Company number: 03977289

BERNARD MATTHEWS HOLDINGS LIMITED

Report and financial statements for the
financial year ended 29 June 2014

Contents

Strategic report

The Directors present their strategic report on the Bernard Matthews Holdings Limited Group (the "Group") for the financial year ended 29th June, 2014. For the purposes of these financial statements the term 'year' represents the 364 days to 29 June 2014.

Business review and future developments
Group sales for the year to 29 June 2014 were £306,801,000 (2013: £346,399,000) generating an operating loss of £1,851,000 before exceptional costs (2013: loss of £11,736,000). The loss for the year on ordinary activities before taxation was £9,976,000 after exceptional charges of £4,739,000 (2013: £20,386,000 loss after exceptional charges of £4,301,000).

The financial year ended 2014 has seen a significant improvement in the performance of the UK business; the consolidated financial statements showing a reduction in group operating loss before exceptionals from £11,736,000 to £1,851,000 for the year ended 29 June 2014. The financial results for the period also show a significant and material improvement to the earnings before interest, tax, depreciation and amortisation (adjusted "EBITDA") for the year from a loss of £2,006,000 in 2013 to earnings of £6,921,000 in 2014.

The business has benefitted from the investment from Rutland Partners LLP ("Rutland") and the renewing of the existing secured lending facility through to August 2018 which provides the financial support required to re-establish Bernard Matthews as a strong, leading supplier in the current market place.

The improvement has been driven by several factors:

- Implementation of operational initiatives such as headcount reduction, favourable feed costs and rationalisation of factory sites.
- Effective agricultural management controls and milder weather which has led to an improved and stabilised bird health versus the previous year.
- Reduction in the number of birds grown, eliminating the overstocking situation that arose in 2013, which combined with firm market prices has generated an improved commercial performance.

The establishment of a new senior management team has been undertaken during the year with the appointment of a new Chief Executive Officer, Financial Director and two members of Rutland now sitting on the Board of Directors of BM Topco Limited, the ultimate parent undertaking. The structure of the new team was completed and strengthened subsequent to the 2014 Financial Year end with the appointment of permanent Sales and Marketing Directors to the board of Bernard Matthews Foods Limited.

The Senior Management Team are in the process of setting the strategic aims of the business which include the development and reinvigoration of the branded business, continuing to partner retailers in developing Christmas turkey products and increasing the group's share of fresh and frozen contracts. In addition, a significant element of the strategy will be to complete the Green Energy projects that have been underway for several years placing Bernard Matthews as the leader in making turkey the most sustainable meat in the UK.

Exceptional costs
Exceptional costs of £4,739,000 in relation to, inter-alia, restructuring and refinancing of the business were incurred during the year. These have been detailed in note 3 to the financial statements.

Included in the above exceptionals is an amount of £2,424,000 in respect of costs that had been understated in the previous financial year. The errors were detected during the current financial year following a thorough review of the balance sheet and comparative figures, but do not fall to be treated as a prior year adjustment by reference to UK Accounting Standards.

Acquisition
On 30 August 2013, the entire share capital of the Company was acquired by BM Bidco Limited, itself a subsidiary of BM Topco Limited, both of which companies were incorporated for the purposes of the transaction. On the same date, BM Bidco Limited received funding by way of loan notes from Rutland, out of the proceeds of which £23.5m was then advanced to the company. The interest on the loan notes, borne by BM Bidco Limited, is deferred until the occurrence of a specified event or 31 August 2019, if later, at which point the loan notes become repayable.

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 upon the ability of the Group to meet its cash flow forecasts and on the continuing operation within the covenant requirements of the secured lending facilities. Notwithstanding the fact that the Group has net liabilities, the investment by and continuing support of Rutland and the renewal of the secured lending facility through to August 2018 means that the Directors are of the opinion that has the Group has sufficient funds to meet its liabilities as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

Details of agreed facilities are shown below:

UK Facilities
In August 2013, as part of the Rutland investment, the Group's secured lending facilities were renewed and extended through to August 2018. As part of the renewal negotiations the banking covenants were also renegotiated. The Directors have produced forward projections through to June 2016 which support the ability of the Group to operate within the financial and non-financial covenants agreed within that facility.

Hungarian Facilities
Subsequent to the year-end an agreement was reached with CIB Bank Zrt to approve and extend the existing loan and banking facilities for a further two year period through to February 2017. The Directors of SáGa Foods have produced forward projections during the loan facility renewal discussions which support the ability of the SáGa business to operate within the financial requirements of the agreement.

Proforma balance sheet
Presented below is a proforma balance sheet which overlays the impact of a 2013 valuation of certain of the Group's freehold properties on the balance sheet as at 29 June 2014.

Proforma consolidated balance sheet	Audited balance sheet at 29 June 2014	Adjustments	Proforma balance sheet
	£000's	£000's	£000's
Fixed assets	60,813	42,200	103,013
Current assets	97,751	-	97,751
Current liabilities			
– Bank loans and overdrafts	(28,655)	-	(28,655)
– Other creditors	(46,774)	-	(46,774)
Net current assets	22,322	-	22,322
Total assets less current liabilities	83,135	42,200	125,335
Creditors: amounts falling due after more than one year			
– Bank loans and overdrafts	(18,908)	-	(18,908)
– Other creditors	(21,792)	-	(21,792)
Provisions for liabilities	(6)	-	(6)
Net assets excluding pension deficit	42,429	42,200	84,629
Pension deficit	(13,014)	-	(13,014)
Net assets including pension deficit	29,415	42,200	71,615

Strategic report continued

The Group's UK land and buildings were professionally valued on an existing use basis in April 2013 at £71.3m. This was £42.2m in excess of the carrying value of the assets valued 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.

