

**BERNARD MATTHEWS LIMITED**

Report and Financial Statements for the  
financial period ended 29th December 2002



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## Directors' Report

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### 1 Trading Results and Dividends

The profit and loss account for the financial period ended 29th December, 2002 shows a profit of **£42,951,000** (2001: £51,361,000) before taxation and a profit thereafter of **£29,744,000** (2001: £36,111,000 restated).

The Directors recommend a final dividend for the financial period ended 29th December, 2002 of **£2,500,000** (2001: £1,000,000). The cost of the interim dividend declared already amounted to **£7,000,000** (2001: £10,500,000).

### 2 Principal Activities and Business Review

The principal activities of the Group are the production and marketing of turkey and other meat products, oven-ready turkeys, day-old turkeys, fish products and other poultry products.

The consolidated profit and loss account for the financial period is set out on page 5. Both the level of business and the financial period-end position are considered satisfactory, and the Directors expect that the present level of activity will be sustained for the foreseeable future.

### 3 Directors and their interests

The Directors who held office during the financial period are given below:

Bernard T. Matthews, C.B.E., Q.S.M. *Chairman*

David J. Joll

Noel F. Bartram

Neil C. Harrison

*Company Secretary*

David M. Reger

Mr B. T. Matthews, Mr D. J. Joll, Mr N. F. Bartram and Mr N. C. Harrison are also Directors of the ultimate parent company, Bernard Matthews Holdings Limited. Their beneficial interests are shown in its financial statements. The Directors' held no interests in the share capital of the Company.

### 4 Research and Development

New product development is an essential feature for future Group expansion. The Group also maintains separate livestock research facilities, the principal objectives of which are improvements in the welfare of turkeys and in the efficiency of turkey production.

### 5 Changes in Fixed Assets

Movements in fixed assets during the period are set out in notes 12 and 13 to the financial statements.

### 6 Market Value of Interests in Land

There is no material difference between the book value and the open market value of land.

### 7 Employee Involvement

Employee involvement, consultation and development fulfil key roles in achieving success for the Group's continuing growth and expansion of its trading and manufacturing base.

The demands on policy and staff development to keep pace with this changing employment scene are positively responded to by a significant training plan covering all employment areas. In the financial period ended 29th December, 2002 the Group received a regional award as part of the National Training Awards programme.

To further strengthen this personnel development policy the Group adheres to the spirit of the Investor in People principles.

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**Directors' Report**  
continued

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Recognition of particular skills developed by staff within the Group is encouraged through development of relevant National Vocational Qualifications with local colleges.

The in-house news magazine continues to act as an important aid in keeping people informed of Group activities.

Practicable arrangements will be made to accommodate disabled persons into employment. Those who become disabled whilst in the Group's employment are retrained and/or transferred to alternative jobs as considered appropriate.

Health and Safety at work practices remain under constant review and development to allow the Group to keep pace with changing legislation.

The Group continues to develop close links with schools and colleges and works with schools in providing industry awareness training.

The Group's in-house Duke of Edinburgh Award Charter for Business Scheme continues and the Group actively supports networking of the scheme for local business, voluntary and social groups. The Group is pleased to be granted OPERATOR AUTHORITY status, which enables it to grant Awards on behalf of HRH The Duke of Edinburgh. The Group continues its support for the Award Programme because it is committed to the development of young people.

The Group continues to support and encourage participation in the local Prince's Trust volunteer teams.

**8 Charitable and Political Donations**

For the financial period ended 29th December, 2002 the Group made charitable contributions of **£397,156** (2001: £299,369). No contributions were made to political organisations (2001: £Nil). Actual contributions made by the Group are administered by the Group's Board of Directors and are directed towards assisting charitable organisations in areas where the Group has its principal manufacturing operations.

**9 Auditors**

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership, PricewaterhouseCoopers LLP, PricewaterhouseCoopers resigned as auditors to the Group and the Directors appointed PricewaterhouseCoopers LLP to fill the casual vacancy.

In accordance with Section 384, Companies Act 1985, a resolution to appoint PricewaterhouseCoopers LLP, as auditors to the Group, will be put to the Annual General Meeting.



By Order of the Board  
D. M. Reger, *Secretary*  
Gt. Witchingham Hall  
Norwich NR9 5QD  
18th March, 2003

**Statement of Directors' Responsibilities**

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Company law requires the Directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss, total recognised gains and cash flows of the Group for that financial period. In preparing these financial statements, the Directors are required to:

1. Confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising from the adoption of new financial reporting standards in the financial period as explained in note 1(b) to the financial statements.
2. Make judgements and estimates that are reasonable and prudent.
3. State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
4. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



D.M. Reger, *Secretary*  
Gt. Witchingham Hall  
Norwich NR9 5QD  
18th March, 2003

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**Independent Auditors' Report**  
to the members of Bernard Matthews Limited

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We have audited the financial statements which comprise the Group profit and loss account, the Group statement of total recognised gains and losses, the balance sheets and the related notes.

**Respective Responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Group'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.


