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**CRANSWICK plc**

**ANNUAL REPORT**

**YEAR ENDED 31 MARCH 2001**



# Report of the Directors

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## SHARE CAPITAL

On 8 September 2000 19,678 ordinary shares were issued at 345p per share as a result of shareholders exercising the scrip dividend option in lieu of the cash payment of the 2000 final dividend.

On 3 October 2000 12,047 ordinary shares were issued at 322.5p per share in connection with the Company's Qualifying Employee Share Ownership Trust.

On 26 January 2001 21,339 ordinary shares were issued at 396.5p per share as a result of shareholders exercising the scrip dividend option in lieu of the cash payment of the 2001 interim dividend.

On 30 March 2001 77,897 ordinary shares were issued at 336p per share in connection with the Company's Qualifying Employee Share Ownership Trust.

During the course of the year 19,338 ordinary shares were issued to the Company's Qualifying Employee Share Ownership Trust at prices between 322.5p and 420p per share as a result of employees exercising SAYE share options. The option price was 207p.

## MAJOR SHAREHOLDERS

The Company has been informed of the following interests at 11 May 2001 in the 19,035,181 ordinary shares of the Company, as required by the Companies Act 1985:

	Number of Shares	% of issued share capital
AMVESCAP plc	3,509,667	18.4
Henderson Global Investors	2,753,998	14.5
Jupiter Asset Management	2,523,632	13.3
Framlington Group plc	1,955,985	10.3
Sun Life of Canada	692,800	3.6

## EMPLOYMENT POLICIES

The Company's policy on employee involvement is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Company's operations.

Employment policies are designed to provide equal opportunities irrespective of colour, ethnic or natural origin, nationality, sex, religion, marital or disabled status. Full consideration is given to applications for employment by and the continuing employment, training and career development of disabled people.

## *Report of the Directors*

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### **PAYMENT OF SUPPLIERS**

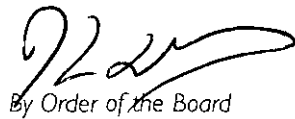
Payment terms are agreed with each supplier and every endeavour is made to adhere to the agreed terms. The average credit terms for the Group as a whole, based on the year-end trade creditors figure and a 365 day year, is 25 days. The average credit taken by our customers on a similar basis is 37 days.

### **AUDITORS**

Ernst & Young has stated that it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnership Act 2000, to be called Ernst & Young LLP, on 28 June 2001. The directors have consented to treating the appointment of Ernst & Young as to extending to Ernst & Young LLP. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

### **SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING**

Details of Special Business to be transacted at the Annual General Meeting are contained in the Appendices to the Notice of Meeting on pages 64 to 68.



*J Lindop*

*By Order of the Board*

**J Lindop**

Secretary

23 May 2001

## *Consolidated Profit and Loss Account*

for the year ended 31 March 2001

	Note	2001 £'000	2000 £'000
<b>Turnover</b>	2	<b>192,612</b>	157,348
Cost of sales		<u>161,273</u>	<u>131,397</u>
<b>Gross profit</b>		<b>31,339</b>	25,951
Operating expenses before goodwill amortisation		<u>19,016</u>	<u>15,859</u>
Operating profit before goodwill amortisation		<b>12,323</b>	10,092
Goodwill amortisation	10	<u>816</u>	<u>461</u>
<b>Operating profit</b>	3	<b>11,507</b>	9,631
Interest charge	5	<u>579</u>	<u>770</u>
<b>Profit on ordinary activities before taxation</b>		<b>10,928</b>	8,861
<i>Profit on ordinary activities before taxation and goodwill amortisation</i>		<span style="border: 1px solid black;"><b>11,744</b></span>	<span style="border: 1px solid black;">9,322</span>
Taxation	6	<u>3,385</u>	<u>2,699</u>
<b>Profit on ordinary activities after taxation</b>		<b>7,543</b>	6,162
Equity minority interest		<u>104</u>	<u>140</u>
<b>Profit for the financial year attributable to members of the parent company</b>	7	<b>7,439</b>	6,022
Equity dividends	8	<u>3,135</u>	<u>2,829</u>
<b>Retained profit for the year</b>	23	<u>4,304</u>	<u>3,193</u>
<b>Earnings per share:</b>	9		
- basic		<b>39.4p</b>	36.2p
- diluted		<b>38.1p</b>	35.9p
- adjusted for goodwill amortisation		<b>43.7p</b>	39.0p

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2001

	2001 £'000	2000 £'000
Profit attributable to shareholders of the Company	<b>7,439</b>	6,022
Exchange difference on foreign equity investments	<b>5</b>	(14)
Total recognised gains and losses related to the year	<u><b>7,444</b></u>	<u>6,008</u>

# Consolidated Balance Sheet

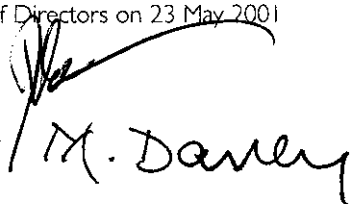
31 March 2001

	Note	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Intangible assets	10	15,982	16,312
Tangible assets	11	<u>25,296</u>	<u>24,815</u>
		<b><u>41,278</u></b>	<b><u>41,127</u></b>
<b>Current assets</b>			
Stocks	13	7,234	6,189
Debtors	14	21,001	20,069
Cash at bank and in hand		<u>3,372</u>	<u>1,005</u>
		<b><u>31,607</u></b>	<b><u>27,263</u></b>
<b>Creditors - amounts falling due within one year</b>			
Loan notes payable		1,516	1,624
Bank loans	17	1,875	1,406
Bank overdraft		1,144	2,384
Trade and other creditors	15	18,619	16,173
Corporation tax		2,154	2,495
Proposed equity dividend		<u>2,284</u>	<u>2,075</u>
		<b><u>27,592</u></b>	<b><u>26,157</u></b>
<b>Net current assets</b>		<b><u>4,015</u></b>	<b><u>1,106</u></b>
<b>Total assets less current liabilities</b>		<b>45,293</b>	42,233
<b>Creditors - amounts falling due after more than one year</b>			
	16	3,674	5,339
<b>Provision for liabilities and charges</b>			
Deferred taxation	20	1,316	1,002
<b>Accruals and deferred income</b>			
Government grants		<u>221</u>	<u>296</u>
<b>Total assets less liabilities</b>		<b><u>40,082</u></b>	<b><u>35,596</u></b>
<b>Capital and reserves</b>			
Called-up share capital	21	1,902	1,887
Share premium account	22	20,593	20,090
Profit and loss account	23	<u>17,308</u>	<u>13,299</u>
<b>Equity shareholders' funds</b>		<b><u>39,803</u></b>	<b><u>35,276</u></b>
Equity minority interest		<u>279</u>	<u>320</u>
		<b><u>40,082</u></b>	<b><u>35,596</u></b>

Approved by the Board of Directors on 23 May 2001

Jim Bloom Director

Martin Davey Director



# Company Balance Sheet

31 March 2001

	Note	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Tangible assets	11	2,141	1,731
Investment in subsidiary undertakings	12	<u>25,655</u>	<u>25,655</u>
		<b><u>27,796</u></b>	<b><u>27,386</u></b>
<b>Current assets</b>			
Debtors	14	11,294	13,531
Cash at bank and in hand		<u>2,270</u>	-
		<b><u>13,564</u></b>	<b><u>13,531</u></b>
<b>Creditors - amounts falling due within one year</b>			
Loan notes payable		1,516	1,624
Bank loans	17	1,875	1,406
Bank overdraft		-	190
Trade and other creditors	15	956	691
Corporation tax		114	142
Proposed equity dividend		<u>2,284</u>	<u>2,075</u>
		<b><u>6,745</u></b>	<b><u>6,128</u></b>
<b>Net current assets</b>		<b><u>6,819</u></b>	<b><u>7,403</u></b>
<b>Total assets less current liabilities</b>		<b>34,615</b>	34,789
<b>Creditors - amounts falling due after more than one year</b>			
	16	3,437	5,313
<b>Provision for liabilities and charges</b>			
Deferred taxation	20	22	-
<b>Total assets less liabilities</b>		<b><u>31,156</u></b>	<b><u>29,476</u></b>
<b>Capital and reserves</b>			
Called-up share capital	21	1,902	1,887
Share premium account	22	20,593	20,090
General reserve	23	4,000	4,000
Merger reserve	23	1,806	1,806
Profit and loss account	23	<u>2,855</u>	<u>1,693</u>
<b>Equity shareholders' funds</b>		<b><u>31,156</u></b>	<b><u>29,476</u></b>

