

Premier Foods Investments No.2 Limited

Annual report and financial statements

For the year ended 31 December 2011

Registered Number 5014193

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Premier Foods Investments No.2 Limited

Annual report and financial statements for the year ended 31 December 2011

Registered number 5014193

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Premier Foods Investments No.2 Limited

Annual report and financial statements for the year ended 31 December 2011

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Report of directors for the year ended 31 December 2011

The directors present their annual report together with the audited financial statements for Premier Foods Investments No 2 Limited, registered number 5014193, for the year ended 31 December 2011

Principal activities and business review

The principal activity of the Company throughout the year continued to be that of an investment holding company. The directors are satisfied with the results for the year and do not envisage any changes to the conduct of the business over the next twelve months.

Results and dividends

The profit and loss account is set out on page 6 and shows the results for the year. The results for the Company show a pre-tax loss of £8.5m (2010: £9.2m loss). The retained loss has been transferred to reserves.

Interim dividend paid in the year was £nil (2010: £nil). The directors propose a final dividend for the year of £ (2010: £nil).

As at 31 December 2011, the Company has net assets of £132.9m (2010: £139.1m).

Subsequent events

In March 2012 the Premier Foods Group agreed revised financing arrangements with its banking syndicate, swap counterparties and pension funds. For further details see note 19.

Principal risk and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Premier Foods Group (the "Group") and are not managed separately. Accordingly, the principal risks and uncertainties of Premier Foods plc, which includes those of the Company, are discussed in the Group's 2011 annual report and accounts which does not form part of this report. The financial risk management objectives, policies and exposures are disclosed in the Group's 2011 annual report and accounts.

Contractual relationships

Details of contractual arrangements that are considered essential to the business of the Premier Foods Group are discussed in the Group's 2011 annual report and accounts.

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

Andrew McDonald (appointed on 15 November 2011)
Antony Smith (appointed on 21 July 2011, resigned on 20 April 2012)
Jim Hepburn (appointed on 21 July 2011)
Emmett McEvoy (appointed 20 April 2012)
Paul Leach (resigned on 30 June 2011)
Andrew Peeler (resigned on 21 July 2011)
Suzanne Wise (resigned on 15 November 2011)

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Report of the directors for the year ended 31 December 2011 (continued)

Charitable and political donations

During the year the Company made no charitable donations (2010 £nil) and no political donations (2010 £nil)

Key performance indicators

The directors of Premier Foods plc manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Premier Foods Investments No 2 Limited. The development, performance and position of Premier Foods plc is discussed in the Group's 2011 annual report and accounts which does not form part of this report.

Statement of directors' responsibilities

The directors are responsible for preparing directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Each person who is a director at the date of approval confirms that

- a) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- b) the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Premier Foods Investments No.2 Limited

Annual report and financial statements for the year ended 31 December 2011

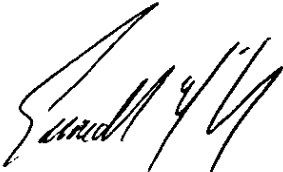
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Report of the directors for the year ended 31 December 2011 (*continued*)

Statutory dispensation

The Company has in force, under Section 423 of the Companies Act 2006, an election dispensing with the laying of accounts and reports before the Company in General Meeting, the holding of Annual General Meetings and the obligation to appoint auditors annually

By order of the board

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

Emmett McEvoy

Director

27 April 2012

Premier Foods Investments No.2 Limited

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Independent auditors' report to the members of Premier Foods Investments No.2 Limited

We have audited the financial statements of Premier Foods Investments No 2 Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Premier Foods Investments No.2 Limited

Annual report and financial statements for the year ended 31 December 2011

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Independent auditors' report to the members of Premier Foods Investments No.2 Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Ranjan Sriskandan (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27~~th~~ April 2012

Premier Foods Investments No.2 Limited

Annual report and financial statements for the year ended 31 December 2011

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Profit and loss account for the year ended 31 December 2011

	Note	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Interest receivable and similar income	5	3 5	3 8
Interest payable and similar charges	6	(12 0)	(13 0)
Loss on ordinary activities before taxation		(8 5)	(9 2)
Taxation credit on loss on ordinary activities	7	2 3	2 5
Loss for the financial year		(6 2)	(6 7)

All amounts relate to continuing activities

There were no recognised gains or losses in either year, other than the loss on ordinary activities after taxation and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the results as disclosed in the profit and loss account and the results on an historical cost basis

The notes on pages 8 to 13 form an integral part of these financial statements

Premier Foods Investments No.2 Limited

Annual report and financial statements for the year ended 31 December 2011

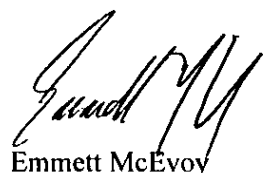
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Balance sheet as at 31 December 2011