**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 affairs of the Company and the Group at 29th December, 2002 and of the profit of the Group for the financial period then ended and have been properly prepared in accordance with the Companies Act, 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
1 Embankment Place  
London WC2N 6NN  
18th March, 2003

**Bernard Matthews Limited**
**Profit and Loss Account**

for the financial period ended 29th December, 2002

	Notes	2002 £000's	2001 (restated) £000's
<b>Turnover</b>	2	<b>400,945</b>	<b>384,904</b>
<b>Group operating profit</b>	2,3	<b>43,860</b>	<b>52,119</b>
<b>Share of operating profit of associates</b>	4	<b>380</b>	<b>177</b>
<b>Operating profit including associates</b>		<b>44,240</b>	<b>52,296</b>
<b>Net interest payable and similar charges</b>	5	<b>(1,289)</b>	<b>(935)</b>
<b>Profit on ordinary activities before taxation</b>		<b>42,951</b>	<b>51,361</b>
<b>Taxation on profit on ordinary activities</b>	6	<b>(13,207)</b>	<b>(15,250)</b>
<b>Profit on ordinary activities after taxation</b>		<b>29,744</b>	<b>36,111</b>
<b>Equity minority interests</b>		<b>(42)</b>	<b>(21)</b>
<b>Profit for the financial period</b>		<b>29,702</b>	<b>36,090</b>
<b>Dividends</b>	8	<b>(9,500)</b>	<b>(11,500)</b>
<b>Retained profit for the financial period</b>	20	<b>20,202</b>	<b>24,590</b>

No note of historical cost profits has been included as there is no material difference between the reported profit on ordinary activities before taxation and retained profit for the financial period, and their historical cost equivalents.

All items dealt with in the profit and loss account above relate to continuing operations.

**Group Statement of Total Recognised Gains and Losses**

	<b>Group 2002 £000's</b>	<b>Group 2001 (restated) £000's</b>
<b>Profit for the financial period</b>	<b>29,702</b>	<b>36,090</b>
<b>Currency translation differences on foreign currency net investments</b>	<b>3,157</b>	<b>305</b>
<b>Total recognised gains relating to the financial period</b>	<b>32,859</b>	<b>36,395</b>
<b>Prior period adjustment (note 1(b))</b>	<b>(6,912)</b>	
<b>Total gains recognised since the last annual report</b>	<b>25,947</b>	

**Balance Sheets**  
at 29th December, 2002

		2002	Group 2001 (restated)	2002	Company 2001 (restated)
	Notes	£000's	£000's	£000's	£000's
<b>Fixed assets</b>					
Tangible assets	12	107,707	104,550	73,530	78,041
Investments	13	1,608	1,366	27,574	27,574
		<b>109,315</b>	<b>105,916</b>	<b>101,104</b>	<b>105,615</b>
<b>Current assets</b>					
Stocks	14	57,260	55,849	44,096	43,221
Debtors	15	95,930	72,088	84,647	62,001
Cash at bank and in hand		2,521	1,694	13	13
		<b>155,711</b>	<b>129,631</b>	<b>128,756</b>	<b>105,235</b>
<b>Creditors: Amounts falling due within one year</b>					
Borrowings	16	(21,695)	(18,282)	(2,877)	(3,768)
Other creditors	17	(51,806)	(48,665)	(60,977)	(57,561)
<b>Net current assets</b>		<b>82,210</b>	<b>62,684</b>	<b>64,902</b>	<b>43,906</b>
<b>Total assets less current liabilities</b>		<b>191,525</b>	<b>168,600</b>	<b>166,006</b>	<b>149,521</b>
<b>Creditors: Amounts falling due after more than one year</b>					
Borrowings	16	(4,099)	(3,735)	-	-
<b>Provisions for liabilities and charges</b>	18	<b>(8,502)</b>	<b>(9,316)</b>	<b>(8,530)</b>	<b>(9,399)</b>
<b>Net assets</b>		<b>178,924</b>	<b>155,549</b>	<b>157,476</b>	<b>140,122</b>
<b>Capital and reserves</b>					
Called up share capital	19	31,529	31,529	31,529	31,529
Share premium account	20	1,373	1,373	1,373	1,373
Revaluation reserve	20	4,795	4,795	4,795	4,795
Capital redemption reserve	20	951	951	951	951
Profit and loss account	20	140,075	116,716	118,828	101,474
<b>Equity shareholders' funds</b>	21	<b>178,723</b>	<b>155,364</b>	<b>157,476</b>	<b>140,122</b>
Equity minority interests		201	185	-	-
		<b>178,924</b>	<b>155,549</b>	<b>157,476</b>	<b>140,122</b>

The financial statements on pages 5 to 26 were approved by the Board of Directors on 18th March, 2003 and signed on its behalf by:

D. J. Joll  (Director)

N. C. Harrison  (Director)

**Notes to the Financial Statements**

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**1 Accounting Policies**

**(a) Basis of financial statements**

The Group prepares its financial statements in accordance with the historical cost convention, modified to include the revaluation of certain fixed assets, in accordance with applicable accounting standards. The accounting periods of the Group end on the Sunday nearest to 31st December, which results in financial periods of either 52 or 53 weeks. The Company has decided not to apply the exemption available under Section 228 of the Companies Act 1985 not to prepare consolidated financial statements. The Company has, however, taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 'Cash Flow Statements' (revised 1996). In accordance with the exemption provided under Section 230, Companies Act 1985, the profit and loss account of the parent Company is not published.

