

Premier Foods Investments No. 1 Limited
(Registered Number 5014179)

Annual Report and Accounts
For The Year Ended 31 December 2005



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Premier Foods Investments No. 1 Limited

Directors' report

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

Principal activities and business review

The principal activities of the company are that of an investment holding company.

Results

The company did not trade during the year ended 31 December 2005 (2004: profit £7.1m). The directors do not recommend payment of a dividend.

Directors and their interests

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

Name of Director

Robert Schofield

Paul Thomas

No directors received emoluments in respect of their services to the company during the year ended 31 December 2005 and 31 December 2004. No directors held interests in shares, share options or debentures of Premier Foods Investments No. 1 Limited during the year ended 31 December 2005. The interests of Robert Schofield and Paul Thomas in the ultimate parent undertaking, Premier Foods plc, is shown in the annual report of that company.

Premier Foods Investments No. 1 Limited

Directors' report continued

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and consistently applied. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year to 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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

A written 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(1) of the Companies Act 1985 (as amended).

By order of the Board

A handwritten signature in black ink, appearing to read 'Paul Thomas', written over a horizontal line.

Paul Thomas
Director

24 May 2006

Premier Foods Investments No. 1 Limited

Auditors' report

Independent Auditors' Report to the Members of Premier Foods Investments No. 1 Limited

We have audited the financial statements of Premier Foods Investments No. 1 Limited, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of 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 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 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.

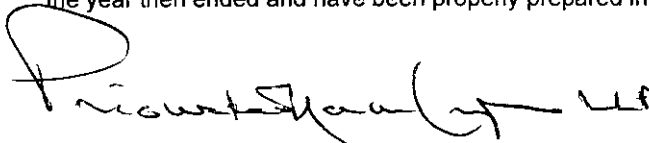
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Premier Foods Investments No. 1 Limited

Auditors' report continued

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 at 31 December 2005 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

24 May 2006

Premier Foods Investments No. 1 Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 £m	2004 £m
Administrative expenses		-	-
Operating profit	2	-	-
Profit on ordinary activities before interest and taxation		-	-
Interest receivable and similar income	3	-	7.1
Profit on ordinary activities before taxation		-	7.1
Tax charge on profit on ordinary activities	4	-	-
Profit on ordinary activities after taxation		-	7.1
Dividend in specie	10	-	(36.7)
Retained loss for the financial period	10	-	(29.6)

All operations are continuing.

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

Statement of total recognised gains and losses

	Note	2005 £m	2004 £m
Profit on ordinary activities after taxation		-	7.1
Dividend in specie received from a subsidiary undertaking	10	-	36.7
Total recognised gains in the period		-	43.8

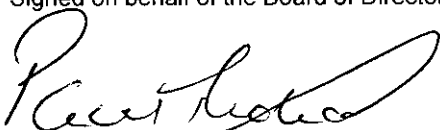
The notes on pages 7 to 12 form part of these financial statements.

Premier Foods Investments No. 1 Limited

Balance Sheet as at 31 December 2005

	Note	2005 £m	2004 £m
Fixed assets			
Investments	5	362.5	362.5
Current assets			
Debtors	6	9.4	-
Creditors – amounts falling due within one year	7	(9.4)	-
Net assets		362.5	362.5
Capital and reserves			
Called up share capital	8	1.0	1.0
Share premium account	9	151.0	151.0
Profit and loss reserve	9	7.1	7.1
Other reserves	9	203.4	203.4
Equity shareholders' funds	10	362.5	362.5

Signed on behalf of the Board of Directors, who approved the financial statements on 24 May 2006.



Paul Thomas
Director

The notes on pages 7 to 12 form part of these financial statements.

Premier Foods Investments No.1 Limited

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

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and on a going concern basis in accordance with the Companies Act 1985 and 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 Premier Foods plc, copies of which are available at Premier Foods plc's registered office, which is at Premier House, Centrium Business Park, Griffiths Way, St. Albans, Hertfordshire AL1 2RE.

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.

Taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation. Financial Reporting Standard 19 "Deferred tax" ("FRS 19") requires full provision to be made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their inclusion in tax computations to the extent that the tax liability or an asset is expected to be payable or recoverable in the foreseeable future.