Approved by the Board of Directors on 23 May 2001

**Jim Bloom** Director

**Martin Davey** Director



# *Consolidated Cash Flow Statement*

for the year ended 31 March 2001

	Note	2001 £'000	2000 £'000
<b>Operating activities</b>			
Net cash inflow from operating activities	25	<u>15,760</u>	<u>12,293</u>
<b>Returns on investment and servicing of finance</b>			
Hire purchase interest paid		(21)	(54)
Bank interest paid		<u>(588)</u>	<u>(664)</u>
		<u>(609)</u>	<u>(718)</u>
<b>Taxation paid</b>			
		<u>(3,412)</u>	<u>(3,421)</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(3,276)	(5,710)
Government grants received		-	40
Proceeds of sale of tangible fixed assets		<u>266</u>	<u>355</u>
		<u>(3,010)</u>	<u>(5,315)</u>
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertaking		-	(2,194)
Net cash acquired with subsidiary undertaking		-	(1,708)
Part purchase of minority interest		<u>(631)</u>	<u>(573)</u>
		<u>(631)</u>	<u>(4,475)</u>
<b>Equity dividends paid</b>			
		<u>(2,773)</u>	<u>(2,087)</u>
<b>Cash inflow/(outflow) before financing</b>			
		<u>5,325</u>	<u>(3,723)</u>
<b>Financing</b>			
Issue of ordinary share capital		65	234
New medium term loan		-	5,000
Medium term loan repayments		(1,407)	(1,250)
Loan note repayments		(108)	(607)
Capital element of hire purchase payments		<u>(273)</u>	<u>(200)</u>
Net cash (outflow)/inflow from financing		<u>(1,723)</u>	<u>3,177</u>
<b>Increase/(decrease) in cash in the year</b>			
	27	<u>3,602</u>	<u>(546)</u>

# Notes to the Accounts

## I. ACCOUNTING POLICIES

### a) Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

### b) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and each of its subsidiary undertakings made up to 31 March. Results of companies acquired or sold in the year are included from the date of acquisition or to the date of disposal.

### c) Goodwill

Goodwill represents the excess of purchase price paid for businesses acquired over the fair value of their identifiable net assets at the respective dates of acquisition. Goodwill on acquisitions prior to 1 April 1998 was written off immediately. Goodwill on acquisitions since 1 April 1998 is capitalised and amortised, on a straight line basis, over its estimated useful economic life, limited to a maximum period of 20 years. Goodwill previously written off to reserves is included in the calculation of profits and losses on disposals.

### d) Depreciation

Freehold land is not depreciated. The cost less estimated residual value of other tangible fixed assets is written off by equal instalments over their expected useful lives, as follows:

Freehold buildings	50 years
Short leasehold improvements	Residue of lease
Plant and equipment	5 - 10 years
Motor vehicles	4 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying values may not be recoverable.

### e) Capitalised interest

Interest incurred on borrowings to finance the construction of fixed assets is capitalised up to the date at which the relevant fixed asset is substantially complete.

### f) Government grants

UK Regional Development Grants and grants receivable from the European Union and the Ministry of Agriculture, Fisheries and Foods in respect of expenditure on fixed assets are credited to a separate account from which amounts are released to revenue over the relevant depreciation period.

### g) Stocks

Stocks (including livestock) are valued at the lower of cost, on a first in, first out basis, and net realisable value after making allowance for any obsolete or slow moving items. In the case of finished goods, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads. The allocation of manufacturing fixed overheads has regard to budgeted normal production.

### h) Deferred taxation

Provision is made for deferred taxation using the liability method on short term and other material timing differences which are not expected to continue in the future.

### i) Hire purchase and operating leases

Assets held under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. Interest is charged to the profit and loss account in proportion to the capital repayments outstanding. Rentals payable under operating leases are charged against income on a straight line basis over the term of the lease.

### j) Pensions

The Group operates a defined contribution pension scheme which requires contributions to be made to a separately administered fund. Contributions to the fund are determined as a percentage of employees' earnings and are charged to the profit and loss account as incurred.

### k) Foreign currencies

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other exchange differences are taken to the profit and loss account.

## Notes to the Accounts

### 2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

The group operates in three principal sectors, being food, agribusiness and pet, wholly within the European Union.

Turnover	Food		Agribusiness		Pet		Total	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Gross	<b>144,688</b>	121,081	<b>73,900</b>	62,724	<b>19,715</b>	19,505	<b>238,303</b>	203,310
Internal	<b>22,963</b>	17,152	<b>21,545</b>	27,921	<b>1,183</b>	889	<b>45,691</b>	45,962
External	<b>121,725</b>	103,929	<b>52,355</b>	34,803	<b>18,532</b>	18,616	<b>192,612</b>	157,348

In the opinion of the directors, the disclosure of segmental operating profit and net operating assets would be prejudicial to the interests of the Group.

### 3. OPERATING PROFIT

	2001 £'000	2000 £'000
This is stated after charging:		
Depreciation of owned assets, net of government grants of £75,000 (2000 - £33,000)	<b>2,640</b>	2,225
Depreciation of assets held under finance leases and hire purchase contracts	<b>160</b>	106
Operating lease rentals	<b>757</b>	460
Auditors' remuneration	<b>86</b>	73

In addition, payments to Ernst & Young for non audit services amounted to £30,000 (2000 - £37,000)

### 4. EMPLOYEES

	2001 £'000	2000 £'000
Staff costs:		
Wages and salaries	<b>18,461</b>	17,521
Social security costs	<b>1,727</b>	1,671
Other pension costs	<b>255</b>	189
	<b>20,443</b>	19,381

The average monthly number of employees during the year was:

	2001 No	2000 No
Production	<b>806</b>	794
Selling and distribution	<b>103</b>	81
Administration	<b>86</b>	97
	<b>995</b>	972

Directors' emoluments are included above within staff costs. Details of each director's remuneration, pension contributions and share options are detailed in the Report on Directors' Remuneration on page 54.

## Notes to the Accounts

### 5. INTEREST CHARGE

	2001	2000
	£'000	£'000
Hire purchase interest	21	54
Loan note interest	90	49
Bank interest	468	667
	<u>579</u>	<u>770</u>

### 6. TAXATION

	2001	2000
	£'000	£'000
The charge based on the profit for the year comprises:		
UK corporation tax:		
Current tax on income for the year	3,353	2,696
Adjustments in respect of prior years	(282)	(104)
	<u>3,071</u>	<u>2,592</u>
Deferred taxation:		
Current year	50	86
Adjustment in respect of prior years	264	21
	<u>314</u>	<u>107</u>
	<u>3,385</u>	<u>2,699</u>

### 7. PROFIT ATTRIBUTABLE TO MEMBERS

Of the profit attributable to members, the sum of £4,597,000 (2000 - £2,710,000) has been dealt with in the accounts of Cranswick plc. In accordance with the exemptions contained in Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account.

### 8. EQUITY DIVIDENDS

	2001	2000
	£'000	£'000
Interim paid 4.5p per share (2000 - 4.0p)	851	754
Final proposed 12.0p per share (2000 - 11.0p)	2,284	2,075
	<u>3,135</u>	<u>2,829</u>

## Notes to the Accounts

### 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit after taxation and minority interests of £7,439,000 (2000 - £6,022,000) and on the weighted average number of shares in issue during the financial year of 18,889,565 (2000 - 16,622,017) excluding the shares held by the Cranswick Qualifying Employee Share Ownership Trust.

The calculation of diluted earnings per share is based on 19,504,374 (2000 - 16,781,342) ordinary shares allowing for the exercise of 614,809 (2000 - 159,325) outstanding share options which have a dilutive effect.

The calculation of adjusted earnings per share is based on profit after taxation and minority interest of £7,439,000 (2000 - £6,022,000) but before goodwill amortisation of £816,000 (2000 - £461,000) and on the weighted average number of shares of 18,889,565 (2000 - 16,622,017). The adjusted earnings per share is included, because in the opinion of the directors, it provides a better understanding of the underlying trading performance of the group.

