of Hillsdown Holdings Limited.

The principal accounting policies of the company are set out below.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at the balance sheet date. These translation differences are dealt with in the profit and loss account.

Deferred tax

Deferred tax is the taxation attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements. The directors have adopted the liability method in which a liability or an asset is reflected to the extent that it is expected to crystallise in the foreseeable future.

Financial instruments

Derivative financial instruments utilised by the company comprise interest rate swaps, forward exchange contracts and currency options. All such instruments are used for hedging purposes to alter the risk profile of an underlying exposure faced by the company. Interest rate swaps settlements are recognised as adjustments to interest expense over the term of the underlying instrument and exchange gains or losses are recognised on maturity of the underlying transaction.

Fixed Asset Investments

Investments held as fixed assets are stated at cost less any provision required for impairment in their value.

Cash Flow Statement

The company is a wholly owned subsidiary of Hillsdown Holdings Limited and is included in the consolidated financial statements of that group, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

Premier Financing Limited

Notes to the Financial Statements – 31 December 2000

2 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

	2000	1999
	£	£
Fees payable to auditors in respect of: audit services	24,200	-
non-audit services	24,568	175,360

The Company did not have any employees during the period and details of Directors' emoluments are included in the Directors' report.

3 Interest receivable and similar income

	2000	1999
	£	£
Interest receivable on bank deposits	312,350	72,523
Amounts receivable from Group undertakings	5,232,455	2,040,693
	5,544,805	2,113,216

4 Interest payable and similar charges

	2000	1999
	£	£
Interest payable on bank loans and overdrafts	(30,103,004)	(11,294,898)
Amortisation of issue costs of bank loan	(3,570,288)	(1,246,647)
Amounts payable to Group undertakings	(24,198,120)	(9,598,058)
Net exchange gains and losses on foreign currency borrowings less deposits	(70,636)	127
	(57,942,048)	(22,138,730)

Premier Financing Limited

Notes to the Financial Statements – 31 December 2000

5 Tax credit on ordinary activities

The tax credit is based on the loss for the year and comprises:

	2000 £	1999 £
Tax credit		
United Kingdom corporation tax at 30.25% (1999: 30.25%)	16,252,341	4,482,000
Adjustment in respect of prior period	(69,014)	-
	16,183,327	4,482,000

6 Fixed asset investments

	2000 £
Investment in subsidiary undertakings	
At 1 January 2000	683,200,000
Additions	-
At 31 December 2000	683,200,000

The following represent the principal undertakings of Premier Financing Ltd. In each case Premier Financing owns directly or indirectly 100% of the entire share capital of the subsidiary.

Subsidiary undertakings	Country of incorporation or registration and principal operations	Business
Boin Confitures SA	France	Preserve and fruit compote manufacturing
Chivers Hartley Ltd	England & Wales	Preserve and pickle manufacturing
HL Foods Ltd	England & Wales	Food canning & processing
Jonker Fris BV	Netherlands	Food canning & processing
Materne SA	France	Preserve & fruit compote manufacturing
MBM Produce Ltd	England & Wales	Potato processing & grading
Premier Brands UK Ltd	England & Wales	Hot & cold beverages manufacturing
Premier Brands France SA	France	Beverage & food distribution
Horizon Biscuits Ltd	England & Wales	Biscuit manufacturing
FE Barber Ltd	England & Wales	Bottler of wines & spirits

Premier Financing Limited

Notes to the Financial Statements – 31 December 2000

7 Debtors

	2000 £	1999 £
Amounts falling due within one year:		
Amounts due from Group undertakings	13,198,129	-
Group relief receivable	17,050,326	4,482,000
VAT	642,537	-
Other debtors	3,442,018	-
	34,333,010	4,482,000

8 Creditors – amounts falling due within one year

	2000 £	1999 £
Borrowings due within one year		
Secured senior credit facility	20,000,000	9,999,990
Secured overdrafts	70,523,682	12,050,331
Unamortised debt issue costs	(3,092,161)	(3,570,284)
	87,431,521	18,480,037
Other		
Amounts due to Group undertakings	-	14,812,297
Accruals and deferred income	1,160,330	4,659,837
	1,160,330	19,472,134

Amounts due to Group undertakings are unsecured, interest free and repayable on demand except for the loan due to its parent company on which interest is payable equivalent to the interest payable by its parent company undertaking on its senior notes (refer to note 9).