A summary of the more important Group accounting policies is set out below, together with an explanation of where changes have been made to previous policies on adoption of new accounting standards in the financial period.

The Group financial statements incorporate the financial statements of Bernard Matthews Limited and all its subsidiaries together with the Group's share of post acquisition profits and net assets of associates, to 29th December, 2002. The results of subsidiaries are included from the date of acquisition.

In November, 2000, the Accounting Standards Board issued Financial Reporting Standard 17 'Retirement Benefits'. The Group is adopting the transitional arrangements prescribed in the standard. The financial statements therefore reflect the transitional disclosures required by the standard.

The Directors have reviewed the appropriateness of the Group's accounting policies in accordance with Financial Reporting Standard 18 'Accounting Policies'. As a result of this review, no changes to current accounting policies have been made apart from that noted in 1(b) below:

**(b) Deferred taxation**

In December, 2000, the Accounting Standards Board issued Financial Reporting Standard (FRS) 19 'Deferred Taxation'. The Group has adopted FRS 19 which requires full provision to be made for deferred taxation assets and liabilities. The Group previously provided deferred taxation in respect of timing differences to the extent that it was probable that a liability would crystallise in the foreseeable future. Deferred taxation has been calculated on the basis of FRS 19 for the 2002 Group Financial Statements and comparative figures have been restated in the Group Profit and Loss Account, the Group Balance Sheet and the related notes. No provision is made for taxation which would become payable if retained profits of subsidiaries and associates were distributed to the parent Company where there is no intention to make further distributions out of profits already retained in these companies. Deferred taxation assets are not recognised if the future transfer of economic benefits is uncertain. Deferred taxation is measured on a non-discounted basis.

As a result of adopting FRS 19, provisions for liabilities and charges for the financial period ended 29th December, 2002 have been increased by **£7,242,000** (2001: £6,912,000). For the financial period ended 29th December, 2002 taxation on profit on ordinary activities has increased by **£380,000** (2001: £90,000) also as a result of adopting FRS 19.

**(c) Turnover**

Turnover is recognised on date of despatch. Total turnover represents deliveries at invoice value to external customers less returns, discounts and allowances.

**(d) Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost includes direct and other appropriate overheads.

**(e) Leased assets**

Where assets are financed by leasing agreements, the assets are capitalised at the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Depreciation on the relevant assets is charged at the appropriate rate as shown in note (g) overleaf. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the annuity method. Operating lease costs are charged to the profit and loss account in the financial period to which they relate.

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**Notes to the Financial Statements**  
continued

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**1 Accounting Policies continued**

**(f) Software**

Software costs are written off as incurred, except for purchases from third parties in respect of major systems. In such cases, the costs are written off between two and seven years from the date of implementation.

**(g) Depreciation**

Depreciation is first charged when fixed assets are brought into use and is calculated to write off the cost or revalued amount of fixed assets in equal annual instalments at the following principal rates:

Freehold land	Nil
Freehold buildings	2-10%
Poultry houses	2-3%
Plant and machinery, vehicles aircraft and other equipment	4-33%
Payments on account and assets in course of construction	Nil

**(h) Foreign currencies**

All foreign currency assets and liabilities are translated into sterling at rates of exchange ruling at the end of the financial period. The results of foreign subsidiaries are translated at average rates of exchange for the financial period. Differences on exchange arising from the retranslation of the opening net investment in subsidiaries and from the translation of the results of those companies at average rates are taken to reserves and are reported in the statement of total recognised gains and losses. All other foreign exchange differences are taken to the profit and loss account in the financial period in which they arise.

**(i) Provisions**

The Group makes provisions for liabilities and charges when it has a legal or constructive obligation arising from a past event in accordance with FRS 12 'Provisions, Contingent Liabilities and Contingent Assets'.

**(j) Pension scheme arrangements**

The pension schemes of the Group are externally managed. The pension cost for defined benefit schemes is charged to the profit and loss account on a systematic basis over the average service lives of employees in accordance with the advice of independent actuaries using the projected unit method. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either accruals or prepayments in the balance sheet. The pension cost of the defined contribution scheme is charged to the profit and loss account in the financial period to which it relates.

**(k) Research and development**

Research and development expenditure is charged to the profit and loss account in the financial period in which it is incurred.

**(l) Financial instruments**

The Group uses financial instruments (principally interest rate swaps, forward foreign currency contracts and raw material futures contracts settled for cash) to manage the interest rate and currency risks arising from the Group's operations and its sources of finance and the risk of movements in raw material purchase prices.

Instruments accounted for as hedges are designated as hedges at the inception of contracts.

Gains or losses on foreign currency hedges and raw material hedges are recognised on maturity of the underlying transaction.

The Group does not trade in financial instruments.

