Company number 03977289

BERNARD MATTHEWS HOLDINGS LIMITED

Report and financial statements for the financial period ended 1st July, 2012

Contents

Directors' report

The Directors present their report and audited consolidated financial statements for the financial period ended 1st July, 2012

1. Principal activities
The principal activities of the Group during the period under review were the farming, production and marketing of turkey and other 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 last year to change the year end date to the Sunday nearest to 30th June As a result the comparative figures are for the 18 month period ended 3rd July, 2011, and therefore they are not directly comparable to the current year results for the 12 month period ending 1st July, 2012

3. Business review and future developments
Group sales for the 12 months to 1st July 2012 were £341 4 million (18 months to 3rd July, 2011 £470 8 million) generating an operating profit of £5 3 million before exceptional costs (18 months to 3rd July, 2011 £6 6 million loss) The profit before tax for the year was £2 0 million after exceptional charges of £nil (18 months to 3rd July, 2011 £28 8 million loss after exceptional charges of £17 5 million)

The UK business performance was particularly heartening following a difficult prior period The Directors were especially encouraged by the growth in turkey consumption in the UK market – up by 4 4% for the 12 months to the end of June 2012 As a result the business remains on course to achieve its strategic vision of doubling turkey consumption in the UK by 2020

Bernard Matthews Oldenburg had a difficult year due to a number of external factors, such as the poor summer weather adversely impacting barbeque sales, and increases in raw material costs Similarly, SaGa Foods has had to grapple with increased input costs allied to relatively weak commodity meat pricing, and the continuing difficulties in the Hungarian economy

Current trading across the Group is in line with expectations, although like all meat businesses, the Group has incurred significant increases in feed costs, whilst the economic outlook remains uncertain across Europe However, the Directors remain cautiously optimistic that the strategic plans put in place by the Group will continue to bear fruit

The Group generated an operating cashflow of £10 3million (18 months to 3rd July, 2011 £17 1 million) and a net cash inflow before financing of £3 3million (18 months to 3rd July, 2011 outflow of £5 1million) during the 12 month period to 1st July 2012 The Directors regard this as a satisfactory performance with the Group continuing to be strongly cash positive at the trading level

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 The focus of the UK business continues to 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

Going concern
The Directors are required to be satisfied that the Group has adequate resources to continue in business for the foreseeable future The validity of this assumption depends on the ability of the Group to meet its cash flow forecasts and the continuing support of its bankers by providing adequate facilities Details of the availability of banking facilities are shown below

UK banking facilities
Subsequent to the year end, the existing banking facility was renewed through to December 2015 with the Group's current bankers (see note 30 for further details) The Directors have prepared projections covering the period to 31st December, 2013 in support of the Group's ongoing compliance with the revised terms of the loan facility which support the ability of the Group to operate within the financial and non-financial covenants contained in the facility agreement

Hungarian banking facilities
The Group has partly funded its Hungarian operations through a loan facility with CIB Bank Zrt ("CIB") The amount payable to CIB under this facility was HUF 3,513,387,000 (£9,428,000 at the exchange rate at 1st July, 2012) at 1st July, 2012 This loan facility is a term loan and is fully repayable on 15th January, 2013 The facility is secured over certain assets of the Hungarian subsidiaries

The Directors expect to enter into discussions regarding the extension or refinancing of the facility in the coming months Based on initial discussions, and in consideration of the level of security available to the banks, the Directors are confident that the facilities will be renewed for a period beyond 15th January, 2013 and that the facilities available, on this basis, to the Hungarian subsidiaries will provide sufficient funding for their needs for the period through to at least 31st December, 2013

Having assessed the potential impact of such an event, the Directors have concluded that, if the planned refinancing were not to go ahead as expected, it would impact neither the results or financial position of the group as reported in these financial statements, nor the basis of preparation

Whilst the lack of clarity around the renewal of the Hungarian banking facilities adds risk to the Group's financial projections, after considering the cash flow projections prepared for the period to the end of December 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

4. Dividends
The Directors do not recommend a final dividend for the financial period ended 1st July, 2012 (2011 £nil)

5. 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, movements in feed costs related to the availability of key ingredients, competition from cheaper overseas poultry producers, the potential effects of widespread poultry disease and the need to maintain and enhance the Bernard Matthews and SáGa 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

The Group continuously strives to maintain high standards of biosecurity

6. 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	**2012 £'000s (12 months to 1st July 2012)**	2011 £'000s (18 months to 3rd July 2011)
Sales	**341,375**	470,844
Pre-exceptional operating profit/(loss) to sales ratio	**1.55%**	(1 39%)
Pre-exceptional operating profit/(loss)	**5,303**	(6,563)
Net cash inflow/(outflow) before financing	**3,317**	(5,101)