Fixed asset investments

Investments held as fixed assets are stated at cost less any provision required for impairment in their value. An impairment loss is recognised, in the profit and loss account, to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future earnings from operating the assets.

Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Premier Foods plc 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 Financial Reporting Standard 1 (revised 1996). The company is also exempt under Financial Reporting Standard 8 "Related Party Transactions" ("FRS 8") from disclosing related party transactions with entities that are part of the Premier Foods plc group or investees of the Premier Foods plc group.

Premier Foods Investments No.1 Limited

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

2 Operating profit

Audit fees in respect of the company have been borne by another group undertaking.

The company did not have any employees during the year. All directors were paid by other group undertakings for their services as a whole and no specific allocation of their remuneration has been made in respect of this company. Retirement benefits are accruing to all directors under a defined benefit scheme operated by another group undertaking. The highest paid director of Premier Foods plc is also a director of the company, whose emoluments are set out in the annual report of that company.

3 Interest receivable and similar income

	2005 £m	2004 £m
Interest receivable from subsidiary undertaking	-	7.1

On 23 January 2004, the company acquired the holding of the loan notes issued by Premier Foods Investments Limited (the immediate subsidiary undertaking) totalling £204.4m in consideration for the issuance of 999,999 £1 ordinary shares. The loan notes were unsecured, accrue interest daily on a compound basis of 10% per annum and are repayable on 25 May 2017 at par, plus interest. The share premium arising from this transaction was subsequently transferred to other reserves pursuant to a court sanction on 30 June 2004.

On 3 June 2004, Premier Foods Investments Limited issued 1,000,000 £1 ordinary shares to the company to settle the loan notes then outstanding.

4 Tax on profit on ordinary activities

There is no tax charge/(credit) in the period as there was no profit or loss during the period. There was no tax charge in the prior period on the profit on ordinary activities as losses had been surrendered by a fellow group undertaking for no consideration.

Premier Foods Investments No.1 Limited

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

5 Fixed asset investments

	2005 £m	2004 £m
Unlisted shares in subsidiary undertakings - at cost		
At 31 December 2005 and 2004	362.5	362.5

The following represents the principal undertakings of Premier Foods Investments No. 1 Limited at the period end. In each case Premier Foods Investments No. 1 Limited owns indirectly 100% of the entire share capital of the subsidiary except for Premier Foods Investments Limited which is a wholly owned subsidiary undertaking. All subsidiary undertakings have the same year end as Premier Foods Investments No.1 Limited. The companies listed below are those that principally affect the results and assets of the company. The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings will be annexed to the company's next annual return.

Subsidiary undertakings	Country of incorporation or registration and principal operations	Business
Grocery products		
Cauldron Foods Limited	England & Wales	Manufacturing and distribution of vegetable based products
Chivers Hartley Limited	England & Wales	Spreads and pickle manufacturing
HL Foods Limited	England & Wales	Food canning and processing
Marlow Foods Holdings Limited	England & Wales	Meat free products manufacturing
Premier Ambient Products (UK) Limited	England & Wales	Pickles, vinegar, spreads, desserts and jelly manufacturing
Premier International Foods UK Limited	England & Wales	Hot and cold beverages manufacturing
Fresh produce		
MBM Produce Limited	England & Wales	Potato processing and grading
Monument (GB) Limited	England & Wales	Supply and distribution of fresh vegetables
Other		
Premier Brands Foods Limited	England & Wales	Investment holding
Premier Financing Limited	England & Wales	Financing and investment holding
Premier Foods (Holdings) Limited	England & Wales	Financing and investment holding
Premier Foods Investments Limited	England & Wales	Financing and investment holding

Premier Foods Investments No.1 Limited

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

6 Debtors

	2005 £m	2004 £m
Amount falling due within one year		
Amount due from a parent undertaking	9.4	-
	9.4	-

Amount due from a parent undertaking is unsecured, interest free and have no fixed date of repayment.

7 Creditors – amounts falling due within one year

	2005 £m	2004 £m
Other		
Amount due to a group undertaking	9.4	-
	9.4	-

Amount due to a group undertaking is unsecured, interest free and have no fixed date of repayment.

