Company number 03977289

BERNARD MATTHEWS HOLDINGS LIMITED

Report and financial statements for the
financial period ended 3rd July, 2011

Contents

Directors' report

The Directors present their report and audited financial statements for the financial period ended 3rd July, 2011

1. Principal activities

The principal activities of the Group during the period under review were the farming, production and marketing of turkey and other meat and poultry products

The principal activity of the Company is that of a holding company and it does not otherwise trade

Bernard Matthews Holdings has three principal trading businesses, Bernard Matthews Limited in the UK, Bernard Matthews Oldenburg GmbH in Germany and SáGa Foods RT in Hungary

2 Change in year end date

A decision was made during the year to change the year end date to the Sunday nearest to 30th June In order to align future year end dates, we have therefore reported results for an 18 month financial period ending on 3rd July 2011 As such the results are not directly comparable with the prior period given the different periods covered and the seasonality of the Group's trading

The reason for this change is due to the highly seasonal nature of the business By moving the year end away from the Christmas period, we will be able to plan more effectively for the following year with the knowledge of the previous year's Christmas performance and better balance the business workload by moving the planning process until after Christmas

3. Mr Bernard Matthews

It is with great sadness that we report the death of Mr Bernard Matthews CVO, CBE, QSM, the founder of the company, who passed away on 25th November, 2010

Mr Bernard Matthews founded and developed the Group through his entrepreneurial spirit, drive and clear focus

From simple beginnings, with an initial investment of just £2 50 sixty years ago, Mr Bernard Matthews was responsible for taking the business from twenty turkey eggs and a second-hand paraffin incubator to a successful and thriving multi-million pound Group He is the man who effectively put turkey on the plates of everyday working families throughout the United Kingdom and in so doing became one of the largest employers in rural East Anglia and a major supporter of the local farming community

Through his own struggles as a young entrepreneur, he was always keen to support young people and the Group was a founder Charter Member of the Duke of Edinburgh's Award Scheme Thanks to the success of the business he also helped support many other charitable causes, often in an unsung manner, but notably the independent Caister Lifeboat and the Nelson Museum in Great Yarmouth, both of which demonstrated his keen love of Norfolk and the sea

In recent years Mr Bernard Matthews became less involved in the day-to-day running of the Group and in January 2010, on his 80th birthday, he stepped down as Group Chairman

4. Business review and future developments

Group sales from continuing operations for the 18 months to 3rd July 2011 were £470 8 million (12 months to 3rd January, 2010 £330 5 million) generating an operating loss in respect of continuing operations of £6 6 million before exceptional costs (12 months to 3rd January, 2009 £2 5 million profit) The loss for the financial period was £30 8 million after exceptional charges of £17 5 million (12 months to 3rd January, 2010 £2 4 million loss)

The UK business performance for the period was adversely impacted by the extreme weather conditions in the winter of 2010/2011, which affected bird performance during this period

The Group as a whole suffered from a significant increase in the costs of animal feed due to the volatility of commodity markets Additionally, difficult economic conditions across the whole of Europe continue to impact consumer confidence and spending patterns

Nevertheless, positive steps taken by the Group to overcome these issues have begun to bear fruit, and the Directors remain confident as to the future direction and performance of the Group Current year trading is profitable and in line with our recovery plans

An amount of £16 0 million was charged to the profit & loss account during the 18 month period in respect of a decision by the Directors to impair the value of the assets of SaGa Foods RT with a further charge of £1 5 million in respect of restructuring charges incurred by SáGa Foods RT These charges reflect the historical performance of SaGa Foods RT and the continuing difficulties in the Hungarian economy

The Group generated an operating cashflow of £17 2million (12 months to 3rd January, 2010 £30 4million) and a net cash outflow before financing of £5 3million (12 months to 3rd January, 2010 inflow of £17 8million) during the 18 month period to 3rd July 2011 The Directors regard this as a satisfactory performance as the overall cash position has been impacted by the change to an 18 month financial period and the acquisition of Lincs Turkeys Limited for consideration (including overdraft acquired) of £7 4 million during the period The Group continues to be strongly cash positive on a trading basis

At the heart of the vast majority of Bernard Matthews' products is turkey, a meat that is both high in protein and low in saturated fat compared with any other mainstream meat As the UK business looks to the future the focus will be on championing turkey as a healthy meat and advocating greater turkey consumption generally, whether that is through the Bernard Matthews brand, retail customers' own-label products, or foodservice With consumption of turkey per head in the UK being a third of that in the US and less than half of that in France, Germany and Italy, there is significant potential for growth

On 30th April 2010, and in line with its business growth strategy, the Group purchased Lincs Turkeys Limited, a supplier of fresh free-range and indoor reared turkeys to some of the major retailers in the UK, as well as a supplier of turkey products to the foodservice, wholesale and business-to-business sectors Lincs Turkeys brings additional skills and expertise to the Group, which enhances and supports its long-term growth plans It will allow the UK business to expand its offering in the fresh and free-range turkey markets, areas of particular importance to Bernard Matthews This acquisition follows a number of significant developments for Bernard Matthews including such initiatives as Marco Pierre White becoming an ambassador for turkey and the launch of a new marketing campaign promoting the benefits of turkey

UK banking facilities
In June 2010 the existing banking facility was renewed through to June 2013 with the Group's current UK bankers The Directors believe that this arrangement provides sufficient funding for the needs of the UK businesses for the period, through to June 2013

Hungarian banking facilities
Subsequent to the year end, Hungarian banking facilities have been renewed with CIB Bank Zrt The facility, which amounts to HUF3,683,361,581 (£9,978,690 at the exchange rate at 12 January 2012), is available through to 15 January 2013, subject to covenants and to the requirement on the part of the Company to repay £3m of the loan due to SáGa Foods RT in December 2012 The repayment of this amount will require the consent of the UK bankers which the Directors are confident will be obtained On the assumption that the above loan repayment is made, the Directors are confident that the facilities provided by CIB Bank Zrt will be renewed for a period beyond 15 January 2013 and that the facilities available, on this basis, to the Hungarian subsidiaries provide sufficient funding for their needs for the period, through to 28 February, 2013

5. Dividends
The Directors do not recommend a final dividend for the financial period ended 3rd July, 2011 (2009 £nil)

6. Principal risks and uncertainties
The management of the business and the execution of the Group's strategy are subject to a number of risks The key business risks and uncertainties are considered to relate to the current economic climate, competition from cheaper overseas poultry producers, the potential effects of widespread poultry disease and the need to maintain and enhance the Bernard Matthews and SaGa brands The board of Directors monitors the key risks that the Group is subject to with a view to managing, where possible, the potential impacts