The above KPI's are not directly comparable given the different periods covered

7. 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

8. Directors
The Directors who held office at 1st July, 2012 and throughout the period up to the date of signing the financial statements, unless stated otherwise, were

Chairman
David S McCall, C B E , D L , *Non-executive Director,*

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
Joyce K Matthews
G Frederick Elgershuizen

Company Secretary
David M Reger (resigned 3rd September, 2012)
Yvonne C M Goldingham L L B (Hons) (appointed 3rd September, 2012)

9. 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

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

11. Market value of interests in land and buildings

The Group's UK land and buildings holdings were valued in June 2012 at £71,070,000 This was £42,529,000 in excess of their carrying value at that time In the opinion of the Directors the remaining land and buildings held elsewhere in the Group have an open market value in excess of the net book value but this has not been quantified

12. 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 continuing focus on developing the leadership skills of senior management within the business 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 regular update meetings are 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 most recent Equality & Human Rights Commission Inquiry Report into Recruitment and Employment in the Meat and Poultry Industry, 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 become 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

13. Charitable and political donations

For the financial period ended 1st July, 2012 the Group made charitable contributions of £26,568 (2011 £85,151) 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 (2011 £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

14. 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

15. Statement of disclosure of information to auditors

So far as each Director 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

Directors' report
continued

16. Post balance sheet events

On 23rd July, 2012 the UK business completed a 3 5 year refinancing deal with Burdale Financial Limited Total availability under this facility is £62 0 million Further details are given in note 16

Under the facilities in place at 1 July, 2012, the amounts due are disclosed in these financial statements as repayable within one year of the balance sheet date Had the refinancing occurred in the year under review, an amount of £15 0 million would be disclosed as falling due in greater than one year and the net current asset position would be £22 4 million as compared to £7 4m as reported in these financial statements

17. Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and their reappointment has been approved by the Board

By order of the board

Y. C. M. Goldingham L.L.B. (Hons)
Company Secretary
Great Witchingham Hall
Norwich NR9 5QD
23 October, 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 prepared 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 these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 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 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

Y. C. M. Goldingham L.L.B. (Hons)
Company Secretary
Great Witchingham Hall
Norwich NR9 5QD
23 October, 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 year ended 1st July, 2012 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for 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 1st July, 2012 and of the group's profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

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
26 October 2012

Consolidated profit and loss account
for the financial period ended 1st July, 2012

	Notes	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Turnover	2	**341,375**	470,844
Operating profit/(loss) before exceptional operating costs		**5,303**	(6,563)
Exceptional operating costs	3	-	(17,450)
Operating profit/(loss) after exceptional operating costs	3	**5,303**	(24,013)
Net interest payable and similar charges	5	**(3,499)**	(4,650)
Other finance income/(charge)	10	**209**	(95)
Profit/(loss) on ordinary activities before taxation	2	**2,013**	(28,758)
Tax on profit/(loss) on ordinary activities	6	**(231)**	(2,157)
Profit/(loss) on ordinary activities after taxation		**1,782**	(30,915)
Equity minority interests		**64**	126
Profit/(loss) for the financial period	7, 21	**1,846**	(30,789)

Consolidated statement of total recognised gains and losses
for the financial period ended 1st July, 2012

	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Profit/(loss) for the financial period	**1,846**	(30,789)
Actuarial (loss)/gain on pension scheme (note 10)	**(6,910)**	3,264
Movement on deferred tax relating to pension scheme liability (note 19)	**1,658**	(849)
Currency translation differences on foreign currency net investments	**(3,909)**	(2,092)
Total recognised losses relating to the financial period	**(7,315)**	(30,466)