**Notes to the Financial Statements**  
continued

**Group Profit and Loss Account**

**2 Segmental analysis by geographical area**

The analyses by geographical area of the Group's turnover is set out below:

**Turnover by geographical area**

	Turnover by origin 2002 £000's	Turnover by destination 2002 £000's	Turnover by origin 2001 £000's	Turnover by destination 2001 £000's
Western Europe	324,275	349,374	314,252	338,974
Other, including Hungary	104,356	51,571	93,012	45,930
	428,631	400,945	407,264	384,904
Inter-area sales	(27,686)	-	(22,360)	-
Total turnover	400,945	400,945	384,904	384,904

**3 Total operating profit**

	2002 £000's	2001 £000's
Sales to customers outside the Group	400,945	384,904
(Decrease)/Increase in stocks of finished goods and work in progress	(1,079)	7,189
Own work capitalised	98	92
Other operating income	2,385	1,246
	402,349	393,431
Raw materials and consumables	175,914	169,905
Other external charges	7,206	6,103
Staff costs (note 10)	95,685	88,894
Depreciation on owned assets	12,058	11,367
Depreciation on assets held under finance leases	19	18
Cost of hire of plant	1,476	1,332
Audit costs (Company: £41,000; 2001: £48,550)	108	114
Currency exchange differences	(1,357)	(1,017)
Operating lease charges	1,581	1,553
Other operating charges	65,799	63,043
	358,489	341,312
Total operating profit excluding associates	43,860	52,119

Expenditure on research and development in the financial period amounted to **£2,124,000** (2001: £2,036,000).

Remuneration of the Group's auditors for provision of non-audit services to the Group was **£69,000** (2001: £118,000).

Notes to the Financial Statements  
continued

**4 Share of profit of associates**

	2002 £000's	2001 £000's
Operating profit and profit before taxation	380	177
Taxation (note 6)	(92)	(64)
Profit after taxation and retained profit for the financial period	288	113

**5 Net interest payable and similar charges**

	2002 £000's	2001 £000's
Bank interest and bill discount paid and payable	1,420	1,213
Interest paid and payable on finance leases	8	8
Interest received and receivable	(139)	(286)
	1,289	935

**6 Taxation on profit on ordinary activities**

	2002 £000's	2001 (restated) £000's
<b>Current taxation</b>		
UK corporation taxation at 30.0%	12,865	14,753
Overprovision for corporation tax in respect of earlier financial periods	-	(67)
Overseas taxation	373	594
Share of taxation of associates (note 4)	92	64
Total current taxation	13,330	15,344
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(123)	(94)
Total deferred taxation (note 18)	(123)	(94)
Taxation on profit on ordinary activities	13,207	15,250

**Notes to the Financial Statements**  
continued

**6 Taxation on profit on ordinary activities continued**

The taxation assessed for the financial period is higher (2001: lower) than the standard rate of corporation taxation in the UK (30%). The differences are explained below:

	2002 £000's	2001 (restated) £000's
Profit on ordinary activities before taxation	42,951	51,361
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30%	12,885	15,408
Expenses not deductible for taxation purposes	409	356
Accelerated capital allowances and other timing differences	123	94
Overprovision for corporation tax in respect of earlier financial periods	-	(67)
Lower taxation rates on overseas earnings	(87)	(447)
Current taxation charge for the financial period	13,330	15,344

**7 Profit on ordinary activities after taxation**

The amount of Group profit attributable to Bernard Matthews Limited dealt with in these financial statements is **£26,854,000** (2001: £33,682,000).

**8 Dividends on ordinary shares**

	2002 £000's	2001 £000's
Interim 2002: <b>5.55p</b> per share (2001: 8.33p)	7,000	10,500
Proposed final 2002: <b>1.98p</b> per share (2001: 0.79p)	2,500	1,000
	9,500	11,500

**Notes to the Financial Statements**  
continued

<b>9 Directors' emoluments</b>	<b>2002 £000's</b>	<b>2001 £000's</b>
Aggregate emoluments	<b>1,965</b>	<b>2,470</b>

Retirement benefits are accruing to three Directors (2001: three Directors) under the Group's defined benefit scheme.

Details of Directors' interests in share options in the ultimate parent company are given in the Bernard Matthews Holdings Limited Group financial statements.

Emoluments payable to the highest paid Director are as follows:

	<b>2002 £000's</b>	<b>2001 £000's</b>
Aggregate emoluments	<b>933</b>	<b>1,448</b>

**10 Employee information**

<b>Average number of employees</b>	<b>2002 Number</b>	<b>2001 Number</b>
Production	<b>5,950</b>	5,549
Administration	<b>850</b>	836
	<b>6,800</b>	<b>6,385</b>

<b>Remuneration</b>	<b>2002 £000's</b>	<b>2001 £000's</b>
Aggregate gross remuneration	<b>84,773</b>	79,204
State social security costs	<b>8,852</b>	8,040
Other pension costs (note 11)	<b>2,060</b>	1,650
Staff costs	<b>95,685</b>	<b>88,894</b>

**Notes to the Financial Statements**  
continued

**11. Pensions**

The Bernard Matthews Limited Group, operates two defined benefit pension schemes, the assets of which are held in separate trustee administered funds. The Group also operates a Contracted-In Money Purchase Scheme with Clerical Medical Investment Group Limited. The cost of employer contributions is charged to the profit and loss account. The Group pension cost for the financial period ended 29th December, 2002 was **£2,060,000** (2001: £1,650,000).

**SSAP 24:**

The pension cost charged to the profit and loss account is calculated by an independent actuary so as to spread the cost of pensions over the employees' working lives with the Group. The pension costs are based on the latest actuarial valuations at 30th December, 2001. Valuations are undertaken on a triannual basis.