With the global economy in a time of uncertainty there continues to be a marked shift in the macro-economic climate with a significant slow-down in the UK and Europe However, the nature of the Group's core business provides a degree of protection against the general economic downturn

In addition to its strategy to remain a competitive producer, the Group has refocused its UK business around British turkey meat in order to support the recovery of its UK brand The Group continuously strives to maintain high standards of biosecurity

7. Key performance indicators
The key performance indicators used by the Directors are sales and pre-exceptional operating profit, the profit to sales ratio and net cashflow, as referred to above under the business review As such the Directors are of the opinion that further analysis using KPI's is not necessary for an understanding of the development, performance or position of the business

Key performance indicators (Continuing operations)	**2011 £'000s (18 months to 3rd July 2011)**	**2009 £'000s (12 months to 3rd Jan 2010)**
Sales	**470,844**	330,537
Pre-exceptional operating (loss)/profit to sales ratio	**(1.39%)**	0 74%
Pre-exceptional operating (loss)/profit	**(6,563)**	2,459
Net cash (outflow)/inflow before financing	**(5,101)**	17,772

The above KPI's are not directly comparable given the different periods covered and the seasonality of the Group's trading

8. Financial risk management
The Group's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate risk The Group has in place a risk management program that seeks to limit adverse effects on the financial performance of the Group The policies set by the board of Directors are implemented by the Group's finance department

Price risk
The Group is exposed to commodity price risk as a result of its operations This is managed partially using raw material futures contracts The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature The Group has no exposure to equity securities price risk as it holds no listed or other equity investments

Credit risk
The Group has policies which require appropriate credit checks on potential customers The Group has limited exposure to credit risk by virtue of its diverse customer base

Liquidity risk
The Group retains sufficient cash and facilities to ensure it has sufficient available funds for operations and planned expansions

Interest rate cash flow risk
The Group has both interest bearing assets and interest bearing liabilities Interest bearing assets include only cash balances, which attract interest at a floating rate Interest bearing liabilities include bank loans, overdrafts and finance leases which attract interest at both fixed and floating rates The Group uses interest rate swaps where appropriate to partially manage the interest rate risks arising from the Group's operations and its sources of finance The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature

9. Directors
The Directors who held office at 3rd July, 2011 and throughout the period up to the date of signing the financial statements, unless stated otherwise, were

Chairman
Bernard T Matthews, C V O , C B E , Q S M , *Executive Director* (resigned 24th January, 2010)
David S McCall, C B E , D L , *Non-executive Director, Deputy Chairman* (appointed Chairman 24th January, 2010)

Executive Directors
Noel F Bartram
Robert M Mears (appointed 8th August, 2011)
Andrew J Simpson (appointed 8th August, 2011)

Non-executive Directors
Carolyn D Claussen
G Michael Lunn (resigned 29th July, 2011)
Joyce K Matthews (appointed 31st May, 2011)
G Frederick Elgershuizen (appointed 31st May, 2011)

Company Secretary
David M Reger

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

11. Changes in fixed assets
Movements in fixed assets during the period are set out in notes 11 and 12 to the financial statements

12 Market value of interests in land
The Group's UK land holdings were valued in 2007 at £9,356,000 This was £4,330,000 in excess of their carrying value at that time In the opinion of the Directors the remaining land held elsewhere in the Group has an open market value in excess of the net book value but this has not been quantified

13. Employee involvement
Employee involvement, consultation and development fulfil key roles in achieving the Group's trading and manufacturing strategies

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

There has been a focus on developing the leadership skills of senior management within the business over the past 18 months as part of the Group's talent management strategy, which seeks to develop, retain and attract talent

Recognition of particular skills developed by staff within the Group is encouraged through development of relevant qualifications with local colleges, the University of East Anglia and professional institutes The business also offers annual scholarships to agriculture students at Harper Adams University College providing course fees and one year's employment placement

Regular business updates on noticeboards, an internal newsletter and the intranet are an important aid in keeping people informed of Group activities In addition a quarterly update meeting is held between senior management and all staff across the business

The Group continues to advance its diversity programme with the workforce comprising 30 different nationalities The Company was singled out for praise in the Equality & Human Rights Commission Inquiry Report into Recruitment and Employment in the Meat and Poultry Industry published in March 2010, and has subsequently played a positive role in the Equality & Human Rights Commission taskforce

Practical arrangements are made to accommodate disabled persons in employment Those who became disabled whilst in the Group's employment are retrained and/or transferred to alternative jobs wherever possible taking due account of health and safety and hygiene regulations

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

14. Charitable and political donations
For the financial period ended 3rd July, 2011 the Group made charitable contributions of £85,151 (2009 £38,181) to a variety of national and local charities The majority of these contributions were made to the Bernard Matthews Fund, administered by the Norfolk Community Foundation, which aims to support a wide range of charitable and community activities throughout Norfolk, North Suffolk and Lincolnshire No contributions were made to political organisations (2009 £nil)

Actual contributions made by the Group are administered by the Company's board of Directors and are directed towards assisting charitable organisations in areas where the Group has its principal manufacturing operations

15. Directors' third-party indemnity provisions
A qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006 is in force for the benefit of each of the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law In respect of those liabilities for which Directors may not be indemnified, the company maintained a directors' and officers' liability insurance policy throughout the financial year

16. Statement of disclosure of information to auditors
So far as each Director (as at the date of signing the report) is aware, there is no relevant information of which the Group's auditors are unaware Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information

17. Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting

By order of the board

D. M. Reger
Company Secretary
Gt Witchingham Hall
Norwich NR9 5QD

1/2/2012

Statement of directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial period Under that law the Directors have elected to prepare the Group and Parent company 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 Group and of the profit or loss of the Group for that period

In preparing those financial statements, the Directors are required to

1. Select suitable accounting policies and then apply them consistently,
2. Make judgements and estimates that are reasonable and prudent,
3. State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
4. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business

The Directors confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and 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 2006 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By order of the board

D.M. Reger
Company Secretary
Gt Witchingham Hall
Norwich NR9 5QD
1/2/2012

Independent auditors' report
to the members of Bernard Matthews Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Bernard Matthews Holdings Limited for the 18 month period ended 3rd July, 2011 which comprise the consolidated profit and loss account, consolidated statement of total recognised gains and losses, group and company balance sheets, consolidated cash flow statement 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 6 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 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 the 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 group's and parent 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 directors' report 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 group's and the parent company's affairs as at 3rd July, 2011 and of the group's loss and cash flows for the financial period 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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Christopher Maw (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Norwich

8 February 2012

Consolidated profit and loss account
for the financial period ended 3rd July, 2011

