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Cranswick plc Annual Report & Accounts

Year Ended 31 March 2018

Company Number: 1074383

ABOUT US

Cranswick plc is a leading and innovative British supplier of premium, fresh and added value food products with annual revenues in excess of £1.4 billion. We employ over 10,000 people across 16 UK manufacturing facilities.

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HIGHLIGHTS

A YEAR OF RECORD CAPITAL INVESTMENT

£59 MILLION INVESTED IN OUR ASSET BASE FOR FUTURE GROWTH.

REVENUE £'M	£1,464.5M	ADJUSTED PROFIT BEFORE TAX £'M*	£92.4M
+17.6%		+22.4%	

ADJUSTED EARNINGS PER SHARE P*	145.0P	DIVIDEND PER SHARE P	53.7P
+19.9%		+21.8%	

FREE CASH FLOW £'M*	£111.7M	NET FUNDS/(DEBT) £'M	£20.6M
+54.3%		+£31.6M	

+13%	3.1m	+30%
Total volume growth	Record pig numbers processed	Export sales
£70m	16	>10,000
Approved investment in new primary poultry facility and supply chain	UK manufacturing locations	Size of workforce

* Adjusted and like-for-like references throughout the Report and Accounts refer to non-IFRS measures or Alternative Performance Measures (APMs). Definitions and reconciliations of the APMs to IFRS measures are provided in Note 31.

OUR BUSINESS

OUR PURPOSE IS TO FEED THE NATION WITH AUTHENTICALLY MADE, SUSTAINABLY PRODUCED FOOD THAT IS CREATED WITH PASSION

OUR PRODUCTS

WE PRODUCE A RANGE OF HIGH QUALITY, PREDOMINANTLY FRESH FOOD INCLUDING FRESH PORK, POULTRY, CONVENIENCE AND GOURMET PRODUCTS.

New retail business and product launches have driven strong growth in the poultry category during the year.

A meaningful proportion of our revenue growth is generated by creating, developing and launching new food products to meet the constantly changing demands of our customers and consumers, with over 800 new products launched in the year.

Read more on pages 30 and 31.

Product profile % of Group revenue

FRESH & ADDED
VALUE PORK

TRADITIONAL
AIR-DRIED BACON
& GAMMON

SAUSAGES &
BURGERS

HANDMADE
PASTRY

SUPPLY CHAIN

Our vertically integrated supply chain model ensures that we can maintain the production and processing of high quality UK farm-assured pigs and chickens, which is a crucial component of our business model.

Read more on pages 14 and 15.

LEAN PROCESSING

Our commitment to ongoing capital investment over many years is reflected in the quality of our production facilities which are some of the most efficient and well invested in the sectors in which we operate.

Read more on page 26.

OUR CUSTOMERS

AROUND 70 PER CENT OF OUR REVENUE IS GENERATED FROM OUR RETAIL CUSTOMERS, PRIMARILY THROUGH THEIR OWN-LABEL PRODUCTS AND PARTICULARLY IN THEIR PREMIUM AND SUPER-PREMIUM TIERS.

We have a broad retail customer base selling our products into each of the top four UK multiple grocers as well as the growing premium grocery and discounter channels.

We have a strong presence in the 'food-to-go' sector and we have a clear, targeted strategy to build long-term relationships in this fast developing market.

Food service continues to be a growth sector for us with many of our products now listed by UK hotel, pub and other food service outlet chains.

We also have a rapidly growing export business with Far Eastern markets being particularly important.

Read more in our Market Review on pages 16 and 17.

Customer profile % of Group revenue

**COOKED
MEATS**

**CONTINENTAL
PRODUCTS**

**FRESH
CHICKEN**

**PREMIUM COOKED
POULTRY**

OUR OPERATIONS

WE ARE ONE OF THE LARGEST FOOD PRODUCERS IN THE UK OPERATING FROM HIGHLY EFFICIENT AND WELL INVESTED PRODUCTION FACILITIES

SINCE BEING FORMED BY FARMERS IN THE EARLY 1970s, WE HAVE GROWN ORGANICALLY AND THROUGH TARGETED ACQUISITIONS TO BE A LEADING AND INNOVATIVE BRITISH SUPPLIER OF PREMIUM, FRESH AND ADDED VALUE FOOD PRODUCTS.

WORKFORCE

We have a workforce of over

10,000

REVENUE

Our annual revenues are in excess of

£1.4bn

DIVIDEND PER SHARE GROWTH

Number of consecutive years we have increased dividend per share

28

STRATEGIC CAPITAL INVESTMENT

CROWN CHICKEN

We have received planning permission to build a new poultry primary processing facility in Eye, Suffolk. This is scheduled to be completed in late 2019, and will double our existing capacity. We also plan to upscale our supply chain.

CONTINENTAL FOODS

The new £28 million facility, based at Bury in Lancashire, is now complete and being commissioned. The site will consolidate production from the two existing facilities and lift capacity by approximately 70 per cent.

AGRICULTURE

We are investing £4 million in our Wayland Farms operation to increase breeding and finishing capacity of premium, outdoor-bred pigs to meet customer demand.

OUR HISTORY

ENTRY TO THE
STOCK MARKET

1985

COOKED MEATS, PRIMARY PORK
PROCESSING, GOURMET SAUSAGES

1990s

CONTINENTAL PRODUCTS,
HAND-CURED, AIR-DRIED BACON

2000s

LOCATION OF PRODUCTION FACILITIES

PRODUCTION FACILITIES

We operate from sixteen well
invested, highly efficient production
facilities in the UK

16

HANDMADE PASTRY, PIG BREEDING AND REARING,
PREMIUM COOKED POULTRY

2010-2015

CHICKEN BREEDING, REARING,
PROCESSING AND ANIMAL FEED

2016

A YEAR OF COMMERCIAL AND STRATEGIC PROGRESS

This has been a particularly positive year for the business, even allowing for the additional week, in what was a 53 week year. Key features have been the strong organic growth and the continued significant investment in the Company's infrastructure.

Revenue reached record levels as did capital expenditure. Further investment is planned to support future organic growth, deliver efficiencies and to maintain the quality of the fixed asset base.

The balance sheet is in great shape reflecting the strong cash generative nature of the business.

Management around the Group has been strengthened with recent additions to the Board and a number of appointments to the operational teams around the business.

RESULTS

Total revenue in the year was £1,464.5 million. This was 18 per cent ahead of the previous year and was driven by robust growth across all product categories including further increases in exports. Like-for-like revenue increased 13 per cent over the prior year with corresponding volumes 8 per cent ahead.

Alongside record sales it is pleasing to report that adjusted profit before tax for the year increased 22 per cent to £92.4 million from £75.5 million previously. Adjusted earnings per share rose 20 per cent to 145.0 pence compared to 120.9 pence in the prior year.

CAPITAL INVESTMENT

Investment in the asset base amounted to £59 million, a level higher than in any previous year. The expenditure on the new site for Continental Products was the main individual item and this is now complete and being commissioned, as planned.

The major investment going forward is in the Poultry business. This will comprise a new processing facility, for which planning consent has recently been received, and expansion of the associated activities.

CASH FLOW AND FINANCIAL POSITION

Cranswick's borrowings are conservatively structured. The Company's £160 million unsecured banking facility provides generous headroom and is in place through to November 2022. Strong cash generation from operating activities resulted in a net funds position at the end of the year of £20.6 million compared to borrowings of £11.0 million a year earlier.

DIVIDEND

The Board is proposing to increase the final dividend to 38.6 pence per share from 31.0 pence previously, an increase of 24.5 per cent.

Together with the interim dividend, which was raised by 15.3 per cent to 15.1 pence per share, this gives a total dividend for the year of 53.7 pence per share, an increase of 21.8 per cent on the 44.1 pence per share paid last year. This is the 28th consecutive year of dividend growth.

The final dividend, if approved by Shareholders, will be paid on 7 September 2018 to Shareholders on the register at the close of business on 20 July 2018. Shares will go ex-dividend on 19 July 2018. Shareholders will again have the option to receive the dividend by way of scrip issue.

BOARD

As announced on 5 March, the Board has been strengthened with the appointment, in April, of Pam Powell and Tim Smith as Non-Executive Directors. They bring significant additional expertise and sector experience which the Group will benefit from as it continues to move forward and develop. Steven Esom will have served as a Non-Executive Director for 9 years in November 2018 when he intends to retire from the Board, in accordance with the principles of good corporate governance.

CORPORATE GOVERNANCE

The Board embraces the UK Corporate Governance Code as part of its culture and a statement relating to compliance with the Code is included within the Governance Report on page 47.

DIVIDEND PER SHARE (P)

This is the 28th consecutive year of dividend growth.

SUSTAINABILITY

Cranswick takes its responsibility to colleagues, customers, Shareholders, suppliers, producers and the environment seriously. The Company recognises that a balanced and committed approach to all aspects of sustainability will bring benefits to each of its stakeholders and strengthen its business position and credentials to facilitate sustainable growth and development.

CULTURE

The Group's activities are decentralised across product categories within the food sector and supported through collaboration in key areas. The human resource function is particularly important within this format and is a key element of the overall strategic plan.

All colleagues are viewed as critical stakeholders. There is commitment to implementing a training and development plan that delivers workforce capabilities, skills and competencies through apprenticeship schemes, development programmes and training courses. The success of this is evidenced by the number of internal promotions to meet the needs of Cranswick's growing business.

The Board is committed to this and recognises that the Company's continued success would not be possible without talented and motivated management teams supported by skilled and enthusiastic colleagues at each site. On behalf of the Board I thank all our colleagues for their commitment and contribution.

OUTLOOK

The business has continued to make commercial and strategic progress over the past year and the Board believes there is a solid platform in place from which to progress further within the pork, poultry and associated categories of the food sector. The strengths of the Company include its long-standing customer relationships, breadth and quality of products, growing export channels and well invested asset infrastructure.

Trading in the current financial year, which will be weighted more towards the second half, has started in line with management's expectations. The Board believes that the Company is well positioned to continue its successful development in the current year and going forward.



Martin Davey
Chairman

22 May 2018

OUR GUIDING PRINCIPLES

QUALITY	VALUE
INNOVATION	PEOPLE

Read more on page 8.

A BUSINESS BUILT ON OUR GUIDING PRINCIPLES

QUALITY

We are passionate about high quality, great tasting food. We focus on premium quality products and categories, using authentic, artisan processes wherever possible to maintain the heritage and integrity of our food.

VALUE

We continue to make value adding acquisitions and to invest heavily in operating facilities enabling us to offer innovative, high quality, great value food to our customers from some of the most efficient food production facilities in the UK.

INNOVATION

We have dedicated teams researching consumer trends and food innovation opportunities across the globe. We constantly research and test new recipes and ideas, allowing us to deliver creative food concepts to our customers.

PEOPLE

We create a supportive but entrepreneurial environment, which allows both individuals and the business to prosper. We work closely with our customers to develop new products for the rapidly changing retail environment.

DEVELOPING TALENT

Our passionate and dedicated employees have driven the growth of our business and have helped to create a unique culture across the Group.

Our commitment to the recruitment, training and development of our workforce is demonstrated by our new apprenticeship programme, with over 90 apprentices currently being trained within our business. Our apprentices, many of whom are recruited from local schools and colleges, learn new skills whilst working within our production facilities. At our Fresh Pork primary processing facility in Hull, we currently

have over 40 apprentice butchers learning traditional knife skills in a dedicated area of the butchery hall. During the two year programme this practical, hands on experience is combined with studying at college. On completion of the course, our apprentices will move into permanent full-time roles with the potential to progress into management positions.

Due to the success of the programme, we are planning to extend the scheme to double the number of apprenticeship places in order to support the continued growth plans of the business.

STAKEHOLDER ALIGNMENT AND ENGAGEMENT

TO SUCCEED IN OUR VISION OF BEING THE WORLD'S MOST SUSTAINABLE MEAT BUSINESS, WE WORK WITH A WIDE RANGE OF STAKEHOLDERS. OUR GUIDING PRINCIPLES, SET OUT OPPOSITE, ALIGN CLOSELY WITH THEIR REQUIREMENTS.

We recognise the importance of regular engagement with our stakeholders to ensure we capture and embrace feedback and emerging trends.

Our key stakeholders and the ways in which we engage with them are detailed below:

REGULATORS

Requirements

- Adherence to food safety standards
- Traceability of products
- Meet environmental regulations

Engagement

- Regular audits and inspections
- Proactive engagement with regulatory bodies
- Collaboration to create a robust regulatory landscape

Read more on pages 22 and 23.

SHAREHOLDERS

Requirements

- Return on investment
- Strong governance
- Sustainability

Engagement

- Results presentations and post-results meetings
- Annual report and accounts and AGM
- Corporate website

Read more on page 83.

PRODUCERS AND SUPPLIERS

Requirements

- Responsible, sustainable procurement
- Long-term relationships
- Focus on ethical standards and animal welfare

Engagement

- Collaboration with pig producer groups
- Supplier audits
- Sharing of ethical data through SEDEX

Read more on pages 22 and 23.

CUSTOMERS AND CONSUMERS

Requirements

- Innovative and tasty food
- High quality products
- Dedicated, sustainable supply chains

Engagement

- Management of customer relationships
- New product development partnering
- Collaboration on sustainability objectives

Read more on pages 16 and 17.

PEOPLE

Requirements

- Learning and development
- Career opportunities
- Health and safety

Engagement

- Works Committees
- Appraisal and training processes
- Staff surveys

Read more on pages 26 and 27.

COMMUNITIES

Requirements

- Positive local impact of operations
- Sustainable use of resources
- Job opportunities

Engagement

- Support for local charities
- Engagement with local schools, colleges and university
- Employee volunteering

Read more on page 37.

EMPLOYEE ENGAGEMENT

During the year we performed a comprehensive internal materiality study to identify the most important sustainability topics for our employees. The survey was performed by an external consultant to ensure impartiality and secure the anonymity of the respondents. Each key operating site was visited with both online and offline surveys completed by our employees.

Read more about our new sustainability initiative on pages 34 and 35.

The overriding goal of this process was to intensify employee dialogue, to gather opinions, expectations and ideas, and to consider these in relation to our business operations. We also wanted to better understand the impact of current and future global sustainability challenges on our employees, and to help manage these by finding and developing effective solutions. We also identified those employees who actively want to support and participate in our new sustainability programme 'Second Nature'. We were overwhelmed by the response with over 600 employees stepping forward to be our 'Change Makers'.

INVESTING FOR THE FUTURE

We have delivered a strong financial performance for the year and made further progress in delivering our strategy. We grew like-for-like revenue by 13 per cent and increased adjusted profit before tax by 22 per cent.

INVESTING IN OUR ASSET BASE

During the year we spent a record £59 million across our already well invested asset base. This brings the total investment in our infrastructure over the last eight years to over £270 million.

Our new £28 million Continental Products facility in Bury, Lancashire is currently being commissioned. This has been our largest capital project to date and gives us an asset which underscores our commitment to developing this fast-growing sector.

In November we announced our plans to build a new chicken processing facility in Eye, Suffolk. We will spend over £50 million on the plant and we have committed to further substantial investment in our upstream agricultural operations to ensure that we have a sustainable supply chain to serve the new processing facility. We received confirmation in April of this year that our planning application had been approved and we are now preparing the site in readiness for the build project. This investment will give us an industry leading asset and will more than double our current capacity as well as extending our capability to offer a broad range of added value fresh chicken products.