Balance sheets
at 1st July, 2012

	Notes	Group 2012 £000's	Group 2011 £000's	Company 2012 £000's	Company 2011 £000's
Fixed assets					
Intangible assets	11	**978**	1,032	**-**	-
Tangible assets	12	**67,621**	74,810	**-**	-
Investments	13	**15**	16	**79,055**	79,055
		68,614	75,858	**79,055**	79,055
Current assets					
Stocks	14	**58,530**	58,153	**-**	-
Debtors	15	**40,082**	43,726	**29,273**	32,594
Debtors Amounts falling due after more than one year	15	**4,995**	4,924	**115**	-
Cash at bank and in hand		**1,625**	1,234	**-**	-
		105,232	108,037	**29,388**	32,594
Creditors· Amounts falling due within one year					
Borrowings	16	**(47,723)**	(51,379)	**-**	-
Other creditors	17	**(50,112)**	(51,758)	**(17,883)**	(19,870)
Net current assets		**7,397**	4,900	**11,505**	12,724
Total assets less current liabilities		**76,011**	80,758	**90,560**	91,779
Creditors: Amounts falling due after more than one year					
Borrowings	16	**(2,777)**	(4,011)	**-**	-
Other creditors	17	**(1,331)**	(1,573)	**-**	-
Provisions for liabilities	18	**(472)**	(1,015)	**-**	-
Net assets excluding pension liability		**71,431**	74,159	**90,560**	91,779
Pension liability	10	**(7,861)**	(3,261)	**-**	-
Net assets including pension liability	2	**63,570**	70,898	**90,560**	91,779
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	**(37,897)**	(30,582)	**(10,819)**	(9,600)
Total shareholders' funds	22	**63,482**	70,797	**90,560**	91,779
Minority interests		**88**	101	**-**	-
Capital employed		**63,570**	70,898	**90,560**	91,779

The financial statements on pages 8 to 34 were approved by the board of directors on 23 October, 2012 and signed on its behalf by

N. F. Bartram
(Group Chief Executive)

N. [signature]

Company number 03977289

Consolidated cash flow statement
for the financial period ended 1st July, 2012

	Notes	2012 12 months to 1 July 2012 £000's	£000's	2011 18 months to 3 July 2011 £000's	£000's
Net cash inflow from operating activities	26		10,338		17,145
Returns on investments and servicing of finance					
Interest received		19		30	
Interest paid		(3,173)		(4,547)	
Interest element of finance lease rental payments		(72)		(123)	
			(3,226)		(4,640)
Taxation					
UK corporation tax paid		-		(7)	
Overseas taxation paid		(75)		(317)	
			(75)		(324)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(4,946)		(10,706)	
Receipt of capital grants		662		-	
Sale of tangible fixed assets		497		788	
			(3,787)		(9,918)
Acquisitions and disposals					
Purchase of subsidiary undertaking		-		(4,846)	
Capital contribution from minority interest		67		-	
Net overdrafts acquired with subsidiary undertaking		-		(2,518)	
			67		(7,364)
Net cash inflow/(outflow) before financing			3,317		(5,101)
Financing					
Capital element of finance lease repayments	28	(722)		(652)	
Repayment of borrowings	28	(1,018)		(3,513)	
			(1,740)		(4,165)
Increase/(decrease) in cash in the financial period	28		1,577		(9,266)

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, which have been applied consistently, 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 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 1st July, 2012 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 December 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

Subsequent to the year end, the existing banking facility was renewed through to December 2015 with the Group's current bankers (see note 30 for further details) The Directors have prepared projections covering the period to 31st December, 2013 in support of the Group's ongoing compliance with the revised terms of the loan facility which support the ability of the Group to operate within the financial and non-financial covenants contained in the facility agreement

Hungarian banking facilities

The Group has partly funded its Hungarian operations through a loan facility with CIB Bank Zrt ("CIB") The amount payable to CIB under this facility was HUF 3,513,387,000 (£9,428,000 at the exchange rate at 1 July 2012) at 1 July 2012 This loan facility is a term loan and is fully repayable on 15th January, 2013 The facility is secured over certain assets of the Hungarian subsidiaries

The Directors expect to enter into discussions regarding the extension or refinancing of the facility in the coming months Based on initial discussions, and in consideration of the level of security available to the banks, the Directors are confident that the facilities will be renewed for a period beyond 15th January, 2013 and that the facilities available, on this basis, to the Hungarian subsidiaries will provide sufficient funding for their needs for the period through to at least 31st December 2013

Having assessed the potential impact of such an event, the Directors have concluded that, if the planned refinancing were not to go ahead as expected, it would impact neither the results or financial position of the group as reported in these financial statements, nor the basis of preparation

Whilst the lack of clarity around the renewal of the Hungarian banking facilities adds risk to the Group's financial projections, after considering the cash flow projections prepared for the period to the end of December 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

(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

1. Accounting policies continued

(f) Leased assets
Costs in respect of operating leases are charged against operating profit on a straight-line basis over the term of the relevant lease 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

(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 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

1. Accounting policies continued

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

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
Goodwill, being the excess of the consideration paid for a business over the fair value of its assets, is capitalised and amortised evenly over its useful economic life which the Directors have determined to be twenty years

2 Segmental analysis

Segmental analysis by geographical area

The Group's activities consist of one primary activity, namely the farming, production and marketing of turkey and other meat and poultry products