	Notes	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's
Turnover	2	**470,844**	330,537
Operating (loss)/profit before exceptional operating costs		**(6,563)**	2,459
Exceptional operating costs	3	**(17,450)**	(2,023)
Operating (loss)/profit after exceptional operating costs	3	**(24,013)**	436
Net interest payable and similar charges	5	**(4,650)**	(4,442)
Other finance (charge)/income	10	**(95)**	13
Loss on ordinary activities before taxation	2	**(28,758)**	(3,993)
Taxation on loss on ordinary activities	6	**(2,157)**	1,650
Loss on ordinary activities after taxation		**(30,915)**	(2,343)
Equity minority interests		**126**	(77)
Loss for the financial period	7, 21	**(30,789)**	(2,420)

Consolidated statement of total recognised gains and losses
for the financial period ended 3rd July, 2011

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's
Loss for the financial period	**(30,789)**	(2,420)
Actuarial gain/(loss) on pension scheme (note 10)	**3,264**	(5,450)
Movement on deferred tax relating to pension scheme liability (note 19)	**(849)**	1,526
Currency translation differences on foreign currency net investments	**(2,092)**	(2,225)
Total recognised losses relating to the financial period	**(30,466)**	(8,569)

Balance sheets
at 3rd July, 2011

	Notes	Group 2011 £000's	Group 2009 £000's	Company 2011 £000's	Company 2009 £000's
Fixed assets					
Intangible assets	11	**1,032**	-	-	-
Tangible assets	12	**74,810**	93,201	-	-
Investments	13	**16**	18	**79,055**	138,454
		75,858	93,219	**79,055**	138,454
Current assets					
Stocks	14	**58,153**	50,629	-	-
Debtors	15	**48,650**	55,911	**32,594**	33,879
Cash at bank and in hand		**1,234**	7,409	-	-
		108,037	113,949	**32,594**	33,879
Creditors: Amounts falling due within one year					
Borrowings	16	**(51,379)**	(52,702)	-	(560)
Other creditors	17	**(51,758)**	(42,666)	**(19,870)**	(20,385)
Net current assets		**4,900**	18,581	**12,724**	12,934
Total assets less current liabilities		**80,758**	111,800	**91,779**	151,388
Creditors: Amounts falling due after more than one year					
Borrowings	16	**(4,011)**	(1,408)	-	-
Other creditors	17	**(1,573)**	(1,539)	-	-
Provisions for liabilities and charges	18	**(1,015)**	(1,138)	-	-
Net assets excluding pension liability		**74,159**	107,715	**91,779**	151,388
Pension liability	10	**(3,261)**	(6,196)	-	-
Net assets including pension liability	2	**70,898**	101,519	**91,779**	151,388
Capital and reserves					
Called up share capital	20	**13,234**	13,234	**13,234**	13,234
Merger reserve	21	**83,482**	83,482	**83,482**	83,482
Capital redemption reserve	21	**54**	54	**54**	54
Other reserve	21	**4,609**	4,609	**4,609**	4,609
Profit and loss account	21	**(30,582)**	(116)	**(9,600)**	50,009
Total shareholders' funds	22	**70,797**	101,263	**91,779**	151,388
Minority interests		**101**	256	-	-
Capital employed		**70,898**	101,519	**91,779**	151,388

The financial statements on pages 8 to 35 were approved by the board of directors on 1st February, 2012 and signed on its behalf by

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N. F. Bartram
(Group Chief Executive)

Company number 03977289

Consolidated cash flow statement
for the financial period ended 3rd July, 2011

	Notes	2011 18 months to 3 July 2011 £000's	 £000's	2009 12 months to 3 January 2010 £000's	 £000's
Net cash inflow from operating activities	26		**17,145**		30,400
Returns on investments and servicing of finance					
Interest received		**30**		31	
Interest paid		**(4,547)**		(4,647)	
Interest element of finance lease rental payments		**(123)**		(24)	
			(4,640)		(4,640)
Taxation					
UK corporation tax paid		**(7)**		(27)	
Overseas taxation (paid)/recovered		**(317)**		61	
			(324)		34
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(10,706)**		(8,146)	
Sale of tangible fixed assets		**788**		124	
			(9,918)		(8,022)
Net cash outflow from acquisition of subsidiary					
Purchase of subsidiary undertaking		**(4,846)**			
Net overdrafts acquired with subsidiary undertaking		**(2,518)**		-	
			(7,364)		-
Net cash (outflow)/inflow before financing			**(5,101)**		17,772
Financing					
Capital element of finance lease repayments	28	**(652)**		(84)	
Decrease in borrowings	28	**(3,513)**		(14,258)	
			(4,165)		(14,342)
(Decrease)/increase in cash in the financial period	28		**(9,266)**		3,430

1. Accounting policies

(a) Basis of financial statements
These financial statements are prepared on a going concern basis, under the historic cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies are set out below

The accounting periods of the Group end on the Sunday nearest to 30th June, which results in financial periods of either 52 or 53 weeks In 2011 the financial period was 78 weeks (2009 53 weeks) as the accounting reference date was changed from being the Sunday nearest to 31st December In accordance with the exemption provided under Section 408, Companies Act 2006, the profit and loss account of the parent Company is not published The Group financial statements incorporate the financial statements of Bernard Matthews Holdings Limited and all its subsidiaries to 3rd July, 2011 The results of subsidiaries are included from the date of acquisition Intra group sales and profits are eliminated on consolidation Accounting policies have been applied uniformly across the group

(b) Going concern
After considering the cash flow projections prepared for the period to the end of June 2013, the Directors believe the Group has sufficient funds to meet its liabilities as they fall due and have accordingly prepared the financial statements on a going concern basis Details of the availability of banking facilities are shown below

UK banking facilities
In June 2010 the existing banking facility was renewed through to June 2013 with the Group's current UK bankers The Directors believe that this arrangement provides sufficient funding for the needs of the UK businesses for the period, through to June 2013

Hungarian banking facilities
Subsequent to the year end, Hungarian banking facilities have been renewed with CIB Bank Zrt The facility, which amounts to HUF3,683,361,581 (£9,978,690 at the exchange rate at 12 January 2012), is available through to 15 January 2013, subject to covenants and to the requirement on the part of the Company to repay £3m of the loan due to SaGa Foods RT in December 2012 The repayment of this amount will require the consent of the UK bankers which the Directors are confident will be obtained On the assumption that the above loan repayment is made, the Directors are confident that the facilities provided by CIB Bank Zrt will be renewed for a period beyond 15 January 2013 and that the facilities available, on this basis, to the Hungarian subsidiaries provide sufficient funding for their needs for the period, through to 28 February, 2013

(c) Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Deferred taxation assets are not recognised if the future transfer of economic benefits is uncertain Deferred taxation is measured on a non-discounted basis