Premier Financing Limited

Notes to the Financial Statements – 31 December 2000

9 Creditors – amounts falling due after one year

	2000 £	1999 £
Borrowings due after more than one year		
Secured senior credit facility	283,785,180	328,000,010
Unamortised issue costs	(9,222,177)	(12,314,342)
	(274,563,003)	315,685,668
Other		
Amounts due to parent company undertaking	190,967,448	190,967,448

10 Bank and other borrowings due after more than one year

	2000 £	1999 £
Bank loans		
Senior credit facility	274,563,003	315,685,668

The company's senior credit facility loans are stated net of total unamortised issue costs of £9,222,177. The company incurred total issue costs of £17,131,000 in respect of the eight year committed senior credit facility entered into in August 1999 under which amounts have been drawn down to assist in funding the acquisition of Hillsdown Holdings Ltd by Premier International Foods plc. These costs together with the interest expense are allocated to the profit and loss account over the term of the facility at a constant rate on the carrying amount.

The maturity analysis of the company's bank and other borrowings is as follows:

	2000 £	1999 £
Senior credit facility		
Between 1 and 2 years	25,000,000	19,999,980
Between 2 and 5	110,000,000	89,999,994
In more than 5 years	148,785,180	218,000,036
	283,785,180	328,000,010
Unamortised issue costs	(9,222,177)	(12,314,342)
	274,563,003	315,685,668

Premier Financing Limited

Notes to the Financial Statements – 31 December 2000

10 Bank and other borrowings due after more than one year (Continued)

Senior credit facility

In connection with the acquisition of Hillsdown Holdings plc the company entered into a Senior Facilities Agreement with Chase Manhattan plc, Deutsche Bank AG and Salomon Brothers International Limited, as arrangers, The Chase Manhattan Bank, Deutsche Bank AG and Salomon Brothers Holding Company Inc., as underwriters, Chase Manhattan International Limited, as agent and security agent, and Deutsche Bank AG, as documentation agent (the "Senior Credit Facility"). Under the Senior Credit Facility, a syndicate of financial institutions has made £420 million of senior secured credit facilities available to the company.

Structure

The Senior Credit Facility provides for £420 million of loan facilities comprising (i) the Refinancing Facilities consisting of Refinancing A and Refinancing B Facilities and (ii) the Working Capital Facility (each as described below) and the ancillary facilities which may be provided therein.

The Refinancing A Facility is for an amount of up to £210 million and finally matures on 30 June 2006 and the Refinancing B Facility is for an amount of up to £85 million and will be repaid in two equal instalments on 31 December 2006 and 30 June 2007. At 31 December 2000, £200 million was outstanding on the Refinancing A Facility and £82.8 million was outstanding on the Refinancing B Facility.

The Working Capital Facility in the amount of up to £125 million is available in pounds sterling or the equivalent in certain foreign currencies in the form of revolving advances and a letter of credit facility, which is to be used for general corporate purposes and will cease to be available on 30 June 2006.

Interest Rates and Fees

Interest on advances under the various facilities is payable at the rate per annum equal to LIBOR (or EUROBOR for euros) plus applicable mandatory liquid asset costs plus the following applicable margins in relation to the facilities:

- 2.25% per annum for the first 12 months and thereafter to be determined on the basis of a ratchet reducing in several steps to 1.25% per annum dependent upon net debt to consolidated EBITDA ratios for the Refinancing A Facility;
- 2.75% per annum for the Refinancing B Facility; and
- 2.25% per annum for the first 12 months and thereafter to be determined on the basis of the ratchet applicable to the Refinancing A Facility for the Working Capital Facility.

Premier Financing Limited

Notes to the Financial Statements – 31 December 2000

10 Bank and other borrowings due after more than one year (Continued)

Security and Guarantees

The company's obligations under the Senior Credit Facility are required to be guaranteed by each of its material operating subsidiaries. Each charging subsidiary has granted security over substantially all of its assets, including English law fixed charges over material properties, bank accounts, insurances, debts and shares and a floating charge over all of its other undertakings and assets. Certain limited material subsidiaries incorporated outside of England and Wales have given similar security.