### 10. INTANGIBLE FIXED ASSETS

Group	Goodwill £'000
<b>Cost</b>	
At 31 March 2000	16,812
Acquisition of minority interest.	486
<b>At 31 March 2001</b>	<b><u>17,298</u></b>
<b>Amortisation</b>	
At 31 March 2000	500
Provided during the year	816
<b>At 31 March 2001</b>	<b><u>1,316</u></b>
<b>Net book amounts</b>	
At 31 March 2000	16,312
<b>At 31 March 2001</b>	<b><u>15,982</u></b>

Goodwill arising on the acquisitions is being amortised evenly over its presumed useful economic life of 20 years.

## Notes to the Accounts

### II. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Leasehold improvements £'000	Plant equipment and vehicles £'000	Total £'000
<b>Cost</b>				
At 31 March 2000	11,429	1,274	21,795	34,498
Additions	830	242	2,649	3,721
Disposals	(252)	-	(1,619)	(1,871)
<b>At 31 March 2001</b>	<b><u>12,007</u></b>	<b><u>1,516</u></b>	<b><u>22,825</u></b>	<b><u>36,348</u></b>
<b>Depreciation</b>				
At 31 March 2000	1,192	54	8,437	9,683
Charge for the year	158	58	2,659	2,875
Relating to disposals	(197)	-	(1,309)	(1,506)
<b>At 31 March 2001</b>	<b><u>1,153</u></b>	<b><u>112</u></b>	<b><u>9,787</u></b>	<b><u>11,052</u></b>
<b>Net book amounts</b>				
At 31 March 2000	10,237	1,220	13,358	24,815
<b>At 31 March 2001</b>	<b><u>10,854</u></b>	<b><u>1,404</u></b>	<b><u>13,038</u></b>	<b><u>25,296</u></b>

Included in freehold land and buildings is land with a cost of £2,151,000 (2000 - £2,151,000) which is not depreciated.

The cost of freehold land and buildings includes £174,000 (2000 - £174,000) in respect of capitalised interest.

Included in plant, equipment and vehicles are the following amounts relating to assets acquired under hire purchase contracts:

	Group
Net book amounts at 31 March 2001	519
Net book amounts at 31 March 2000	437

Parent Company	Freehold land and buildings £'000
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<b>Cost</b>	
At 31 March 2000	1,735
Additions	411
<b>At 31 March 2001</b>	<b><u>2,146</u></b>

<b>Depreciation</b>	
At 31 March 2000	4
Charge for the year	1
<b>At 31 March 2001</b>	<b><u>5</u></b>

<b>Net book amounts</b>	
At 31 March 2000	1,731
<b>At 31 March 2001</b>	<b><u>2,141</u></b>

## Notes to the Accounts

### 12. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	£'000
a) Shares at cost	
<b>At 31 March 2000 and 31 March 2001</b>	<b><u>25,655</u></b>

The principal subsidiary undertakings are:

#### Food

Cranswick Country Foods plc  
 Cranswick Country Foods (Sutton Fields) Limited  
 Cranswick Gourmet Sausage Company Limited (83%) (held by a subsidiary)  
 Cambury Limited

#### Agribusiness

Cranswick Mill Limited  
 Cranswick Deutschland GmbH (registered in Germany)

#### Pet

George Buckton Limited  
 Tropical Marine Centre Limited

Except where stated otherwise, each of the companies is registered in England and Wales. The subsidiary undertakings are 100% owned directly except where shown otherwise. The subsidiary undertakings are involved in the activities referred to in the Report of the Directors and operate in the European Union.

- b) One half of the 33% minority in Cranswick Gourmet Sausage Company Limited was acquired with effect from 30 June 2000, as follows:

	£'000
Minority interest purchased	145
Goodwill arising on acquisition (note 10)	486
Cost of acquisition	<u>631</u>

The cost of acquisition, including acquisition costs of £4,000, was satisfied by a cash payment.

### 13. STOCKS

	Group	
	2001	2000
	£'000	£'000
Raw materials	3,887	3,228
Finished goods	1,286	1,285
Livestock	<u>2,061</u>	<u>1,676</u>
	<u><b>7,234</b></u>	<u><b>6,189</b></u>

There is no significant difference between the replacement cost and the balance sheet value of stocks.

### 14. DEBTORS

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	19,570	18,540	-	-
Other debtors	998	1,184	-	-
Prepayments and accrued income	433	345	53	53
Amounts owed by subsidiary undertakings	-	-	<u>11,241</u>	13,478
	<u><b>21,001</b></u>	<u><b>20,069</b></u>	<u><b>11,294</b></u>	<u><b>13,531</b></u>

## Notes to the Accounts

15. TRADE AND OTHER CREDITORS	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Obligations under hire purchase contracts (note 18)	132	97	-	-
Trade creditors	10,706	9,526	-	-
Other creditors, including taxation and social security £648,000 (2000 - £637,000)	1,922	1,853	956	691
Accruals and deferred income	5,859	4,697	-	-
	<u>18,619</u>	<u>16,173</u>	<u>956</u>	<u>691</u>

16. CREDITORS - amounts falling due after more than one year	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank loans (note 17)	3,437	5,313	3,437	5,313
Obligations under hire purchase contracts (note 18)	237	26	-	-
	<u>3,674</u>	<u>5,339</u>	<u>3,437</u>	<u>5,313</u>

17. BANK LOANS	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank loans	5,312	6,719	5,312	6,719
Less: amounts falling due within one year	1,875	1,406	1,875	1,406
Amounts falling due after more than one year (note 16)	<u>3,437</u>	<u>5,313</u>	<u>3,437</u>	<u>5,313</u>

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Analysis of repayment terms:				
Between one and two years	1,875	1,875	1,875	1,875
Between two to five years	1,562	3,438	1,562	3,438
	<u>3,437</u>	<u>5,313</u>	<u>3,437</u>	<u>5,313</u>

The bank loans are repayable by instalments by January 2002 as to £625,000 and by October 2004 as to £4,687,000 and bear interest at 8.08 per cent and a UK bank based floating rate respectively for the periods of the loans. There is a fixed/floating rate SWAP agreement in place which effectively converts £2,343,000 of the £4,687,000 loan to a fixed rate of 7.54%.

18. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS	Group	
	2001 £'000	2000 £'000
Amounts payable:		
Within one year	134	119
In two to five years	239	30
	<u>373</u>	<u>149</u>
Less: finance charges allocated to future periods	(4)	(26)
	<u>369</u>	<u>123</u>
Hire purchase contracts are analysed as follows:		
Current obligations (note 15)	132	97
Non current obligations (note 16)	237	26
	<u>369</u>	<u>123</u>

## Notes to the Accounts

### 19. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

An explanation of the Group's approach to derivatives and other financial instruments in creating and changing the risks of the Group in its activities can be found in the Financial Review on page 26.

The interest rate profile of financial liabilities of the group, excluding short term debtors and creditors, at 31 March 2001 was: fixed rate bank loans of £2,968,000 (2000 - £4,219,000), fixed rate hire purchase contracts of £369,000 (2000 - £123,000) and floating rate loan notes and overdrafts of £5,004,000 (2000 - £6,508,000). All amounts are denominated in sterling. Floating interest rates are based on UK bank rates. The only financial asset at 31 March 2001 was cash at bank of £3,372,000 (2000 - £1,005,000).

The weighted average interest rate for fixed rate liabilities was 7.6% (2000 - 7.6%) and the weighted average period for which rates are fixed is 2.9 years (2000 - 3.25 years).

The maturity profile of financial liabilities at 31 March 2001 was as follows:

	Group	
	2001 £'000	2000 £'000
In one year or on demand	4,667	5,511
In more than one year but not more than two years	1,994	1,901
In more than two years but not more than five years	<u>1,680</u>	<u>3,438</u>
	<u><b>8,341</b></u>	<u>10,850</u>

The fair value of floating rate financial assets and liabilities is equal to their book value. The fair value based on discounted cash flows of fixed rate financial instruments of £3,337,000 (2000 - £4,342,000) has been estimated at £3,627,000 (2000 - £4,622,000).

The Group does not have any material deferred or unrecognised gains or losses on hedges.

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 March 2001 were £8,356,000 (2000 - £4,621,000).