We also continue to invest heavily across our broader asset base to ensure that our facilities and operations remain fit for the future.

INVESTING IN OUR CORE BUSINESS

We continue to support our strategic retail partners in our core categories. Business secured under long term supply agreements enables us to focus on delivering high quality products and to drive category innovation which are both precursors to successfully growing our core business.

We processed record pig numbers through our three primary processing facilities with much of the output being transferred to our added value businesses for conversion into premium products for our customers.

We strive to improve our core offer, recognising that consumers' tastes and expectations continue to evolve. Innovation is an essential strand of this process and we successfully developed and launched new 'Ready to Cook' and 'Slow Cook' ranges for one of our lead customers. We also work tirelessly throughout the year to ensure we can offer our customers and consumers innovative and authentic products over the peak Christmas trading period.

INVESTING IN VALUE ADDING CORPORATE ACTIVITY

A key component of our strategy is to complement our organic growth drivers with value adding acquisitions. Whilst this remains a key objective, the last financial year was a period of consolidation after a very busy period of corporate activity in the year to March 2017. We made good progress in assimilating and developing both our Crown Chicken and Ballymena businesses which were acquired in April and November 2016 respectively. Both businesses have made pleasing progress. We have lifted output from our Ballymena facility by 50 per cent and we have ambitious growth plans for our Crown Chicken business.

INVESTING IN NEW MARKETS

We remain firmly focused on developing our export trade. We saw some of the heat come out of the Chinese market after a very buoyant period a year earlier but our like-for-like volume performance improved quarter by quarter and returned to growth in the second half of the year. We received the positive confirmation, last autumn, that Northern Ireland had been granted approval for direct exports to China and, at the same time, that our Hull facility had also been given approval to ship more products to China directly. These approvals had little impact on the period under review but leave us well placed to continue to develop our Far Eastern export trade going forward. We continue to explore new markets, both in the Far East and globally and have developed trade routes into Japan, Australia, New Zealand and Canada.

INVESTING IN A SUSTAINABLE BUSINESS MODEL

We have always ensured that our business model reflects our commitment to corporate, social and environmental responsibility. During the year, following extensive internal and external stakeholder engagement, we launched our 'Second Nature' initiative. I am delighted at the level of engagement we encountered both from our own colleagues and our external partners.

INVESTING IN OUR SUPPLY CHAIN

Our vertical supply chains in both pork and chicken are essential components of our business model. We own our own pig breeding and rearing operations and fully integrated chicken supply chain including milling, hatchery and growing operations. 17 per cent of the British pigs and 100 per cent of the chickens we process are from our own farms. We will continue to invest in both supply chains to ensure that we are able to give our customers and consumers the confidence that our pork and chicken products are sourced from animals that have been sustainably and ethically reared.

Our commitment to animal welfare was recognised by us retaining our Tier 1 ranking in the 2017 global Business Benchmark on Farm Animal Welfare (BBFAW). The BBFAW report recognised Cranswick as one of only five companies globally to have achieved the highest Tier 1 level.

INVESTING IN OUR PEOPLE

We have made further strong progress in developing and enhancing our talent programme. We need to ensure that we have the capability and depth of resource to support the growth and development of the business. We continue to invest heavily in our apprenticeship programme and now have over 90 apprentices in roles across the Group. Our graduate programme continues to attract high calibre applicants. Our well-established training and development programmes have, this year, been augmented by establishing a mentoring programme to support career progression and personal development. Our people are our greatest asset and I would like to thank our highly skilled and committed colleagues for their enthusiasm and support in driving our business forward so successfully.

INVESTING IN OUR COMMUNITIES

As a large employer we recognise that we are a focal point for the communities in which our operations are based. In East Yorkshire, East Anglia and the other regions where our facilities are situated, we take a proactive approach to supporting local initiatives. In 2017 we were a City Partner to Hull, UK City of Culture. We also engage extensively with local schools and colleges by providing mentoring programmes, offering interview workshops and through raising awareness of the food industry.

Over the last 12 months we have strengthened our asset base, enhanced market positions and developed new customer relationships. We continue to make good progress against each of our strategic objectives and we are well placed to continue our successful development in the current financial year and over the longer term.



Adam Couch
Chief Executive

22 May 2018

OUR STRATEGIC PILLARS

HIGH QUALITY PRODUCTS

We produce high quality food, safely, in technically and legally compliant facilities.

Read more on pages 20 to 23.

OPERATING EXCELLENCE

Continued investment ensures that our factories are some of the most efficient food production facilities in the UK.

Read more on pages 24 to 27.

SALES GROWTH

Our long-term sales growth strategy is to consolidate existing market positions, develop new products and channels, and grow our international operations and customer base. Organic growth initiatives are complemented by targeted acquisitions.

Read more on pages 28 to 31.

SUSTAINABILITY

We invest heavily to secure our supply chains and provide career opportunities to our employees, and these investments provide confidence that we have a long-term sustainable business.

Read more on pages 32 to 37.

A RESPONSIBLE AND SUSTAINABLE APPROACH TO VALUE CREATION

CRANSWICK IS ONE OF THE LARGEST FOOD PRODUCERS IN THE UK. WE PRODUCE AND SUPPLY PREMIUM FOOD TO UK GROCERY RETAILERS, THE FOOD SERVICE SECTOR AND OTHER UK AND GLOBAL FOOD PRODUCERS. OUR BUSINESS MODEL IS UNDERPINNED BY OUR FOUR GUIDING PRINCIPLES OF QUALITY, VALUE, INNOVATION AND PEOPLE.

WHAT WE DO

WE FARM

We own our own pig breeding and rearing operations, and a fully integrated chicken supply chain including a feed mill, hatchery and broiler farms.

WE PRODUCE

From our mill to our four primary processing and eleven secondary processing facilities we develop innovative, great tasting food products to the highest standards of food safety whilst prioritising provenance.

WHAT MAKES US DIFFERENT

VERTICALLY INTEGRATED SUPPLY CHAINS

Supply chain security and integrity is a crucial component of our business model. Owning our own farms gives us full traceability from 'farm-to-fork'.

17%

of the British pigs we process are from our own farms.

100%

of the chickens we process are from our own farms.

WORLD CLASS MANUFACTURING FACILITIES

Our commitment to ongoing investment over many years is reflected in the quality of our production facilities, which are some of the best invested and most efficient in the UK food sector.

£59m

invested across our asset base during the year.

TECHNICAL EXCELLENCE

We have a strong track record of excellence in food science and food sector technology, supported by rolling programmes of external compliance audits and technical inspections.

13

number of BRC grade 'A' ratings during the year.

OUR BUSINESS MODEL IS SUPPORTED BY OUR STRATEGIC PILLARS

HIGH QUALITY PRODUCTS

Read more on page 20 to 23.

OPERATING EXCELLENCE

Read more on pages 24 to 27.

SALES GROWTH

Read more on pages 28 to 31.

SUSTAINABILITY

Read more on pages 32 to 37.

WE SUPPLY

We deliver great tasting, high quality food products with integrity to our customers through retail, food service and other channels.

Read more about our supply chain on pages 14 and 15.

HOW WE CREATE VALUE

Our track record of increasing sales and profits generates returns for our stakeholders and for ongoing reinvestment.

FOR OUR EMPLOYEES

Engagement
Training
Development opportunities

93

apprentices.

FOR OUR INVESTORS

Dividend growth
EPS accretion
Value creation

£18.2m

paid to Shareholders.

INNOVATION

Our dedicated team of development chefs deliver innovative premium meal solutions for today's modern consumer.

7.2%

of total revenue came from new product launches.

SKILLED MANAGEMENT & WORKFORCE

We have stable, experienced and talented operational management teams supported by a skilled workforce.

>10,000

size of workforce.

FOR OUR CUSTOMERS

Value for money
Provenance
Choice

824

new product launches.

FOR OUR COMMUNITIES

Support for local charities
Investment in local initiatives
Employment

75%

of our workforce live within a 10 mile radius of their workplace.

A FOCUSED APPROACH TO SUSTAINABILITY AND TRACEABILITY

OUR VERTICALLY INTEGRATED SUPPLY CHAINS ENSURE THAT WE CAN MAINTAIN THE PRODUCTION AND PROCESSING OF HIGH QUALITY, UK FARM-ASSURED PIGS AND CHICKENS TO MEET OUR CUSTOMERS' NEEDS.

WE FARM

WE PRODUCE

CRANSWICK
OWNED
BRITISH
FARMS

CRANSWICK
PRIMARY
PROCESSING

PIG
CONTRACTS
WITH OTHER
UK FARMS

FEED MILLING

OTHER HIGH
QUALITY
INGREDIENTS FROM
SUSTAINABLE &
TRUSTED SUPPLIERS

EUROPEAN
PIG MEAT
IMPORTS

227

Read more about our new sustainability initiative on pages 34 and 35

Supply chain audits carried out in the year

100%

Proportion of chickens processed travelling less than 25 miles from farms

WE SUPPLY

FRESH PORK
& CHICKEN

RETAIL

RETAIL & WHOLESALE FRESH PORK & CHICKEN

CONVENIENCE
& ONLINE

PORK
FURTHER
PROCESSING

FOOD SERVICE

COOKED
MEATS

SAUSAGES

BACON

FOOD-TO-GO

OTHER
PRODUCT
CATEGORIES

EXPORT

PREMIUM
COOKED
POULTRY

CONTINENTAL
PRODUCTS

PASTRY

MANUFACTURING

OUR MARKETS

THE UK FOOD MARKET IS CONTINUOUSLY EVOLVING. OUR DIVERSE PRODUCT PORTFOLIO, WIDE RANGING CUSTOMER BASE AND EXCELLENT PRODUCT INNOVATION SKILLS ENSURE WE ARE ABLE TO RESPOND TO THESE CHANGES AND DELIVER GREAT TASTING, HIGH QUALITY PRODUCTS, WITH INTEGRITY, TO MEET OUR CUSTOMERS' NEEDS.

RETAIL, CONVENIENCE AND ONLINE

TRENDS

- Growth achieved by Big Four supermarkets, but their market share continues to fall
- Continued expansion of the discount retailers
- Premium categories continue to perform strongly, but with premium retailers now under pressure from the Big Four supermarkets
- Consumers are demanding quick, easy, healthy and tasty meal solutions

OPPORTUNITIES

- Pork and poultry remain competitively priced proteins
- Longer term contracts with agreed pricing structures to secure the supply chain and differentiate through specific pig genetics
- Growing demand for poultry products
- Consumers looking for inspiration from added-value ranges for convenience meals

RESPONSE

- Continued focus on super-premium and premium within our product range
- Investment in UK pig herd to further secure supply chains
- Crown Chicken investment to extend our presence in the poultry sector and maintain our fully integrated supply chain model
- Developing products that appeal to health conscious convenience shoppers, including 'grab and go' lunchtime products and modern 'mid-week' meal solutions

EATING OUT OF HOME

TRENDS

- 'Food-to-go' sector continues to expand
- Growth of 'dining out' occasions across breakfast, lunch and dinner
- Focus on health and modern meal solutions

OPPORTUNITIES

- Global food trends are driving a growing number of operators and formats
- Increasing demand for innovative products
- Healthy, modern and quick meal solutions demanded by consumers

RESPONSE

- Investment in our poultry businesses is increasing our market share within the 'food-to-go' sector
- Innovative product solutions delivered by our dedicated team of development chefs, including 'Slow Cook' and 'Sous Vide' ranges
- Growing range of healthy eating and 'food-to-go' options within our categories

EXPORT

TRENDS

- Strong demand for pork products from Far East and European markets
- Continued price premium on UK products
- Demand/supply imbalance across developed markets

OPPORTUNITIES

- Favourable exchange rates making exports more competitive
- Higher welfare UK product is a key differentiator
- Maximising the value of cuts through global markets

RESPONSE

- Developing direct relationships in China
- Investment in Ballymena to drive further export growth, including Chinese approval
- Approval received by our Hull facility to export more products into China

“Food safety is the most important priority for Chinese consumers buying meat, ahead of price and quality.”

Source: AHDB.

Fresh and chilled expenditure change yoy %

Source: Kantar Worldpanel, 52 w/e 26 March 2017 and 27 March 2018.

35%

growth forecast of ‘food-to-go’ market between 2017 and 2022

Source: IGD.

61%

of Chinese consumers would pay a premium for British food

Source: AHDB.

OUR STRATEGIC PROGRESS

STRATEGIC PILLARS	PROGRESS & FUTURE PLANS	KEY PERFORMANCE INDICATORS
HIGH QUALITY PRODUCTS	Our facilities continue to undergo exacting technical audits carried out by independent bodies, customers, government authorities and our own compliance teams. We have also increased the number of supply chain audits carried out by our technical teams to assure the safety, traceability, quality and provenance of our raw materials. We are working closely with our customers to develop innovative premium food products to meet the rapidly changing demands of the UK consumer. We are one of only 5 food companies globally to be awarded a Tier 1 rating in the Business Benchmark on Farm Animal Welfare (BBFAW) 2017 report. Read more on pages 22 and 23.	NUMBER OF BRC GRADE As (-13.3%) The number of Grade A ratings awarded during the year by the British Retail Consortium (BRC) against Global Standards for Food Safety has decreased following the closure of our Kingston operations and the downgrading of one site to Grade B.
OPERATING EXCELLENCE	During the year we invested £59 million in our infrastructure to support future growth, add capability and increase efficiency. We have boosted our apprenticeship and graduate recruitment schemes and have funded extensive training and development programmes at all levels across the business. We have received planning permission to build a new state-of-the-art poultry primary processing facility in Eye, Suffolk, which is scheduled for completion in late 2019. This will double our existing capacity. Read more on pages 26 and 27.	ADJUSTED OPERATING MARGIN (%) (+22 bps) Adjusted operating margin increased by 22 basis points to 6.3 per cent reflecting operational efficiencies and volume growth more than offsetting raw material price inflation.
SALES GROWTH	Like-for-like revenue was 12.7 per cent higher than prior year, with corresponding volumes up 7.7 per cent as higher year-on-year prices in the first half of the year more than offset falling prices in the second half. Total export sales were 30.2 per cent higher than prior year, reflecting strong demand from the US and Europe and increased output from the Group's pork primary processing facilities. The approvals received during the year both to export product to China from our Ballymena facility and to export additional product from our Hull facility create the potential to drive further export revenue growth. Read more on pages 30 and 31.	LIKE-FOR-LIKE REVENUE GROWTH (%) (+12.7%) Revenue growth reflects significant business wins driving strong like-for-like volume growth of 7.7 per cent.
SUSTAINABILITY	During the year we announced the launch of 'Second Nature', our Group-wide sustainability initiative. This new project contains several major environmental and community pledges. We are investing £4 million in our Wayland farming business to increase breeding and finishing capacity of premium pigs, which will secure our supply chain. We also plan to invest heavily to upscale our agricultural operations to maintain our fully integrated poultry supply chain model. Read more on pages 34 to 37.	RELATIVE CARBON FOOTPRINT – TONNES OF CO₂e PER TONNE SALES (-13.9%) Strong production efficiencies continue to drive a reduction in our carbon footprint.