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, managing the production of birds to match anticipated but uncertain demand, 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.

The Group continuously strives to maintain high standards of biosecurity.

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.

Key performance indicators	**2014**	2013
	£000's	£000's
Sales	**306,801**	346,399
Pre-exceptional operating loss to sales ratio	**(0.6)%**	(3.4)%
Pre-exceptional operating loss	**(1,851)**	(11,736)
Net cash inflow/(outflow) before financing	**626**	(14,354)
Adjusted EBITDA	**6,921**	(2,006)

By order of the board

D Joll
Director
12 February , 2015

Directors' report

The Directors present their report and audited consolidated financial statements for the financial year ended 29 June 2014.

Dividends
The Directors are unable to recommend a final dividend for the financial year ended 29 June 2014 (2013: £nil).

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 programme 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 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 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 Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Directors
The Directors, who held office at 29 June 2014 and throughout the year up to the date of signing the financial statements, unless stated otherwise, were:

Chairman
David Joll

Executive Directors
Andrew Simpson (resigned 21 January 2014)
Zaliha Williamson (appointed 21 January 2014)
Robert Burnett (appointed 30 June 2014)

Non-executive Directors
Carolyn Claussen (resigned 27 September 2013)
Joyce Matthews (resigned 24 October 2013)
G. Frederick Elgershuizen (resigned 30 August 2013)

Company Secretary
Yvonne Goldingham

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.

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

Disabled employees
The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees irrespective of sex, orientation, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

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

The demands of keeping pace with changes in the business environment are positively responded to by a significant training plan covering all areas of the business.

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 employment placements. Apprenticeships are also important and the Group continues to offer opportunities to young people to develop their skills.

Regular business updates on noticeboards, an internal newsletter and the intranet are an important aid in keeping staff informed of Group activities. In addition regular update meetings are held between managers and staff across the business. Communication is also two way with an annual survey completed to gauge staff opinion and feedback.

The Group continues to advance its diversity programme with the workforce comprising 30 different nationalities. The Group was singled out for praise in a 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. The Group works closely with the union, customers and labour suppliers to ensure that it continues to be a highly responsible employer.

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.

Charitable and political donations
For the financial year ended 29 June 2014 the Group made charitable contributions of £11,000 (2013: £37,000) 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 (2013: £nil).

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, and at the date of approval of the financial statements.

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.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and 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 Group and the Company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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

D Joll
Director
12 February, 2015

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

Report on the financial statements

Our opinion
In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 29 June 2014 and of the Group's loss 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The Group and Company financial statements ("the financial statements"), which are prepared by Bernard Matthews Holdings Limited, comprise:

- the balance sheets as at 29 June 2014;
- the consolidated profit and loss account and consolidated statement of total recognised gains and losses for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception
Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
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 ISAs (UK & 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.

Christopher Maw (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Norwich
12 February, 2015

Consolidated profit and loss account
for the financial year ended 29 June 2014

	Notes	**2014 £000's**	2013 £000's
Turnover	2	**306,801**	346,399
Group operating loss before exceptional costs		**(1,851)**	(11,736)
Exceptional operating costs	3	**(1,978)**	(4,301)
Group operating loss after exceptional costs	2, 3	**(3,829)**	(16,037)
Share of operating loss in joint venture		**(157)**	(138)
Exceptional costs – closure of production facility	3	**(2,104)**	-
Loss before interest and tax: group and share of joint ventures		**(6,090)**	(16,175)
Net interest payable and similar charges	5	**(3,050)**	(4,048)
Exceptional finance costs	3	**(657)**	-
Other finance charge	10	**(179)**	(163)
Loss on ordinary activities before taxation	2	**(9,976)**	(20,386)
Tax on loss on ordinary activities	6	**(429)**	1,837
Loss on ordinary activities after taxation		**(10,405)**	(18,549)
Equity minority interests		**51**	(19)
Loss for the financial year	22	**(10,354)**	(18,568)

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

There is no difference between the loss on ordinary activities before taxation, and the loss for the financial year stated above and their historical cost equivalents.

The following table is provided to show the comparative earnings before interest, tax, depreciation and amortisation ("EBITDA") after adjusting for exceptional costs.

Non-GAAP measure: Adjusted EBITDA	**Notes**	**2014 £000's**	2013 £000's
Group operating loss before exceptional costs		**(1,851)**	(11,736)
Depreciation and other amounts charged to tangible assets	3	**8,980**	9,676
Profit on sale of fixed assets	3	**(208)**	-
Amortisation of goodwill	3	**-**	54
Adjusted EBITDA		**6,921**	(2,006)

Consolidated statement of total recognised gains and losses
for the financial year ended 29 June 2014

	2014 £000's	2013 £000's
Loss for the financial year	**(10,354)**	(18,568)
Actuarial loss on pension scheme (note 10)	**(3,059)**	(4,089)
Movement on deferred tax relating to pension scheme liability	**612**	940
Currency translation differences on foreign currency net investments	**(893)**	1,290
Total recognised losses relating to the financial year	**(13,694)**	(20,427)