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

Turnover by geographical area

	Turnover by origin 2012 (12 mths to 1 July 2012) £000's	**Turnover by destination 2012 (12 mths to 1 July 2012) £000's**	Turnover by origin 2011 (18 mths to 3 July 2011) £000's	Turnover by destination 2011 (18 mths to 3 July 2011) £000's
Western Europe	**291,184**	**302,293**	389,442	416,427
Other, including Hungary	**59,506**	**39,082**	96,102	54,417
	350,690	**341,375**	485,544	470,844
Inter-area sales	**(9,315)**	-	(14,700)	-
Total turnover	**341,375**	**341,375**	470,844	470,844

Profit/(loss) on ordinary activities before taxation per area of origin

	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Western Europe	**7,099**	(1,625)
Other, including Hungary	**(1,796)**	(22,388)
Operating profit/(loss)	**5,303**	(24,013)
Net interest and other finance charges	**(3,290)**	(4,745)
Profit/(loss) on ordinary activities before taxation	**2,013**	(28,758)

Net assets per segment of origin

Western Europe	**103,235**	112,154
Other, including Hungary	**9,210**	12,900
	112,445	125,054
Net borrowings	**(48,875)**	(54,156)
Net assets	**63,570**	70,898

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 profit/(loss)

		2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Sales outside the Group		**341,375**	470,844
Changes in stocks of finished goods and work in progress		**2,896**	3,701
Own work capitalised		**433**	654
Other operating income		**3,013**	1,126
		347,717	476,325
Raw materials and consumables		**182,930**	242,425
Other external charges		**12,627**	19,357
Staff costs (note 9)	Exceptional costs	**-**	1,152
	Other	**70,145**	103,425
		70,145	104,577
Depreciation and other amounts written-off fixed assets	Exceptional costs	**-**	15,973
	Other	**10,282**	16,824
		10,282	32,797
Other operating charges	Exceptional costs	**-**	325
	Other	**66,430**	100,857
		66,430	101,182
		342,414	500,338
Operating profit/(loss) after exceptional operating costs		**5,303**	(24,013)

The exceptional costs of £nil (18 months ended 3 July, 2011 £1,152,000) and £nil (18 months ended 3 July, 2011 £325,000) relating to staff costs and other operating charges respectively were incurred in respect of the restructuring of the Hungarian subsidiaries The exceptional cost of £nil (18 months ended 3 July, 2011 £15,973,000) relates to amounts written off fixed assets following a review of the carrying value of the tangible fixed assets of the Hungarian subsidiaries

3. Group operating profit/(loss) continued

	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Operating profit/(loss) is stated after charging/(crediting).		
Depreciation of tangible fixed assets		
- Owned assets	9,957	16,602
- Leased assets	325	222
Impairment of fixed assets	-	15,973
Amortisation of grants received	(904)	(1,548)
Amortisation of goodwill	54	54
(Profit)/loss on disposal of fixed assets	(416)	268
Operating lease charges		
- Land and buildings	560	321
- Plant and machinery	882	1,508
- Other	465	1,195
Research and development	1,988	3,418
Currency exchange differences	22	(572)

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

	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Audit services		
- Fees payable to the company auditors for the audit of parent company and consolidated financial statements	12	18
Non-audit services		
Fees payable to company's auditors and its associates for other services		
- The audit of company's subsidiaries pursuant to legislation	202	242
- Tax services	3	15
- Other	81	124
Fees payable in respect of the pension schemes		
- Audit	12	13
	310	412

5. Net interest payable and similar charges

	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Bank interest payable	3,097	3,938
Interest payable on finance leases	72	123
Amortisation of issue costs of bank loan	348	619
Bank interest receivable	(18)	(30)
	3,499	4,650

6. Taxation on profit/(loss) on ordinary activities

	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Current taxation		
UK corporation tax	-	(222)
Adjustments in respect of previous periods	(36)	-
Overseas taxation	31	1,105
Total current taxation	(5)	883
Deferred taxation		
Origination and reversal of timing differences (note 19)		
UK	(841)	(759)
Overseas	(52)	2,010
Adjustment in respect of prior periods	429	(661)
Change in tax rate	378	269
Deferred tax on pension scheme liabilities	322	415
Total deferred taxation	236	1,274
Tax charge on profit/(loss) on ordinary activities	231	2,157

6. Taxation on profit/(loss) on ordinary activities continued

The taxation assessed for the financial period differs from the standard rate of corporation tax in the UK of **25.50%** (2011 27 67%) The differences are explained below