Read more on our
Principal Risks and
Uncertainties on
pages 44 and 45.

RISKS

NUMBER OF SUPPLIER AUDITS (-1.3%)	COMPLAINTS PER MILLION UNITS SOLD (-5.3%)	Food scares and product contamination Disease and infection within livestock
Our focus on supply chain integrity has continued in the current year with a similar number of supply chain audits carried out by the Cranswick Technical Services team.	Our long-term commitment to quality has resulted in a further reduction in the number of customer complaints in the current year.	
FREE CASH FLOW (£'M) (+54.3%)	RETURN ON CAPITAL EMPLOYED* (%) (+133 bps)	Disruption to Group operations Interest rate, currency, liquidity and credit risk IT systems and cyber security
Higher operating profit and strong working capital management have driven an increase in free cash flow.	Return on capital employed improved as we continued to see the benefit of the ongoing investment in our asset base to provide additional capacity and drive efficiencies.	
* Adjusted operating profit divided by the sum of average opening and closing net assets, net (debt)/funds, pension liabilities and deferred tax.		
NON-EU EXPORT SALES GROWTH (%) (+2.4%)	SALES FROM NEW PRODUCTS (%) (7.2% of total Group revenue)	Consumer demand Reliance on key customers and exports Competitor activity Growth and change
Non-EU export sales, including sales made to non-EU markets through UK-based meat trading agents, have continued to grow despite increased local supply in Far Eastern markets and global competition driving lower prices.	Our ongoing commitment to innovation to support strong relationships with our major retail customers saw sales from new products during their first six months following launch account for over £106 million of revenue in the current year.	
WASTE TO LANDFILL – TONNES (-22.1%)	RIDDOR ACCIDENTS PER 100 EMPLOYEES (+55.6%)	Recruitment and retention of workforce Pig meat – availability and price Health & Safety
Landfill diversion remains a core priority. We still carry a small landfill burden due to our more rural farm locations, but this continues to be challenged.	The accident rate reportable to the Health & Safety Executive rose at the start of the year but the implementation of a new and enhanced five year Health & Safety strategy during the year saw the rate fall in the final quarter.	

High Quality Products

**OUR REPUTATION FOR
DELIVERING OUTSTANDING
QUALITY PRODUCTS MAKES US
A SUPPLIER OF CHOICE FOR OUR
CUSTOMERS. WE CONTINUALLY
DEVELOP AND ENHANCE OUR
RECIPES AND INGREDIENTS TO
PROVIDE EXCEPTIONAL FOOD
TO THE CONSUMER.**

During the year we launched a new range of premium pork with one of our major retail customers, delivering a significant improvement in taste and texture. A cross functional team reviewed all the potential areas where quality improvements could be delivered. This started with the breed and genetics of the pigs, and included a review of feed and farming methods. We also introduced a new production process in our primary processing facility to improve the succulence of the meat.

Once product development was complete, our in-house team of chefs focused on creating clear and simple cooking instructions to ensure that consumers can replicate the same great tasting food at home. The result is a range of premium pork that consistently delivers on taste and texture.

13

Number of BRC grade 'A' ratings during the year

227

Number of supplier audits during the year

HIGH QUALITY PRODUCTS

THE SUCCESS OF OUR BUSINESS REFLECTS OUR ONGOING COMMITMENT TO PRODUCT QUALITY AND INNOVATION, TECHNICAL INTEGRITY, COMPLIANCE, FOOD SAFETY AND ANIMAL WELFARE.

The combination of our people, facilities, policies and customer focus enables us to remain the key supplier and 'category champion' to our strategic partners. For many of our core customers we are a preferred partner on technical initiatives and projects.

PRODUCT QUALITY AND INNOVATION

Our clear strategic focus on premium and super-premium product categories continues to underpin the success of the business. By working closely with our customers we develop premium products to meet the changing demands of the UK consumer.

Consumer trends and food innovation opportunities from all over the world are sourced and developed by our dedicated teams. Constantly researching and testing new recipes and ideas allows us to deliver exciting new food concepts to our customers with enhanced flavour and improved eating quality.

➊ Read more on page 21.

ENSURING TECHNICAL COMPLIANCE

Our facilities undergo exacting technical audits carried out by independent auditing bodies, customers, government authorities and our own technical compliance teams. During the year we hosted 404 separate external compliance audits and associated technical inspections, many of which were unannounced, and we are pleased to report that over 95 per cent of those audits were completed to the full satisfaction of our customers and other business stakeholders. All non-conformances have been closed out through corrective actions within agreed timescales.

We have elected to have our BRC Food Safety audits carried out unannounced and currently of our 14 manufacturing sites 6 have achieved AA*, 6 have achieved A*, 1 has achieved AA and 1 site has achieved B*. In addition, all our fresh meat processing sites are participants of the BRC Voluntary Meat Module which provides additional assurance on meat traceability and supply chain management.

All our British pork products fully comply with the Red Tractor Assurance Scheme and the British Meat Processors Association (BMPA) Pork and Pork Meat Product standards. This compliance gives consumers the confidence that our products are produced within an assured supply chain to recognised best practice standards and are traceable all the way back to British Red Tractor assured farms.

Compliance integrity is challenged by third party announced and unannounced audits which incorporate traceability, mass balance and isotope provenance testing to confirm origin. We also produce organic products that are subject to an in-depth annual traceability review carried out by independent auditors working on behalf of The Soil Association which is our preferred organic assurance partner.

In the year under review our Group Compliance team completed 716 separate internal compliance audits against the BRC standard, retailer policy, Hazard and Critical Control Point (HACCP), hygiene inspections, and ethical standards. This compliance programme not only identifies non-compliance but also proactively highlights best practice and allows shared learnings across the Group. This is a fundamental building block of the continuous improvement programme and food safety culture that underpins our robust technical and ethical performance.

SUPPLY CHAIN INTEGRITY AND TRACEABILITY

Ensuring responsible purchasing

We are committed to ensuring the integrity and traceability of raw materials, including the meat, ingredients and packaging we use in the manufacture of our products. 775 raw material suppliers and 5,558 products and associated specifications are approved and controlled centrally by our Group Technical Services (GTS) team. Suppliers are approved either by an independent third party audit, such as the BRC Global Standard for Food Safety, or by audits carried out by members of our GTS team. Our expectations of our

suppliers are clearly laid out in our Technical Conditions of Supply and our audit frequency is based on risk assessment, supply chain threat analysis, horizon scanning for known or emerging risks and previous supply record. In the last twelve months we carried out 227 supply chain audits to assure the safety, traceability, quality and provenance of the raw materials we use within our business.

In recent months the meat industry has come under increasing scrutiny, highlighted by the well documented issues at a number of UK meat processing companies. A common theme has been the alleged mislabelling and date coding of meat. We have fully reviewed our labelling and date coding protocols. Alongside this, our policy of transparent open book relationships with our customers, audit bodies and the FSA, and our commitment to food safety, provenance and integrity, gives us confidence in our standards and the way we run our business.

Maintaining the highest ethical standards

We monitor ethical standards with our sites undergoing unannounced SEDEX (Supplier Ethical Data Exchange) Members Ethical Trade Audits (SMETA) every other year supported by our own ethical verification audits. We are AB (buyer/supplier) members of SEDEX and currently 97 per cent of our suppliers are registered with SEDEX so their ethical data is visible to us, enabling us to drive ethical standards within our supply chain.

We take a leadership role within the wider industry with our Gourmet Products Technical Controller being an active member of the BMPA Council and Chair of the technical committee responsible for the development of the BMPA Pork Schemes which are the assurance, traceability and product quality standards that sit behind the Red Tractor logo displayed on pork and pork meat products. Our Group Technical Compliance Controller represents the BMPA on the BRC working group responsible for the development of the BRC Global Food Standard.

We have built excellent relationships with a number of key research providers and were invited by Professor Chris Elliott, Director of the Institute of Global Food Security, to be one of a select number of industry partners to participate in the EU-China-Safe collaboration. This project will mobilise resources in Europe and China to develop a cohesive partnership that will deliver a shared vision for food safety and authenticity and work towards 'mutual recognition'. Comprising 16 participants from the EU and 17 from China, EU-China-Safe supports key research organisations working together to develop and jointly implement major advances in improving food safety and combating food fraud in the two trading blocks.

Animal welfare

Many of the pigs supplied to us are reared to higher welfare standards associated with outdoor bred or outdoor reared production methods. Approximately 30 per cent of those pigs processed by our Hull primary processing facility and 70 per cent at our Norfolk facility are reared to the exacting requirements of the RSPCA Freedom Foods welfare standard. The balance of pigs processed are reared indoors in full compliance with the Red Tractor/BMPA Quality Assured Pork (BQAP) welfare standards. All of our chickens are reared indoors in full compliance with the Red Tractor welfare standards.

The 2017 Business Benchmark on Farm Animal Welfare (BBFAW) report provides an account of how animal welfare is being managed by leading food companies around the world. The development of the Benchmark is funded by Compassion in World Farming and World Animal Protection and is a global measure of food businesses' commitment to animal welfare. Now in its fourth year, the benchmark has continued to evolve and challenge the industry's commitment to animal welfare. We are therefore proud to be one of only five companies worldwide to have maintained the highest Tier 1 status, which endorses our commitment to animal welfare. More information can be found on the website: www.bbfaw.com.

Performance measures	2015/16	2016/17	2017/18
Complaints per million units sold	24	19	18
Number of direct suppliers linked to SEDEX	294	407	480
Benchmark on Farm Animal Welfare	Tier 2	Tier 1	Tier 1

During the year, our Hull and Norfolk primary processing sites collectively processed an average of 49,000 pigs per week. In addition, our Ballymena site has processed 10,000 pigs per week, a 25 per cent increase since acquisition. These facilities are principal suppliers of pork to a number of our further processing businesses as well as third party food manufacturers.

All three sites are strategically placed in three of the UK's largest pig breeding and rearing regions. Close supply chain proximity ensures that animal transportation times from farm to processing facility are minimised with resulting welfare and food mile reduction benefits.

Our agricultural team is working with several retailer specific pig producer groups on rearing systems, breed development, welfare, sustainability, environmental and ethical standards. Projects included:

- collaborating with Bishop Burton Agricultural College on animal behaviour and welfare;
- researching links between animal feed and pork eating quality; and
- developing industry best practice guidance on the use of antibiotics.

Preston, near Hull

35% within 25 miles
55% within 40 miles
66% within 50 miles
73% within 60 miles

Norfolk

46% within 25 miles
86% within 40 miles
90% within 50 miles
95% within 60 miles

Ballymena

19% within 25 miles
43% within 40 miles
51% within 50 miles
76% within 60 miles

Weybread

100% within 25 miles

During the year, Crown's Weybread poultry site processed an average of 500,000 birds per week. The site is a key supplier of chicken to our Hull cooked poultry site and third party retail and wholesale customers. Animal transportation times from farm to processing facility are minimised, with all broiler farms within 25 miles of the processing facility. All of the chickens we process come from our own Red Tractor approved farms.

The map below provides an overview of farm locations and distances travelled by pigs and chickens from those farms to our processing sites:

OUR COMMITMENT TO OPERATING EXCELLENCE IS UNDERPINNED BY OUR CONTINUED LONG-TERM INVESTMENT IN OUR INFRASTRUCTURE, OUR PRODUCTION PROCESSES AND OUR PEOPLE.

Our Continental Foods business has grown substantially over recent years, sourcing new products from premium suppliers across the globe that deliver on taste and provide exciting new eating experiences. We also produce British premium cured meats, prepared in the traditional artisan way using the finest ingredients, under both the Woodall's brand and retail customer own label. This success, together with a growing market for convenient meal solutions with inspiring tastes, has resulted in our two Manchester facilities operating at full capacity.

To support future growth we have invested £28 million in a new purpose-built facility based in Bury, Lancashire. This will consolidate production from the two existing sites, increase current capacity by approximately 70 per cent and will add new capability and drive efficiency improvements on existing product ranges. The new facility will be fully operational by summer 2018.

£59m

Total capital investment during the year

20.3%

Return on capital employed

Operating Excellence

OPERATING EXCELLENCE

INVESTMENT IN OUR INFRASTRUCTURE, OUR PRODUCTION PROCESSES AND OUR PEOPLE CONTINUES TO DRIVE THE LONG-TERM SUCCESS OF OUR BUSINESS.

INVESTING IN OUR ASSET BASE

We have invested a record £59 million across our asset base during the year to support long-term growth, introduce new capabilities and drive further operating efficiency gains. Our production facilities have benefitted from this commitment to ongoing investment over many years and they are some of the most efficient and well invested in the sectors in which we operate.

Investment ensures that we have sufficient capacity headroom to meet our growth aspirations, we provide facilities which meet our customers' exacting specifications and that we provide a safe and secure environment for our workforce.

Expenditure in the year, whilst focused on our Continental Foods business, was spread across our production facilities as we continue to successfully grow and develop. We have now invested in excess of £270 million in our infrastructure over the last eight years. For further information about capital projects delivered during the year, see the Operating and Financial Review on pages 38 to 40.

DEVELOPING OUR PEOPLE

We are committed to inspiring and developing a multi-skilled and motivated workforce. Our Human Resources (HR) strategy is embedded in our Sustainability policy and overall strategic plan and underpins our vision

and purpose. The HR strategy includes sustainability initiatives to attract and retain talented individuals with the necessary skills to deliver our long-term business goals and objectives. We encourage our employees to express their views via Works Councils or through Union membership. Employees have a worker representative, who may be a union representative, to air their views on internal committees. We want our employees to feel valued and we see them as critical stakeholders in our business. We have a training and development strategy to deliver workforce capabilities, skills and competencies through apprenticeship and graduate development schemes, a mentoring programme and management training courses. Succession planning is proactively managed and employees are offered career opportunities which support staff retention and ultimately a sustainable and stable business.

Attracting and managing talent Apprenticeships

Following the introduction of the new Apprenticeship Levy, we now have over 90 apprentices across several disciplines, with a particularly strong focus on Butchery and Engineering. The programme enables apprentices to gain cross-functional skills which are positively recognised across the industry. We are working closely with local colleges and universities both to promote

opportunities within our business and to support our apprentices' ongoing education needs. With college leavers looking for alternative routes into education we will harness this trend by further developing our apprenticeship programmes to attract and retain the best students to support our long-term succession planning. Further details can be found on page 8.

Graduate development

Our graduate recruitment scheme continues to be highly effective, with graduates placed across even more Group locations this year. We attended 14 university recruitment fairs across the UK, and positive responses to our programme over recent years mean we continue to attract exceptional applicants. Over the last four years we have recruited 27 graduates, finding permanent roles for 13, whilst 9 remain on the programme.

Mentoring

This year we have established a mentoring programme to support the career progression of some of our key people. We have trained 18 mentors to assist colleagues in high quality decision making by acting as a confidential sounding board, providing support in working through crucial and often difficult and complex decisions. We see mentoring as another important component of our talent support and succession planning initiatives.

Our new Continental Foods facility in Bury, Lancashire.

Learning and development

We continue to focus on our appraisal process and development plans to ensure that we have the necessary skill sets in place to facilitate future succession planning. This process feeds into development dashboards across the business, which are used to identify learning and succession gaps and how these will be filled in the future.