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

(e) Stocks
Stocks are valued at the lower of cost and net realisable value on a first in first out basis Finished goods and work in progress are valued at the lower of cost of production, including directly attributable overheads, and estimated realisable value

(f) Leased assets
Costs in respect of operating leases are charged against operating profit as they accrue Leasing contracts which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright 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 1(h) or the lease term if shorter 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 Assets which have been sold and leased back are accounted for under FRS 5 'Reporting the Substance of Transactions' to reflect the substance of the underlying transaction No profit is recognised on those assets previously owned and subsequently sold and leased back

1. Accounting policies continued

(g) 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 over a period of between two and seven years from the date of implementation

(h) Depreciation
Tangible fixed assets are stated at historic purchase cost less accumulated depreciation Depreciation is first charged when fixed assets are brought into use and is calculated to write off the cost in equal annual instalments at the following principal rates

Freehold land	Nil
Freehold buildings	2-10%
Poultry houses	2-3%
Plant and machinery, vehicles and other equipment	4-33%
Fixtures and fittings	15-20%
Assets in course of construction	Nil

The carrying value of the Group's assets is reviewed for impairment at the end of the first full year of acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

(i) Foreign currencies
All foreign currency monetary 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 at the closing rate of exchange 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

(j) 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'

(k) Pension scheme arrangements
The pension schemes of the Group are externally managed The Group has a defined benefit scheme which is closed to further accrual and an active defined contribution scheme The pension cost of the defined contribution scheme is charged to the profit and loss account in the financial period to which it relates The interest on liabilities for defined benefit schemes is, in accordance with FRS 17, 'Retirement Benefits', charged to the profit and loss account The expected return on assets is credited to the profit and loss account Actuarial gains and losses on the assets and liabilities of the scheme are recognised through the statement of total recognised gains and losses

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

(m) Financial instruments
As the Group has not elected to adopt FRS 26 'Financial Instruments Measurement', it is entitled to, and has claimed exemption from, the disclosure requirements of FRS 29 'Financial Instruments Presentation'

Financial assets and financial liabilities are recognised upon becoming a party to the contractual provisions of the instrument

Trade debtors
Trade debtors are not interest bearing and are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts

Trade creditors
Trade creditors are not interest bearing and are stated at their nominal value

Financial liabilities
Financial liabilities are classified according to the substance of the contractual arrangements entered into

1. Accounting policies continued

Other financial instruments
The Group uses other financial instruments (principally interest rate swaps, forward foreign currency contracts and raw material futures contracts) 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

Gains or losses on foreign currency hedges and raw material hedges are recognised in line with the underlying transaction The Group does not trade in financial instruments

(n) Cost of capital instruments
Capital instruments are initially recorded net of finance costs incurred in respect of the instrument The costs are then charged to the profit and loss account over the term of the instrument to which the costs relate

(o) Employers' National Insurance Contributions on share options
Employers' National Insurance Contributions become payable on the exercise of unapproved share options issued after 5 April, 1999 on the difference between the exercise price and the market value at the date the options are exercised Provision for this liability is based upon the market value of options at the balance sheet date multiplied by the latest enacted rate of National Insurance and is spread over the remaining vesting period of the options

(p) Share based payments
For equity settled grants made under the Group's share based payment schemes, amounts which reflect the fair value of options awarded to employees of the Group as at the date of grant are charged to the profit and loss account over the period from grant date to vesting date in accordance with FRS 20 'Share-based Payment' The valuation of the options utilises a methodology based on the Black-Scholes model

The Group has taken advantage of the transitional provisions of FRS 20 in respect of equity settled awards and has applied FRS 20 only to equity settled awards granted or amended after 7 November 2002

(q) Government grants
Grants received to assist with the purchase of tangible fixed assets are amortised over a period to match the life of the asset acquired

(r) Goodwill
On capitalisation of the goodwill the Directors reviewed the useful economic life attributable to it and concluded that it should be amortised on a straight-line basis over twenty years

2. Segmental analysis

Segmental analysis by geographical area

The analyses by geographical area of the Group's turnover, loss before taxation and net assets are set out below

Turnover by geographical area

	Turnover by origin 2011 (18 mths to 3 July 2011) £000's	Turnover by destination 2011 (18 mths to 3 July 2011) £000's	Turnover by origin 2009 (12 mths to 3 Jan 2010) £000's	Turnover by destination 2009 (12 mths to 3 Jan 2010) £000's
Western Europe	389,442	416,427	251,859	287,834
Other, including Hungary	96,102	54,417	82,293	42,703
	485,544	470,844	334,152	330,537
Inter-area sales	(14,700)	-	(3,615)	-
Total turnover	470,844	470,844	330,537	330,537

Loss on ordinary activities before taxation per area of origin

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's
Western Europe	(1,625)	3,821
Other, including Hungary	(22,388)	(3,385)
Operating (loss)/profit	(24,013)	436
Interest and other finance charges	(4,745)	(4,429)
Loss on ordinary activities before taxation	(28,758)	(3,993)

Net assets per segment of origin

	2011	2009
Western Europe	112,154	99,758
Other, including Hungary	12,900	48,462
	125,054	148,220
Net borrowings	(54,156)	(46,701)
Net assets	70,898	101,519

The majority of the Western European turnover, operating profit and net assets result from UK operations In the opinion of the Directors the disclosure of further segmental information relating to disaggregated geographical areas would be seriously prejudicial to the interests of the Group and has not therefore been provided

3. Group operating (loss)/profit

		2011 Total (18 mths to 3 July 2011 £000's	2009 Total (12 mths to 3 Jan 2010 £000's
Sales outside the Group		**470,844**	330,537
Changes in stocks of finished goods and work in progress		**3,701**	(14,558)
Own work capitalised		**654**	383
Other operating income		**1,126**	966
		476,325	317,328
Raw materials and consumables		**242,425**	153,466
Other external charges		**19,357**	10,511
Staff costs (note 9)	Exceptional costs	**1,152**	644
	Other	**103,425**	73,747
		104,577	74,391
Depreciation and other amounts written-off fixed assets	Exceptional costs	**15,973**	-
	Other	**16,878**	12,106
		32,851	12,106
Other operating charges	Exceptional costs	**325**	1,379
	Other	**100,803**	65,039
		101,128	66,418
		500,338	316,892
Operating (loss)/profit after exceptional operating costs		**(24,013)**	436

The exceptional costs of £1,152,000 (12 months ended 3 January, 2010 £644,000) and £325,000 (12 months ended 3 January, 2010 £1,379,000) relating to staff costs and other operating charges respectively were incurred in respect of the restructuring of the Hungarian subsidiaries The exceptional cost of £15,973,000 (12 months ended 3 January, 2010 £nil) relates to amounts written off of fixed assets following a review of the carrying value of the tangible fixed assets of the Hungarian subsidiaries