	Note	31 December 2011 £m	31 December 2010 £m
Fixed assets			
Investments	8	<u>355.4</u>	<u>355.4</u>
Current assets			
Debtors amounts falling due within one year	9	108.8	9.3
Debtors amounts falling due after more than one year	9	-	93.7
Current Liabilities			
Creditors amounts falling due within one year	10	<u>(331.3)</u>	<u>(36.3)</u>
Net current (liabilities)/assets		<u>(222.5)</u>	<u>66.7</u>
Total assets less current liabilities		<u>132.9</u>	<u>422.1</u>
Creditors amounts falling due after more than one year	11	-	(283.0)
Net assets		<u>132.9</u>	<u>139.1</u>
Capital and reserves			
Called up share capital	12	0.1	0.1
Share premium account	13	151.0	151.0
Profit and loss account	13	(18.2)	(12.0)
Total shareholders' funds		<u>132.9</u>	<u>139.1</u>

The notes on pages 8 to 13 form an integral part of these financial statements

The financial statements were approved by the Board on 27 April 2012, and were signed on its behalf by



Emmett McEvoy
Director

27 April 2012

Premier Foods Investments No.2 Limited

Annual report and financial statements for the year ended 31 December 2011

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Notes to the financial statements for the year ended 31 December 2011 (*continued*)

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis and under the historical cost convention, in line with the accounting policies set out below, and are prepared in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006. In accordance with FRS 18 '*Accounting Policies*', the Company performs an annual review of accounting policies to ensure that those used by the Company continue to be those that are most appropriate.

The directors consider that the accounting policies set out below are the most appropriate and have been consistently applied.

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.

Taxation

The charge or credit for taxation is based on the profit or loss for the year and takes into account, deferred taxation.

Interest

Interest costs are accounted for on an accruals basis in the income statement using the effective interest method.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividends

Dividends declared after the balance sheet date are not recognised as a liability and are a non-adjusting post balance sheet event.

2. Cash flow statement and related parties

The Company is a wholly-owned subsidiary of Premier Foods plc and is included in the consolidated financial statements of Premier Foods plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The Company is also exempt under the terms of 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.

3. Operating Loss

The audit fee has been borne by a fellow group undertaking in both the years ended 31 December 2011 and 31 December 2010.

Premier Foods Investments No.2 Limited

Annual report and financial statements for the year ended 31 December 2011

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Notes to the financial statements for the year ended 31 December 2011 (continued)**4. Director's and employees**

No emoluments were paid to any of the directors during the year (2010 nil) No director had a direct or indirect interest in any transaction, arrangement or agreement which, in the opinion of the other directors, requires disclosure

There were no employees of the Company during the year (2010 nil)

5. Interest receivable and similar income

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Interest receivable from group undertakings	<u>3.5</u>	<u>3.8</u>

6. Interest payable and similar charges

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Interest payable to group undertakings	<u>(12.0)</u>	<u>(13.0)</u>

7. Taxation on ordinary activities

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
UK corporation tax credit on result for the year at 26.5% (2010 28%)		
United Kingdom corporation tax – current year	<u>2.3</u>	<u>2.5</u>
Tax credit on loss on ordinary activities	<u>2.3</u>	<u>2.5</u>

The tax assessed for the year is consistent with the standard rate of corporation tax in the UK of 26.5% (2010 28%)

Premier Foods Investments No.2 Limited

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Notes to the financial statements for the year ended 31 December 2011 (continued)**7. Taxation on ordinary activities (continued)**

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Loss on ordinary activities before tax	<u>(8.5)</u>	<u>(9.2)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010: 28%)	<u>2.3</u>	<u>2.5</u>
Total current tax credit	<u>2.3</u>	<u>2.5</u>

The Company has no material unprovided deferred tax

8. Fixed asset investments

	31 December 2011 £m	31 December 2010 £m
Subsidiary undertakings	<u>355.4</u>	<u>355.4</u>

Subsidiary undertakings are disclosed within note 18

9. Debtors

	31 December 2011 £m	31 December 2010 £m
Debtors: amounts falling due within one year		
Amounts owing by group undertakings	97.2	-
Corporation tax	<u>11.6</u>	<u>9.3</u>
	108.8	9.3
Debtors: amounts falling due after more than one year		
Amounts owing by group undertakings	<u>-</u>	<u>93.7</u>

Amounts owing by group undertakings are loans which carry interest at Libor plus 2.25% (2010: Libor plus 3%) and are repayable on 31 December 2012

Amounts owing after more than one year by group companies are loans which carry interest at Libor plus 3% (2010: Libor plus 3%) and are repayable on 31 December 2012

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Notes to the financial statements for the year ended 31 December 2011 (continued)**10. Creditors: amounts falling due within one year**

	31 December 2011 £m	31 December 2010 £m
Amounts owing to group undertakings	<u>331.3</u>	<u>36.3</u>

The amounts owing to group undertakings include loans of £283m, which carry interest at Libor plus 2.25% (2010: Libor plus 3%) that are repayable on 31 December 2012.