The actuarial method used in the valuations was the Projected Unit Method. The most significant assumptions relating to the valuations were:

Net investment returns pre- and post-retirement: 3.0% and 3.5% respectively

Pension increases: 2.5% per annum

Future salary increases: 4.0% per annum

The schemes are funded using the same actuarial assumptions.

The market value of the assets at the date of the valuation was **£29,427,000**. The composite funding level at 30th December, 2001 was estimated to be 102% based on projected liabilities and the actuarial value of the assets calculated in line with the assumptions above. An annuity policy that has been purchased from an insurance company has been excluded from the actuarial valuation together with the equivalent liability of the pensioners in payment.

Compliance with SSAP 24 as referred to in note 1(j) has resulted in an accrual at the balance sheet date of pension contributions of **£591,000** (2001: £381,000).

**Transitional disclosures under FRS 17:**

A full actuarial valuation was carried out at 30th December, 2001 and updated to 29th December, 2002 by a qualified independent actuary on the basis prescribed by FRS 17.

**(a) Assumptions:**

The major assumptions used by the actuary were as follows:

	<b>2002</b>	<b>2001</b>
	<hr/>	<hr/>
Rate of increase in salaries	<b>3.8%</b>	4.0%
Rate of increase in pensions in payment	<b>2.3%</b>	2.5%
Discount rate	<b>5.5%</b>	6.0%
Inflation assumption	<b>2.3%</b>	2.5%

Notes to the Financial Statements  
continued

11. Pensions continued

The assets in the scheme and the expected rate of return were:

Group	Long term rate of return expected at 29.12.02	Value at 29.12.02 £000's	Long term rate of return expected at 30.12.01	Value at 30.12.01 (restated) £000's
Equities	7.0%	17,073	7.5%	16,969
Bonds	5.0%	4,719	5.5%	7,331
Cash	3.8%	4,872	4.0%	5,127
		26,664		29,427

The disclosed scheme asset position for 30th December, 2001 has been restated to exclude the value of the scheme's annuity policy and to reflect cash in transit.

(b) Group profit and loss account and statement of total recognised gains and losses:

On the basis of the FRS 17 assumptions used in note 11(a), the amounts that would have been charged to the Group profit and loss account and statement of total recognised gains and losses on an FRS 17 basis for the financial period ended 29th December, 2002 are as follows:

Group profit and loss account

	2002 £000's
Group operating profit	
Current service cost	1,815
Total operating charge	1,815
Net interest payable and similar charges	
Expected return on pension scheme assets	(1,922)
Interest on pension scheme liabilities	2,104
Net cost	182

The total effect on profit before taxation of adopting FRS 17 for the financial period ended 29th December, 2002 is therefore £1,997,000.

	2002 £000's
Statement of total recognised gains and losses	
Actual return less expected return on pension scheme assets	(5,998)
Experience gains and losses arising on the scheme liabilities	(622)
Impact of changes in assumptions relating to the present value of scheme liabilities	(1,004)
Actuarial loss recognised in the statement of total recognised gains and losses	(7,624)

Notes to the Financial Statements  
continued

11. Pensions continued

(c) History of experience gains and losses for the financial period ended 29th December, 2002:

	2002 £000's
Difference between the expected and actual return on scheme assets	(5,998)
Percentage of scheme assets	(22.5%)
Experience gains and losses on scheme liabilities	(622)
Percentage of the present value of the scheme liabilities	(1.6%)
Total amount recognised in the statement of total recognised gains and losses	(7,624)
Percentage of the present value of the scheme liabilities	(19.1%)

**Notes to the Financial Statements**  
continued

**11. Pensions continued**

**(d) Group balance sheet**

<b>Group</b>	<b>2002</b> <b>£000's</b>	<b>2001</b> <b>(restated)</b> <b>£000's</b>
Total market value of scheme assets	26,664	29,427
Present value of scheme liabilities	(39,824)	(34,447)
Deficit in the scheme	(13,160)	(5,020)
Related deferred taxation asset	3,948	1,506
Net pension liability	(9,212)	(3,514)

If these amounts had been recognised in the financial statements the Group's net assets and profit and loss account at 29th December, 2002 would be as follows:

	<b>2002</b> <b>£000's</b>	<b>2001</b> <b>(restated)</b> <b>£000's</b>
Net assets excluding pension liability (under SSAP 24) and related deferred taxation asset	179,338	155,816
Net pension liability (under FRS 17)	(9,212)	(3,514)
Net assets including net pension liability (under FRS 17)	170,126	152,302
Profit and loss account reserve excluding pension liability (under SSAP 24) and related deferred taxation asset	140,489	116,983
Net pension liability (under FRS 17)	(9,212)	(3,514)
Profit and loss account reserve including net pension liability (under FRS 17)	131,277	113,469

**(e) Movement in deficit during the financial period**

	<b>2002</b> <b>£000's</b>
Deficit in scheme at beginning of the financial period	(5,020)
Movement in financial period:	
Current service cost	(1,815)
Contributions	1,481
Net cost on scheme assets	(182)
Actuarial loss	(7,624)
Deficit in scheme at end of the financial period	(13,160)