	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Profit/(loss) on ordinary activities before taxation	**2,013**	(28,758)
Profit/(loss) on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of **25.50%** (2011 27 67%)	**513**	(7,957)
Permanent differences	**(90)**	4,409
Decelerated/(accelerated) capital allowances	**1,140**	(1,155)
(Utilisation of tax losses)/unutilised tax losses carried forward	**(1,428)**	2,208
Pension cost relief in excess of pension cost charge	**(234)**	(415)
Other timing differences	**(144)**	(295)
Differential taxation rates on overseas earnings	**274**	4,088
Adjustments in respect of previous periods	**(36)**	-
Current taxation (credit)/charge for the financial period	**(5)**	883

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 26% to 24% effective from 1 April 2012, the relevant deferred tax balances have been re-measured Further reductions to the UK corporation tax rate were announced in the 2012 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 for the financial period

The loss for the financial period attributable to Bernard Matthews Holdings Limited for the financial period ended 1st July, 2012 is **£1,219,000** (loss 18 months ended 3rd July, 2011 £59,609,000)

8. Directors' emoluments

	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Aggregate emoluments	1,037	1,504
Aggregate contributions to defined contribution schemes	69	28
	1,106	1,532

Retirement benefits accrue to one Director (2011 one) under the Group's defined benefit scheme

Emoluments payable to the highest paid Director are as follows

	2012 £000's	2011 £000's
Aggregate emoluments	423	609

9. Employee information

Monthly average number of employees of the Group

	2012 Number	2011 Number
Production	2,757	3,023
Administration	452	466
	3,209	3,489

Remuneration paid by the Group

	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Wages and salaries	61,395	90,535
Social security costs	7,085	11,485
Other pension costs (note 10)	1,665	2,557
	70,145	104,577

Other than the Directors, the Company had no employees during the financial period (2011 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 £167,000 (18 months ended 3 July, 2011 £138,000) were outstanding

Group Pension Cost

	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Pension costs in relation to defined contribution schemes	(1,665)	(2,557)
Finance income/(charge) in respect of defined benefit scheme (note 10d)	209	(95)
	(1,456)	(2,652)

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 2012 contributions totalling £765,000 were made to the fund (18 months ended 3 July, 2011 £1,030,000)

The actuarial valuation was updated to 1st July, 2012 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:

	2012	2011
Rate of increase in pensions in payment	2.80%	3 60%
Discount rate	5.00%	5 60%
Inflation assumption	2.90%	3 70%

The mortality assumptions used were as follows

	2012 Years	2011 Years
Longevity at age 60		
Current pensioners	26.7	24 8
Future pensioners	27.7	26 6

10. Pensions continued

(b) Reconciliation of present value of scheme liabilities

	2012 £000's	2011 £000's
At 4th July, 2011	40,793	40,373
Interest cost	2,255	3,510
Benefits paid	(1,076)	(1,079)
Actuarial loss/(gain)	5,838	(2,011)
At 1st July, 2012	47,810	40,793

(c) Movement in fair value of scheme assets

	2012 £000's	2011 £000's
At 4th July, 2011	36,386	31,767
Expected return on pension scheme assets	2,464	3,415
Actuarial (loss)/gain	(1,072)	1,253
Benefits paid	(1,076)	(1,079)
Contribution paid by employer	765	1,030
At 1st July, 2012	37,467	36,386

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

	Long Term rate of return expected 1 7.12	Value at 1 7.12 £000's	Long Term rate of return expected 3 7 11	Value at 3 7 11 £000's
Equities	6.6%	20,807	7 6%	20,110
Bonds	5.0%	13,160	5 6%	12,708
Property	5 8%	3,500	6 6%	3,568
		37,467		36,386
Present value of scheme liabilities		(47,810)		(40,793)
Deficit in scheme		(10,343)		(4,407)
Related deferred tax asset		2,482		1,146
Net pension deficit		(7,861)		(3,261)

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 1st July, 2012 are as follows

Group profit and loss account

	2012 (12 mths to 3 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Other finance income		
Expected return on pension scheme assets	2,464	3,415
Interest on pension scheme liabilities	(2,255)	(3,510)
Net other finance income/(charge)	209	(95)

	2012 £000's	2011 £000's
Statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	(1,072)	1,253
Experience gains and losses arising on the scheme liabilities	(3,099)	-
Impact of changes in assumptions relating to the present value of scheme liabilities	(2,739)	2,011
Actuarial (loss)/profit recognised in the statement of total recognised gains and losses	(6,910)	3,264

10. Pensions continued

(e) History of experience gains and losses for the financial period ended 1st July, 2012·