In 2017 we trained 275 colleagues in soft skills or management development either through Group-wide learning programmes or site level programmes specifically targeting key requirements for local teams and managers of the future. We also continue to use personal coaching to support the targeted development needs of our middle and senior management colleagues, and executive coaching to support our Directors in developing their existing skills. We will be running two further programmes in 2018 to support middle and senior managers as we continue to build our leadership skills base.

Providing appropriate training to all employees is vital for the successful delivery of our Group Health & Safety standards. All new employees undertake a Health & Safety induction course including fire safety, manual handling, task and machinery training in their working environment. We also provide ongoing Health & Safety training throughout employment. All our employees and agency staff are task trained to safe working procedures for any equipment or task they work on. We have suitable systems for communicating Health & Safety training for our non-English speaking workforce.

An integrated and diverse workforce

Encouraging the principles of equality and diversity underpins our successful and inclusive business culture. All employment decisions, including recruitment and internal promotions, are based on merit, qualification and abilities, and are not influenced or affected by race, colour, nationality, religion or belief, sex, marital status or civil partnership, family status, pregnancy or maternity, sexual orientation, gender reassignment, disability or age. We have recruited over 2,000 individuals over the last year and we will continue to develop our business model to recruit more permanent employees as part of our commitment to ensuring stability for all our workforce regardless of nationality. We currently employ more than 10,400 staff of whom more than 6,800 are permanent workers, encompassing over 50 nationalities.

We recognise the benefits of diversity and our diversity policy provides equality and fairness. There are no differences in the pay structure for males and females performing the same or similar roles. Our 2017 Gender Pay Gap report can be found on the Group's website: www.cranswick.plc.uk

We are committed to ensuring that modern slavery or human trafficking are excluded from our supply chains and our business. Our anti-slavery policy reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking do not take place throughout our supply chains. Further details can be found on the Group's website: www.cranswick.plc.uk.

We conduct business in an open and honest way, without the use of corrupt practices or acts of bribery. We expect all our customers, suppliers and business associates to support this policy. This code of conduct is reflected in our anti-bribery policy which all employees are made aware of and commit to when joining the Group. The policy sets out clear requirements and procedures on matters such as giving and receiving gifts and hospitality, and periodic training is undertaken to reinforce this. Employees are encouraged to report any concerns directly to management or through an independent whistleblowing line.

Further details of our diversity policy are shown in the Nomination Committee report on pages 63 to 65.

Keeping our people safe and healthy

We strive as a business to comply with all applicable Health & Safety standards and regulations, and adopt industry best practice across all our sites. Our Group Health & Safety team implements and monitors new initiatives to maintain excellent standards. The Board reviews quarterly accident and claims statistics and management review monthly accident statistics using an industry leading web-based recording system which allows analysis of each accident and monitors control measures introduced to prevent recurrence. The system includes a tracker to ensure all required actions are completed within the specified time period.

Our Group Health & Safety team is led by the Group Health & Safety Manager with the assistance of two Group Health & Safety Coordinators who work under the guidance of our Group Compliance Controller. All our sites have a dedicated Health & Safety Manager to provide the highest standards of Health & Safety management. All our Health & Safety Managers and Coordinators hold the appropriate National Examination Board in Occupational Safety and Health (NEBOSH) qualification. We are also providing our management team with Health & Safety training from the Institute of Safety and Health (IOSH).

During the year we have developed a five-year strategy for Health & Safety which gives us a platform to continue to manage Health & Safety proactively and ensure our standards of excellence in compliance are maintained across all sites as well as controlling new and emerging risks to a reasonably practicable level.

With the increasing complexity of equipment and legislation surrounding its design and use, our engineering teams have been trained in machinery safety and any new machinery will not be used unless it complies with the latest Certificate of Conformity (CEE) regulations and has undertaken an assessment in line with the Provision & Use of Work Equipment Regulations (PUWER).

Annual internal Health & Safety audits are carried out to measure the Health & Safety standards at each of our sites to confirm they achieve the required standard and provide an action plan for the following twelve months. During the year we continued to develop Health & Safety standards across our business. The safety of employees is key and we are continuing to investigate new behavioural safety programmes which will further improve the culture of our business.

Our plan is to ensure all our sites are accredited to the ISO45001 Health & Safety Management Systems by 2020.

The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDORS) rate was higher than the previous year. The RIDDORS incident ratio (accident against number of employees) increased by 56 per cent compared to 2017. The total number of recorded accidents per 100 employees in 2018 was 13 per cent higher than in 2017.

The increase in accident rates at the start of the financial year has driven additional focus and we have seen these rates falling back in the last quarter.

Accidents per 100 Employees

Sales Growth

OUR LONG-TERM GROWTH STRATEGY IS TO CONSOLIDATE EXISTING MARKET POSITIONS, DEVELOP NEW PRODUCTS AND CHANNELS IN OUR CORE UK MARKET AND GROW OUR INTERNATIONAL OPERATIONS AND CUSTOMER BASE.

In 2014 we entered the UK poultry sector with the acquisition of our Cooked Poultry business in Hull. This was followed in 2016 by the acquisition of Crown Chicken, which is based in East Anglia. This provided us with a fully integrated poultry supply chain model, and aligned with our strategic objective of diversification into the rapidly growing poultry market.

Recent consumer trends for healthier and more convenient meals have driven sustained growth in the poultry market, with chicken seen as a versatile protein that is also competitively priced. We are developing innovative, great tasting poultry products with a focus on premium 'Ready to Cook' and added value chicken.

We have made significant investment in our Cooked Poultry facility since acquisition, which has led to the successful launch of contracts with two of the Group's principal retail customers during the year. We have now committed to building a new world class poultry primary processing facility in Eye, Suffolk, which is scheduled for completion in late 2019. This will double our existing primary processing capacity with further room for expansion. We also plan to upscale our farming, feed mill and hatchery operations to maintain our fully integrated supply chain model.

824

new products launched during the year

7.2%

of total revenue from new products

SALES GROWTH

OUR LONG-TERM GROWTH STRATEGY IS TO CONSOLIDATE EXISTING MARKET POSITIONS, DEVELOP NEW PRODUCTS AND CHANNELS IN OUR CORE UK MARKET AND GROW OUR INTERNATIONAL OPERATIONS AND CUSTOMER BASE.

DRIVING THE CORE

DELIVERING ON OUR GROWTH STRATEGY

By establishing meaningful and long-lasting relationships with our customers and focusing primarily on the growing premium end of the markets in which we operate, we have made good progress on delivering our growth strategy during the year.

Outstanding product quality and customer service levels combined with a drive to innovate has underpinned this growth.

PERFORMANCE DURING THE YEAR

We delivered like-for-like revenue growth of 12.7 per cent reflecting strong progress in our core markets.

We secured new premium cooked poultry business with two of our Group's principal retail customers.

Sales to European markets grew strongly, and reflected increased volumes and higher prices resulting from favourable Sterling : Euro exchange rates.

FUTURE OPPORTUNITIES

We will explore further growth opportunities by: continuing to leverage our strong customer relationships; identifying new routes to market; developing new products; expanding into adjacent tiers in our existing category portfolio; and broadening our reach in international markets.

CONSOLIDATION OF EXISTING MARKET POSITIONS

Our retail customers account for over 70 per cent of our revenues and we continue to gain market share. Provenance, food quality and animal welfare have become increasingly important for our customers and consumers in recent years, and our strong reputation and ongoing commitment in these areas continues to drive growth.

For many years we have invested heavily in our infrastructure and this year we spent a record £59 million across our asset base to support future growth. This expenditure ensures that our facilities remain some of the most efficient and safe in the UK food manufacturing sector and, along with continued investment in our vertically integrated supply chains, underpins our core category growth strategy and supports the development of sustainable long-term contracts with our key retail customers.

Our focus on developing innovative, premium products which remain relevant to our customers and consumers enables us to sustain meaningful top-line growth.

We made further progress during the year in consolidating our existing market positions by securing new business with our key retail customers. This business was spread across our product categories, and included volume growth at Ballymena following the completion of the butchery hall extension which increased capacity.

New product development enables us to deliver innovative premium products which are relevant to the rapidly changing markets in which we operate.

7.2 per cent of revenue in the year was attributable to new product launches.

We will continue to grow by gaining market share in existing tiers, moving into adjacent tiers and though building capacity in our facilities and our supply chains.

We are investing £4 million in our Wayland farming operation to increase breeding and finishing capacity of premium pigs in response to customer demand.

Our new Continental Products facility in Bury, Lancashire, which will be fully operational by the summer of 2018, will add substantial capacity for this part of our business.

12.7%

Like-for-like revenue increase

20.7%

Increase in like-for-like
export revenue

EXPANDING OUR OFFER

DEVELOPING NEW PRODUCTS AND CHANNELS

We have diversified our product range and customer base in recent years by entering the fast growing premium fresh and cooked poultry market.

The acquisition of the premium cooked poultry business, Benson Park, in 2014 followed by our acquisition of the fresh poultry business, Crown Chicken, in 2016, means we can now offer our customers a fully integrated British chicken supply chain for both fresh and cooked products.

We have now secured listings for premium cooked poultry, sourced from our own internal supply chain, with two of our principal retail customers. Our fully integrated supply chain from feed mill, to hatchery, through our own farms and processing facilities to our customers offers a clear point of difference.

We have expanded our range of products for the rapidly developing 'Ready to Cook' and convenience market, with continued investment in 'Sous Vide' cooking technology across our Convenience business.

Our premium cooked poultry business grew strongly, driven by new listings with two of our principal retail customers.

Growth in our Convenience business has been underpinned by new product launches in the fast growing 'Slow Cook' and 'Ready to Cook' ranges.

New business launched at the start of the year with a large national 'food-to-go' customer has driven strong volume growth in our premium pastry business.

We will continue to leverage our existing retail relationships to grow our premium cooked poultry business.

On completion of the new poultry facility at Eye, Suffolk at the end of 2019, we will also have the capacity and capability to offer more fresh poultry to our principal retail customers, with Crown having already secured a contract to supply fresh whole birds to one of the Group's strategic retail customers shortly after the year end.

Substantial investment in research and development and product innovation will also continue to drive growth in new channels and product categories.

SEEKING NEW OPPORTUNITIES

GROWING OUR INTERNATIONAL OPERATIONS AND CUSTOMER BASE

We have made further progress during the year in developing our export trade. China, the world's largest pork producer and consumer, remains our most important market, and during the year we received approval to export product from our Ballymena facility directly into China. We also received Chinese approval to export further products from our Hull facility.

We also supply baby back ribs from our Hull facility, which is United States Department of Agriculture (USDA) approved, into the US market.

We have developed new export markets for our premium outdoor bred pork products, including Australia and Japan.

Total export revenue grew by 30.2 per cent during the year.

Like-for-like export revenue grew by 20.7 per cent.

Growth was underpinned by sales to our more traditional EU markets, driven by stronger European prices and favourable exchange rates.

We are growing our e-commerce business in China, for both premium and standard pork products.

New products continue to be developed with which to access both new and existing export markets.

Continued investment at our primary processing facilities provides increased capacity which not only adds scale to our UK pork business but also provides more product for our international export trade.

We are continuing to develop direct relationships with Chinese and other international customers, and this provides additional growth opportunities.

STRATEGY IN ACTION CONTINUED

A PILOT SUSTAINABILITY IMPROVEMENT PROJECT AT OUR GOURMET PASTRY SITE HAS ENHANCED EMPLOYEE ENGAGEMENT AND COMMUNITY OUTREACH AND CREATED MOMENTUM FOR OUR NEW GROUP SUSTAINABILITY STRATEGY, 'SECOND NATURE'.

During the year an internal assessment reviewed current sustainability performance and improvement opportunities, and a stakeholder survey and leadership round-table session brought the Sustainable Development Goals (SDGs) to life for employees.

A key objective of the programme was to reduce waste and increase reuse opportunities throughout our supply chain. A detailed analysis was carried out, which enabled the site to develop a clear strategy on how to achieve zero waste status and create a system to achieve waste reduction by product through improved efficiencies.

M&S Environment Week was used as an opportunity to initiate the employee engagement campaign, raising awareness of key environmental issues and encouraging employees to think about how they can proactively reduce waste, water and energy use. Out of 50 suppliers who took part in the Environment Week initiative, Cranswick Gourmet Pastry was awarded the 'Best Individual Site Campaign' by M&S.

Alongside the behavioural change activity, the site has also been externally recognised during the year for its resource efficiency and waste reduction achievements, winning the 'Best Prevention Project Award (Food)' at the Waste2Zero awards.

Following the successful results at Gourmet Pastry, the programme is now being rolled out across the Group.

Read more on pages 34 and 35.

100%

We are committed to achieving 100% recyclable packaging by 2025.

78%

of Cranswick employees want to be involved in sustainability projects.

Sustainability

SUSTAINABILITY

AS AN INDUSTRY LEADER, WE EMBRACE MANY OPPORTUNITIES TO MAKE A DIFFERENCE AND OUR BUSINESS DECISIONS ARE MADE WITH A CLEAR FOCUS ON OUR COMMITMENT TO BOTH ENVIRONMENTAL AND SOCIAL RESPONSIBILITY.

We recognise that our sustainability reporting needs to be much more than mere disclosure as it is a true insight into how we do business. Most importantly, we approach sustainability as a long-term, collaborative effort. No single company or industry can tackle these challenges alone. Working together, however, we can create sustainable solutions for the world's future generations.

In February 2018, we announced the launch of 'Second Nature', our Group-wide sustainability initiative. This new project, which is being rolled out immediately, contains several major environmental and community pledges.

Our new sustainability approach has been informed by our own stakeholder materiality assessment and globally agreed upon agendas and accords like the 2030 Development Agenda of the United Nations and its 17 Sustainable Development Goals (SDGs) and the UN Global Compact, among others.

During the year we performed a comprehensive materiality study to identify the most important sustainability topics for the Group and its stakeholders. We identified the SDGs that are particularly relevant to our business and our internal stakeholders, our 10,000 employees.

"We need more organisations to step up like Cranswick in order to achieve the Sustainable Development Goals."

Dr Liz Goodwin OBE

Senior Fellow and Director of Food Loss and Waste, World Resources Institute

As part of the Second Nature initiative, we have made some immediate commitments:

WE WILL ELIMINATE AVOIDABLE FOOD WASTE BY 2030

and have become an official Friend of Champions 12.3

WE WILL WORK IN PARTNERSHIP WITH COURTAULD 2025

to deliver an ambitious ten year voluntary agreement that brings together leading organisations committed to reducing the environmental impact of food and drink across the supply chain.

WE ARE COMMITTED TO ACHIEVING 100 PER CENT RECYCLABLE PACKAGING BY 2025

and to reduce plastic packaging use by 50 per cent by 2025, alongside a call to action for industry stakeholders to collaborate to take responsibility for the environmental impact of plastics as a matter of urgency.

WE WILL WORK WITH OTHER ORGANISATIONS TO DELIVER THE UK PLASTICS PACT

driving industry innovation and working towards a wider circular plastic system.