### 20. DEFERRED TAXATION

	Group £'000	Company £'000
Movement in the year comprises:		
Balance at 31 March 2000	1,002	-
Charged to profit and loss account	314	22
<b>Balance at 31 March 2001</b>	<u><b>1,316</b></u>	<u><b>22</b></u>

Group	Provided		Not provided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
The balance comprises:				
Accelerated capital allowances	1,316	1,002	600	540
On valuation in subsidiary	-	-	68	68
	<u><b>1,316</b></u>	<u>1,002</u>	<u><b>668</b></u>	<u>608</u>

Company	Provided		Not provided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
The balance comprises:				
Accelerated capital allowances	<u><b>22</b></u>	-	-	-

## Notes to the Accounts

### 21. CALLED-UP SHARE CAPITAL

	Authorised		Allotted, called-up and fully paid	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Ordinary shares of 10p each	<u>2,650</u>	<u>2,650</u>	<u>1,902</u>	<u>1,887</u>

On 8 September 2000 19,678 ordinary shares were issued at 345p per share as a result of shareholders exercising the scrip dividend option in lieu of the cash payment of the 2000 final dividend.

On 3 October 2000 12,047 ordinary shares were issued at 322.5p per share in connection with the Company's Qualifying Employee Share Ownership Trust.

On 26 January 2001 21,339 ordinary shares were issued at 396.5p per share as a result of shareholders exercising the scrip dividend option in lieu of the cash payment of the 2001 interim dividend.

On 30 March 2001 77,897 ordinary shares were issued at 336p per share in connection with the Company's Qualifying Employee Share Ownership Trust.

During the course of the year 19,338 ordinary shares were issued to the Company's Qualifying Employee Share Ownership Trust at prices between 322.5p and 420p per share as a result of employees exercising SAYE share options. The option price was 207p.

Of the unissued ordinary share capital, £61,957 is reserved for allotment under the Savings Related and Executive Share Option Schemes. The options are exercisable as follows:-

	Number	Exercise price	Exercise period
Savings related	68,016	125p	April 2001 to September 2001
Savings related	64,322	145p	October 2001 to March 2002
Savings related	82,259	207p	October 2002 to March 2005
Savings related	240,622	241.5p	March 2003 to September 2005
Executive	164,350	295p	December 2002 to December 2009

At 31 March 2001 the Cranswick Qualifying Employee Share Ownership Trust held 82,775 ordinary shares with a nominal value of 10p each, acquired at an average cost of 335p each and with a market value of £292,000. Options over these shares have been granted to employees under the SAYE scheme.

Dividends on the shares issued by the Trust, the purchase of which was funded by a contribution from Cranswick plc, are waived. All expenses incurred by the Trust are settled directly by Cranswick plc and charged in the accounts as incurred.

Since the year-end 18,745 shares have been issued to the Company's Qualifying Employee Share Ownership Trust.

## Notes to the Accounts

### 22. SHARE PREMIUM ACCOUNT

	£'000
At 31 March 2000	20,090
Arising on share issues	503
<b>At 31 March 2001</b>	<b><u>20,593</u></b>

### 23. RESERVES

	General reserve £'000	Merger reserve £'000	Profit and loss account £'000
Group			
At 31 March 2000	-	-	13,299
Contribution to Cranswick Qualifying Employee Share Ownership Trust	-	-	(300)
Exchange difference	-	-	5
Retained profit for the year	-	-	4,304
<b>At 31 March 2001</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>17,308</u></b>
Company			
At 31 March 2000	4,000	1,806	1,693
Contribution to Cranswick Qualifying Employee Share Ownership Trust	-	-	(300)
Retained profit for the year	-	-	1,462
<b>At 31 March 2001</b>	<b><u>4,000</u></b>	<b><u>1,806</u></b>	<b><u>2,855</u></b>

Cumulative goodwill of £7,102,000 (2000 - £7,102,000) has been written off reserves in respect of goodwill arising prior to 1 April 1998.

### 24. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group	
	2001 £'000	2000 £'000
At 31 March 2000	35,276	18,314
Contribution to Cranswick Qualifying Employee Share Ownership Trust	(300)	(103)
Profit for the financial year	7,439	6,022
Exchange difference	5	(14)
Dividends	(3,135)	(2,829)
Issues of shares:		
In respect of scrip dividends	153	119
In respect of acquisition	-	13,430
In respect of share options	365	337
<b>At 31 March 2001</b>	<b><u>39,803</u></b>	<b><u>35,276</u></b>

## Notes to the Accounts

### 25. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group	
	2001	2000
	£'000	£'000
Operating profit	11,507	9,631
Goodwill amortisation	816	461
Depreciation, net of government grants	2,800	2,331
Loss on sale of tangible fixed assets	99	68
(Increase)/decrease in stocks	(1,045)	733
Increase in debtors	(932)	(2,566)
Increase in creditors	2,515	1,635
Net cash inflow from operating activities	<u>15,760</u>	<u>12,293</u>

### 26. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Group	
	2001	2000
	£'000	£'000
Increase/(decrease) in cash in the year	3,602	(546)
Cash inflow/(outflow) from increase/(decrease) in debt and hire purchase	<u>1,788</u>	<u>(2,943)</u>
Change in net debt resulting from cash flow	<u>5,390</u>	<u>(3,489)</u>
New hire purchase	(519)	-
Movement in net debt in the year	<u>4,871</u>	<u>(3,489)</u>
Net debt at 31 March 2000	(9,845)	(6,345)
Exchange difference	5	(11)
Net debt at 31 March 2001	<u>(4,969)</u>	<u>(9,845)</u>

### 27. ANALYSIS OF NET DEBT

	At 31 March 2000	Cash flow £'000	Other non cash changes £'000	At 31 March 2001
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,005	2,362	5	<b>3,372</b>
Overdrafts	(2,384)	1,240	-	<b>(1,144)</b>
	<u>(1,379)</u>	<u>3,602</u>	<u>5</u>	<b>2,228</b>
Debt due after 1 year	(5,313)	-	1,876	<b>(3,437)</b>
Debt due within 1 year	(1,406)	1,407	(1,876)	<b>(1,875)</b>
Loan notes	(1,624)	108	-	<b>(1,516)</b>
Hire purchase	(123)	273	(519)	<b>(369)</b>
Total	<u>(9,845)</u>	<u>5,390</u>	<u>(514)</u>	<b><u>(4,969)</u></b>

## Notes to the Accounts

### 28. CONTINGENT LIABILITIES

The Company, together with its subsidiary undertakings, has entered into a guarantee with HSBC Bank plc in respect of the Group loans and overdraft with that bank.

### 29. COMMITMENTS

- (a) The directors have contracted for future capital expenditure totalling £154,000 (2000 - £452,000).  
 (b) The Group's annual commitment under non-cancellable operating leases was as follows:

	Land & buildings		Other	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Leases expiring:				
Within one year	-	-	30	-
Two to five years	-	-	463	40
After five years	<u>49</u>	<u>49</u>	<u>-</u>	<u>-</u>

### 30. PENSION COMMITMENTS

The Group operates a defined contribution pension scheme whereby contributions are made to a scheme operated by a major insurance company. Contributions to the scheme are determined as a percentage of employees' earnings and the amount charged to the profit and loss account is disclosed in note 4. Contributions prepaid to the insurance company at the year-end, included in other debtors, amounted to £95,000 (2000 - £15,000).

### 31. PARTICULARS OF TRANSACTIONS INVOLVING DIRECTORS AS REQUIRED BY SECTION 232 OF THE COMPANIES ACT 1985

During the year the following directors had interests in businesses which traded with the Group as follows:

	Purchases from the Group £'000	Sales to the Group £'000	Net balances due to the Group at 31 March	
			2001 £'000	2000 £'000
M Field	278	301	35	22
J Bloom	-	17	-	-

These transactions were on normal commercial terms with Cranswick Mill Limited.

## Corporate Governance

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### **Statement by the directors on compliance with the provisions of the Combined Code.**

The Company is committed to high standards of corporate governance and endorses the ideas and ethos behind the Combined Code. This statement describes how the principles of corporate governance are applied by the Company. Details of directors' remuneration are included in the Report on Directors' Remuneration.