Balance sheets
at 29 June 2014

		Group		Company	
	Notes	**2014 £000's**	2013 £000's	**2014 £000's**	2013 £000's
Fixed assets					
Intangible assets	11	**-**	924	**-**	-
Tangible assets	12	**61,053**	66,440	**-**	-
Investments	13	**15**	15	**79,055**	79,055
Investments in joint venture:	13				
Gross assets		**1,592**	1,280	**-**	-
Gross liabilities		**(1,847)**	(1,393)	**-**	-
		(255)	(113)	**-**	-
		60,813	67,266	**79,055**	79,055
Current assets					
Stocks	14	**50,034**	54,967	**-**	-
Assets held for sale	15	**107**	1,655	**-**	-
Debtors: amounts falling due within one year	16	**35,310**	42,846	**43,793**	24,585
Debtors: amounts falling due after more than one year	16	**8,234**	7,898	**680**	283
Cash at bank and in hand		**4,066**	4,085	**-**	-
		97,751	111,451	**44,473**	24,868
Creditors: amounts falling due within one year					
Bank loans and overdrafts	17	**(28,655)**	(65,980)	**-**	-
Other creditors	18	**(46,774)**	(54,489)	**(7,766)**	(7,992)
		(75,429)	(120,469)	**(7,766)**	(7,992)
Net current assets/(liabilities)		**22,322**	(9,018)	**36,707**	16,876
Total assets less current liabilities		**83,135**	58,248	**115,762**	95,931
Creditors: amounts falling due after more than one year					
Bank loans and overdrafts	17	**(18,908)**	(1,921)	**-**	-
Other creditors	18	**(21,792)**	(1,115)	**(28,401)**	(7,500)
Provisions for liabilities	19	**(6)**	(1,395)	**-**	-
Net assets excluding pension deficit		**42,429**	58,817	**87,361**	88,431
Pension deficit	10	**(13,014)**	(10,649)	**-**	-
Net assets including pension deficit	2	**29,415**	43,168	**87,361**	88,431

Balance sheets (continued)
at 29 June 2014

		Group		Company	
	Notes	**2014 £000's**	2013 £000's	**2014 £000's**	2013 £000's
Capital and reserves					
Called up share capital	21	**13,234**	13,234	**13,234**	13,234
Merger reserve	22	**83,482**	83,482	**83,482**	83,482
Capital redemption reserve	22	**54**	54	**54**	54
Other reserve	22	**4,609**	4,609	**4,609**	4,609
Profit and loss account	22	**(72,018)**	(58,324)	**(14,018)**	(12,948)
Total shareholders' funds	23	**29,361**	43,055	**87,361**	88,431
Minority interests		**54**	113	**-**	-
Capital employed		**29,415**	43,168	**87,361**	88,431

The financial statements on pages 9 to 36 were approved by the board of directors on 12 February , 2015 and signed on its behalf by:

D Joll
(Director)

Company number: 03977289

Consolidated cash flow statement
for the financial year ended 29June 2014

	Notes	2014 £000's	2014 £000's	2013 £000's	2013 £000's
Net cash inflow/(outflow) from operating activities	27		**7,075**		(2,507)
Returns on investments and servicing of finance					
Interest received		**13**		15	
Interest paid		**(2,773)**		(3,240)	
Interest element of finance lease rental payments		**(290)**		(90)	
			(3,050)		(3,315)
Taxation					
UK corporation tax paid		**-**		-	
Overseas taxation paid		**(300)**		(1,064)	
			(300)		(1,064)
Capital expenditure and financial investment					
Purchase of tangible assets		**(4,314)**		(10,608)	
Receipt of capital grants		**-**		592	
Sale of tangible assets		**1,215**		2,548	
			(3,099)		(7,468)
Net cash inflow/(outflow) before financing			**626**		(14,354)
Financing					
Capital element of finance lease repayments	29	**(588)**		(578)	
(Repayment)/advance of bank borrowings	29	**(19,972)**		16,450	
Advance from parent undertaking	29	**20,977**		-	
			417		15,872
Increase in cash in the financial year	29		**1,043**		1,518

Notes to the financial statements for the financial year ended 29 June 2014

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 years of the Group end on the Sunday nearest to 30th June, which results in financial years of either 52 or 53 weeks. In accordance with the exemption provided under Section 408 of the 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 29th June, 2014. 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.

Entities in which the Group holds an interest on a long-term basis and are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the gross equity method.

(b) 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 upon the ability of the Group to meet its cash flow forecasts and on the continuing operation within the covenant requirements of the secured lending facilities. Notwithstanding the fact that the Group has net liabilities, the investment by and continuing support of private equity funds managed by Rutland Partners LLP ("Rutland") and the renewal of the secured lending facility through to August 2018 means that the Directors are of the opinion that has the Group has sufficient funds to meet its liabilities as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

UK Facilities
In August 2013, as part of the Rutland investment, the Group's secured lending facilities were renewed and extended through to August 2018. As part of the renewal negotiations the banking covenants were also renegotiated. The Directors have produced forward projections through to June 2016 which support the ability of the Group to operate within the financial and non-financial covenants agreed within that facility.

Hungarian Facilities
Subsequent to the year-end an agreement was reached with CIB Bank Zrt to approve and extend the existing loan and banking facility for a further two year period through to February 2017. The Directors of SáGa Foods have produced forward projections during the loan facility renewal discussions which support the ability of the SáGa business to operate within the financial requirements of the agreement.

(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 tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. 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.

Notes to the financial statements for the financial year ended 29 June 2014
continued

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 (finance leases) are treated as if the asset had been purchased outright.