	2012 £000's	2011 £000's	2009 £000's	2008 £000's	2007 £000's
Defined benefit obligation	**(47,810)**	(40,793)	(40,373)	(32,498)	(40,822)
Plan assets	**37,467**	36,386	31,767	28,829	40,295
Deficit	**(10,343)**	(4,407)	(8,606)	(3,669)	(527)
Experience adjustments on plan assets	**(1,072)**	1,253	1,642	(9,801)	(1,484)
Experience adjustments on plan liabilities	**(3,099)**	-	1,567	313	(250)
Total amount recognised in the statement of total recognised gains and losses	**(6,910)**	3,264	(5,450)	(4,504)	3,706

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 £16,009,000 (2011 £9,099,000)

11. Fixed assets - Intangible assets

Group	Goodwill £000's
Cost at 4th July, 2011 and 1st July, 2012	**1,086**
Amortisation at	
4th July, 2011	54
Amortisation in the period	54
1st July, 2012	**108**
Net book value at 1st July, 2012	**978**
Net book value at 4th July, 2011	1,032

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

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 July, 2011	51,342	119,634	9,596	2,551	183,123
Additions	295	620	301	4,186	5,402
Disposals	(3)	(1,279)	(329)	-	(1,611)
Reclassification	870	2,778	477	(4,125)	-
Exchange adjustments	(3,557)	(5,373)	(1,157)	(241)	(10,328)
Cost at 1st July, 2012	**48,947**	**116,380**	**8,888**	**2,371**	**176,586**
Depreciation at 4th July, 2011	23,089	78,310	6,914	-	108,313
Charge for the financial period	1,598	7,963	721	-	10,282
Eliminated on disposals	(2)	(1,213)	(308)	-	(1,523)
Exchange adjustments	(2,683)	(4,560)	(864)	-	(8,107)
Depreciation at 1st July, 2012	**22,002**	**80,500**	**6,463**	-	**108,965**
Net book value at 1st July, 2012	**26,945**	**35,880**	**2,425**	**2,371**	**67,621**
Net book value at 4th July, 2011	28,253	41,324	2,682	2,551	74,810

The net book value of tangible fixed assets for the Group includes an amount of **£1,377,000** (2011 £890,000) in respect of assets held under finance leases

The Company held no tangible fixed assets

	Group		Company	
Capital commitments	**2012 £000's**	2011 £000's	**2012 £000's**	2011 £000's
Contracted for but not provided in the financial statements	**2,108**	291	-	-

13. Fixed assets - Investments

	Group other investments £000's	Company subsidiaries £000's
Cost at 4th July, 2011	16	239,762
Exchange adjustment	(1)	-
Cost at 1st July, 2012	**15**	**239,762**
Impairments at 4th July, 2011 and 1st July, 2012	-	**160,707**
Net book value at 1st July, 2012	**15**	**79,055**
Net book value at 4th July, 2011	16	79,055

The Directors believe that the carrying value of the investments is supported by their underlying net assets

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	-
Pannon Pulyka KFT	Hungary	Ordinary	100	-
Sabaker KFT	Hungary	Ordinary	100	-
Rabaho KFT	Hungary	Ordinary	60	-
Lincs Turkeys Limited	United Kingdom	Ordinary	100	-

The principal business activities of these subsidiaries are the manufacture, distribution and sale of food products and related by-products

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

14. Stocks

	Group		Company	
	2012	2011	**2012**	2011
	£000's	£000's	**£000's**	£000's
Raw materials and consumables	**11,862**	12,015	-	-
Work in progress	**27,150**	28,589	-	-
Finished goods	**19,518**	17,549	-	-
	58,530	58,153	-	-

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

15. Debtors

	Group		Company	
	2012	2011	**2012**	2011
	£000's	£000's	**£000's**	£000's
Amounts falling due within one year				
Trade debtors	**32,926**	36,186	-	-
Amounts owed by group undertakings	-	-	**29,273**	32,594
Other debtors	**3,844**	4,194	-	-
Prepayments and accrued income	**3,312**	3,346	-	-
	40,082	43,726	**29,273**	32,594
Amounts falling due after one year				
Deferred tax (note 19)	**4,995**	4,924	**115**	-
	45,077	48,650	**29,388**	32,594

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

Notes to the financial statements for the financial period ended 1st July, 2012
continued

16. Borrowings

	Group		Company	
	2012	2011	**2012**	2011
	£000's	£000's	**£000's**	£000's
Amounts falling due within one year				
Bank loans	**39,945**	41,229	-	-
Bank overdrafts	**7,323**	9,543	-	-
Obligations under finance leases	**455**	607	-	-
	47,723	51,379	-	-
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	**754**	882	-	-
Two to five years	**925**	1,734	-	-
Over five years	**330**	470	-	-
	2,009	3,086	-	-
Obligations under finance leases due after more than one year are repayable as follows				
One to two years	**367**	764	-	-
Two to five years	**401**	161	-	-
	768	925	-	-
Total amount falling due after one year	**2,777**	4,011	-	-
Total borrowings	**50,500**	55,390	-	-