Notes to the Financial Statements  
continued

## Balance Sheets

## 12 Fixed assets - Tangible assets

	Freehold land and buildings £000's	Plant and machinery (including poultry houses) £000's	Fixtures and fittings (including software) £000's	Payments on account and assets in course of construction £000's	Totals £000's
Cost at 30th December, 2001	50,707	156,352	8,109	2,885	218,053
Additions	1,788	8,827	632	2,112	13,359
Disposals	(203)	(7,348)	(331)	(12)	(7,894)
Reclassification	48	303	221	(572)	-
Exchange adjustments	1,508	2,545	538	98	4,689
Cost at 29th December, 2002	<b>53,848</b>	<b>160,679</b>	<b>9,169</b>	<b>4,511</b>	<b>228,207</b>
Depreciation at 30th December, 2001	17,273	91,363	4,867	-	113,503
Charge for the financial period	1,866	9,275	936	-	12,077
Eliminated on disposals	(44)	(6,606)	(275)	-	(6,925)
Exchange adjustments	430	1,095	320	-	1,845
Depreciation at 29th December, 2002	<b>19,525</b>	<b>95,127</b>	<b>5,848</b>	<b>-</b>	<b>120,500</b>
Net book value at 29th December, 2002	<b>34,323</b>	<b>65,552</b>	<b>3,321</b>	<b>4,511</b>	<b>107,707</b>
Net book value at 30th December, 2001	33,434	64,989	3,242	2,885	104,550
<b>Company</b>					
Cost at 30th December, 2001	36,297	129,048	2,806	2,193	170,344
Additions	536	4,765	45	1,309	6,655
Disposals	(60)	(6,814)	(86)	-	(6,960)
Reclassification	-	-	-	-	-
Cost at 29th December, 2002	<b>36,773</b>	<b>126,999</b>	<b>2,765</b>	<b>3,502</b>	<b>170,039</b>
Depreciation at 30th December, 2001	12,282	78,184	1,837	-	92,303
Charge for the financial period	2,632	7,465	313	-	10,410
Eliminated on disposals	(17)	(6,101)	(86)	-	(6,204)
Depreciation at 29th December, 2002	<b>14,897</b>	<b>79,548</b>	<b>2,064</b>	<b>-</b>	<b>96,509</b>
Net book value at 29th December, 2002	<b>21,876</b>	<b>47,451</b>	<b>701</b>	<b>3,502</b>	<b>73,530</b>
Net book value at 30th December, 2001	24,015	50,864	969	2,193	78,041

**Notes to the Financial Statements**  
continued

**12 Fixed assets - Tangible assets continued**

The net book value of tangible fixed assets for the Group includes an amount of **£53,000** (2001: £65,000) in respect of assets held under finance leases. The equivalent figures for the Company are **£Nil** (2001: £Nil).

The fixed assets of businesses acquired have been incorporated in the Group's financial statements at their fair value at the dates of acquisition. The Company's freehold land and buildings are included at valuation of £14,577,000 as at 28th December, 1986. All subsequent additions have been at cost.

If freehold land and buildings had not been revalued they would have been included for both Group and Company at the following amounts:

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Historical cost	<b>50,195</b>	47,102	<b>32,378</b>	31,902
Historical accumulated depreciation	<b>17,404</b>	15,231	<b>15,178</b>	12,642
<b>Future capital expenditure</b>				
Contracted for but not provided in the financial statements	<b>1,544</b>	2,761	<b>1,465</b>	435

**13 Fixed assets - Investments**

	<b>Group associates</b>	<b>Group loans to associates</b>	<b>Group other investments</b>	<b>Group Total</b>	<b>Company subsidiaries and investments</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Investments at cost or valuation at 30th December, 2001	292	1,038	36	1,366	27,574
Additions	-	-	7	7	-
Repayments	-	(232)	-	(232)	-
Share of retained profit (note 4)	288	-	-	288	-
Exchange adjustments	50	125	4	179	-
Investments at cost or valuation at 29th December, 2002	<b>630</b>	<b>931</b>	<b>47</b>	<b>1,608</b>	<b>27,574</b>

**Notes to the Financial Statements**  
continued

**13 Fixed assets - Investments continued**

The following information deals only with subsidiaries which have traded as principals:

<u>Name of subsidiary</u>	<u>Country of incorporation and operation</u>	<u>Class of shares held</u>	<u>Percentage of nominal value of issued shares held by</u>	
			<u>Group</u>	<u>Company</u>
Bernard Matthews New Zealand Ltd (formerly Advanced Foods of New Zealand Limited)	New Zealand	Ordinary	100	-
Bernard Matthews Oldenburg GmbH	Germany	Ordinary	100	-
Bernard Matthews Produktions GmbH	Germany	Ordinary	100	-
B.M. (Insurance) Limited	Guernsey	Ordinary	100	100
SaGa Foods RT	Hungary	Ordinary	99	-
SaGa Foods Sp.z.o.o.	Poland	Ordinary	100	-
SaGa Foods (Czech Republic) s.r.o.	Czech Republic	Ordinary	100	-
SaGa Foods s.r.o.	Slovak Republic	Ordinary	100	-

The principal business activities of these subsidiaries are:

Manufacture, distribution and sale of food products – Bernard Matthews New Zealand Ltd, Bernard Matthews Produktions GmbH and SaGa Foods RT.