In respect of finance leases, 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 Financial Reporting Standard ("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) Intangible assets
Intangible assets are stated at historic cost less accumulated depreciation. Depreciation is first charged when the assets are acquired and is calculated to write off the cost in equal annual instalments at the following rates:

Goodwill	20 years

Tangible assets
Tangible assets are stated at historic purchase cost less accumulated depreciation. Depreciation is first charged when tangible 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 year. The results of foreign subsidiaries are translated at average rates of exchange for the financial year. 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 year 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'.

1. Accounting policies continued

(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 year 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 year 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.

Other financial instruments
The Group uses other financial instruments (principally 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) Government grants
Grants received to assist with the purchase of tangible assets are amortised over a year to match the life of the asset acquired.

(p) 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. Goodwill is reviewed for impairment at the end of the first full year following acquisition and in other years if events or changes in circumstances indicate that the carrying value may not be recoverable.

(q) Use of non-GAAP measures
The Directors believe that adjusted EBITDA provides additional useful information for shareholders on underlying trends and performance. These measures are used for internal performance analysis. Adjusted EBITDA is not defined by UK GAAP and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for, or superior to, GAAP measurements of profit. Adjusted EBITDA is calculated by reference to profit/(loss) before income tax, adjusted for interest, depreciation, amortisation and exceptional cost.

Notes to the financial statements for the financial year ended 29 June 2014
continued

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, loss before taxation and net assets are set out below:

Turnover by geographical area

	Turnover by origin 2014 £000's	Turnover by destination 2014 £000's	Turnover by origin 2013 £000's	Turnover by destination 2013 £000's
Western Europe	283,744	283,756	301,502	310,695
Other, including Hungary	24,795	23,045	46,726	35,704
	308,539	306,801	348,228	346,399
Inter-area sales	(1,738)	-	(1,829)	-
Total turnover	306,801	306,801	346,399	346,399

Loss on ordinary activities before taxation per area of origin

	2014 £000's	2013 £000's
Western Europe	(5,249)	(9,210)
Other, including Hungary	1,420	(6,827)
Group operating loss	(3,829)	(16,037)
Share of operating loss in joint venture	(157)	(138)
Exceptional costs – closure of production facility (note 3) – Western Europe	(2,104)	-
Exceptional finance costs (note 3) – Western Eurpoe	(657)	-
Net interest and other finance charges	(3,229)	(4,211)
Loss on ordinary activities before taxation	(9,976)	(20,386)

Net assets per segment of origin

	2014 £000's	2013 £000's
Western Europe	69,660	104,385
Other, including Hungary	3,252	2,599
	72,912	106,984
Net borrowings	(43,497)	(63,816)
Net assets	29,415	43,168

In the opinion of the Directors the disclosure of further segmental information would be seriously prejudicial to the interests of the Group and has not therefore been provided.

Notes to the financial statements for the financial year ended 29 June 2014
continued

3. Group operating loss

		2014 £000's	2013 £000's
Turnover		**306,801**	346,399
Changes in stocks of finished goods and work in progress		**6,552**	4,418
Own work capitalised		**(421)**	(222)
Other operating income		**(1,475)**	(1,332)
Raw materials and consumables		**160,786**	191,342
Other external charges		**19,207**	20,092
Staff costs (note 9)	Exceptional costs	**-**	2,464
	Other	**62,270**	67,857
		62,270	70,321
Depreciation and other amounts (credited)/charged to tangible assets	Exceptional costs	**-**	464
	Other	**8,980**	9,676
		8,980	10,140
Other operating charges	Exceptional costs	**1,978**	1,373
	Other	**52,753**	66,304
		54,731	67,677
		310,630	362,436
Group operating loss		**(3,829)**	(16,037)

Exceptional costs
The following exceptional costs have been recognised in the year:

	2014 £000's	2013 £000's
Staff costs		
- redundancy costs arising on restructuring	**-**	(2,464)
	-	(2,464)
Depreciation and other amounts (credited)/charged to tangible assets		
- net impairment release	**-**	264
- loss on disposal of tangible assets	**-**	(728)
	-	(464)
Other operating charges		
- provision releases/(charges)	**446**	(910)
- restructuring costs	**-**	(463)
- items identified relating to prior periods	**(2,424)**	-
	(1,978)	(1,373)
Closure of production facility		
- redundancy costs	**(323)**	-
- goodwill impairment	**(924)**	-
- impairment of tangible assets	**(599)**	-
- other costs	**(258)**	-
	(2,104)	-
Finance costs		
- write-off of unamortised costs relating to a renegotiated financing facility	**(657)**	-
	(657)	-
Total exceptional costs	**(4,739)**	(4,301)

3. Group operating loss continued

Group loss before exceptional costs is stated after charging/(crediting):

Depreciation of tangible assets		
- Owned assets	**8,792**	9,684
- Leased assets	**188**	246
Profit on disposal of tangible assets	**(208)**	-
Amortisation of grants received	**(122)**	(808)
Amortisation of goodwill	**-**	54
Operating lease charges		
- Land and buildings	**2,108**	2,095
- Plant and machinery	**1,231**	826
- Other	**306**	451
Research and development	**2,507**	3,134
Currency exchange differences	**(22)**	1,391

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

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

	2014 £000's	2013 £000's
Audit services		
- Fees payable to the Company's auditors for the audit of Parent Company and consolidated financial statements	**12**	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	**176**	141
- Tax advisory services	**-**	23
- Corporate finance services	**-**	783
Fees payable in respect of the pension schemes		
- Audit	**12**	12
	200	971