Bank loans are shown net of issue costs of £324,000 (2011 £672,000), which are being amortised over the term of the bank loans

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

UK bank loans (amounting to £29,974,000) bear interest at an average rate of 3 month LIBOR + 3% and are repayable in instalments over the period to June 2013

Overseas bank loans (amounting to £2,795,000) are repayable in instalments over the period to March 2021 The interest rates are fixed for the period of the loans, the average rate is 3 83%

Subsequent to the year end the Company agreed a refinancing package with the bank extending the facility to December 2015

17 Other creditors

	Group 2012 £000's	Group 2011 £000's	Company 2012 £000's	Company 2011 £000's
Amounts falling due within one year				
Trade creditors	**37,121**	35,772	-	-
Amounts owed to group undertakings	-	-	**17,844**	19,835
Corporation tax	**271**	453	-	-
Other taxation and social security	**1,769**	1,949	-	-
Other creditors	**2,268**	2,756	-	-
Accruals and deferred income	**8,683**	10,828	**39**	35
	50,112	51,758	**17,883**	19,870
Amounts falling due after one year				
Accruals and deferred income	**1,331**	1,573	-	-
Total other creditors	**51,443**	53,331	**17,883**	19,870

Amounts owed to group undertakings are unsecured, accrue interest at LIBOR +2% and +2 5% and are repayable in annual instalments until 31st December 2015

18. Provisions for liabilities

Group	**Onerous leases £000's**
At 4th July, 2011	1,015
Utilised during the year	(543)
At 1st July, 2012	**472**

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

19. Deferred taxation

	Group		Company	
	2012	2011	**2012**	2011
	£000's	£000's	**£000's**	£000's
Provision for deferred taxation comprises				
Accelerated capital allowances	**2,234**	3,178	-	-
Other timing differences	**(1,289)**	(1,555)	-	-
Tax losses carried forward	**(5,940)**	(6,547)	**(115)**	-
Deferred taxation asset	**(4,995)**	(4,924)	**(115)**	-

	Group	
	2012	2011
	£000's	£000's
At 4th July, 2011	**(4,924)**	(5,955)
Deferred tax credited in profit and loss account (note 6)	**(86)**	1,123
Exchange adjustments	**15**	(92)
At 1st July, 2012	**(4,995)**	(4,924)

Deferred taxation has been calculated at 24% (2011 26%) and at prevailing overseas taxation rates where applicable

The Group has an unprovided deferred tax asset of £1 5 million (2011 £1 8 million) relating to trading losses

Deferred tax asset relating to pension deficit

	Group	
	2012	2011
	£000's	£000's
At 4th July, 2011	**1,146**	2,410
Deferred tax (charged) in profit and loss account (note 6)	**(322)**	(415)
Deferred tax credited/(charged) to the statement of total recognised gains and losses	**1,658**	(849)
At 1st July, 2012	**2,482**	1,146

20. Called up share capital and share options

Group and Company

	2012	2011
	£000's	£000's
Allotted, called up and fully paid:		
52,937,648 (2011 52,937,648) ordinary shares of 25p each	**13,234**	13,234
2,510,436 (2011 2,510,436) 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 1st July, 2012, all of which are fully vested and therefore exercisable, are as follows

	Exercise Price at 01 07 12	Number of options at 01 07 12	Exercise Price at 03 07 11	Number of options at 03 07 11	Expiry Date
Estate of B T Matthews	113p	1,031,000	113p	1,031,000	10 12 2025
N F Bartram	nil	126,000	nil	126,000	10 12 2025
N F Bartram	nil	432,053	nil	432,053	10 12 2025
	Total	**1,589,053**		**1,589,053**	

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 No other share options were granted during the financial period ended 1st July, 2012 (2011 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 July, 2011	83,482	54	4,609	(30,582)
Actuarial loss on pension scheme (note 10)	-	-	-	(6,910)
Movement on deferred tax relating to pension scheme	-	-	-	1,658
Currency translation differences	-	-	-	(3,909)
Profit for the financial period	-	-	-	1,846
At 1st July, 2012	**83,482**	**54**	**4,609**	**(37,897)**

Included in the currency translation differences is a profit on exchange of £1,734,000 (2011 £272,000) 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 July, 2011	83,482	54	4,609	(9,600)
Loss for the financial period	-	-	-	(1,219)
At 1st July, 2012	**83,482**	**54**	**4,609**	**(10,819)**