WE WILL PURCHASE 100 PER CENT RENEWABLE ELECTRICITY FROM 1 MARCH 2018

The results of our internal sustainability review in 2017 illustrated how important sustainability is to our employees and major stakeholders, and it is with great pride that the Second Nature initiative will be driven by our workforce – all 10,000 of them.

TOP 5 SDGs WE CAN IMPACT, AS VOTED FOR BY OUR WORKFORCE:

"We want to be agents of change, addressing key environmental and social issues from farm-to-fork. Second Nature is not just a project; it is a movement whereby we fully intend to change the world we operate in."

Jim Brisby, Group Commercial Director

We wish to set a precedent on how businesses tackle issues around sustainability – taking responsibility and using our scale to drive systemic change. We recognise that as a leading food business we need to look beyond our own internal operational efficiencies and have designed Second Nature to deliver against four key principles:

- Materiality – focusing on what matters most
- Regenerative – creating long-term, sustained and absolute impact
- Systemic – influencing change across entire systems
- Transparency – sharing progress openly and honestly

Sustainability is now firmly embedded in our core business strategy, operations and products as evidenced by our continued progress against our goals and commitments and alignment with the United Nations Sustainable Development Goals. We will continue to develop best-in-class innovations and demonstrate our commitment to sustainability through our products, processes and partnerships that advance sustainable agriculture and manufacturing.

We have seen measurable progress this year with a renewed commitment to our goals, and we look forward to continuing to provide sustainable solutions that lead our industry.

BENCHMARKING PERFORMANCE AND CONTINUOUS IMPROVEMENT

By August 2018 all of our operating sites will have been benchmarked against multiple leading global sustainability standards and performance metrics using specialist sustainability software. This is to enable us to understand our current performance position against best-in-class certifications and identify opportunities to close gaps and align to global performance standards. Specific performance standards we will be working to that will enable us to identify and activate projects to meet our targets include multiple ISOs, B-Impact, Courtauld Commitment 2025, BSI 8001 Circular Economy, LEAF Marque, All Key Customer and Supplier Standards, Investors in People and ETI Base Code.

This will empower each site to translate Second Nature into a realistic operating roadmap that is user-friendly to ensure the strategy connects with the day job of the people it will impact, joining the dots from strategy to action.

Our new sustainability strategy will give us a competitive advantage through innovation, efficiency, responsiveness and building strong partnerships. Creating shared value and a profitable business are instrumental in delivering a balanced sustainability strategy and long-term positive legacies in which we work and live.

Second Nature will activate projects to deliver significant progress against the following core objectives:

1. Reduce our environmental impact from farm-to-fork
2. Drive agricultural innovation
3. Shift from a linear to a circular business model
4. Create a great place to work
5. Positively impact our community and society
6. Act ethically and responsibly
7. Embrace collaboration and radical transparency

This has been a pivotal year in our sustainability journey. As we continue to embed sustainability into our business, we are working with collaborators and partners to drive meaningful change. We've taken decisive action on climate change and with our clarity of ambition we aim to lead sustainability across agriculture and food production on a global scale by integrating sustainability as Second Nature to what we do, how we work, and why we do it.

PLASTIC REDUCTION ROADMAP

- All our packaging will be 100 per cent recyclable and sustainably sourced.
- Where dual materials are required to maintain product quality and minimise food waste, these will only be from materials that are also 100 per cent recyclable and sustainably sourced.
- All our packaging will be designed to be intuitively recycled by the consumer and easily recovered through household recycling collections.
- We are forming a new industry stakeholder group to openly collaborate on developing circularity in the UK to ensure we have a workable closed-loop system. This is not simply about collecting materials for recycling but using our waste packaging to replace virgin materials for manufacturing our new products.
- We will test new initiatives to help drive positive consumer behaviour around recycling food packaging to make this as simple as possible and publicly share our findings.
- We will be open and transparent on our progress and communicate updates regularly.

Engaging our employees during M&S Environment Week at our Gourmet Pastry site.

STRATEGY IN ACTION CONTINUED SUSTAINABILITY

CARBON FOOTPRINT AND GREENHOUSE GAS (GHG) EMISSIONS

We measure our carbon footprint (all Scope 1, Scope 2 and our significant Scope 3 emissions) and use this as the overall measurement of our environmental performance.

We continue to perform strongly against our long-term target of reducing our relative carbon footprint by 30 per cent by 2020 (against our 2010 baseline), by having a reduction of 44.5 per cent against baseline. Success continues to be driven by production efficiencies.

We acknowledge the requirement to disclose greenhouse gas emissions separately in the following categories:

Emissions in tonnes of carbon dioxide from:

- i) combustion of fuel and operation of facilities; and
- ii) purchase of electricity, heat, steam and cooling.

It is impracticable for us to distinguish between the two categories due to the nature of our operations. However, the majority of emissions come from electricity and gas, which are monitored.

We also recognise the significance of GHG emissions from animals. We are working with industry peers and the scientific community to identify a means of reliably quantifying and further understanding the impact. Our partnership with Courtauld 2025 will also help accelerate our understanding and performance in this key area.

ENERGY

Our energy use and the reduction of the energy footprint of our products remains a high priority. We recognise that reductions in energy intensity bring significant financial and environmental benefits and continue to be accredited to the ISO50001 Energy Management standard.

We have continued to invest in our energy infrastructure, including 2 new CHP plants coming on line during the next financial year.

Our energy footprint has increased by 1 per cent during the year driven by machinery and product changes across several of our sites. We expect that the forthcoming year will show a return to efficiency savings.

WASTE

Our partnerships with Champions 12.3, WRAP's Plastic Pledge and Courtauld 2025 demonstrate our commitment to making real reductions in food waste and plastics throughout our value chain.

ENVIRONMENTAL METRICS

All of our significant facilities are accredited to the ISO14001 Environmental Management Standard.

Waste disposal routes (%)

Absolute carbon footprint
(Tonnes CO₂e)

Absolute energy use
(kWh million)

Absolute water use (m³)

Performance Measures	Performance in		Target 2018-19
	2016/17	2017/18	
Relative carbon footprint – Tonnes CO ₂ e/Tonnes sales	0.202	0.174	reduce by 5%
Energy intensity – kWh/Tonnes sales	477	482	reduce by 5%
Waste to landfill – Tonnes	222	173	reduce to zero by 2020
Water intensity – cubic metres/Tonnes sales	2.49	2.41	reduce by 5%

Landfill diversion remains a core priority. We still carry a small landfill burden due to our more rural farm locations, but this will continue to be challenged.

WATER

Water use in food manufacturing will always be high, driven primarily by the need to provide production facilities with the highest standards of hygiene and its importance in many of our processes. The need for sound water management and control of emissions continues to rise. We recognise that water is a resource with high strategic importance and so continue to use it efficiently and responsibly.

Our sites use technology to monitor usage closely and ensure our emissions do not place a disproportionate burden on local infrastructure. In line with our resource usage principles, we seek out and employ efficient technologies, as well as running staff engagement programmes to ensure our performance remains in line with best-in-class benchmarks. Our water performance has been significantly influenced by the poultry acquisitions, but we are pleased that despite this profile change we are still exceeding our water target (20 per cent reduction in intensity by 2020 against our 2008 baseline) by a further 3.2 per cent.

COMMUNITY ENGAGEMENT

As part of our ongoing commitments to sustainability, we continue to support the communities where we operate across the UK. As one of the largest employers in the East Riding of Yorkshire, we have taken a proactive approach to support local initiatives. Last year, we were a City Partner to Hull UK City of Culture 2017 and we are also in the third year of a partnership with the Freedom Festival, hosted annually in Hull. These events reach out to the wider communities and provide opportunities to engage the local population in cultural and social events which raise the profile of the region. Our association with these events also provides opportunities for our employees to take part in the events whether through ticket competitions, volunteering opportunities or serving Cranswick produced street food from the Hog and Beyond stall.

In Norfolk, we sponsor the Porkstock Festival which is designed to promote the importance of local produce to East Anglia. As part of the event, we create an area where we showcase the work of our business and share employment opportunities, both within the area and also the wider Group.

An important element of the events has been to engage with local schools, highlighting the breadth of opportunities within the food industry and educating young people on where their food comes from. In 2017, a series of educational workshops were completed in six Academy schools in the area, providing a business case study of how food development and manufacture takes place as well as giving pupils the opportunity to have their own products produced. This culminated in the winning entries being served at the Freedom Festival in the designated Cranswick display at the show.

In addition, we work with local schools, colleges and universities across all business areas and this includes industry mentoring, attendance at interview workshops and raising awareness of the food industry at events such as the Flavours Food Festival and university seminars.

We are also a key partner of 'For Entrepreneurs Only', a community interest company which helps entrepreneurs of all ages to start and grow their businesses with the aim of creating wealth and jobs in the Hull and Humber region.

Across the Group, we support a number of charities which have particular relevance to site employees and have been nominated through a local voting system. Charities include a mix of local and national organisations such as Bluebell Children's Hospice, the Yorkshire Air Ambulance, Macmillan Cancer Support and Life for a Kid.

In 2018, we will once again join 'More Together', a charity project which will encourage the entire Group to raise money for site nominated charities, along with several other businesses based in the East Yorkshire region. The project will encourage employees to participate in various physical challenges such as a 'Bounce to Berlin' trampoline challenge, the Total Warrior obstacle course and the B20 walk from Beverley Minster to the Humber Bridge. This is an opportunity for employees across various functions and sites to raise money for charitable causes together and in 2017 over £13,000 was raised.

As part of the Second Nature initiative, we have recently increased our commitments to reduce the amount of surplus product that is generated by the business. Much of this is often driven by external factors, so we have been working on a number of initiatives to redistribute food to our local communities. Some of our recent initiatives include purchasing freezers for the Hull Food Bank and working with organisations such as Fareshare and Community Shop to support community organisations.

"The girls loved visiting Cranswick and being able to see the whole sausage making process and, of course, tasting their creations!"

Miss Whall

Science Teacher, Wolfreton High School

STRONG ORGANIC GROWTH AND RECORD CAPITAL INVESTMENT

REPORTED REVENUE GREW BY 18 PER CENT AND ADJUSTED PROFIT BEFORE TAX GREW BY 22 PER CENT.

OPERATING REVIEW

REVENUE AND ADJUSTED OPERATING PROFIT

	2018 53 weeks	2017 52 weeks	Change (Reported)	Change (Like-for-like*)
Revenue	£1,464.5m	£1,245.1m	+17.6%	+12.7%
Adjusted Group Operating Profit	£92.8m	£76.1m	+21.9%	
Adjusted Group Operating Margin	6.3%	6.1%	+22 bps	

* See Note 31 of the financial statements.

REVENUE

Reported revenue from continuing operations increased by 17.6 per cent to £1,464.5 million.

Like-for-like revenue, which excludes the benefit of the 53rd week and the contributions from Crown Chicken and the Ballymena pork processing business prior to the anniversary of their acquisition, was 12.7 per cent higher, with corresponding volumes ahead by 7.7 per cent. Each of our categories delivered positive volume growth, ahead of overall category market performance. Stronger pricing during the first half reflected partial recovery of higher input costs compared to those experienced in the same period last year. Input costs eased in the second half of the year, with this downward trend reflected in selling prices.

ADJUSTED GROUP OPERATING PROFIT

Adjusted Group operating profit increased by 21.9 per cent to £92.8 million. Adjusted Group operating margin at 6.3 per cent was 22 basis points higher than in the same period last year, due to a combination of easing input prices during the second half of the year, further operational efficiency improvements, better capacity utilisation and tight cost control.

CATEGORY REVIEW

Fresh Pork

Fresh Pork includes our three primary processing facilities and associated farming operations and represented 33 per cent of Group revenue. Total Fresh Pork revenue increased by 20.1 per cent. Excluding the contribution from Ballymena prior to the anniversary of its acquisition and the 53rd week, like-for-like revenue growth was 10.0 per cent. Performance was comfortably

ahead of the overall UK fresh pork market which saw volumes decline by just under 1 per cent. During the year we launched new added value summer ranges and developed new processing techniques which have delivered improved texture and succulence. The Ballymena butchery hall extension was completed resulting in capacity being increased from 8,000 to 12,000 pigs per week. Just over 59,000 pigs per week were processed through our three facilities. A new Deboflex shoulder deboning line was commissioned at the Hull facility during the year and this line, which is the first of its type to be installed in the UK, is performing well. Further investment is being made at the Hull facility to lift pig chill capacity and to upgrade the rapid chill system to improve yields. The lairage is also being expanded and improved. Both projects are due to complete in the second quarter of the current financial year.

Total export revenue grew by 30.2 per cent, with a modest decline in sales to Far Eastern markets of 6.1 per cent comfortably offset by a 104.0 per cent increase in sales to other export markets which, most notably, include the US and Europe. Growth in these two markets reflected stronger volumes and higher prices in Europe resulting from a favourable Sterling : Euro exchange rate. Far East volumes improved quarter by quarter and returned to growth in the second half of the year. Like-for-like export sales, excluding the benefit from Ballymena prior to the anniversary of its acquisition and the 53rd week, grew by 20.7 per cent. The Ballymena facility is now approved to export directly to China and the first direct shipments were made in quarter four. We are growing our e-commerce business in China and exports to Japan are growing strongly with a focus on supplying premium outdoor bred pork to the food service sector.

The Wayland and Wold farming businesses currently supply approximately 17 per cent of our British pig requirements. We are the third largest pig producer in the UK and represent 4 per cent of the total UK pig herd. More than 90 per cent of the pigs produced from the two herds are bred outdoors, allowing us to provide a complete farm-to-fork solution for the premium pork ranges of our two largest retail customers. We are investing £4 million in our Wayland farming operation to increase breeding and finishing capacity of premium pigs in response to customer demand. Productivity improvements in our outdoor herd lifted output by more than 10 per cent compared to the previous year.

The UK pig price (EU-spec SPP) rose steadily during the early part of the year, exceeding 164 pence in July before falling back through the second half of the year to just over 145 pence by year end. The average UK pig price

22.4%

Increase in adjusted profit before tax

£112.1m

Net cash generated from operations

for the year to 31 March 2018 was 13 per cent higher year-on-year reflecting a 17-month period of rising prices from March 2016 through to July 2017. The average EU 28 reference pig price during the period was also up 9 per cent year-on-year.

Convenience

Convenience, which comprises Cooked Meats and Continental Products, represented 36 per cent of Group revenue. Total Convenience revenue increased by 12.1 per cent, with like-for-like revenue, excluding the benefit of the 53rd week, up 10.1 per cent. This positive performance reflected the full contribution of new business wins in the previous financial year. Growth was comfortably ahead of the overall market where volumes were flat year-on-year.

Cooked Meats sales were very strong reflecting the benefit of the new business wins referred to above. New product launches in the fast growing 'Ready to Cook' and 'Slow Cook' ranges also helped underpin the strong growth in this category. A further £11 million of capital investment was made across the three Cooked Meats facilities during the year. Working closely with our key retail customers, we continue to develop our ingredients ranges. We are also growing sales through business to business and manufacturing channels, particularly with ready meals, pizza and sandwich manufacturers.