3. Group operating (loss)/profit continued

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's
Operating (loss)/profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
- Owned assets	**16,602**	12,050
- Leased assets	**222**	56
Impairment of Fixed Assets	**15,973**	-
Amortisation of grants received	**(1,548)**	(762)
Amortisation of goodwill	**54**	-
Loss on disposal of fixed assets	**268**	78
Operating lease charges		
- Plant and machinery	**1,508**	768
- Other	**1,195**	711
Research and development	**3,418**	1,835
Currency exchange differences	**(572)**	36

4. Services provided by the Group's auditors and network firms

During the financial period the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors and network firms at costs as detailed below

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's
Audit services		
- Fees payable to the company auditors for the audit of parent company and consolidated accounts	**18**	12
Non-audit services		
Fees payable to company's auditors and its associates for other services		
- The audit of company's subsidiaries pursuant to legislation	**242**	159
- Tax services	**15**	15
- Other	**124**	691
Fees payable in respect of the pension schemes		
- Audit	**13**	12
	412	889

5. Net interest payable and similar charges

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's
Bank interest payable	**3,938**	3,872
Interest payable on finance leases	**123**	24
Amortisation of issue costs of bank loan	**619**	577
Bank interest receivable	**(30)**	(31)
	4,650	4,442

6. Taxation on loss on ordinary activities

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's
Current taxation		
UK corporation tax at **27.67%** (2009 28%)	**(222)**	26
Overseas taxation	**1,105**	470
Total current taxation	**883**	496
Deferred taxation		
Origination and reversal of timing differences (note 19)		
UK	**(759)**	(662)
Overseas	**2,010**	(766)
Adjustment in respect of prior periods	**(661)**	(861)
Change in tax rate	**269**	-
Deferred tax on pension scheme liabilities	**415**	143
Total deferred taxation	**1,274**	(2,146)
Taxation charge/(credit) on loss on ordinary activities	**2,157**	(1,650)

6 Taxation on loss on ordinary activities continued

The taxation assessed for the financial period is higher (2009 higher) than the standard rate of corporation tax in the UK of **27.67%** (2009 28%) The differences are explained below

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's
Loss on ordinary activities before taxation	**(28,758)**	(3,993)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of **27.67%** (2009 28%)	**(7,957)**	(1,118)
Permanent differences	**4,409**	(3)
Excess of depreciation and impairment charges over capital allowances and other timing differences	**(1,155)**	883
Unutilised tax losses carried forward	**2,208**	1,238
Pension cost relief in excess of pension cost charge	**(415)**	(143)
Other timing differences	**(295)**	(693)
Differential taxation rates on overseas earnings	**4,088**	332
Current taxation charge for the financial period	**883**	496

Factors that may affect future charges:
Unrelieved tax losses as shown in note 19 are available to be utilised in the coming years During the period, as a result of the change in the UK main corporation tax rate from 28% to 26% effective from 1 April 2011, the relevant deferred tax balances have been re-measured Further reductions to the UK corporation tax rate were announced in the 2011 budget but as these had not been substantively enacted at the balance sheet date the changes are not recognised in these financial statements

7 (Loss)/profit for the financial period

The loss for the financial period attributable to Bernard Matthews Holdings Limited for the financial period ended 3rd July, 2011 is **£59,609,000** (12 months ended 3 January, 2010 £14,876,000 profit)

8. Directors' emoluments

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's
Aggregate emoluments	1,504	1,052
Aggregate contributions to defined contribution schemes	28	15
	1,532	1,067

Retirement benefits accrue to one Director (2009 one) under the Group's defined benefit scheme

Emoluments payable to the highest paid Director are as follows

	2011 £000's	2009 £000's
Aggregate emoluments	609	429

9. Employee information

Monthly average number of employees of the Group

	2011 Number	2009 Number
Production	3,023	3,211
Administration	466	647
	3,489	3,858

Remuneration paid by the Group

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's
Aggregate gross remuneration	90,535	63,970
State social security costs	11,485	8,616
Other pension costs (note 10)	2,557	1,805
	104,577	74,391

Other than the Directors the Company had no employees during the financial period (2009 nil)

10. Pensions

As of 21st March, 2004, the Bernard Matthews Pension Fund was closed to further accrual and members transferred into a new defined contribution scheme The Group also operates a Contracted-In Money Purchase Scheme The cost of employer contributions is charged to the profit and loss account in the financial period to which it relates At the end of the financial period, contributions of **£138,000** (12 months ended 3 January, 2010 £155,000) were outstanding

Group Pension Cost

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's
Pension costs in relation to defined contribution schemes	**(2,557)**	(1,805)
Finance (charge)/income in respect of defined benefit scheme (note 10d)	**(95)**	13
	(2,652)	(1,792)

Defined benefit pension scheme.
The most recent actuarial valuation of the Bernard Matthews Pension Fund was conducted as at 31st December, 2010 and a deficit of £6,031,000 was identified The Group is paying additional contributions to fund the deficit and as such during 2011 contributions totalling **£1,030,000** were made to the fund (12 months ended 3 January, 2010 £500,000)

The actuarial valuation was updated to 3rd July, 2011 by a qualified independent actuary on the basis prescribed by FRS 17

(a) Assumptions:
The major assumptions used by the actuary were as follows

Main Assumptions:	**2011**	2009
Rate of increase in pensions in payment	**3.60%**	3 60%
Discount rate	**5.60%**	5 70%
Inflation assumption	**3.70%**	3 60%

The mortality assumptions used were as follows

	2011 Years	2009 Years
Longevity at age 60		
Current pensioners	**24.8**	24 7
Future pensioners	**26.6**	26 4

10. Pensions continued

(b) Reconciliation of present value of scheme liabilities

	2011 £000's	2009 £000's
At 4th January, 2010	**40,373**	32,498
Interest cost	**3,510**	2,009
Benefits paid	**(1,079)**	(1,226)
Actuarial (gain)/loss	**(2,011)**	7,092
At 3rd July, 2011	**40,793**	40,373

(c) Movement in fair value of scheme assets

	2011 £000's	2009 £000's
At 4th January, 2010	**31,767**	28,829
Expected return on pension scheme assets	**3,415**	2,022
Actuarial gain	**1,253**	1,642
Benefits paid	**(1,079)**	(1,226)
Contribution paid by employer	**1,030**	500
At 3rd July, 2011	**36,386**	31,767