Notes to the financial statements for the financial year ended 29 June 2014
continued

5. Net interest payable and similar charges

	2014 £000's	2013 £000's
Bank interest payable	**2,773**	3,240
Interest payable on finance leases	**290**	90
Amortisation of issue costs of bank loan	**-**	733
Bank interest receivable	**(13)**	(15)
	3,050	4,048

6. Tax on loss on ordinary activities

	2014 £000's	2013 £000's
Current taxation		
Adjustments in respect of previous years	**-**	(1)
Overseas taxation	**300**	794
Total current taxation	**300**	793
Deferred taxation		
Origination and reversal of timing differences (note 20):		
UK	**(1,547)**	(3,272)
Overseas	**201**	(919)
Adjustment in respect of prior years	**-**	1,114
Change in tax rate	**936**	206
Deferred tax on pension scheme liabilities	**539**	241
Total deferred taxation	**129**	(2,630)
Tax charge/(credit) on loss on ordinary activities	**429**	(1,837)

6. Tax on loss on ordinary activities continued

The taxation assessed for the financial year differs (2013: differs) from the standard rate of corporation tax in the UK of 22.5% (2013: 23.75%). The differences are explained below:

	2014 £000's	2013 £000's
Loss on ordinary activities before taxation	**(9,976)**	(20,386)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 22.5% (2013: 23.75%)	**(2,245)**	(4,842)
Permanent differences	**1,469**	745
Decelerated capital allowances	**1,040**	1,199
Unutilised tax losses carried forward	**1,391**	2,852
Pension cost relief in excess of pension cost charge	**(130)**	(138)
Other timing differences	**(1,087)**	95
Differential taxation rates on overseas earnings	**(138)**	883
Adjustments in respect of previous years	**-**	(1)
Current taxation charge for the financial year	**300**	793

Factors that may affect future tax charges

Announcements have been made by the Chancellor of the Exchequer of changes to corporation tax rates which will have an effect on the future tax charge of the company. A reduction in the corporation tax rate from 23% to 21% from 1 April 2014 and a subsequent reduction from 1 April 2015 to 20% were substantively enacted for accounting purposes at the balance sheet date. Consequently, deferred tax has been calculated at the period end using a tax rate of 20% as the majority of deferred tax is expected to be realised after 1 April 2015.

7. Loss for the financial year

The loss attributable to Bernard Matthews Holdings Limited for the financial year ended 29 June 2014 is £1,070,000 (2013: £2,129,000 loss).

Notes to the financial statements for the financial year ended 29 June 2014
continued

8. Directors' emoluments

	2014 £000's	2013 £000's
Aggregate emoluments	**754**	983
Aggregate contributions to defined contribution schemes	**31**	78
Compensation for loss of office	**-**	750
	785	1,811

Emoluments payable to the highest paid Director are as follows:

	2014 £000's	2013 £000's
Aggregate emoluments	**271**	397

9. Employee information

Average number of employees of the Group

	2014 Number	2013 Number
Production	**2,340**	2,476
Administration	**285**	310
	2,625	2,786

Remuneration paid by the Group

	2014 £000's	2013 £000's
Wages and salaries	**54,172**	59,313
Social security costs	**6,410**	6,931
Other pension costs (note 10)	**1,688**	1,613
	62,270	67,857

Other than the Directors, the Company had no employees during the financial year (2013: nil).

10. Pensions

As of 21 March 2004, the Bernard Matthews Pension Fund was closed to further accrual. 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 year to which it relates. At the end of the financial year, contributions of £162,000 (2013: £194,000) were outstanding.

Group Pension Cost

	2014 **£000's**	2013 £000's
Pension costs in relation to defined contribution schemes	**(1,688)**	(1,613)
Finance charge in respect of defined benefit scheme (note 10d)	**(179)**	(163)
	(1,867)	(1,776)

Defined benefit pension scheme:
The most recent actuarial valuation of the Bernard Matthews Pension Fund was conducted as at 31 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 2014 contributions totalling £800,000 were made to the fund (2013: £765,000).

The actuarial valuation was updated to 29 June 2014 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:

	2014	2013
Rate of increase in pensions in payment	**3.30%**	3.30%
Discount rate	**4.30%**	4.70%
Inflation assumption	**3.40%**	3.40%

The mortality assumptions used were as follows:

	2014 **Years**	2013 Years
Longevity at age 60		
Current pensioners	**26.8**	26.7
Future pensioners	**27.8**	27.7

Notes to the financial statements for the financial year ended 29 June 2014
continued

10. Pensions continued

(b) Reconciliation of present value of scheme liabilities

	2014 £000's	2013 £000's
At 1 July 2013	**55,161**	47,810
Interest cost	**2,565**	2,361
Benefits paid	**(1,203)**	(1,211)
Actuarial loss	**4,691**	6,201
At 29 June 2014	**61,214**	55,161

(c) Movement in fair value of scheme assets

	2014 £000's	2013 £000's
At 1 July 2013	**41,331**	37,467
Expected return on pension scheme assets	**2,386**	2,198
Actuarial gain	**1,632**	2,112
Benefits paid	**(1,203)**	(1,211)
Contribution paid by employer	**800**	765
At 29 June 2014	**44,946**	41,331