Sales of Continental Products were 4.1 per cent up on the same period last year with higher prices, resulting from the devaluation of Sterling against the Euro, offsetting lower volumes following the loss of pizza toppings business with one retail customer. New business wins with other retail customers, including new platter range launches and pre-pack corned beef, boosted sales. After a challenging first half the sub-category returned to volume growth in the second half of the year. The business continues to explore opportunities in the food service sector with sales through this channel growing strongly underpinned by new business with one of the Group's leading Quick Service Restaurant customers. The Woodall's range of British charcuterie products continues to perform well, with a new listing now secured with a key retail customer.

The new £28 million facility, based at Bury in Lancashire, is now being commissioned. The site will consolidate production from the two existing facilities, lift capacity by approximately 70 per cent, add new capability and drive efficiency improvements on existing product ranges. Transfer of all production from the current facilities is expected to be completed by the end of quarter one of the new financial year.

Gourmet Products

Gourmet Products, which comprise Sausage, Bacon and Pastry, represented 19 per cent of Group revenue. Total revenue increased by 22.2 per cent in the year, with like-for-like revenue, excluding the benefit of the 53rd week, ahead by 20.2 per cent. All categories delivered strong double-digit volume growth reflecting strong underlying, high single-digit, market growth of the super-premium tier of each category and market share gains due to business wins and new product launches.

Strong Sausage sales growth reflected the contribution from the new 'Butcher's Choice' business launched with one of our largest retail customers mid-way through the previous financial year together with other new business wins launched in summer 2017. The peak Christmas trading period was especially busy for the Hull and Norfolk facilities, with two additional production lines installed at the Hull Fresh Pork facility to accommodate the strong seasonal spike in demand.

Strong Bacon sales growth reflected the significant business win in quarter four of the previous financial year for gammon and wet cure bacon with one of the site's principal retail customers. Consumers continue to switch from standard tier products into the premium and super-premium ranges, encouraged by a combination of new product launches, multi-buy mechanics and every day low pricing.

Pastry sales grew strongly reflecting the contribution from new business with a 'food-to-go' customer launched at the start of the year. The business has also successfully developed a range of frozen products for one of the Group's retail customers. These new business wins augmented continued growth with the site's anchor retail customer.

New product listings over the Christmas period also contributed to a strong full year performance from the poultry business.

Poultry

Poultry, which includes Fresh and Cooked Poultry, represented 12 per cent of Group revenue. Including the 53rd week and a full year contribution from Crown, revenue increased by 21.6 per cent, with like-for-like sales growing 16.8 per cent.

The Crown Chicken business continues to make progress. The management team has been strengthened and investment has been made at the Weybread primary processing facility in Norfolk to drive efficiencies and lift throughput. More birds are being portioned due to new contracts secured and closer ties continue to be developed with the Hull Cooked Poultry facility. Shortly after the year end Crown secured a contract to supply fresh whole birds to one of the Group's strategic retail customers. Although the volume of business is initially modest it represents an important milestone in Crown's evolution and complements the chicken which Crown supplies to our Cooked Poultry business to service the same customer.

Plans for the new primary processing facility at Eye in Suffolk are being rapidly developed. Planning approval for the site was confirmed shortly after the year end and work at the site is due to start shortly. This world class facility, which is scheduled for completion in late 2019, will double our existing capacity with further room for expansion. The facility will incorporate the highest animal welfare standards and latest generation production techniques and equipment to drive operational efficiency gains.

Sales of premium Cooked Poultry grew strongly during the year, reflecting underlying market growth and the successful launch of contracts with two of the Group's principal retail customers. Further lines have been added since these contracts were launched and looking forward there is a strong new product development pipeline to drive further growth both with retail customers and in the business's core food service and Quick Service Restaurant categories.

OPERATING AND FINANCIAL REVIEW CONTINUED

FINANCE REVIEW

REVENUE

Reported revenue from continuing operations at £1,464.5 million (2017: £1,245.1 million) increased by 17.6 per cent compared to the previous year.

ADJUSTED GROUP OPERATING PROFIT

Adjusted Group operating profit of £92.8 million (2017: £76.1 million), including a full year contribution from acquisitions made in the previous year, increased by 21.9 per cent. Adjusted Group operating margin was 6.3 per cent of sales compared to 6.1 per cent last year.

FINANCE COSTS

Net financing costs at £0.4 million were £0.2 million lower than the prior year, reflecting lower average borrowings and improved terms on the Group's banking facility following refinancing in November 2016.

The Group's banking facility is unsecured and runs to November 2022 with the option to extend by a further year and comprises a revolving credit facility of £160 million, including a committed overdraft of £20 million. It also includes the option to access a further £40 million on the same terms at any point during the term of the agreement. The facility provides the business with generous headroom for the future.

ADJUSTED PROFIT BEFORE TAX

Adjusted profit before tax was 22.4 per cent higher at £92.4 million (2017: £75.5 million).

TAXATION

The tax charge of £18.0 million was 20.5 per cent of profit before tax (2017: 19.5 per cent). The standard rate of UK corporation tax was 19.0 per cent (2017: 20.0 per cent). The effective corporation tax rate was higher than the standard rate due to disallowable expenses. The lower than standard rate charge in the previous year reflected prior year adjustments, primarily relating to a capital allowance review during that year, partially offset by disallowable expenses.

TAX STRATEGY

Our tax strategy is aligned with our vision and core values and fits within our overall Corporate Governance structure. Our strategy ensures that we comply with all tax laws wherever we do business and that we pay all taxes that we are legally required to pay when they fall due. To safeguard our reputation as a responsible taxpayer we do not participate in any tax planning arrangements that do not comply with either the legal interpretation or the spirit of tax laws. Our tax strategy can be found on our website: www.cranswick.plc.uk.

DIVIDEND POLICY

We believe in paying a sustainable dividend which delivers a strong return to investors but is balanced against the need to invest in the future of the business. Our policy ensures that shareholder income streams are strongly aligned to profitability and the sustained growth in the Group's profits has been matched by the Group's dividend per share growth which is unbroken for 28 years (see page 6). Our dividend policy can be found on our website: www.cranswick.plc.uk.

ADJUSTED EARNINGS PER SHARE

Adjusted earnings per share from continuing operations rose by 19.9 per cent to 145.0 pence (2017: 120.9 pence). The average number of shares in issue was 50,787,000 (2017: 50,191,000).

STATUTORY PROFIT MEASURES

The statutory results of the business show a 13.5 per cent increase in profit before tax to £88.0 million (2017: £77.5 million), a 13.2 per cent increase in Group operating profit to £88.4 million (2017: £78.1 million), and an 11.0 per cent increase in earnings per share from continuing operations to 137.8 pence (2017: 124.2 pence). Full reconciliations of these results to the adjusted measures can be found in Note 31.

CASH FLOW AND NET DEBT

The net cash inflow from operating activities in the year was £112.1 million (2017: £72.9 million) reflecting higher Group operating profit offset by a working capital outflow of just £4.0 million (2017: £18.5 million) despite significant growth in the scale of the business. Net funds at the end of the year were £20.6 million compared to net debt of £11.0 million for the prior year with the inflow from operating activities partially offset by the payment of £5.3 million of deferred consideration on acquisitions, a net £58.0 million invested in our asset base and £18.2 million of dividends paid to our Shareholders.

ALLOCATION OF RESOURCES

PENSIONS

The Group operates defined contribution pension schemes whereby contributions are made to schemes administered by major insurance companies. Contributions to these schemes are determined as a percentage of employees' earnings.

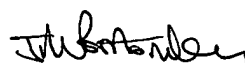
The Group also operates a defined benefit pension scheme which has been closed to further benefit accrual since 2004. The deficit on this scheme at 31 March 2018 was £8.1 million, compared to £9.5 million at 31 March 2017, reflecting our commitment to increased funding for the scheme. Cash contributions to the scheme during the year, as part of the programme to reduce the deficit, were £1.8 million. The present value of funded obligations was £37.5 million, and the fair value of plan assets was £29.4 million.

UK REFERENDUM ON EU MEMBERSHIP

The outcome of the UK referendum on EU membership and the subsequent uncertainty over the nature of the UK's exit from the EU continue to drive volatility in currency markets and uncertainty within the European labour market. The Group therefore continues to monitor and manage its business risks in these areas.

SUMMARY

We have delivered another outstanding year of growth. We have also made significant investment in our asset base during the year with more planned in the year ahead to support our strategic objectives. This leaves us in a strong position to drive continued growth.



Mark Bottomley
Finance Director

22 May 2018

PRINCIPAL RISKS AND UNCERTAINTIES

AS A LEADING UK FOOD MANUFACTURER IT IS IMPORTANT THAT THE GROUP IDENTIFIES, MONITORS AND PRIORITISES ITS RISKS AND ENSURES THAT APPROPRIATE MITIGATING ACTIONS ARE DEPLOYED TO REDUCE THE PROBABILITY AND IMPACT OF THESE RISKS OCCURRING.

RISK MANAGEMENT FRAMEWORK

As shown on the opposite page, the Group has a robust Risk Management Framework in place which leads to the identification and management of risks across the business. The Board has overall responsibility for the establishment and oversight of the Group's Risk Management Framework and Internal Control procedures which are summarised below and discussed further within the Governance Report on pages 51 to 55.

Overall the Board recognises, in accordance with the principles of the UK Corporate Governance Code, the need for a robust system of Internal Control procedures and an effective Risk Management Framework to be in place, which supports the Group's ability to manage risk and continue as a viable entity. Further details are provided within the Viability Statement paragraphs.

The Group Risk Committee, which consists of Senior Managers, and which is chaired by the Group Finance Director, meets four times a year. The Group also has a well-established, effective Internal Audit function which reports directly to the Audit Committee and provides independent assurance that the Group's Risk Management Framework, governance and key Internal Control procedures are operating effectively.

The Group is continually seeking to strengthen its Risk Management processes. During the year an independent external review of the Group's Risk Management Framework was commissioned by the Board. Overall this concluded that the Group has formalised and effective Risk Management arrangements in place. Recommendations raised to enhance existing processes are being implemented.

IDENTIFYING AND MONITORING PRINCIPAL RISKS

The Group's Risk Management Framework enables the business to identify, prioritise and mitigate risks. A Group risk register is in place which captures overarching business risks together with detailed individual site risk registers owned by operational management. The Group undertakes reviews for new and emerging risks on a regular basis and implements appropriate mitigating actions as required.

The Group Risk Committee monitors these processes, reviews the risk registers and reports significant risks to the Audit Committee. The Board receives a quarterly update report on the risk profile facing the Group and formally reviews the key risks facing the business at least once a year. Through this formalised process the principal risks are determined and subsequently agreed by the Board.

The risks facing the Group are broadly consistent with the previous year, with no significant changes identified. However, in common with other businesses, Brexit continues to be an area of focus for the Group. There are specific areas where over the short to medium-term Brexit could potentially impact upon the Group to include; the availability and cost of labour, volatility in Sterling and a downturn in overall consumer demand. Senior management and the Board will continue to closely monitor Brexit negotiations and make adjustments to the Group's strategic plan as necessary.

The principal risks and uncertainties facing the Group are summarised on pages 44 and 45. These have been considered during the preparation of the Viability Statement. It should be noted, however, that it is not possible to identify or anticipate every risk that may affect the Group.

RISK APPETITE

Risk is assessed across four categories namely; strategic, commercial, financial and operational. As a leading UK food manufacturer, the Board has a low risk appetite for risks which may impact the Group's reputation or compliance in operational areas such as product quality and Health & Safety. However, the Board recognises that, in pursuit of its strategic objectives, there is, on occasion, a risk and reward trade-off in making certain decisions such as business acquisitions and capital investment where a higher level of risk may be accepted. All strategic decisions are underpinned by a robust business case, appropriate level of due diligence and are carefully considered to ensure each proposal is understood prior to Board approval.

VIABILITY STATEMENT

In accordance with the provisions of the UK Corporate Governance Code, the Board has assessed the viability of the Group over an appropriate period, taking into account the current position, future prospects and the potential impact of the principal risks outlined on pages 44 and 45 of the Annual Report.

The Board has determined that a three year period to March 2021 is an appropriate period over which to provide its Viability Statement. This timeframe has been specifically chosen due to the current financial and operational planning cycles of the Group.

In making this assessment of viability, the Board carried out a robust assessment of the principal risks and uncertainties facing the Group. Risks assessed to have the highest likelihood of occurrence or the severest impact, crystallising both individually and in combination, underwent detailed sensitivity analysis. These risks were: a loss of a key customer; a significant decline in consumer demand; and a reduction in overseas exports.

The sensitivity analysis quantified the financial impact on the strategic plan and on the Group's viability against specific measures including liquidity, credit rating and bank covenants.

The results of the sensitivity analysis highlighted that the Group would, over the three year period, be able to withstand the impact of the most severe combination of the risks modelled by making adjustments to its strategic plan and capital expenditure programme.

Based on the results of this analysis, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2021.

Board

Responsible for the Group's system of Risk Management and Internal Control and for setting the Group's overall risk appetite.

Audit Committee

Reviews the systems of Internal Control that are in place and provides assurance to the Board that the processes of Risk Management and Internal Control are operating effectively.

Group Risk Committee

Provides oversight and advice to the Audit Committee and Board in relation to current and future risk exposures and risk mitigation strategies.

Operational Management

Deploy site level Risk Management processes to ensure that risks are adequately identified and controlled.

PRINCIPAL RISKS AND UNCERTAINTIES

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP ARE SUMMARISED BELOW:

RISK AREA	MITIGATION AND NET RISK RATING		RISK TREND
STRATEGIC			
COMPETITOR ACTIVITY	The Group operates in highly competitive markets. Product innovation and changing consumer trends provide a constant challenge to the future success of the Group and its ability to compete effectively with its competitors.	The Group maintains and develops strong working relationships with its customers which are underpinned by delivering high levels of service, quality products and by continued focus on product development and innovation.	The risk has stayed the same.
GROWTH & CHANGE	The Group continues to pursue growth strategies through securing contracts with new customers, obtaining additional contracts with existing customers and through the acquisition of appropriate businesses. The Group also has to navigate both internal and external change, such as changes in regulation. These present operational and compliance challenges and issues.	The Board routinely receives updates on the contractual position of all key customers and where required implements necessary actions. Regarding business acquisitions, rigorous due diligence reviews are carried out. Internal and external change is appropriately resourced to ensure operational excellence and compliance, with performance monitored by operational and senior management.	The risk has stayed the same.
COMMERCIAL			
CONSUMER DEMAND	In common with other food industry manufacturers, a deterioration in the UK economy or a significant change in food consumption patterns could lead to a fall in demand for the Group's products and a fall in Group revenue.	The Group works closely with its key customers to adapt to changing consumer trends and also offers a range of products across premium, standard and value tiers which it is able to flex accordingly. Pork and chicken remain extremely competitively priced and sought after products.	The risk has stayed the same.
RELIANCE ON KEY CUSTOMERS & EXPORTS	A significant proportion of the Group's results is generated from a small number of major customers and export sales. Loss of all or part of the Group's business with one or more of these customers or loss of an export licence could adversely impact on the Group's operations.	The Group continually pursues opportunities to expand its customer base across all product categories and works closely with UK and export customers to ensure service, quality, food safety and new product developments are of the highest standard.	The risk has stayed the same.
PIG MEAT – AVAILABILITY & PRICE	The Group is specifically exposed to issues associated with the pricing and availability of pig meat. An increase in pig prices or a lack of availability of pig meat could adversely impact on the Group's operations and the ability to supply manufacturing sites and key customers.	The Group has a trusted long standing farming supply base which is complemented by supply from the Group's own farms. These arrangements help to mitigate the risks associated with pig price volatility and supply.	The risk has stayed the same.
FINANCIAL			
INTEREST RATE, CURRENCY, LIQUIDITY & CREDIT RISK	The Group is exposed to interest rate risk on borrowings and, in specific areas, foreign currency fluctuations. In addition the Group needs continued access to funding for both current business and future growth.	The Group deploys effective currency hedging arrangements to mitigate risks associated with foreign currency movements. Sites have access to the Group's overdraft facility and bank balances are monitored on a daily basis by Group Finance. All bank debt is arranged centrally and appropriate headroom is maintained.	The risk has stayed the same although the potential implications of Brexit are being closely monitored.