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

	Long Term rate of return expected 3 7 11	**Value at 3.7.11 £000's**	Long Term rate of return expected 3 1 10	Value at 3 1 10 £000's	Long Term rate of return expected 28 12 08	Value at 28 12 08 £000's
Equities	**7.6%**	**20,110**	8 1%	14,429	8 0%	13,086
Bonds	**5.6%**	**12,708**	5 7%	14,530	6 3%	13,009
Property	**6.6%**	**3,568**	6 9%	2,808	6 7%	2,734
		36,386		31,767		28,829
Present value of scheme liabilities		**(40,793)**		(40,373)		(32,498)
Deficit in scheme		**(4,407)**		(8,606)		(3,669)
Related deferred tax asset		**1,146**		2,410		1,027
Net pension deficit		**(3,261)**		(6,196)		(2,642)

10. Pensions continued

(d) Group profit and loss account and statement of total recognised gains and losses:
Under the assumptions detailed in note 10(a), the amounts that have been charged to the Group profit and loss account and statement of total recognised gains and losses for the financial period ended 3rd July, 2011 are as follows

Group profit and loss account

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's
Other finance income		
Expected return on pension scheme assets	3,415	2,022
Interest on pension scheme liabilities	(3,510)	(2,009)
Net other finance (charge)/income	(95)	13

	2011 £000's	2009 £000's
Statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	1,253	1,642
Experience gains and losses arising on the scheme liabilities	-	1,567
Impact of changes in assumptions relating to the present value of scheme liabilities	2,011	(8,659)
Actuarial profit/(loss) recognised in the statement of total recognised gains and losses	3,264	(5,450)

10. Pensions continued

(e) History of experience gains and losses for the financial period ended 3rd July, 2011·

	2011 £000's	2009 £000's	2008 £000's	2007 £000's	2006 £000's
Defined benefit obligation	**(40,793)**	(40,373)	(32,498)	(40,822)	(57,499)
Plan assets	**36,386**	31,767	28,829	40,295	51,796
Deficit	**(4,407)**	(8,606)	(3,669)	(527)	(5,703)

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's	2008 (12 mths to 28 Dec 2008 £000's	2007 (12 mths to 30 Dec 2007 £000's	2006 (12 mths to 31 Dec 2006 £000's
Difference between the expected and actual return on scheme assets	**1,253**	1,642	(9,801)	(1,484)	2,891
Percentage of scheme assets	**3.4%**	5 2%	(34 0%)	(3 7%)	5 6%

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's	2008 (12 mths to 28 Dec 2008 £000's	2007 (12 mths to 30 Dec 2007 £000's	2006 (12 mths to 31 Dec 2006 £000's
Experience gains and losses on scheme liabilities	-	1,567	313	(250)	228
Percentage of the present value of the scheme liabilities	-	4%	1%	(1%)	1%

	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's	2008 (12 mths to 28 Dec 2008 £000 s	2007 (12 mths to 30 Dec 2007 £000's	2006 (12 mths to 31 Dec 2006 £000's
Total amount recognised in the statement of total recognised gains and losses	**3,264**	(5,450)	(4,504)	3,706	4,967

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses for accounting periods ending on or after 31st December, 2002 is £9,099,000 (2009 £12,363,000)

11. Fixed assets - Intangible assets

Group	Goodwill £000's
Cost at 4th January, 2010	-
Acquisition of subsidiary	1,086
Cost at 3rd July, 2011	1,086
Amortisation at 4th January, 2010	-
Amortisation in the period	54
3rd July 2011	54
Net book value at 3rd July, 2011	**1,032**
Net book value at 3rd January, 2010	-

The goodwill relates to the acquisition of the shares in Lincs Turkeys Limited and is being amortised on a straight-line basis over twenty years This is the period for which the Directors estimate that the value of the business acquired is expected to exceed the value of its underlying assets

Acquisition of Lincs Turkeys Limited

The group purchased Lincs Turkeys Limited during the year for a total consideration of £4,846,000 on 30th April, 2010 The book values of the assets and liabilities of Lincs Turkeys Limited at the date of acquisition are set out below The Directors consider that the book values of the assets and liabilities are equivalent to the fair values The purchase has been accounted for as an acquisition Lincs Turkeys Limited reduced by £390,000 the group's net operating cashflows, paid £68,000 in respect of interest, £5,000 in respect to taxation and utilised £161,000 for capital expenditure for the 18 month period to 3rd July, 2011 In its last financial year to 3rd January, 2010 Lincs Turkeys Limited made a profit after tax of £599,000 From 3rd January, 2010 to 30th April, 2010 Lincs Turkeys Limited made a loss after tax of £656,000

	Book value and fair value £ 000's
Tangible fixed assets	4,776
Stocks	5,012
Debtors	2,261
Creditors	(4,125)
Finance lease	(309)
Taxation current	(265)
Taxation deferred	(93)
Bank overdraft	(2,518)
Bank loans	(979)
Net assets acquired	3,760
Goodwill	1,086
Consideration satisfied by Cash	**4,846**

12. Fixed assets - Tangible assets

Group	Freehold land and buildings £000's	Plant and machinery (including poultry houses & vehicles) £000's	Fixtures and fittings (including software) £000's	Assets in course of construction £000's	Total £000's
Cost at 4th January, 2010	46,299	117,960	10,551	924	**175,734**
Additions	592	1,763	234	9,428	**12,017**
Acquisition of subsidiary	3,753	1,023	-	-	**4,776**
Disposals	(459)	(5,504)	(1,233)	-	**(7,196)**
Reclassification	1,826	5,691	314	(7,831)	-
Exchange adjustments	(669)	(1,299)	(270)	30	**(2,208)**
Cost at 3rd July, 2011	**51,342**	**119,634**	**9,596**	**2,551**	**183,123**
Depreciation at 4th January, 2010	11,585	64,281	6,667	-	**82,533**
Charge for the financial period	2,769	12,743	1,312	-	**16,824**
Impairment of SaGa Assets	9,059	6,914	-	-	**15,973**
Eliminated on disposals	(136)	(5,011)	(1,052)	-	**(6,199)**
Reclassification	(153)	(2)	155	-	-
Exchange adjustments	(35)	(615)	(168)	-	**(818)**
Depreciation at 3rd July, 2011	**23,089**	**78,310**	**6,914**	-	**108,313**
Net book value at 3rd July, 2011	**28,253**	**41,324**	**2,682**	**2,551**	**74,810**
Net book value at 3rd January, 2010	34,714	53,679	3,884	924	93,201

The net book value of tangible fixed assets for the Group includes an amount of **£890,000** (2009 £525,000) in respect of assets held under finance leases

The Company held no tangible fixed assets

Capital commitments	**Group 2011 £000's**	Group 2009 £000's	**Company 2011 £000's**	Company 2009 £000's
Contracted for but not provided in the financial statements	**291**	359	-	-