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

	Long Term rate of return expected 29.06.2014	**Value at 29.06.2014 £000's**	Long Term rate of return expected 30.06.2013	Value at 30.06.2013 £000's
Equities	**6.5%**	**26,838**	6.5%	24,421
Bonds	**4.3%**	**14,271**	4.7%	13,395
Property	**5.4%**	**3,837**	5.6%	3,515
		44,946		41,331
Present value of scheme liabilities		**(61,214)**		(55,161)
Deficit in scheme		**(16,268)**		(13,830)
Related deferred tax asset		**3,254**		3,181
Net pension deficit		**(13,014)**		(10,649)

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 year ended 29 June 2014 are as follows:

Group profit and loss account

	2014 £000's	2013 £000's
Other finance income		
Expected return on pension scheme assets	**2,386**	2,198
Interest on pension scheme liabilities	**(2,565)**	(2,361)
Net other finance (charge)/income	**(179)**	(163)

	2014 £000's	2013 £000's
Statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	**1,632**	2,112
Experience gains and losses arising on the scheme liabilities	**(131)**	84
Impact of changes in assumptions relating to the present value of scheme liabilities	**(4,560)**	(6,285)
Actuarial loss recognised in the statement of total recognised gains and losses	**(3,059)**	(4,089)

(e) History of experience gains and losses for the financial year ended 29 June 2014

	2014 £000's	2013 £000's	2012 £000's	2011 £000's	2010 £000's
Defined benefit obligation	**(61,214)**	(55,161)	(47,810)	(40,793)	(40,373)
Plan assets	**44,946**	41,331	37,467	36,386	31,767
Deficit	**(16,268)**	(13,830)	(10,343)	(4,407)	(8,606)
Experience adjustments on plan assets	**1,632**	2,112	(1,072)	1,253	1,642
Experience adjustments on plan liabilities	**(131)**	84	(3,099)	-	1,567
Total amount recognised in the statement of total recognised gains and losses	**(3,059)**	(4,089)	(6,910)	3,264	(5,450)

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses for accounting years ending on or after 31 December 2002 is £23,157,000 (2013: £20,098,000).

Notes to the financial statements for the financial year ended 29 June 2014
continued

11. Intangible assets

Group	**Goodwill £000's**
Cost at 1 July 2013 and 29 June 2014	1,086
Accumulated amortisation at 1 July 2013	162
Impairment in the year	924
Accumulated amortisation at 29 June 2014	**1,086**
Net book value at 29 June 2014	**-**
Net book value at 1 July 2013	924

The goodwill relates to the acquisition of the shares in Lincs Turkeys Limited and was previously amortised on a straight-line basis over 20 years. As a result of the decision to close the business in the financial year, and its subsequent closure in August 2014, this goodwill has been fully impaired in the year.

12. 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 1 July 2013	49,337	115,638	9,394	1,456	175,825
Additions	606	1,416	87	3,657	5,766
Disposals	(270)	(5,582)	(897)	-	(6,749)
Reclassifications	3	3,648	481	(4,132)	-
Exchange adjustments	(1,692)	(1,864)	(510)	(65)	(4,131)
Cost at 29 June 2014	**47,984**	**113,256**	**8,555**	**916**	**170,711**
Accumulated depreciation at 1 July 2013	21,161	80,890	7,334	-	109,385
Charge for the financial year	1,572	6,860	548	-	8,980
Impairment	-	595	4	-	599
Eliminated on disposals	(151)	(4,725)	(866)	-	(5,742)
Exchange adjustments	(1,389)	(1,758)	(417)	-	(3,564)
Accumulated depreciation at 29 June 2014	**21,193**	**81,862**	**6,603**	**-**	**109,658**
Net book value at 29 June 2014	**26,791**	**31,394**	**1,952**	**916**	**61,053**
Net book value at 1 July 2013	28,176	34,748	2,060	1,456	66,440

As a result of the closure of Lincs Turkeys Limited's production facility after the year end, independent valuers, Bidwells, were appointed to value the tangible assets of the business for sale. As a result of their review, an impairment provision of £599,000 has been created and charged to the profit and loss for the year.

The net book value of plant and machinery for the Group includes an amount of £1,890,000 (2013: £1,404,000) in respect of assets held under finance leases. Depreciation of £188,000 (2013: £246,000) on these assets is included in the charge for the financial year shown above.

The Company held no tangible assets.

	Group		Company	
Capital commitments	**2014 £000's**	2013 £000's	**2014 £000's**	2013 £000's
Contracted for but not provided in the financial statements	-	1,700	-	-

13. Investments

	Group other investments £000's	Company subsidiaries £000's
Cost at 1 July 2013 and 29 June 2014	**15**	**239,762**
Impairments at 1 July 2013 and 29 June 2014	-	**(160,707)**
Net book value at 1 July 2013 and 29 June 2014	**15**	**79,055**

The Directors believe that the carrying value of the investments is supported by the value of the businesses of the subsidiary undertakings.

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.

The Group holds a 45% (2013: 40%) share in Holton Renewable Power Ltd ('the joint venture') and accounts for all amounts included within the share of profits, gross assets and liabilities presented.

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

Notes to the financial statements for the financial year ended 29 June 2014
continued

14. Stocks

	Group		Company	
	2014	2013	**2014**	2013
	£000's	£000's	**£000's**	£000's
Raw materials and consumables	**9,585**	12,049	-	-
Work in progress	**23,363**	24,673	-	-
Finished goods	**17,086**	18,245	-	-
	50,034	54,967	-	-

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

15. Assets held for sale

	Group		Company	
	2014	2013	**2014**	2013
	£000's	£000's	**£000's**	£000's
Plant and machinery	**107**	1,655	-	-

Assets held for sale are included within tangible assets until such time as it is expected that they will be disposed of within one year of the balance sheet date, at which point they are transferred to current assets. Assets held for resale are not depreciated, but are reviewed for impairment in the event that net realisable value falls below carrying value.