Distribution and sale of food products - Bernard Matthews Oldenburg GmbH, SaGa Foods Sp. z.o.o, SaGa Foods (Czech Republic) s.r.o. and SaGa Foods s.r.o.;

Insurance of Group interests - B.M. (Insurance) Limited;

Certain other subsidiaries traded as agents for the Company and all transactions were dealt with in these financial statements.

A complete list of subsidiaries and associates of the Group will be filed with the Annual Return.

**14 Stocks**

	<b>Group</b>		<b>Company</b>	
	<b>2002 £000's</b>	<b>2001 £000's</b>	<b>2002 £000's</b>	<b>2001 £000's</b>
Raw materials and consumables	10,330	8,845	6,342	5,217
Work in progress	22,681	23,224	17,078	18,209
Finished goods	24,249	23,780	20,676	19,795
	<b>57,260</b>	<b>55,849</b>	<b>44,096</b>	<b>43,221</b>

Notes to the Financial Statements  
continued

15 Debtors

	Group		Company	
	2002 £000's	2001 £000's	2002 £000's	2001 £000's
<b>Amounts falling due within one year</b>				
Trade debtors	37,907	34,109	26,979	24,177
Amounts owed by subsidiaries	-	-	2,771	3,762
Amounts owed by parent undertaking	51,869	30,482	51,869	30,482
Other debtors	3,578	4,081	1,980	1,512
Prepayments and accrued income	2,576	3,416	1,048	2,068
	<b>95,930</b>	<b>72,088</b>	<b>84,647</b>	<b>62,001</b>

16 Borrowings

	Group		Company	
	2002 £000's	2001 £000's	2002 £000's	2001 £000's
<b>Amounts falling due within one year</b>				
Bank loans and overdraft	21,695	18,282	2,877	3,768
<b>Amounts falling due after one year</b>				
Bank and other loans falling due after more than one year are repayable as follows:				
One to two years	1,970	1,013	-	-
Two to five years	1,589	2,447	-	-
Five years or more	540	275	-	-
	<b>4,099</b>	<b>3,735</b>	<b>-</b>	<b>-</b>
<b>Total borrowings</b>	<b>25,794</b>	<b>22,017</b>	<b>2,877</b>	<b>3,768</b>

Included in the above amounts are finance lease obligations of **£67,000** (2001: £72,000).

Loans falling due in five years or more comprise **£507,000** (2001: £275,000) in Bernard Matthews Produktions GmbH payable in instalments, at a rate of approximately 6.2% per annum.

Bank loans and overdrafts are secured by a combination of fixed and floating charges over the Group's fixed assets and working capital.

Notes to the Financial Statements  
continued

17 Other creditors

	Group		Company	
	2002 £000's	2001 £000's	2002 £000's	2001 £000's
<b>Amounts falling due within one year</b>				
Trade creditors	29,517	28,410	22,365	20,397
Amounts owed by subsidiaries	-	-	21,223	19,926
Taxation on profit	6,407	7,179	6,361	7,004
Other taxation and social security	4,581	4,340	4,322	3,587
Other creditors	8,465	7,058	5,512	6,139
Accruals and deferred income	2,836	1,678	1,194	508
	<b>51,806</b>	<b>48,665</b>	<b>60,977</b>	<b>57,561</b>

18 Provisions for liabilities and charges

	Insurance £000's	Deferred taxation (restated) £000's	Total (restated) £000's
At 30th December, 2001 as previously reported	2,306	98	2,404
Prior period adjustment:			
For the financial period ended 31st December, 2000	-	6,810	6,810
Charge to the profit and loss account (note 1(b))	-	90	90
Exchange adjustments	-	12	12
At 30th December, 2001 restated	2,306	7,010	9,316
Charge/(credit) to the profit and loss account	169	(123)	46
Settlement of claims	(810)	-	(810)
Exchange adjustments	-	(50)	(50)
<b>Balance at 29th December, 2002</b>	<b>1,665</b>	<b>6,837</b>	<b>8,502</b>
<b>Company</b>			
Balance at 30th December, 2001 as previously reported	2,040	82	2,122
Prior period adjustment	-	7,277	7,277
At 30th December, 2001 restated	2,040	7,359	9,399
Charge/(credit) to the profit and loss account	150	(249)	(99)
Settlement of claims	(770)	-	(770)
<b>Balance at 29th December, 2002</b>	<b>1,420</b>	<b>7,110</b>	<b>8,530</b>

Notes to the Financial Statements  
continued

18 Provisions for liabilities and charges continued

**Insurance**

The Group has for many years accepted liability for part of its Group risk through a wholly owned subsidiary B.M. (Insurance) Limited and since 1998 through Bernard Matthews Limited. In view of the uncertainty of the liability the provision has been estimated on the basis of current information and past claims experience.