22 Reconciliation of movements in total shareholders' funds

Group	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Profit/(loss) for the financial period	**1,846**	(30,789)
Actuarial (loss)/profit on pension scheme (note 10)	**(6,910)**	3,264
Movement in deferred tax relating to pension scheme liability (note 19)	**1,658**	(849)
Currency translation differences on foreign currency net investments	**(3,909)**	(2,092)
Net reduction in total shareholders' funds	**(7,315)**	(30,466)
Total shareholders' funds at 4th July, 2011	**70,797**	101,263
Total shareholders' funds at 1st July, 2012	**63,482**	70,797

Company	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Loss for the financial period	**(1,219)**	(59,609)
Total shareholders' funds at 4th July, 2011	**91,779**	151,388
Total shareholders' funds at 1st July, 2012	**90,560**	91,779

23. Contingent liabilities

At 1st July, 2012 the Company is guarantor with other Group companies of loans totalling **£32,020,000** (2011 £32,806,000) made by the Group's bankers

24. Operating leases

At 1st July, 2012 the Group had annual non-cancellable operating lease commitments of

	Land and buildings 2012 £000's	Other 2012 £000's	Land and buildings 2011 £000's	Other 2011 £000's
Group				
Operating leases expiring				
Within one year	**1,308**	**653**	38	326
In the second to fifth years inclusive	**684**	**2,028**	635	832
Five years or more	**441**	**349**	468	422
	2,433	**3,030**	1,141	1,580

25 Related party disclosure

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

Saga Foods RT owns 60% of Rabaho KFT who provide Saga Foods with steam Sales from Rabaho KFT to Saga Foods RT in the year amounted to HUF 362,366,000, £1,060,000 (2011 HUF 421,928,000, £1,328,000) Sales from Saga Foods RT to Rabaho KFT in the year amounted to HUF 6,608,000, £19,000 (2011 HUF 10,240,000, £32,000) The balance due from Rabaho KFT to Saga Foods RT at the year end amounted to HUF 616,464, £1,600 (due to Rabaho KFT 2011 HUF 4,719,000, £15,000)

Group cash flow statement

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

	2012 (12 mths to 1 July 2012) £000's	2011 (18 mths to 3 July 2011) £000's
Operating profit/(loss) after exceptional operating costs	**5,303**	(24,013)
Depreciation and impairment	**10,282**	32,797
Amortisation of goodwill	**54**	54
(Profit)/loss on sale of tangible fixed assets	**(416)**	268
Amortisation of grants received	**(904)**	(1,548)
Increase in stocks	**(2,353)**	(2,938)
Decrease in debtors	**1,473**	7,581
(Decrease)/increase in creditors and provisions for liabilities and charges	**(2,336)**	5,974
Contributions to defined benefit pension scheme	**(765)**	(1,030)
Net cash inflow from operating activities	**10,338**	17,145

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

	2012 £000's	2011 £000's
Increase/(decrease) in cash in the financial period	**1,577**	(9,266)
Cash outflow from decrease in debt	**1,740**	4,165
Change in net debt resulting from cash flows	**3,317**	(5,101)
Loans and finance leases acquired with subsidiary	**-**	(1,288)
Foreign exchange differences	**2,768**	303
Other non-cash changes	**(804)**	(1,369)
Movement in net debt in the financial period	**5,281**	(7,455)
Net debt at 4th July, 2011	**(54,156)**	(46,701)
Net debt at 1st July, 2012	**(48,875)**	(54,156)

28. Analysis of net debt

	Balance at 4 7 11 £000's	Cash flow £000's	Foreign exchange differences £000's	Non-cash changes £000's	**Balance at 1.7.12 £000's**
Cash at bank and in hand	1,234	519	(128)	-	**1,625**
Bank overdrafts	(9,543)	1,058	1,162	-	**(7,323)**
	(8,309)	**1,577**	**1,034**	-	**(5,698)**
Debt					
Debt due after one year	(3,086)	-	297	780	**(2,009)**
Debt due within one year	(41,229)	1,018	1,394	(1,128)	**(39,945)**
Finance leases due after one year	(925)	-	32	125	**(768)**
Finance leases due within one year	(607)	722	11	(581)	**(455)**
	(45,847)	**1,740**	**1,734**	**(804)**	**(43,177)**
Net debt	**(54,156)**	**3,317**	**2,768**	**(804)**	**(48,875)**

Non-cash changes comprise amortisation of issue costs on bank loans, new finance lease obligations and transfers between categories of borrowing

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

On 23rd July, 2012 the UK business completed a 3 5 year refinancing deal with Burdale Financial Limited Total availability under this facility is £62 0 million Further details are given in note 16