16. Debtors

	Group		Company	
	2014	2013	**2014**	2013
	£000's	£000's	**£000's**	£000's
Amounts falling due within one year				
Trade debtors	**28,404**	37,212	-	-
Amounts owed by group undertakings	-	-	**43,793**	24,585
Other debtors	**1,736**	2,277	-	-
Prepayments and accrued income	**5,170**	3,357	-	-
	35,310	42,846	**43,793**	24,585
Amounts falling due after more than one year				
Deferred tax (note 20)	**8,234**	7,898	**680**	283
	43,544	50,744	**44,473**	24,868

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

Notes to the financial statements for the financial year ended 29 June 2014
continued

17. Bank loans and overdrafts

	Group		Company	
	2014	2013	**2014**	2013
	£000's	£000's	**£000's**	£000's
Amounts falling due within one year				
Bank loans	**20,849**	56,997	-	-
Bank overdrafts	**7,280**	8,641	-	-
Obligations under finance leases	**526**	342	-	-
	28,655	65,980	-	-
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	**16,979**	540	-	-
Two to five years	**504**	534	-	-
Over five years	**154**	256	-	-
	17,637	1,330	-	-
Obligations under finance leases due after more than one year are repayable as follows:				
One to five years	**1,271**	591	-	-
Total amount falling due after one year	**18,908**	1,921	-	-
Total borrowings	**47,563**	67,901	-	-

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

Bank loans falling due after more than one year amounting to £1,064,000 (2013: £1,330,000) are repayable in instalments over the period to March 2021. The interest rates are fixed each year, the average rate for the year ended 29 June 2014 being 3.83%.

In respect of bank loans totalling £38,487,000 (2013: £32,741,000), these are stated net of unamortised issue costs of £nil (2013: £657,000).

Notes to the financial statements for the financial year ended 29 June 2014
continued

18. Other creditors

	Group		Company	
	2014	2013	**2014**	2013
	£000's	£000's	**£000's**	£000's
Amounts falling due within one year				
Trade creditors	**32,671**	34,083	**-**	-
Amounts owed to group undertakings	**-**	-	**7,738**	7,694
Other taxation and social security	**1,560**	3,170	**-**	-
Other creditors	**2,011**	2,941	**-**	-
Accruals and deferred income	**10,532**	14,295	**28**	298
	46,774	54,489	**7,766**	7,992
Amounts falling due after one year				
Amounts owed to parent undertaking	**20,901**	-	**20,901**	-
Amounts owed to group undertakings	**-**	-	**7,500**	7,500
Accruals and deferred income	**891**	1,115	**-**	-
	21,792	1,115	**28,401**	7,500
Total other creditors	**68,566**	55,604	**36,167**	15,492

Included in amounts owed by the Company to Parent and Group undertakings is an amount of £10,500,000 which is unsecured and accrues interest at LIBOR plus between 2% and 2.5%. Other amounts due to group undertakings do not attract interest.

19. Provisions for liabilities

	Onerous leases £000's
Group	
At 1 July 2013	1,395
Utilised during the year	(1,174)
Release of provision	(215)
At 29 June 2014	**6**

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 financial years.

The Company held no provisions.

20. Deferred taxation

Deferred tax asset excluding that in relation to pension deficit

	Group		Company	
	2014	2013	**2014**	2013
	£000's	£000's	**£000's**	£000's
Provision for deferred taxation comprises:				
Accelerated capital allowances	**(116)**	(1,313)	-	-
Other timing differences	**80**	1,335	-	-
Tax losses carried forward	**8,270**	7,876	**680**	317
Deferred taxation asset	**8,234**	7,898	**680**	317

	Group	
	2014	2013
	£000's	£000's
At 1 July 2013	**7,898**	5,608
Deferred tax credited in profit and loss account (note 6)	**410**	2,871
Exchange adjustments	**(74)**	32
At 29 June 2014	**8,234**	7,898

Deferred taxation has been calculated at 20% (2013: 23%) and at prevailing overseas taxation rates where applicable.

The Group has an unprovided deferred tax asset of £3,100,000 (2013: £3,100,000) relating to trading losses which the directors do not consider to be recoverable.

Deferred tax asset relating to pension deficit

	Group	
	2014	2013
	£000's	£000's
At 1 July 2013	**3,181**	2,482
Deferred tax (charged) in profit and loss account (note 6)	**(539)**	(241)
Deferred tax credited to the statement of total recognised gains and losses	**612**	940
At 29 June 2014	**3,254**	3,181

21. Called up share capital and share options

Group and Company

	2014 £000's	2013 £000's
Allotted, called up and fully paid:		
52,937,648 (2013: 52,937,648) ordinary shares of 25p each	**13,234**	13,234
2,510,436 (2013: 2,510,436) B ordinary shares of 0.001p each	-	-
	13,234	13,234

22. Reserves

	Merger reserve £000's	**Capital redemption reserve £000's**	**Other reserve £000's**	**Profit and loss account £000's**
Group				
At 1 July 2013	83,482	54	4,609	(58,324)
Actuarial loss on pension scheme (note 10)	-	-	-	(3,059)
Movement on deferred tax relating to pension scheme	-	-	-	612
Currency translation differences	-	-	-	(893)
Loss for the financial year	-	-	-	(10,354)
At 29 June 2014	**83,482**	**54**	**4,609**	**(72,018)**

	Merger reserve £000's	**Capital redemption reserve £000's**	**Other reserve £000's**	**Profit and loss account £000's**
Company				
At 1 July 2013	83,482	54	4,609	(12,948)
Loss for the financial year	-	-	-	(1,070)
At 29 June 2014	**83,482**	**54**	**4,609**	**14,018**

Included in currency translation differences is a profit on exchange of £310,000 (2013: £45,000) arising on borrowings denominated in foreign currencies designated as hedges of net overseas investments.