The Company has been in full compliance with the provisions set out in Section I of the Combined Code issued by the London Stock Exchange throughout the year with the exception of the following matters:

- (a) The Board as a whole considers the appointment of new directors and as a consequence the Company does not have a separate Nominations Committee.
- (b) The chief executive is a member of the Remuneration Committee, as explained in the Report on Directors' Remuneration.
- (c) Service contracts for executive and non-executive directors include notice periods of up to three years, as explained in the Report on Directors' Remuneration.

The Board comprises the non-executive and executive directors. Brief biographies of the directors are set out on page 32. The non-executive directors are considered by the Board to be independent and of high calibre. The Board meets on a monthly basis and is responsible for determining the strategy of the Group and maintaining performance. Board authority is required for all significant capital expenditure and other investment decisions.

The Audit Committee comprises the non-executive directors and meets twice a year. The committee provides a forum for reporting by the Group's external auditors.

Communications with shareholders are given a high priority by the Board. There is regular dialogue with institutional shareholders including presentations after the Company's preliminary announcement of the year-end results and at the half year. The Board uses the Company's website ([www.cranswick.co.uk](http://www.cranswick.co.uk)) and the Annual General Meeting to communicate with private and institutional investors. It is intended that the Chairman of the Audit and Remuneration Committees will be available at the Annual General Meeting to answer questions.

The directors have prepared the accounts on a going concern basis, having satisfied themselves from a review of internal budgets and forecasts and current bank facilities that the Group has adequate resources to continue in operational existence for the foreseeable future.

# *Corporate Governance*

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## **Internal Control**

The Board of directors has overall responsibility for the Group's systems of internal control, which safeguards the shareholders' investment and the Group's assets, and for reviewing its effectiveness. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Group operates within a clearly defined organisational structure with established responsibilities, authorities and reporting lines to the Board. The organisational structure has been designed in order to plan, execute, monitor and control the Group's objectives effectively and to ensure that internal control becomes embedded in the operations. The key on-going processes and features of the internal risk based control system, which accord with the Turnbull guidance, have been fully operative from 1 January 2001 and up to the date of the Annual Report being approved. These include; a process to identify and evaluate business risk; a strong control environment; an information and communication process; and a monitoring system and a regular Board review for effectiveness.

The management of the Food, Agri and Pet businesses identified the key business risks within their operations, considered the financial implications and assessed the effectiveness of the control processes in place to mitigate these risks. The Board reviewed a summary of the findings and, along with direct involvement in the strategies of the businesses, investment appraisal and budgeting process, enabled the Board to report on the effectiveness of internal control.

The Group does not have a formal internal audit function. The Board continues to review the level of resources required in this area.

# Report on Directors' Remuneration

## Report on Directors' Remuneration

The Remuneration Committee comprises the non-executive directors J Bloom and M Field, along with the chief executive, M Davey. The Committee determines the remuneration of the Group's senior executives and puts forward its recommendations for approval by the Board. M Davey takes no part in the determination of his own remuneration, which is undertaken by the non-executives alone. The remuneration of the non-executives is determined by the executive directors.

In giving this statement, the Remuneration Committee has followed the provisions of the Combined Code. Its policy is to align the rewards of the executives with the progress of the Company whilst giving consideration to salary levels in similar sized quoted companies in the sector. Incentive schemes are operated, based on profit targets being achieved and on the Company's share price.

Executives are members of the Company "money-purchase" pension scheme in which employer contributions are a fixed percentage of salary. Incentivised payments and benefits are not pensionable.

Service contracts for executive and non-executive directors include notice periods of up to three years, which the Board considers essential to encourage the retention of skill and expertise within the Group. The Remuneration Committee continues to review the appropriateness of all service contracts.

## Directors' Remuneration

The remuneration of directors for the year was as follows:

	2001	2000
	£'000	£'000
Salaries	1,127	970
Bonus	276	269
Benefits in kind	63	51
Pension contributions	107	98
	<u>1,573</u>	<u>1,388</u>

Individual directors, including pension contributions:

	Salary	Profit related bonus	Benefits in kind	2001 Total	2000 Total
	£'000	£'000	£'000	£'000	£'000
JCW Bloom (Chairman)	71	-	2	73	67
M Field	46	-	2	48	45
RN Taylor	45	-	1	46	46
Dr. B Bell	154	46	9	209	200
DJ Black	155	46	9	210	199
MTP Davey	191	46	7	244	233
B Hoggarth	156	46	11	213	201
JD Lindop	155	46	8	209	199
DW Pethick	154	46	14	214	100

Pension contributions were not made in respect of JCW Bloom and M Field (2000 - 10% of the basic salary).

Pension contributions in respect of each of the other directors amounted to 10% of the basic salary (2000 - 10%) with the exception of RN Taylor in respect of whom the contribution was £11,000 (2000 - £11,000).

The pension contribution of MTP Davey, the highest paid director, was £19,000 (2000 - £17,000).

## *Report on Directors' Remuneration*

### Share options

Share options are proposed by the Remuneration Committee and form part of the scheme to promote the executives' involvement in the longer term success of the Company. The Company operates an executive share option scheme for senior executives, including directors, and a savings related share option scheme.

The directors' interests in the shares of the Company were as follows:

31 March 2001

	Ordinary shares	Executive share options	Savings related share options			
			Issue 1	Issue 2	Issue 3	Issue 4
JCW Bloom	198,327	-	-	-	-	2,759
MTP Davey	75,038	8,650	-	-	-	4,807
Dr. B Bell	25,096	8,650	-	4,615	-	-
DJ Black	27,788	8,650	-	2,379	1,666	2,906
M Field	123,938	-	-	-	2,336	1,412
B Hoggarth	31,173	8,650	9,360	-	3,333	2,906
JD Lindop	25,067	8,650	-	2,379	1,666	2,906
DW Pethick	97,059	8,650	-	-	-	2,759
RN Taylor	248,600	-	-	-	-	-

31 March 2000

	Ordinary shares	Executive share options	Savings related share options			
			Issue 1	Issue 2	Issue 3	Issue 4
JCW Bloom	198,327	-	-	-	-	2,759
MTP Davey	75,038	8,650	-	-	-	4,807
Dr. B Bell	24,815	8,650	-	4,615	-	-
DJ Black	28,814	8,650	-	2,379	1,666	2,906
M Field	123,938	-	-	-	2,336	1,412
B Hoggarth	31,052	8,650	9,360	-	3,333	2,906
JD Lindop	24,663	8,650	-	2,379	1,666	2,906
DW Pethick	147,059	8,650	-	-	-	2,759
RN Taylor	738,942	-	-	-	-	-

All the above interests are beneficial.

The savings related share options in Issue 1 are exercisable at 125p per share between April 2001 and September 2001, in Issue 2 are exercisable at 145p per share between October 2001 and March 2002, in Issue 3 are exercisable at 207p per share between October 2002 and March 2003 and Issue 4 are exercisable at 241.5p per share between March 2003 and September 2005.

## *Report on Directors' Remuneration*

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There were no options granted or exercised in the year to 31 March 2001. In the year to 31 March 2000 the notional gain on the exercise of options by directors was £66,868.

The executive share options are exercisable at a price of 295p between December 2002 and December 2009 subject to the attainment of certain performance criteria that have been agreed with the auditors.

The share price at 31 March 2001 was 352.5p and the highest and lowest prices during the year then ended were 432p and 252.5p respectively.

There have been no other changes to the above interests in the period from 1 April 2001 to 11 May 2001, with the exception of Mr B Hoggarth who exercised his 9,360 savings related share options under Issue 1 on 11 April 2001. The mid-market price on that date was 380.5p and the notional gain was £23,915. The shares were retained by Mr Hoggarth.

### **Statement of the Directors' Responsibilities in respect of the accounts**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Report of the Auditors

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to the members of Cranswick plc

We have audited the accounts on pages 36 to 51 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 40.

## Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 56, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the corporate governance statement on pages 52 to 53 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

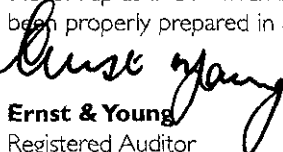
## Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

## Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2001, and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young

Registered Auditor

Hull

23 May 2001

## Business Locations



### *Granswick Country Foods*

HULL, EAST YORKSHIRE  
TEL: **01482 891001**  
FAX: **01482 890080**  
FRESH PORK

COTTINGHAM, EAST YORKSHIRE  
TEL: **01482 848180**  
FAX: **01482 876146**  
RETAIL PACKING AND SAUSAGES

WATERFOOT, LANCASHIRE  
TEL: **01706 216439**  
FAX: **01706 211361**  
COOKED MEATS

THORNABY, STOCKTON-ON-TEES  
TEL: **01642 750600**  
FAX: **01642 750818**  
SAUSAGES

SUTTON FIELDS, HULL  
TEL: **01482 823666**  
FAX: **01482 822082**  
COOKED MEATS

DRIFFIELD, EAST YORKSHIRE  
TEL: **01377 270649**  
FAX: **01377 270994**  
PIG FEED AND PIG MARKETING

WELLINGORE, LINCOLNSHIRE  
TEL: **01522 813333**  
FAX: **01522 813334**  
PIG AND POULTRY FEED

### *George Buckton*

BEVERLY, EAST YORKSHIRE  
TEL: **01964 553300**  
FAX: **01964 553301**  
BIRD AND SMALL ANIMAL FOOD

BRAMPTON, CARLISLE  
TEL: **01697 741123**  
FAX: **01697 741122**  
BIRD AND SMALL ANIMAL FOOD

### *Tropical Marine Centre*

CHORLEYWOOD, HERTFORDSHIRE  
TEL: **01923 284151**  
FAX: **01923 285840**  
FISH AND AQUATIC PRODUCTS

WYTHENSHAW, MANCHESTER  
TEL: **0161 946 1538**  
FAX: **0161 998 9599**  
FISH AND AQUATIC PRODUCTS

● FOOD    ● AGRI    ● PET

# Shareholder Information

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## FINANCIAL CALENDAR

Preliminary announcement of full year results	May
Publication of Annual Report	July
Annual General Meeting	July
Payment of final dividend	September
Announcement of interim results	November
Payment of interim dividend	January

## SHAREHOLDER ANALYSIS at 11 May 2001

<b>Classification</b>	Number of holdings	Number of shares
Private shareholders	798	4,066,759
Corporate bodies and nominees	286	14,968,422
	<u>1,084</u>	<u>19,035,181</u>

## Size of holding (shares)

1 - 1,000	497	225,987
1,001 - 5,000	417	917,371
5,001 - 10,000	58	400,363
10,001 - 50,000	63	1,559,923
50,001 - 100,000	23	1,801,581
Above 100,000	26	14,129,956
	<u>1,084</u>	<u>19,035,181</u>

## Share price

Share price at 31 March 2000	282.5p
Share price at 31 March 2001	352.5p
High in the year	432.0p
Low in the year	252.5p
Share price at 23 May 2001	447.5p

## Shareholder Information

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For the information of shareholders only we include a selection of press and stockbroker comments relating to the Company since 31 March 2001. However, no information contained herein constitutes an invitation to invest or otherwise deal in the shares of Cranswick plc.

### **Investors Chronicle 8 June 2001**

Last month Cranswick managed to post pre-tax profit growth of 23 per cent, its 13th consecutive year of uninterrupted profits growth. But what makes this year's results even more admirable was the fact the sausage maker and pig feed manufacturer achieved this success in the face of the foot-and-mouth crisis. The results confirm the quality of Cranswick's business.

### **Shares Magazine 24 May 2001**

Tasty morsels... Cranswick has a track record of consistent profit, earnings and dividend growth.

### **HSBC 24 May 2001**

...Excellent 2001 results came in ahead of forecast. We believe that Cranswick deserves to trade on a premium to the sector.

### **Charterhouse Securities 24 May 2001**

...Cranswick has extended its excellent track record with the latest set of results.

### **Beeson Gregory 24 May 2001**

...Cranswick is still trading at a modest discount to the sector. It is evident that the company has yet to get full recognition for its consistent profit growth over the last ten years.

### **Numis Securities 23 May 2001**

...Cranswick is the leading creator of shareholder value in the sector. The company is one of the great success stories in the food producers sector and has consistently provided investors with among the best economic returns available.

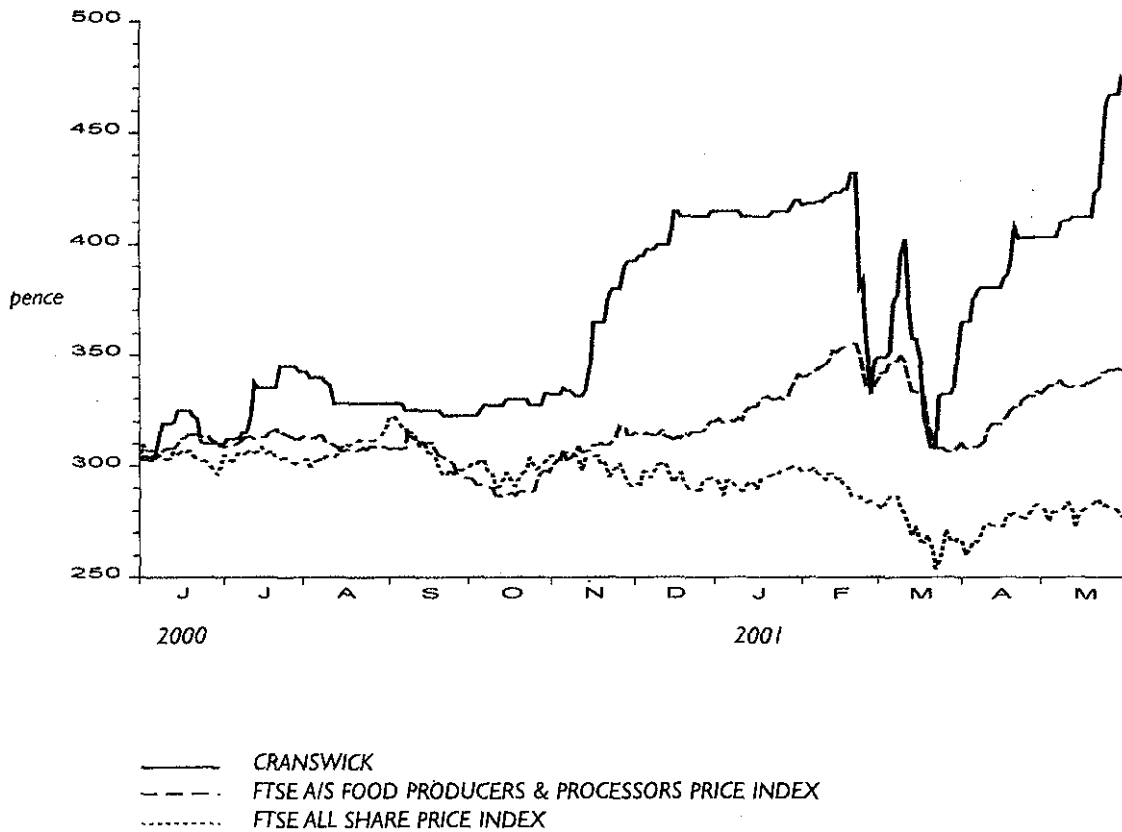
### **Investec Henderson Crosthwaite April 2001**

The books are now closing off on excellent 2000/01. A full year of September 1999 Sutton Fields cooked meats deal plus stellar organic growth should lift PBET north of £11.0m. Financing remains conservative - cover is well over 10x and cash flow strong. Well managed, shareholder friendly growth story.

# Shareholder Information

## Share Price Movement

Cranswick's share price movement over the year to May 2001 and comparison against the FTSE All Share Food Producers & Processors Price Index and against the FTSE All Share Price Index is shown below



Source: Datastream

The sudden fall in the Cranswick share price in the February - March 2001 period coincides with the confirmed outbreak of foot-and-mouth disease in livestock in the UK.

## *Notice of Meeting*

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Notice is hereby given that the 28th Annual General Meeting of the Company will be held at Rowley Manor, Little Weighton, Beverley, East Yorkshire on 30 July 2001 at 11.30 am for the following purposes:-

1. To receive and adopt the Report of the Directors and the Accounts for the year ended 31 March 2001.
2. To declare a Final Dividend of 12.0p per share on the existing Ordinary Share Capital.
3. To re-elect M Field as a director, who retires in accordance with the Company's Articles of Association.
4. To re-elect M Davey as a director, who retires in accordance with the Company's Articles of Association.
5. To re-elect B Hoggarth as a director, who retires in accordance with the Company's Articles of Association.
6. To re-appoint Ernst & Young LLP as auditors and to authorise the directors to determine the auditors' remuneration.