13. Fixed assets - Investments

	Group other investments £000's	Company subsidiaries £000's
Cost at 4th January, 2010	18	239,762
Exchange adjustment	(2)	-
Cost at 3rd July, 2011	**16**	**239,762**
Impairments at 4th January, 2010 and 3rd July, 2011	-	101,308
Charge for the financial period	-	59,399
Impairments at 3rd July, 2011	-	**160,707**
Net book value at 3rd July, 2011	**16**	**79,055**
Net book value at 3rd January, 2010	18	138,454

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

Name of subsidiary	Country of incorporation and operation	Class of shares held	Percentage of nominal value of issued shares held by Group	Company
Bernard Matthews Limited	United Kingdom	Ordinary	100	100
Bernard Matthews Oldenburg GmbH	Germany	Ordinary	100	-
SáGa Foods RT	Hungary	Ordinary	100	-
Panon Pulyka KFT	Hungary	Ordinary	100	-
Sabaker KFT	Hungary	Ordinary	100	-
Rabaho KFT	Hungary	Ordinary	56	-
Lincs Turkeys Limited	United Kingdom	Ordinary	100	-

The principal business activities of these subsidiaries are

Manufacture, distribution and sale of food products and related by-products – Bernard Matthews Limited, Bernard Matthews Oldenburg GmbH, SáGa Foods RT, Panon Pulyka KFT, Sabaker KFT, Rabaho KFT and Lincs Turkeys Limited

Certain other subsidiaries traded as agents for the Company or as intermediate holding companies

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

14. Stocks

	Group		Company	
	2011	2009	**2011**	2009
	£000's	£000's	**£000's**	£000's
Raw materials and consumables	**12,015**	12,614	-	-
Work in progress	**28,589**	23,465	-	-
Finished goods	**17,549**	14,550	-	-
	58,153	50,629	-	-

The replacement cost of stocks does not differ materially from the numbers disclosed above

15. Debtors

	Group		Company	
	2011	2009	**2011**	2009
	£000's	£000's	**£000's**	£000's
Amounts falling due within one year				
Trade debtors	**36,186**	43,890	-	-
Amounts owed by group undertakings	-	-	**32,594**	33,879
Other debtors	**4,194**	3,257	-	-
Corporation tax	-	602	-	-
Prepayments and accrued income	**3,346**	2,207	-	-
	43,726	49,956	**32,594**	33,879
Amounts falling due after one year				
Deferred tax (note 19)	**4,924**	5,955	-	-
	48,650	55,911	**32,594**	33,879

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand

16. Borrowings

	Group		Company	
	2011 £000's	2009 £000's	**2011 £000's**	2009 £000's
Amounts falling due within one year				
Bank loans	**41,229**	46,116	-	560
Bank overdrafts	**9,543**	6,483	-	-
Obligations under finance leases	**607**	103	-	-
	51,379	52,702	-	560
Amounts falling due after one year				
Bank and other loans falling due after more than one year are repayable as follows				
One to two years	**882**	417	-	-
Two to five years	**1,734**	581	-	-
Over five years	**470**	-	-	-
	3,086	998	-	-
Obligations under finance leases due after more than 1 year are repayable as follows				
One to two years	**764**	94	-	-
Two to five years	**161**	288	-	-
Over five years	-	28	-	-
	925	410	-	-
Total amount falling due after one year	**4,011**	1,408	-	-
Total borrowings	**55,390**	54,110	-	560

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

Bank loans bear interest at an average rate of 3 month LIBOR + 3% and are repayable in instalments over the period to June 2013

Notes to the financial statements for the financial period ended 3rd July, 2011
continued

17. Other creditors

	Group		Company	
	2011	2009	**2011**	2009
	£000's	£000's	**£000's**	£000's
Amounts falling due within one year				
Trade creditors	**35,772**	29,721	-	-
Amounts owed to group undertakings	-	-	**19,835**	20,352
Corporation tax	**453**	85	-	-
Other taxation and social security	**1,949**	2,819	-	-
Other creditors	**2,756**	2,499	-	-
Accruals and deferred income	**10,828**	7,542	**35**	33
	51,758	42,666	**19,870**	20,385
Amounts falling due after one year				
Accruals and deferred income	**1,573**	1,539	-	-
Total other creditors	**53,331**	44,205	**19,870**	20,385

Amounts owed to group undertakings are unsecured, accrue interest at LIBOR +2% and are repayable on demand

18. Provisions for liabilities and charges

Group	Onerous leases £000's	Insurance £000's	Total £000's
At 4th January, 2010	1,100	38	**1,138**
Credited to the profit and loss account	(85)	(38)	**(123)**
At 3rd July, 2011	1,015	-	**1,015**

Onerous leases
Onerous lease provisions comprise undiscounted future rents payable on onerous property leases It is expected that the expenditure will be incurred after the next financial year

19 Deferred taxation

	Group 2011 £000's	Group 2009 £000's
Provision for deferred taxation comprises		
Accelerated capital allowances	**3,178**	3,100
Other timing differences	**(1,555)**	(2,292)
Tax losses carried forward	**(6,547)**	(6,763)
Deferred taxation asset	**(4,924)**	(5,955)

	Group 2011 £000's	Group 2009 £000's
At 4th January, 2010	**(5,955)**	(3,554)
Deferred tax credited in profit and loss account (note 6)	**1,123**	(2,289)
Exchange adjustments	**(92)**	(112)
At 3rd July, 2011	**(4,924)**	(5,955)

Deferred taxation has been calculated at **26%** (2009 28%) and at prevailing overseas taxation rates where applicable

The Group has an unprovided deferred tax asset of £1 8 million (2009 £nil) relating to trading losses

Deferred tax asset relating to pension deficit

	Group 2011 £000's	Group 2009 £000's
At 4th January, 2010	**2,410**	1,027
Deferred tax charged in profit and loss account (note 6)	**(415)**	(143)
Deferred tax credited to the statement of total recognised gains and losses	**(849)**	1,526
At 3rd July, 2011	**1,146**	2,410

The Company has no deferred taxation

20 Called up share capital and share options

	2011 £000's	2009 £000's
Allotted, called up and fully paid·		
52,937,648 (2009 52,937,648) ordinary shares of 25p each	**13,234**	13,234
2,510,436 (2009 Nil) B ordinary shares of 0 001p each	-	-
	13,234	13,234

20. Called up share capital and share options continued

The options over Bernard Matthews Holdings Limited shares in issue as at 3rd July, 2011, all of which are fully vested and therefore exercisable, are as follows

	Exercise Price at 03 07 11	Number of options at 03 07 11	Exercise Price at 03 01 10	Number of options at 03 01 10	Expiry Date
B T Matthews	113p	1,031,000	113p	1,031,000	10 12 2025
N F Bartram	nil	126,000	113p	126,000	10 12 2025
N F Bartram	nil	432,053	185p	432,053	10 12 2025
Others	nil	-	nil	2,510,436	10 12 2025
	Total	**1,589,053**		**4,099,489**	