**Maturity profile of provision**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Within one year	853	621	610	431
Between one and two years	449	461	447	390
Between two and five years	363	1,224	363	1,219
	<b>1,665</b>	<b>2,306</b>	<b>1,420</b>	<b>2,040</b>

**Deferred taxation**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£000's</b>	<b>(restated)</b> <b>£000's</b>	<b>£000's</b>	<b>(restated)</b> <b>£000's</b>
Provision for deferred taxation comprises:				
Accelerated capital allowances	7,572	7,641	7,290	7,476
Other timing differences	(735)	(631)	(180)	(117)
	<b>6,837</b>	<b>7,010</b>	<b>7,110</b>	<b>7,359</b>

Deferred taxation has been calculated at 30% and at prevailing overseas taxation rates where applicable.

19 Called up share capital

	<b>2002</b>	<b>2001</b>
	<b>£000's</b>	<b>£000's</b>
Authorised: 160,000,000 ordinary shares of 25p each	40,000	40,000
Allotted, called up and fully paid: 126,117,734 (2001: 126,117,734) ordinary shares of 25p each	31,529	31,529

Notes to the Financial Statements  
continued

20 Reserves

	Share premium account	Reval- uation reserve	Capital redemption reserve	Profit and loss account (restated) £000's
	£000's	£000's	£000's	£000's
<b>Group</b>				
Balance at 30th December, 2001 as previously reported	1,373	4,795	951	123,628
Prior period adjustment	-	-	-	(6,912)
At 30th December, 2001 restated	1,373	4,795	951	116,716
Gain arising on exchange differences	-	-	-	3,157
Retained profit for the financial period	-	-	-	20,202
<b>Balance at 29th December, 2002</b>	<b>1,373</b>	<b>4,795</b>	<b>951</b>	<b>140,075</b>
<b>Company</b>				
Balance at 30th December, 2001 as previously reported	1,373	4,795	951	108,751
Prior period adjustment	-	-	-	(7,277)
At 30th December, 2001 restated	1,373	4,795	951	101,474
Retained profit for the financial period	-	-	-	17,354
<b>Balance at 29th December, 2002</b>	<b>1,373</b>	<b>4,795</b>	<b>951</b>	<b>118,828</b>

Included in the gain arising on exchange differences are exchange losses of **£1,999,000** (2001: £186,000 loss) arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas.

**Notes to the Financial Statements**  
continued

**21 Reconciliation of movements in equity shareholders' funds**

	<b>2002</b>	2001
	<b>£000's</b>	(restated) £000's
<b>Group</b>		
Retained profit for the financial period	<b>29,702</b>	36,090
Dividends	<b>(9,500)</b>	(11,500)
	<b>20,202</b>	24,590
Other recognised gains relating to the financial period	<b>3,157</b>	305
	<b>23,359</b>	24,895
Equity shareholders' funds at 30th December, 2001 as previously reported	<b>162,276</b>	137,279
Prior period adjustments (note 18)	<b>(6,912)</b>	(6,810)
Equity shareholders' funds at 30th December, 2001 restated	<b>155,364</b>	130,469
Equity shareholders' funds at 29th December, 2002	<b>178,723</b>	155,364

**22 Contingent liabilities**

Bank guarantees totalling **£153,000** (2001: £143,000) have been issued on behalf of the Group at 29th December, 2002. They are not expected to give rise to any claim. At 29th December, 2002 the Company is guarantor with other Group companies, of loans totalling **£83,474,000** (2001: £106,163,000) made by the Group's bankers to its ultimate parent company Bernard Matthews Holdings Limited.

**Notes to the Financial Statements**  
continued

**23 Operating leases**

At 29th December, 2002 the Group had annual non-cancellable operating lease commitments of:

	<b>Land and buildings 2002 £000's</b>	<b>Other 2002 £000's</b>	<b>Land and buildings 2001 £000's</b>	<b>Other 2001 £000's</b>
<b>Group</b>				
Operating leases expiring:				
Within one year	198	414	357	261
In the second to fifth years inclusive	292	949	159	1,062
Five years or more	236	64	-	60
	<b>726</b>	<b>1,427</b>	<b>516</b>	<b>1,383</b>
<b>Company</b>				
Operating leases expiring:				
Within one year	104	200	229	69
In the second to fifth years inclusive	131	737	-	815
Five years or more	237	64	-	60
	<b>472</b>	<b>1,001</b>	<b>229</b>	<b>944</b>

**24 Related party disclosure**

During the financial period the Group made trade purchases from Lamb Packers Feilding Limited and Progressive Gisborne Limited, associates of the Group, of **£17,035,000** (2001: £10,850,000) and **£12,172,000** (2001: £8,315,000) respectively. At the financial period end amounts owing to Lamb Packers Feilding Limited and Progressive Gisborne Limited from trade purchases were **£658,000** (2001: £449,000) and **£448,000** (2001: £301,000) respectively. Amounts due from these associates in respect of non-interest bearing long-term loans were **£931,000** (£1,038,000).

The Company has taken advantage of the exemption in FRS 8 Related Party Disclosures not to disclose transactions with other Group entities.

**25 Ultimate parent company and ultimate controlling party**

The ultimate parent undertaking for which the Group financial statements are drawn up and of which the Company is a member is Bernard Matthews Holdings Limited, registered in England and Wales. Copies of that company's financial statements can be obtained from the registrar, Companies House, Crown Way, Maindy, Cardiff. For the purposes of FRS 8, the Directors consider the Bernard Matthews family to be the ultimate controlling party.