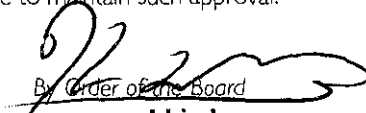
As Special Business to consider and, if thought fit, to pass the following Resolutions, as Special Resolutions:

7. That, subject to and in accordance with Article 5(a) of the Company's Articles of Association, the directors be generally and unconditionally authorised to allot relevant securities up to a nominal amount of £ 633,881 in aggregate, such authority to expire on the earlier of the date of the Company's Annual General Meeting to be held in 2002 or any adjournment thereof and 30 September 2002.
8. That, subject to the passing of the previous resolution and subject to and in accordance with Article 5(b) of the Company's Articles of Association, the directors be empowered to allot equity securities for cash, that, for the purpose of the limitation of the said power referred to in paragraph (iii) of the said Article 5(b), the nominal amount therein mentioned shall be £95,082 and that such power shall expire on the earlier of the date of the Company's Annual General Meeting to be held in 2002 or any adjournment thereof and 30 September 2002.
9. Pursuant to Article 6 of the Articles of Association of the Company, the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of Ordinary Shares of 10p each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the directors may determine, but subject to the following restrictions and provisions:-
  - (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 10 per cent of the Company's share capital then in issue;
  - (b) the minimum price, exclusive of any expenses, which may be paid for an Ordinary Share is 10p, being the nominal value;
  - (c) the maximum price, exclusive of any expenses, which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the 10 business days immediately preceding the day on which the Ordinary Share is purchased;

## Notice of Meeting

- (d) unless previously revoked or varied, this authority shall expire on whichever is the earlier of the date 18 months after the passing of this Resolution or at the conclusion of the next Annual General Meeting of the Company to be held after the date hereof; and
- (e) the Company may enter into a contract to purchase Ordinary Shares under this authority before the expiry of such authority, which will or may be completed or executed wholly or partly after the expiry of such authority.
10. That the Cranswick plc Unapproved Executive Share Option Scheme (the "Scheme"), a copy of the rules of which has been produced to the Meeting and initialled by the Chairman for the purposes of identification only, and a summary of the main provisions of which is set out on pages 66 to 68 of the Notice of Meeting be and is hereby approved and adopted.
11. That the amendments to the Cranswick plc 1995 Executive Share Option Scheme, the Cranswick plc Savings Related Share Option Scheme and the Cranswick plc All Employee Share Ownership Plan relating to the 3% in 3 years and 5% in 5 years flow rate limits, as summarised on page 65 of the Notice of Meeting and contained in the draft copies of the rules of those schemes produced to the Meeting and initialled by the Chairman for the purposes of identification only be and are hereby approved and adopted subject (where appropriate) to the confirmation of the Inland Revenue that such amendments shall not affect the approved status of such schemes and that the directors be and are hereby authorised to make such further amendments as may be necessary or desirable to maintain such approval.
12. That the amendments to the Cranswick plc All Employee Share Ownership Plan relating to the removal of the 5% in 10 years limit, as summarised on page 65 of the Notice of Meeting and contained in the draft copy of the rules of that scheme produced to the Meeting and initialled by the Chairman for the purposes of identification only be and are hereby approved and adopted subject to the confirmation of the Inland Revenue that such amendments shall not affect the approved status of such scheme and that the directors be and are hereby authorised to make such further amendments as may be necessary or desirable to maintain such approval.

Cranswick  
Driffield  
East Yorkshire YO25 9PF  
23 May 2001

  
By Order of the Board  
**J Lindop**  
Secretary

Notes:

- (i) Any member of the Company entitled to attend and vote at the Meeting may appoint a proxy to attend and vote in his place. A proxy need not be a member of the Company. To be valid, forms of proxy must be lodged with the Company's registrars not less than 48 hours before the time appointed for the Meeting.
- (ii) Copies of the following documents are available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excepted) until the date of the Annual General Meeting:
- (a) A statement of the transactions of directors (and their family interests) in the ordinary shares of the Company and its subsidiary undertakings
  - (b) Copies of directors' service contracts

The documents referred to above will also be available for inspection during the Annual General Meeting and for at least fifteen minutes before it begins.

- (iii) Copies of the proposed new rules of the Savings-Related Share Option Scheme, the All Employee Share Ownership Plan and the Executive Share Option Scheme and the draft rules of the new Unapproved Executive Share Option Scheme will be available for inspection, during normal business hours, on any weekday (Saturdays and public holidays excepted) at HSBC Investment Bank plc, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ until the conclusion of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting.

## *Appendix 1 to the Notice of Meeting*

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### **Special Business to be transacted at the Annual General Meeting.**

The Board proposes Special Business as set out in resolutions 7 to 12 contained in the Notice of Meeting on pages 62 and 63.

**Resolution 7** gives the directors authority to issue authorised but unissued shares and is to maintain the flexibility, given at previous general meetings, in respect of the Company's financing arrangements. The nominal value of ordinary shares which the directors may allot in the period up to the next Annual General Meeting pursuant to this authority is limited to £633,881 which represents approximately 33 per cent of the current issued share capital. The directors do not have any present intention of exercising this authority other than in connection with the issue of ordinary shares in respect of the scrip dividend offer and the Company's share option schemes.

This resolution will expire on the earlier of the date of the Annual General Meeting to be held in 2002 or 30 September 2002.

**Resolution 8** permits the directors to make additional issues of shares for cash of up to £95,082 in nominal value of ordinary shares, representing approximately 5 per cent of the Company's issued share capital in conformity with the guidelines of the Association of British Insurers.

This resolution will expire on the earlier of the date of the Annual General Meeting to be held in 2002 or 30 September 2002.

**Resolution 9** authorises the Company to buy its own ordinary shares in the market, as permitted under Article 6 of the Articles of Association of the Company. This authority will expire on the date which is 18 months after the passing of the resolution or the conclusion of the Annual General Meeting to be held in 2002, whichever is the sooner, and limits total purchases to 10 per cent of the Company's issued share capital. The price to be paid for any shares must not be less than 10p, being the nominal value of a share, and must not exceed 105 per cent of the average middle market quotations for the ordinary shares of the Company as derived from the London Stock Exchange Daily Official List for the 10 business days immediately preceding the day on which the ordinary shares are purchased. The directors have no immediate plans to exercise the powers of the Company to purchase its own shares and undertake that the authority would only be exercised if the directors were satisfied that a purchase would result in an increase in expected earnings per share and was in the best interests of the Company at the time. Any such shares purchased would be cancelled immediately.

**Resolution 10** authorises the directors to establish an Unapproved Executive Share Option Scheme. The Remuneration Committee has been considering the Company's share incentive arrangements for directors and senior employees with a view to ensuring that they support the Group's commercial objectives as well as enabling the Group to retain, and to continue to recruit employees of the highest calibre. The Remuneration Committee considers that it is essential for it to be able to offer to senior employees a share incentive package which is sufficiently attractive in the current market. The only discretionary scheme which the Company currently operates is its Inland Revenue approved executive share option scheme under which there is a limit of £30,000 on the total value of shares over which scheme options may be granted to any one individual. Many companies have established unapproved schemes to supplement their approved schemes, and, to maintain the Company's competitiveness, the Remuneration Committee now feels that it is appropriate for the Company to establish such a scheme.

## *Appendix 1 to the Notice of Meeting*

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Consequently it is proposed to introduce a new performance based unapproved executive share option scheme which will operate alongside the Company's existing schemes. The Remuneration Committee will decide upon the appropriate objective performance target to apply to Scheme awards prior to the grant of each such award. There will be a limit of four times salary on the total value of options which any individual may hold under the Scheme and any other executive scheme. Benefits provided under the Scheme will not be pensionable. A summary of the principal rules of the proposed new Scheme is contained in Appendix 2 to this Notice of Meeting. Copies of the draft rules of the Unapproved Executive Share Option Scheme will be available for inspection, during normal business hours, on any weekday (Saturdays and public holidays excepted) at HSBC Investment Bank plc, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ until the conclusion of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting.