The Group has taken advantage of the exemption available under FRS 20 and has not applied the provisions of the standard to the share options issued by the Group prior to 7th November, 2002

All share options in issue are equity settled, have vested and can be exercised at any time during the exercise period 2,510,436 share options were exercised during the financial period ended 3rd July, 2011 (2009 nil) No other share options were granted during the financial period ended 3rd July, 2011 (2009 nil)

21. Reserves

	Merger reserve £000's	Capital redemption reserve £000's	Other reserve £000's	Profit and loss account £000's
Group				
At 4th January, 2010	83,482	54	4,609	(116)
Actuarial profit on pension scheme (note 10)	-	-	-	3,264
Movement on deferred tax relating to pension scheme	-	-	-	(849)
Currency translation differences	-	-	-	(2,092)
Retained loss for the financial period	-	-	-	(30,789)
At 3rd July, 2011	**83,482**	**54**	**4,609**	**(30,582)**

Included in the currency translation differences is a profit on exchange of **£272,000** (2009 £1,526,000 profit) arising on borrowings denominated in foreign currencies designated as hedges of net overseas investments

	Merger reserve £000's	Capital redemption reserve £000's	Other reserve £000's	Profit and loss account £000's
Company				
At 4th January, 2010	83,482	54	4,609	50,009
Retained loss for the financial period	-	-	-	(59,609)
At 3rd July, 2011	**83,482**	**54**	**4,609**	**(9,600)**

22. Reconciliation of movements in total shareholders' funds

Group	2011 (18 mths to 3 July 2011) £000's	2009 (12 mths to 3 Jan 2010) £000's
Loss for the financial period	(30,789)	(2,420)
Actuarial profit/(loss) on pension scheme (note 10)	3,264	(5,450)
Movement in deferred tax relating to pension scheme liability (note 19)	(849)	1,526
Currency translation differences on foreign currency net investments	(2,092)	(2,225)
Net reduction in total shareholders' funds	(30,466)	(8,569)
Total shareholders' funds at 4th January, 2010	101,263	109,832
Total shareholders' funds at 3rd July, 2011	70,797	101,263

Company	2011 £000's	2009 £000's
(Loss)/profit for the financial period	(59,609)	14,876
Net (decrease)/ increase in total shareholders' funds	(59,609)	14,876
Total shareholders' funds at 4th January, 2010	151,388	136,512
Total shareholders' funds at 3rd July, 2011	91,779	151,388

23. Contingent liabilities

At 3rd July, 2011 the Company is guarantor with other Group companies of loans totalling **£32,806,000** (2009 £34,905,000) made by the Group's bankers

24. Operating leases

At 3rd July, 2011 the Group had annual non-cancellable operating lease commitments of

	Land and buildings 2011 £000's	Other 2011 £000's	Land and buildings 2009 £000's	Other 2009 £000's
Group				
Operating leases expiring				
Within one year	38	326	63	241
In the second to fifth years inclusive	635	832	184	832
Five years or more	468	422	126	545
	1,141	1,580	373	1,618

Notes to the financial statements for the financial period ended 3rd July, 2011
continued

25. Related party disclosure

The Group has taken advantage of the exemption provided within FRS 8 not to disclose transactions with subsidiary undertakings, 100% or more of whose voting rights are controlled within the Group

Group cash flow statement

26. Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2011 £000's (18 mths to 3 July 2011)	2009 £000's (12 mths to 3 Jan 2010)
Operating (loss)/profit after exceptional operating costs	**(24,013)**	436
Depreciation and impairment	**32,797**	12,106
Amortisation of goodwill	**54**	-
Loss on sale of tangible fixed assets	**268**	78
(Increase)/decrease in stocks	**(2,938)**	11,829
Decrease in debtors	**7,581**	12,601
Increase/(decrease) in creditors and provisions for liabilities and charges	**4,426**	(6,150)
Contributions to defined benefit pension scheme	**(1,030)**	(500)
Net cash inflow from operating activities	**17,145**	30,400

27. Reconciliation of net cash (outflows)/inflow to movement in net debt

	2011 £000's	2009 £000's
(Decrease)/increase in cash in the financial period	**(9,266)**	3,430
Cash outflow from decrease in debt	**4,165**	14,342
Change in net debt resulting from cash flows	**(5,101)**	17,772
Loans and finance leases acquired with subsidiary	**(1,288)**	-
Foreign exchange differences	**303**	1,575
Other non-cash changes	**(1,369)**	(488)
Movement in net debt in the financial period	**(7,455)**	18,859
Net debt at 4th January, 2010	**(46,701)**	(65,560)
Net debt at 3rd July, 2011	**(54,156)**	(46,701)

28. Analysis of net debt

	Balance at 4 1 10 £000's	Cash flow £000's	Acquisitions £000's	Foreign exchange differences £000's	Other non-cash changes £000's	**Balance at 3.7.11 £000's**
Cash at bank and in hand	7,409	(6,099)	-	(76)	-	**1,234**
Bank overdrafts	(6,483)	(3,167)	-	107	-	**(9,543)**
	926	(9,266)	-	31	-	**(8,309)**
Debt						
Debt due after one year	(998)	(2,375)	-	(79)	366	**(3,086)**
Debt due within one year	(46,116)	5,888	(979)	344	(366)	**(41,229)**
Finance leases due after one year	(410)	796	-	6	(1,317)	**(925)**
Finance leases due within one year	(103)	(144)	(309)	1	(52)	**(607)**
	(47,627)	**4,165**	**(1,288)**	**272**	**(1,369)**	**(45,847)**
Net debt	**(46,701)**	**(5,101)**	**(1,288)**	**303**	**(1,369)**	**(54,156)**

29. Ultimate controlling party

For the purposes of FRS 8, 'Related Party Disclosures', the Directors consider the family of the late Bernard Matthews to be the ultimate controlling party

30. *Post balance sheet events*

Subsequent to the year end, Hungarian banking facilities have been renewed with CIB Bank Zrt The facility, which amounts to HUF3,683,361,581 (£9,978,690 at the exchange rate at 12 January 2012), is available through to 15 January 2013, subject to covenants and to the requirement on the part of the Company to repay £3m of the loan due to SáGa Foods RT in December 2012 The repayment of this amount will require the consent of the UK bankers which the Directors are confident will be obtained On the assumption that the above loan repayment is made, the Directors are confident that the facilities provided by CIB Bank Zrt will be renewed for a period beyond 15 January 2013 and that the facilities available, on this basis, to the Hungarian subsidiaries provide sufficient funding for their needs for the period, through to 28 February, 2013