RISK AREA	MITIGATION AND NET RISK RATING		RISK TREND
OPERATIONAL			
DISRUPTION TO GROUP OPERATIONS	The Group faces the risk of significant incidents such as fire, flood or loss of key utilities together with the risk of disruption to day to day operations from issues such as poor operational management or the breakdown of key equipment. Overall such issues could result in the prolonged disruption to site processes.	Robust business continuity plans are in place across the Group and appropriate insurance arrangements exist to mitigate financial loss. Potential business disruption is minimised through multi-site operations across many of the Group's core product lines.	The risk has stayed the same.
RECRUITMENT & RETENTION OF WORKFORCE	As the Group continues to pursue its growth strategy, the success of the Group is dependent on attracting and retaining quality, skilled and experienced people.	Across the Group robust recruitment processes, competitive remuneration packages and ongoing training and development plans are in place. Specifically, for senior management, formalised succession planning is also in place.	The risk has stayed the same although the potential implications of Brexit are being closely monitored.
HEALTH & SAFETY	A significant breach of Health & Safety legislation could lead to reputational damage and regulatory penalties, including restrictions on operations, damages or fines.	The Group has strong Health & Safety processes and procedures in place and conforms to all relevant standards and regulations as well as pursuing industry best practice across its sites. All sites are subject to frequent audits by internal teams, customers and regulatory authorities to ensure standards are being adhered to.	The risk has stayed the same.
DISEASE & INFECTION WITHIN LIVESTOCK	A significant infection or disease outbreak could result in the loss of supply of pig or poultry meat or the inability to move livestock freely, impacting on the supply of key raw materials into the Group's sites.	The Group's pig farming activities, and other farms from which third party pig meat is ultimately sourced, have a broad geographical spread to avoid reliance on a single production area. The Group's own poultry flock is predominately housed indoors. In addition, robust vaccination and bio-security procedures mitigate the risk of disease and infections.	The risk has stayed the same.
FOOD SCARES & PRODUCT CONTAMINATION	In common with other food manufacturers the Group is subject to the risks of product and/or raw material contamination and potential health related industry-wide food scares. Such incidents could lead to product recall costs, reputational damage and regulatory penalties.	The Group ensures that all raw materials are traceable to original source and that site manufacturing, storage and distribution systems and those of our suppliers are continually monitored by experienced and appropriately trained internal teams.	The risk has stayed the same.
IT SYSTEMS & CYBER SECURITY	The Group relies heavily on information technology and key systems to support the business. In common with other organisations the Group is susceptible to cyber-attacks with the risk of a financial loss and threat to the overall confidentiality and availability of data in systems. Whilst no material cyber security breaches have occurred over the course of the year, the Board is mindful of the ongoing risks in this area given the increasing sophistication and evolving nature of this threat.	The Group has a robust IT control framework in place, which is reviewed and tested on a frequent basis by internal teams and specialist third parties. Detailed internal control procedures are also in place to reduce the potential risk of fraudulent payment requests being processed. During the year, to further mitigate the risks associated with cyber-attacks, the Board approved the purchase of cyber insurance which provides specialist technical and legal support in the event of a cyber incident.	The risk has increased due to the general number of reported cyber-attacks in the wider economy.

PROVIDING EFFECTIVE BOARD LEADERSHIP

IT IS IMPORTANT TO THE BOARD AND TO THE SHAREHOLDERS AND OTHER STAKEHOLDERS THAT THE GROUP MAINTAINS A HIGH STANDARD OF CORPORATE GOVERNANCE TO SAFEGUARD ITS REPUTATION AND TO SUPPORT ITS LONG-TERM SUCCESS.

Your Board is committed to ensuring that the Group's corporate governance arrangements are effective and continue to evolve with best practice and I am pleased to report that the Group has continued to comply with the requirements of the 2016 UK Corporate Governance Code throughout the year. Further details of how the Board supports the executive team and the role and activities of the various Board committees are set out in the following pages of this report.

Over the course of the last 12 months there have been numerous developments in relation to corporate governance many of which will result in listed companies having to meet enhanced governance requirements. Notably, the Parker Review and second Hampton-Alexander Review were published which include a number of recommendations relating, respectively, to improving ethnic diversity and gender balance in the leadership of FTSE companies. A new Corporate Governance Code will also be published in the summer.

At the Company's last Annual General Meeting in July 2017, a significant number of votes were cast against, or abstained on, the resolution proposed to re-elect me as a Director. This was because of a perceived lack of diversity and independence on our Board and this also accounted for a number of votes against the re-election of other executive directors. I am therefore pleased to have the opportunity to explain the Group's approach to corporate governance and recent developments.

As I have previously indicated, the Board and Nomination Committee supports diversity in relation to both external and internal appointments without having specific targets. The Group's principal concern has and will

continue to be that the best person gets the job. Appointing more female and ethnically diverse candidates is entirely consistent with our aim of ensuring our Directors and senior management represent the people with the most appropriate skills, knowledge and experience to fulfil their roles. As part of our long-term succession planning, I was therefore delighted to welcome Pam Powell and Tim Smith to our Board in April, following a rigorous appointment process conducted with the assistance of external consultants during which a wide range of candidates were considered. Their appointment will enhance the diversity and independence of our Board. Further details of the appointment process are set out in the report of the Nomination Committee on pages 63 to 65.

Our succession planning also depends on the development of the future leaders of the business and ensuring that we have a cohort of experienced executives with the skills and drive to continue to take our business forward. The Hampton-Alexander review recognises this and makes recommendations relating to publishing details of gender balance amongst senior managers. Whilst this is not yet a requirement, we have adopted this approach and have included greater details of the age, tenure and gender of our Group Directors on page 50 so that Shareholders are in a better position to assess our wider management team.

Certain areas of the food sector have faced challenges in recruiting talented female and ethnically diverse candidates and suffer from historic low levels of participation. We will continue to address this positively through focusing on our recruitment, training and mentoring programmes so that we can meet developing expectations in this area. This is undertaken both within the business and using

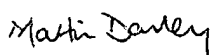
consultants to introduce additional expertise and an external perspective. In this context, a number of females have been appointed to senior roles and now 24 per cent of our senior managers and executives are female. We will continue to focus on diversity within the Group and an explanation of our policy is included in the report of the Nomination Committee.

The Remuneration Committee reviewed the Group's remuneration policy during the year with the assistance of independent consultants and its recommendations, which will be presented for approval by Shareholders at the Company's forthcoming AGM, are set out in the Remuneration Committee Report on pages 66 to 82. The Committee has been

mindful to ensure that its recommendations reflect best market practice and also align the interests of Executive Directors with the Group's strategy and long-term interests of Shareholders and other stakeholders to promote the continued success of the Group.

During the year we have undertaken a significant project developing a new £28 million site for our Continental Products business at Bury and also announced the development of a new poultry processing facility at Eye in Suffolk. These have significant implications for the Group, but also for our wider group of stakeholders including our employees and local communities and we have consulted widely in relation to these to address stakeholder concerns.

Your Board is committed to continuing to maintain a high standard of governance. We recognise this is not static and is an evolving process which requires continual review and development. This report explains how we have applied the principles of good governance and have aligned these during the year to our strategic plans and the interests of Shareholders.



Martin Davey
Chairman

22 May 2018

COMPLIANCE STATEMENT

The Board is pleased to report that it has complied with the requirements of the 2016 UK Corporate Governance Code during the year ended 31 March 2018. The Board believes that it has the appropriate blend of skills, experience, independence and knowledge to support the business and will continue to ensure an optimal level of relevant skills, experience and diversity amongst its members, appropriate to support the future needs of the business.

The Board has reviewed the financial statements and, taken as a whole, consider them to be fair, balanced and understandable, providing sufficient and appropriate information for Shareholders to assess the Company's position and performance, business model and strategy. The Audit Committee provided guidance to the Board to assist them in reaching this conclusion.

LEADERSHIP BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

MARTIN DAVEY
Chairman

ADAM COUCH
Chief Executive

MARK BOTTOMLEY
Finance Director

JIM BRISBY
Commercial Director

Term of Office

Martin was appointed to the Board in 1985 as Finance Director, appointed Chief Executive in 1988 and became Chairman in 2004.

Adam was appointed to the Board in 2003 as Managing Director of Fresh Pork and became Chief Executive in 2012.

Mark was appointed to the Board in 2009 as Finance Director.

Jim was appointed to the Board in 2010 as Sales and Marketing Director and became Commercial Director in 2014.

Committee Membership

Chair

Independent

Not applicable

Not applicable

Not applicable

Not applicable

Skills and Experience

Martin joined Cranswick as Finance Director in 1985 when he led the Company's listing on the London Stock Exchange and was subsequently appointed Chief Executive in 1988. Through Martin's guidance over the last 33 years the Group has expanded both organically and through acquisition and entered the FTSE 250 in 2008. He became Executive Chairman in 2004 and since 2013 has fulfilled the role on a part-time basis. Martin is a chartered accountant.

Adam joined Cranswick's Fresh Pork Business in 1991 and was appointed to the Board in 2003 as Managing Director of Fresh Pork. He was appointed as Chief Operating Officer in 2011 and then Chief Executive in 2012. Under his leadership Cranswick has continued to expand and become a major player in the food processing industry.

Adam was a committee member of the British Pig Executive between 2005 and 2013.

Mark joined Cranswick in 2008 as Group Financial Controller and was appointed to the Board as Finance Director in 2009. Before joining the Company, Mark held a number of senior finance roles in the food sector. Mark is responsible for overseeing the financial operation of the Group and setting financial strategy. Mark is a chartered accountant.

Jim joined Cranswick in 1995. He was appointed Sales and Marketing Director in 2010 and Commercial Director in 2014 and has been a key member of the team responsible for growth of the Group and the development of its commercial strategy.

External Appointments and Commitments

None

None

None

None

Board by tenure

Board by age

0-3 years	3-6 years	6-9 years	9 years or more

41-45 years	46-50 years	51-55 years	56-60 years	61-65 years

NON-EXECUTIVE DIRECTORS

STEVEN ESOM Senior Independent Non-Executive Director

MARK RECKITT Non-Executive Director

KATE ALLUM Non-Executive Director

PAM POWELL Non-Executive Director

TIM SMITH Non-Executive Director

Steven was appointed as an independent non-executive director in 2009.

Mark was appointed as an independent non-executive director in 2014.

Kate was appointed as an independent non-executive director in 2013.

Pam was appointed as an independent non-executive director in 2018.

Tim was appointed as an independent non-executive director in 2018.

Chair

Chair

Yes

Yes

Yes

Yes

Yes

Steven has experience of the food sector having held a number of senior positions including Executive Director of Food at Marks & Spencer plc which followed 12 years at Waitrose, the last five years of which he was Managing Director.

Mark has experience across a number of sectors. He was Group Strategy Director of Smiths Group plc between 2011 and 2014. Prior to joining Smiths, Mark was interim Managing Director of Green & Black's Chocolate and before that held a number of finance and strategy roles at Cadbury plc. Mark is a chartered accountant.

Kate has experience of the food sector both within the UK and Europe. Kate was Chief Executive of First Milk Limited from 2010 to 2015 and prior to that was head of the European supply chain for McDonalds.

Pam has international experience in strategy, marketing and innovation in fast moving consumer goods, including food and beverages. Pam spent nine years at SABMiller plc, holding the position of Group Director of Strategy and Innovation, and prior to this, worked at Coty Europe in France, Unilever plc in London, and Lever Brothers in New York.

Tim has experience in the UK food sector having worked in food manufacturing, government regulation and supermarket retail. Tim was the Group Quality Director at Tesco plc between 2012 and 2017. Prior to joining Tesco plc, Tim was the Chief Executive of the Food Standards Agency (FSA) during which time he led a strategic review of the agency. Before joining the FSA Tim led a number of businesses including Express Dairies plc and Arla Foods plc.

Non-Executive director of The Rank Group Plc. Non-Executive Chairman of the BRC Global Standards Board and Advantage Travel Centres.

Non-Executive Director of Mitie Group plc and Hill & Smith Holdings plc. Non-Executive Director of JD Wetherspoon plc between 2012 and 2016.

Chief Executive of CeDo Limited. Non-Executive Director of Origin Enterprises plc.

Non-Executive Director of Premier Foods plc and A.G.Barr plc.

None

Board by gender

Male

Female

COMMITTEE MEMBERSHIP

Audit Committee

Nomination Committee

Remuneration Committee

HOW WE ARE GOVERNED

Cranswick plc Board

BOARD COMMITTEES

REMUNERATION
COMMITTEE

NOMINATION
COMMITTEE

AUDIT & RISK
COMMITTEE

CHIEF EXECUTIVE

OPERATING BOARDS

FRESH PORK

Darren Andrew
Charles Bowes
Neil Clappison
Barry Lock
Nick Mitchell
James Pontone
Neil Willis
Edward Wright

CONVENIENCE

Ian Fisher
Andy Jenkins
Gary Landsborough
Sam Pearl
Simon Ravenscroft
Norman Smith
Rollo Thompson
Steve Westhead

GOURMET PRODUCTS

John Fletcher
Marcus Hoggarth
Andy Mayer
Drew Weir

POULTRY

Nigel Armes
John Armstrong
David Brown
Andrew Gleadow
Jason Key
David Park
Matthew Ward

FOOD CENTRAL

Chris Aldersley
Jackie Carter
Rebecca Dearsly
Kate Maxwell
Miranda Walker
Graeme Watson

DIVERSITY

Group Directors by tenure

Group Directors by age

Group Directors by gender

PRINCIPLES OF GOOD GOVERNANCE

The Board is responsible for the long-term success and stewardship of the Company, overseeing its conduct and affairs to create sustainable value for the benefit of its Shareholders and other stakeholders including customers, suppliers, employees and the communities in which the business operates.

The Board delegates certain roles and responsibilities to its various committees and to senior management. The committees assist the Board by fulfilling their obligations and reporting back to the Board on the outcomes from their respective activities.

This report, together with the Audit Committee Report on pages 57 to 62, the Nomination Committee Report on pages 63 to 65, and the Remuneration Committee Report on pages 66 to 82, describes how the Board applies the principles of good governance and best practice as set out in the UK Corporate Governance Code (the 'Code') which can be found on the Financial Reporting Council's website: www.frc.org.uk.