Notes to the financial statements for the financial year ended 29 June 2014
continued

23. Reconciliation of movements in total shareholders' funds

Group	**2014 £000's**	2013 £000's
Loss for the financial year as reported	**(10,354)**	(18,568)
Actuarial loss on pension scheme (note 10)	**(3,059)**	(4,089)
Movement in deferred tax relating to pension scheme liability (note 20)	**612**	940
Currency translation differences on foreign currency net investments	**(893)**	1,290
Net reduction in total shareholders' funds	**(13,694)**	(22,851)
Total shareholders' funds at 1 July 2013	**43,055**	63,482
Total shareholders' funds at 29 June 2014	**29,361**	43,055

Company	**2014 £000's**	2013 £000's
Loss for the financial year	**(1,070)**	(2,129)
Total shareholders' funds at 1 July 2013	**88,431**	90,560
Total shareholders' funds at 29 June 2014	**87,361**	88,431

24. Contingent liabilities

At 29 June 2014 the Company is guarantor with other Group companies of loans totalling £32,260,000 (2013: £51,565,000) made by the Group's bankers.

25. Operating leases

At 29 June 2014 the Group had annual non-cancellable operating lease commitments of:

	Land and buildings 2014 £000's	**Other 2014 £000's**	Land and buildings 2013 £000's	Other 2013 £000's
Group				
Operating leases expiring:				
Within one year	**693**	**353**	832	143
In the second to fifth years inclusive	**618**	**1,685**	671	730
Five years or more	**342**	**286**	136	462
	1,653	**2,324**	1,639	1,344

26. 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 Zrt owns 60% of Rabaho KFT who provide Saga Foods Zrt with steam. Sales from Rabaho KFT to Saga Foods Zrt in the year amounted to £3,000 (2013: £904,000). Sales from Saga Foods Zrt to Rabaho KFT in the year amounted to £14,000 (2013: £26,000). The balance due from Rabaho KFT to Saga Foods Zrt at the year end amounted to £10,000 (due to Rabaho KFT 2013: £2,000).

27. Group cash flow statement

Reconciliation of operating loss before exceptional costs to net cash inflow from operating activities

	2014	2013
	£000's	£000's
Operating loss	**(3,829)**	(11,736)
Depreciation of tangible assets	**8,980**	9,930
Impairment of goodwill	**-**	54
Profit on sale of tangible assets	**(208)**	-
Amortisation of grants received	**(122)**	(808)
Decrease in stocks and assets held for sale	**6,097**	2,814
Decrease/(increase) in debtors	**7,152**	(2,560)
(Decrease)/increase in creditors and provisions for liabilities and charges	**(10,195)**	564
Contributions to defined benefit pension scheme	**(800)**	(765)
Net cash inflow/(outflow) from operating activities	7,075	(2,507)

28. Reconciliation of net cash inflows/(outflows) to movement in net debt

	2014	2013
	£000's	£000's
Increase in cash in the financial year	**1,043**	1,518
Cash inflow from increase in debt	**(417)**	(15,872)
Change in net debt resulting from cash flows	**626**	(14,354)
Foreign exchange differences	**825**	(1,048)
Other non-cash changes	**(2,108)**	460
Movement in net debt in the financial year	**(657)**	(14,942)
Net debt at 1 July 2013	**(63,817)**	(48,875)
Net debt at 29 June 2014	**(64,474)**	(63,817)

29. Analysis of net debt

	Balance at 01.07.2013 £000's	Cash flow £000's	Foreign exchange differences £000's	Non-cash changes £000's	**Balance at 29.06.2014 £000's**
Cash at bank and in hand	4,085	207	(226)	-	**4,066**
Bank overdrafts	(8,641)	836	525	-	**(7,280)**
	(4,556)	**1,043**	**299**	**-**	**(3,214)**
Debt:					
Bank debt due after one year	(1,330)	-	-	(16,307)	**(17,637)**
Bank debt due within one year	(56,997)	19,972	526	15,650	**(20,849)**
Finance leases due after one year	(591)	-	-	(680)	**(1,271)**
Finance leases due within one year	(343)	588	-	(771)	**(526)**
Loan from parent undertaking	-	(20,977)	-	-	**(20,977)**
	(59,261)	**(417)**	**526**	**(2,108)**	**(61,260)**
Net debt	**(63,817)**	**626**	**825**	**(2,108)**	**(64,474)**

Non-cash changes comprise amortisation of issue costs on bank loans and new finance lease obligations.

30. Ultimate parent company and ultimate controlling party

The immediate parent undertaking is BM Bidco Limited. The ultimate parent undertaking is BM Topco Limited, a company incorporated in England. BM Topco Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 29 June 2014. The consolidated financial statements of BM Topco Limited are available from Great Witchingham Hall, Great Witchingham, Norwich, Norfolk, NR9 5QD.

For the purposes of FRS 8, the Directors consider Rutland Partners LLP to be the ultimate controlling party at the balance sheet date.