8 Called up share capital

	2005 £m	2004 £m
Authorised		
1,000,200 ordinary shares of £1 each	1.0	1.0
Allotted, issued and fully paid		
1,000,200 ordinary shares of £1 each	1.0	1.0

Premier Foods Investments No.1 Limited

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

9 Reserves

	Share premium account £m	Profit and loss reserve £m	Other reserves £m	Total £m
At 31 December 2005 and 2004	151.0	7.1	203.4	361.5

10 Reconciliation of movements in shareholders' funds

	2005 £m	2004 £m
At 1 January	362.5	-
Issue of shares (a)	-	355.4
Profit for the financial period	-	7.1
Dividend in specie received from Premier Foods Investments Limited (b)	-	36.7
Dividend in specie distributed to PFI No. 2 (b)	-	(36.7)
At 31 December	362.5	362.5

(a) During 2004, the company has undertaken the following share transactions:

- (i) On 23 January 2004 the company issued 999,999 £1 ordinary shares for a total consideration of £204.4m;
- (ii) On 19 July 2004, the company increased its authorised share capital to 1,000,100 £1 ordinary shares by the creation of 100 ordinary shares. On this date, the company issued 100 £1 ordinary shares for a total consideration of £114.4m;
- (iii) On 13 August 2004, the company increased its authorised share capital to 1,000,200 by the creation of 100 ordinary shares. On this date, the company issued 100 £1 ordinary shares for a total consideration of £36.6m.

(b) On 23 July 2004 a dividend in specie amounting to £36.7m was received from Premier Foods Investments Limited, the company's wholly owned subsidiary undertaking in respect of the entire share capital of Hillsgdown Holdings BV. On the same date, the company paid to Premier Foods Investments No. 2 Limited ("PFI No. 2") a dividend in specie for £36.7m, satisfied by the company's investment in the entire share capital of Hillsgdown Holdings BV.

Premier Foods Investments No.1 Limited

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

11 Contingent liabilities and pledge of assets

The company has undertaken to provide continuing financial support to finance the future operations of its subsidiary undertakings.

In addition, the company has entered into a guarantee and debenture which effectively means all of its assets are charged in favour of the security agent acting on behalf of the lending banks to Premier Foods Investments Limited, the directly held subsidiary undertaking.

Sudan 1 Product Recall

On 18 February 2005, the Food Standards Agency initiated a recall of a number of products, which had been identified as possibly being contaminated with a dye "Sudan 1" not authorised for use in food products. The dye was traced to a batch of chilli powder supplied to the Premier Foods plc group ("the group"), which was used by the group in the manufacture of Worcester sauce. The group used the Worcester sauce in the manufacture of three other products and supplied Worcester sauce to a number of retail and food ingredient customers relating to damage to their own products, the cost of recalling and claims for consequential loss among others.

A considerable amount of claims have been settled during the year, however there are still a number of claims that are being investigated as part of the normal claims procedure. Although a full value of these claims have yet to be finalised, it is expected that any claims therein will be covered by the group's insurance policy. Any other costs associated with Sudan 1 but not recoverable by the group's insurance policy have been provided for in 2005.

Marlow Foods Holdings Limited ("Marlow")

Subsequent to the acquisition of Marlow, Marlow received an assessment in respect of PAYE and NIC assessed on deemed compensation to the former owners of Marlow on the disposal of their shares.

The directors of Premier Foods plc believe that it is not probable that the assessment will give rise to any liability. No reliable estimate of the fair value of any potential exposure is possible at the date of these financial statements. The case will be reviewed by the group on a regular basis. For the purposes of its provisional acquisition accounting, the group has not attributed any fair value to the claim on this basis.

12 Parent undertakings

The company's immediate parent undertaking is PFI No. 2, a company incorporated in England and Wales.

The company's ultimate parent undertaking is Premier Foods plc, a company incorporated in England and Wales which is the parent undertaking of the smallest and largest group to consolidate financial statements.

Copies of the consolidated financial statements of Premier Foods plc are available at the company's registered office, which is at Premier House, Centrium Business Park, Griffiths Way, St. Albans, Hertfordshire AL1 2RE.