**Resolution 11** authorises the directors to make amendments to the rules of the Company's existing share schemes removing the 3% in 3 years and 5% in 5 years limitations as to the grant of options, and aligning the overall provisions in those schemes to those in the new Schemes. The Company currently operates the Cranswick plc Savings Related Option Scheme and Cranswick plc 1995 Executive Share Option Scheme (the "Original Schemes"). Last year the Company also adopted the Cranswick plc All Employee Share Ownership Plan (the "AESOP"), although no AESOP grants have yet been made. When the Original Schemes were established it was normal practice to include specific 'flow rate' limits so as to prevent the grant of options in excess of 3% of share capital in any 3 year period and 5% of share capital in any 5 year period. Since then market practice has developed and institutional investors' guidelines have changed. To reflect this and to enable the Company to operate its share incentive arrangements in the most flexible way it is now proposed to amend the Original Schemes and the AESOP to remove the 3% in 3 years and 5% in 5 years limits. The Remuneration Committee accepts that there is a need to adopt an appropriate 'flow rate' policy and are aware that institutional investors are keen for companies to ensure that the grant of options is carried out on a 'phased basis'. The Remuneration Committee will take these views into account in relation to the future grants of awards under all of the Company's schemes. The overall limits of 10% of share capital in any 10 year period in respect of all schemes and 5% of share capital in any 10 year period in respect of executive schemes will continue to apply and will be structured so that they are consistent with the limits provisions in the new Scheme. Copies of the proposed new Rules of the Savings Related Share Option Scheme, All Employee Share Ownership Plan and Executive Share Option Scheme will be available for inspection, during normal business hours, on any weekday (Saturdays and public holidays excepted) at HSBC Investment Bank plc, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ until the conclusion of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting.

**Resolution 12** authorises the directors to make a further amendment to the AESOP limits. The AESOP currently contains a limit which prevents the grant of share awards in excess of 5% of share capital in any 10 year period. Current institutional investors' guidelines require such a limit to apply only in relation to executive (discretionary) schemes and consequently, to provide maximum flexibility, it is now proposed to remove this limit insofar as it applies to the AESOP. The limit will continue to apply to the Company's existing executive scheme and it will also apply to the new Scheme.

## *Appendix 2 to the Notice of Meeting*

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### **Summary of the Cranswick plc Unapproved Executive Share Option Scheme (the "Unapproved Scheme")**

The Unapproved Scheme provides for the grant of rights to acquire shares to eligible employees of the Company and its subsidiaries (the 'Group'). Options under the Unapproved Scheme can be granted by the Company or any employee trust established by the Company from time to time. Such options are not transferable and do not constitute pensionable benefits. The principal terms of the Unapproved Scheme are as follows:-

#### **1. Eligibility**

Options under the Unapproved Scheme may be granted to employees and executive directors of the Group. The Remuneration Committee of the Company ('the Committee') will have a discretion as to the selection of those to whom options may be granted. Options may not be granted to any employee or executive who is within two years of his or her contractual retirement date.

#### **2. Grant of Options**

Options may be granted within 42 days of the date on which the Unapproved Scheme is adopted, within the period of 42 days following an announcement of the Company's annual or half-yearly results and within the period of 28 days after a new employee first joins the Group.

If the Company is in a 'close period', so being restricted from granting options during any of the periods mentioned above, a similar period during which options may be granted shall start to run from the date on which the close period ends.

The Committee will also be able to grant options outside the specific periods if it considers the circumstances to be exceptional.

No option may be granted more than ten years after the date on which the Unapproved Scheme is approved by shareholders in general meeting.

#### **3. Exercise Price**

The price per share at which shares may be acquired upon the exercise of an option shall be determined by the Committee at the time of grant but shall be not less than the higher of:

- (a) the average of the middle market quotations of a share on the three dealing days immediately preceding the date of grant as derived from the London Stock Exchange Daily Official List; and
- (b) in the case of options to subscribe for shares, the nominal value of an ordinary share.

#### **4. Performance Targets**

The exercise of options will be subject to an objective performance target set by the Committee and measured over a minimum period of three years (the "Performance Period"). The Committee will decide upon the appropriate objective performance target to apply to Scheme awards prior to the grant of each such award.

The Committee may from time to time vary any performance-related conditions as they apply to outstanding options if, in their opinion, to do so would more effectively achieve the objective of affording realistic incentives to optionholders or produce a fairer measure of performance.

## *Appendix 2 to the Notice of Meeting*

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### **5. Option Period**

Options cannot be exercised more than 10 years from their grant, but once 'vested' in accordance with the performance target will normally remain exercisable until such tenth anniversary. Save in the circumstances set out in section 6 below, options cannot generally be exercised prior to the third anniversary of the date of grant and the point at which they vest.

### **6. Special Cases**

#### **Death**

If an optionholder dies in service after the expiry of the Performance Period his option may be exercised by his personal representatives within 12 months thereafter but only to the extent that it has become vested in accordance with the performance target. If an optionholder dies in service during the Performance Period his option may be exercised by his personal representatives within 12 months thereafter but only in respect of such number of the option shares (if any) as the Committee may determine.

#### **Cessation of employment**

If an optionholder leaves the Group by reason of injury, disability, redundancy or retirement at or after normal retirement age, or the company or business in which he is employed being sold outside the Group, then:

- (i) if such cessation occurs after the expiry of the Performance Period the option may within the 12 month period immediately following such cessation be exercised to the extent it has become vested in accordance with the performance target; and
- (ii) if such cessation occurs during the Performance Period the option will only be exercisable in respect of such number of the option shares (if any) as the Committee may determine

Where the optionholder ceases employment in other circumstances the option shall lapse unless and to the extent the Committee determine otherwise.

#### **Takeover**

Following a takeover of the Company all subsisting options will become exercisable in full for a specified period after which they will lapse.

#### **Demerger, reconstruction, winding-up**

Options may be exercised within specified periods in the event of a demerger or statutory reconstruction of the Company to the extent they have vested in accordance with the performance target or such greater extent as the Committee may permit. If notice is given to shareholders of a resolution for the voluntary winding-up of the Company, options may be exercised at any time before the winding-up of the Company. Otherwise all unexercised options will lapse upon the commencement of a winding-up

### **7. Rights Attaching to Shares**

Shares issued or transferred to a participant upon the exercise of options will rank equally in all respects with all other ordinary shares of the Company for the time being in issue save as regards any rights attaching to ordinary shares by reference to a record date prior to the allotment or transfer of such shares.

## *Appendix 2 to the Notice of Meeting*

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### **8. Limits**

The number of new ordinary shares which have been or may be issued pursuant to options granted under the Unapproved Scheme and rights granted under any other share schemes of the Company must not exceed 10% of the Company's issued ordinary share capital in any ten year period. The number of new ordinary shares which have been or may be issued pursuant to options granted under the Unapproved Scheme and rights granted under any other discretionary executive share scheme of the Company must not exceed 5% of the Company's issued ordinary share capital in any ten year period. Options which have lapsed and options which have been granted over existing shares are all disregarded for the purposes of the above limits. There is also a limit on the total value of shares which an individual may hold options under the Unapproved Scheme (and any other executive discretionary scheme) of four times that individual's salary.

### **9. Variation of Share Capital**

In the event of a variation in the ordinary share capital of the Company, the Committee may adjust the number of shares subject to any option and/or the exercise price provided that except in the case of a subdivision, consolidation or capitalisation issue, any such adjustment must be confirmed in writing by the auditors of the Company to be in their opinion fair and reasonable.

### **10. Amendment of the Scheme**

The Committee may amend the Unapproved Scheme in any respect but may not make any alteration or addition to the advantage of existing or new optionholders, to the provisions relating to eligibility, the overall and individual limits in the Unapproved Scheme, the basis for determining optionholders' entitlements to shares, or the adjustment of such entitlements on a variation of share capital without the prior approval of shareholders in general meeting except for minor amendments to benefit the administration of the Unapproved Scheme, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for optionholders or any member of the Group.

**Registered Office** Cranswick Driffield East Yorkshire YO25 9PF **Company Number** 1074383  
**Secretary** John Lindop FCA **Telephone** 01377 270649 **Web Site** [www.cranswick.co.uk](http://www.cranswick.co.uk)

**Auditors** Ernst & Young LLP **Solicitors** Rollits **Stockbrokers** HSBC Securities  
**Bankers** HSBC Bank plc **Merchant Bankers** HSBC Investment Banking  
**Registrars** Capita IRO plc 390/398 High Road Ilford Essex IG1 1NQ