Covenants

The Senior Credit Facility requires Premier Financing to observe certain covenants, including covenants relating to delivery of financial statements, insurances, notification of any default or any occurrence which could be reasonably expected to have a material adverse effect, consents and authorisations being maintained, compliance with environmental laws, notification of material litigation and labour disputes, access to books and records, uses of proceeds, filing of tax returns, pension schemes, the provision of guarantees and security from subsidiaries, euro compliance, intellectual property rights and hedge transactions.

The Senior Credit Facility requires Premier Financing Limited to comply with certain negative covenants, including covenants relating to negative pledges, borrowed money, guarantees, disposals, operating leases, change of accounting reference date or accounting policy, identity of auditors, equity yield and intercompany loan payments, reduction of capital, loans and credit, intra-group contracts and arrangements, distributions, share capital, disposals, acquisitions and joint ventures, amendments to documents, change in business, merger and amalgamation, shareholders' meetings and constitutive documents, acquisitions and joint ventures and new subsidiaries. Certain categories of permitted payment may be made as exceptions to the restrictions on dividends and intercompany loan payments to the parent undertaking.

In addition, the Senior Credit Facility requires Premier Financing Limited to comply with specified ratios and tests, including EBITDA/total interest expense, total net debt/EBITDA, fixed charge coverage ratio and maximum capital expenditure.

There are caps on permitted budgeted capital expenditure for each financial year with the right to carry forward any surplus of budgeted capital expenditures up to a maximum surplus amount of one third of the previous years budget for use within the first six months of the following financial year.

Premier Financing Limited

Notes to the Financial Statements – 31 December 2000

11 Called up share capital

	2000 £	1999 £
Authorised		
70,000,000 Ordinary shares of £1 each	70,000,000	70,000,000
Allotted, issued and fully paid		
60,000,002 Ordinary shares of £1 each	60,000,002	60,000,002

Golden Share

A Golden Share has been issued by Premier Financing Limited with voting rights which entitles the holder of the Golden Share to block the passing of resolutions for the winding-up or administration of Premier Financing or resolutions approving other matters that would constitute a breach of the Senior Credit Facility. These voting rights attaching to the Golden Share will lapse upon a payment default in respect of the senior credit facility continuing unremedied and unwaived for a period of 180 days. The Golden Share is held by an affiliate of Hicks Muse which will agree with the lenders under the Senior Credit Facility as to the exercise of the voting rights of the Golden Share.

12 Reserves

	Share Premium account £	Profit and Loss account £
At 1 January 2000	139,224,332	(24,929,149)
Movements in the year:		
Retained loss for the financial year	-	(5,866,059)
At 31 December 2000	139,224,332	(30,795,208)

Premier Financing Limited

Notes to the Financial Statements – 31 December 2000

13 Reconciliation of movements in shareholders' funds

	2000 £
At 1 January 2000	174,295,185
Movements in the year:	
Loss for the financial period	(5,866,059)
Net reduction in shareholders' funds	(5,866,059)
At 31 December 2000	168,429,126

14 Ultimate Controlling Party and Related Party Transactions

The company is a wholly owned subsidiary of Premier International Foods plc, a company incorporated in England and Wales and its ultimate parent undertaking is HMTF Premier Limited a company incorporated in the Cayman Islands.

Hillsdown Holdings Ltd, a company incorporated in England and Wales is the largest group undertaking that prepares consolidated financial statements which include the company. The consolidated financial statements of Hillsdown Holdings Ltd are available at the company's registered office which is at 32 Hampstead High Street, London, NW3 1QD.

The company has taken advantage of an exemption under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of Hillsdown Holdings Limited.

15 Post Balance Sheet Events

On January 30, 2001, the Company sold the Horizon Biscuit Company to Eubisco Limited for £92 million. Eubisco Limited was formed by Hicks, Muse, Tate and Furst for its acquisition of Burton's Gold Medal Biscuits from Associated British Foods in a transaction that was completed on 27 October 2000. The proceeds from the sale of Horizon were used to pay down the Company's outstanding senior bank debt.

On February 22, 2001, the Company sold FE Barber Limited, the Group's Wines and Spirits subsidiary, for £10.9 million. The proceeds from the sale of FE Barber were used to pay down the Company's outstanding senior bank debt.