All other amounts are interest free and repayable on demand.

11. Creditors: amounts falling due after more than one year

	31 December 2011 £m	31 December 2010 £m
Amounts owing to group undertakings	<u>-</u>	<u>283.0</u>

The amounts owing to group undertakings in 2010 were loans which carry interest at Libor plus 2.25% (2010: Libor plus 3%) and are repayable on 31 December 2012.

12. Share capital

	Allotted, called up and fully paid	
	Number	£m
Ordinary shares of £1 each at 31 December 2010 and at 31 December 2011	<u>100,201</u>	<u>0.1</u>

13. Share premium and reserves

	Share premium £m	Profit & loss account £m	Total £m
At 31 December 2010	151.0	(12.0)	139.0
Loss for the year	-	(6.2)	(6.2)
At 31 December 2011	<u>151.0</u>	<u>(18.2)</u>	<u>132.8</u>

14. Reconciliation of shareholders' funds

	2011 £m	2010 £m
Opening shareholder funds	139.1	145.8
Loss for the year	<u>(6.2)</u>	<u>(6.7)</u>
Closing shareholder funds	<u>132.9</u>	<u>139.1</u>

Premier Foods Investments No.2 Limited

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Notes to the financial statements for the year ended 31 December 2011 (continued)**15. Group financial statements**

The company is a wholly-owned subsidiary of Premier Foods Investments No 3 Limited and is included in the consolidated financial statements of Premier Foods plc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

16. Ultimate parent company

The immediate parent undertaking is Premier Foods Investments No 3 Limited.

The ultimate parent undertaking and controlling party is Premier Foods plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Premier Foods plc consolidated financial statements can be obtained from the Company Secretary at Premier Foods plc, Premier House, Centrium Business Park, Griffiths Way, St Albans, Hertfordshire, AL1 2RE.

17. Guarantees

On 16 March 2007, the Premier Group entered into a £2.1bn term and revolving credit facility. In March 2012, the Premier Group announced revised financing arrangements including changes to provide greater covenant and liquidity headroom and to extend the maturity of the facility to June 2016. This facility is guaranteed by the principal entities of the Group including Premier Foods Investments Limited.

18. List of subsidiary undertakings

The following represent the principal subsidiary undertakings of Premier Foods Investments No 2 Limited at the year end. With the exception of Premier Foods Investments No 1 Limited, which is owned 100% by Premier Foods Investments No 2 Limited, all shares in subsidiary undertakings are held indirectly by Premier Foods Investments No 2 Limited.

Trading companies	Country of incorporation	Holding	Class of share
C H Old Co Limited (previously Chivers Hartley Limited)	England & Wales	100%	Ordinary
H L Foods Limited	England & Wales	100%	Ordinary
M F Old Co Limited (previously Marlow Foods Holdings Limited)	England & Wales	100%	Ordinary
Premier Ambient Products (UK) Limited	England & Wales	100%	Ordinary
Premier International Foods UK Limited	England & Wales	100%	Ordinary
Premier Grocery Products Ireland Limited	Republic of Ireland	100%	Ordinary
Premier Brands Foods Limited	England & Wales	100%	Ordinary
Premier Financing Limited	England & Wales	100%	Ordinary
Premier Foods (Holdings) Limited	England & Wales	100%	Ordinary
Premier Foods Investments Limited	England & Wales	100%	Ordinary
Premier Foods Investments No 1 Limited	England & Wales	100%	Ordinary
Premier Foods Group Limited	England & Wales	100%	Ordinary
Premier Foods Group Services Limited	England & Wales	100%	Ordinary

Premier Foods Investments No.2 Limited

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Notes to the financial statements for the year ended 31 December 2011 (continued)

18. List of subsidiary undertakings (continued)

All subsidiary undertakings have the same balance sheet date as Premier Foods Investments No 2 Limited. The companies listed above are those that principally affect the results and assets of the Company. The directors consider that to give full particulars of subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings is available from the Company Secretary.

19. Subsequent events**Re-financing agreement**

In March 2012 the Group signed a re-financing package with its banking syndicate, swap counterparties and pension schemes on a re-financing package that allows it to execute its future growth strategies.

The maturity date on the term loan and revolving credit facility has been extended from 31 December 2013 to 30 June 2016 with the margin increasing from 2.25% to 3.25% from 1 January 2014.

The interest rate swap portfolio has been restructured into additional term loan with varying rates and timing of interest payments. A new amortising swap commencing in July 2012, with a nominal value of approximately £750m will be arranged attracting a swap rate of 1.55%.

Receivables Purchase Agreement

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