Our approach to governance is in accordance with best practice as outlined by the key principles of the five sections of the Code: leadership; effectiveness; accountability; remuneration; and relations with Shareholders.

THE BOARD

The Board consists of senior Executive management alongside a strong team of sector experienced Non-Executive Directors. All Non-Executive Directors are deemed to be independent. The Board is ultimately responsible for the business strategy and the financial robustness of the Group, for monitoring performance and for establishing a governance structure and practice which facilitates effective decision making and good governance. To enable the members of the Board to discharge these responsibilities, they have full and timely access to all relevant information and Board meetings are held at the Group's production facilities allowing the Directors to review the operations and meet the management teams of those particular sites.

BOARD COMMITTEES

The Board delegates certain roles and responsibilities to its various committees and to senior management. The committees assist the Board by fulfilling their obligations and reporting back to the Board on the outcomes from their respective activities.

To assist the Board in carrying out its functions and to ensure that there is independent oversight of internal controls and risk management, the Board delegates certain responsibilities to its principal committees.

CHIEF EXECUTIVE AND EXECUTIVE COMMITTEE

An Executive Committee, consisting of the Executive Directors and senior executives from the business, meets occasionally to discuss strategy, operational and commercial matters affecting the business.

The feedback from this committee is shared with the Board.

OPERATING BOARDS

Operating boards (or sub-boards) consisting of senior executives from each of the relevant businesses meet regularly to discuss operational and commercial matters affecting such businesses. Operating boards are also attended by the Executive Directors and relevant members of the Food Central operating board as appropriate. The feedback from the operating boards is shared with the Board.

Read more on page 56.

LEADERSHIP PRINCIPLES OF GOOD GOVERNANCE CONTINUED

ROLES AND RESPONSIBILITIES

CHAIRMAN

- | | |
|--------------|--|
| Martin Davey | <ul style="list-style-type: none"> • Primarily responsible for the leadership of the Board, ensuring that it is effective and promoting critical discussion. • Chairs the Nomination Committee and the Annual General Meeting. • Sets the Board meeting agendas in consultation with the Chief Executive and Company Secretary, ensuring they are aligned to the business strategy. • Leads the performance evaluation of the Board and ensures its effectiveness in all aspects of its role. • Sponsors and promotes the highest corporate governance and ethical standards. • Facilitates contribution from all Directors to the discussions of the Board. • Provides a sounding board for the Chief Executive on key business decisions and challenges proposals where appropriate. • Ensures effective communication with our Shareholders and other stakeholders. |
|--------------|--|

CHIEF EXECUTIVE (CEO)

- | | |
|------------|--|
| Adam Couch | <ul style="list-style-type: none"> • Develops and implements the Group's strategy with input from the rest of the Board and its advisers. • Responsible for the overall operational activity of the Group. • Manages the day-to-day business of the Group, leads its direction and promotes its culture and values. • Brings matters of particular significance or risk to the Chairman for discussion and consideration by the Board where appropriate. • Responsible for overseeing the delivery of the sustainability agenda within the Group. |
|------------|--|

EXECUTIVE DIRECTORS

- | | |
|-------------------------------|---|
| Mark Bottomley and Jim Brisby | <ul style="list-style-type: none"> • Provide specialist knowledge and experience to the Board. • Support the CEO in the implementation of the Group's strategic policies. • Responsible for the budgeting process and reporting of the financial performance of the Group. • Responsible for the commercial affairs of the Group. • Responsible for the successful leadership and management of commercial, risk and finance functions across the Group. |
|-------------------------------|---|

SENIOR INDEPENDENT DIRECTOR (SID)

- | | |
|-------------|---|
| Steven Esom | <ul style="list-style-type: none"> • Provides a sounding board for the Chairman and supports him in his leadership of the Board. • Is available if Shareholders want to raise concerns which normal channels have failed to resolve. • Chairs the Remuneration Committee. • Heads up the Non-Executive Directors on the Board. • Reviews the Chairman's annual performance appraisal along with the other Non-Executive Directors. |
|-------------|---|

NON-EXECUTIVE DIRECTORS

- | | |
|---|--|
| Kate Allum, Pam Powell,
Mark Reckitt and Tim Smith | <ul style="list-style-type: none"> • Bring complementary skills and experience to the Board. • Constructively challenge the Executive Directors on matters affecting the Group. • Chairs the Audit Committee (Mark Reckitt). • Satisfy themselves as to the accuracy of the financial performance of the Group and the robustness and effectiveness of financial controls and risk management processes. • Help develop strategy with an independent outlook. • Together with the SID review management's performance. |
|---|--|

COMPANY SECRETARY

- | | |
|---------------|--|
| Steven Glover | <ul style="list-style-type: none"> • Responsible to the Board. • Acts as secretary to the Board and each of its Committees ensuring compliance with procedures. • Responsible, under the direction of the Chairman, for ensuring the Board receives timely and accurate information. • Provides support to the Non-Executive Directors. • Responsible for advising the Board on all governance matters. |
|---------------|--|
-

EFFECTIVENESS

BOARD EFFECTIVENESS

BOARD OPERATION AND ATTENDANCE

There were eight scheduled Board meetings held during the year and a number of other meetings and conference calls were convened for specific business matters. Board agendas are set by the Chairman in consultation with the Chief Executive and with the assistance of the Company Secretary. All Directors are expected to attend the scheduled Board meetings and relevant Committee meetings in addition to the Annual General Meeting unless they are prevented from doing so by prior work or extenuating personal commitments. Where a Director is unable to attend a meeting they have the opportunity to review relevant papers and discuss any issues with the Chairman in advance of the meeting. Following the meeting the Chairman, or Committee Chair as appropriate, also briefs any Director not present to update them on key matters discussed and decisions taken.

Details of Board membership and attendance at scheduled Board meetings are set out below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Meetings held during the year	8	3	2	4
	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Executive Directors				
Martin Davey		n/a		n/a
Adam Couch		n/a	n/a	n/a
Mark Bottomley		n/a	n/a	n/a
Jim Brisby		n/a	n/a	n/a
Non-Executive Directors				
Steven Esom				
Mark Reckitt				
Kate Allum				

n/a – not applicable (where Director is not a member of the Committee). Executive Directors do attend the various Committee meetings by invitation as required.

PROFESSIONAL DEVELOPMENT

In the past, the appointment of an Executive Director has usually been an internal promotion and their knowledge of the business has been well established. Our new Non-Executive Directors have received a comprehensive introduction to the Group's activities and a tailored induction programme including a number of site visits. All Directors are provided with the opportunity for ongoing training to keep up to date with relevant legislative changes, including covering their duties and responsibilities as Directors and the general business environment. Directors can obtain independent advice at the expense of the Company.

EFFECTIVENESS

BOARD EFFECTIVENESS CONTINUED

KEY ACTIVITIES

STRATEGIC LEADERSHIP

- Regularly discussing strategy at Board meetings throughout the year.
- Receiving presentations from operational management on future strategic opportunities.
- Considering potential acquisition opportunities and other strategic initiatives.
- Reviewing the development of the Group's new £28 million Continental Foods facility at Bury.
- Considering the proposal to develop a new poultry processing facility at Eye, Suffolk.
- Discussing the continuing ramifications of the UK vote in June 2016 to exit the EU.

GOVERNANCE AND RISK

- Reviewing the three year forecasts and other factors in support of the Viability Statement. (Viability is considered in detail on pages 42 and 43).
- Reviewing Board and Committees' effectiveness and Directors' conflicts of interest.
- Reviewing terms of reference for all Committees.
- Reviewing quarterly Health & Safety, Risk and Technical updates.
- Reviewing the principal financial and non-financial risks, including cyber, to which the Group is exposed (supported by the Audit Committee).
- Considering proposed governance reforms.

PEOPLE AND SUCCESSION

- Considering proposals on succession planning, when required, for the Board.
- Approving promotion of new senior executives to the subsidiary boards.
- Reviewing proposals on senior executive succession planning.
- Considering the talent management programme and the need to develop the managers and executives of the future.
- Reviewing the structure, size, composition and diversity of both the Board and its Committees (supported by the Nomination Committee).
- Approving a further one year term as a Non-Executive Director for Steven Esom.
- Approving the appointment of Pam Powell and Tim Smith as new Non-Executive Directors.

PERFORMANCE MONITORING

- Approving the Group's tax strategy.
- Approving the Company's dividend strategy.
- Recommending the 2016/17 final dividend and the 2017/18 interim dividend.
- Reviewing and approving the Group's annual budget, interim results and Annual Report.
- Considering whether the Annual Report and Accounts are fair, balanced and understandable.
- Considering monthly operational reports from the Chief Executive, Finance Director and Commercial Director.
- Reviewing reports from the Chairs of the Audit, Nomination and Remuneration Committees.
- Approving capital expenditure proposals in excess of £1 million.

CONFLICT OF INTEREST

The Board has completed its annual review of the register relating to potential conflicts of interest with its Directors and confirms that no such conflicts exist.

BOARD PERFORMANCE EVALUATION

The performance evaluation process was undertaken in early 2018 based on a questionnaire which included questions about Board administration, the role of the Chairman, strategy, risk oversight, succession planning and the Board committee structure. The questionnaire was completed by all Board members. A report on the outcome of the evaluation exercise was prepared by the Company Secretary and was presented to the Board at its March 2018 meeting.

The report concluded from the feedback to their questionnaire that we operated an extremely unified, highly functional Board. The evaluation recognised the need to continue the progress made to date in certain key areas such as people development and strategy.

The Chairman has evaluated the performance of individual Directors through informal discussions and observations. The Senior Independent Non-Executive Director and the other Non-Executive Directors have met, without the Chairman present, to appraise his performance.

Overall the Board considered the performance of each Director to be effective and concluded that both the Board and its committees continue to provide effective leadership and exert the required levels of governance and control. The Board will continue to review its procedures, effectiveness and development in the year ahead.

RISK MANAGEMENT AND INTERNAL CONTROL

It is the Board's role to protect the business from operational and financial risks and it has established a system of internal control which safeguards the Shareholders' investment and the Group's assets. Such a system provides reasonable but 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 Board is responsible for reviewing the effectiveness of internal controls. The Audit Committee supports the Board in this process by reviewing the principal risks and the report on pages 57 to 62 outlines further this process.

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 develop, plan, execute, monitor and control the Group's objectives effectively and to ensure that internal control is embedded within the operations.

The Board confirms that the key ongoing processes and features of the Group's internal, risk-based, control system have been fully operative throughout the year and up to the date of approval of the Annual Report.

FINANCIAL REPORTING

The culture of the business extends to the provision of financial information. Operational management provide weekly forecasts, monthly trading reports, and annual budgets and these are forwarded to Group management and are discussed at monthly site operating board meetings. Group Executive Directors attend most of these meetings and the information is consolidated and reported at Group Board meetings. The Group prepares an annual budget and half year re-forecast that are agreed by the Board, with the budget including a three year forecast for consideration to support the Viability Statement. The use of standard reporting software by all Group entities ensures that information is presented in a consistent manner which facilitates the preparation of the consolidated financial statements. Site directors and finance heads are required to sign a monthly confirmation that their business has complied with the Group's accounting policies and procedures, with a more detailed confirmation provided for half year and year end reporting.

REMUNERATION

The Remuneration Committee monitors the executive remuneration packages and incentive scheme and believes the incentives provide a strong alignment between Shareholders, the Executive Directors and the wider senior executive management team. The remuneration policy was agreed at the AGM in 2015 and is due to be renewed at the Company's forthcoming AGM in July. Details of the proposed new policy are included in the Remuneration Committee Report on pages 66 to 82 which provides further details on Directors' remuneration, together with the activities of the Remuneration Committee during the year.

RELATIONS WITH SHAREHOLDERS

Regular engagement with investors provides the Group with the opportunity to discuss certain areas of interest and to ascertain any areas of concern they may have. Further details of steps taken by the Group to engage with its Shareholders are set out on page 83 along with details of the Company's major Shareholders.

By order of the Board



Steven Glover
Company Secretary

22 May 2018

BOARD COMMITTEES

THE BOARD DELEGATES CERTAIN ROLES AND RESPONSIBILITIES TO ITS COMMITTEES WHICH ASSIST THE BOARD BY FULFILLING THEIR OBLIGATIONS AND REPORTING BACK TO THE BOARD ON THEIR ACTIVITIES.

THE AUDIT COMMITTEE

Chair: Mark Reckitt

- Steven Esom
- Kate Allum

KEY RESPONSIBILITIES

- Integrity of financial statements
- Accounting policies
- Internal controls and risk management
- External audit
- Whistleblowing and anti-bribery
- Group viability and related disclosure

THE NOMINATION COMMITTEE

Chair: Martin Davey

- Steven Esom
- Mark Reckitt
- Kate Allum

KEY RESPONSIBILITIES

- Board composition
- Succession planning
- Non-Executive Directors
- Diversity
- Governance and evaluation

THE REMUNERATION COMMITTEE

Chair: Steven Esom

- Mark Reckitt
- Kate Allum

KEY RESPONSIBILITIES

- Review of Remuneration Policy
- Executive Director and senior executive remuneration
- Approval of bonuses
- LTIP awards
- Shareholder engagement

THE AUDIT COMMITTEE

THE AUDIT COMMITTEE ASSISTS THE BOARD IN DISCHARGING ITS RESPONSIBILITIES FOR THE INTEGRITY OF THE FINANCIAL STATEMENTS, THE EFFECTIVENESS OF INTERNAL REPORTING PROCESSES AND SYSTEMS OF INTERNAL CONTROLS, IDENTIFICATION AND MANAGEMENT OF RISKS AND THE EXTERNAL AND INTERNAL AUDIT PROCESSES.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprises the following Non-Executive Directors:

Committee Members	Meetings attended
Mark Reckitt – Chair	
Steven Esom	
Kate Allum	

OTHER REGULAR ATTENDEES

- The Chairman, Chief Executive, Group Finance Director, Group Financial Controller, Group Head of Internal Audit, External Audit Partner and External Audit Senior Manager attended by invitation as required.
- The Group Company Secretary also attended meetings as secretary to the Committee.

FREQUENCY OF MEETINGS

The Committee meets as necessary and at least three times a year.

INDEPENDENCE

All Members of the Committee are independent.

KEY ACTIVITIES IN 2017-18

Integrity of Financial Statements

- Reviewed the key financial reporting judgements and concluded that accounting treatments were appropriate.
- Reviewed and concluded that the Financial Statements are fair, balanced and understandable.
- Reviewed and concluded that the Group is viable over the three-year review period and that the Viability Statement disclosures are appropriate.

Accounting policies

- Reviewed the Group's accounting policies to ensure they remain appropriate and have been consistently applied.
- Reviewed the disclosure of Alternative Performance Measures (APMs) and concluded that they are appropriate for monitoring the Group's underlying performance.
- Reviewed the impact of forthcoming new accounting standards and concluded that disclosures in this year's Financial Statements are appropriate.

Internal audit

- Reviewed and challenged the work of the Group's Internal Audit function and concluded that it is operating effectively and is appropriately resourced.
- Engaged Deloitte LLP to carry out an independent external review of the effectiveness of the Internal Audit function and reviewed their findings.
- Reviewed and approved the Internal Audit Charter and Internal Audit plan for the year.

External audit

- Reviewed and was satisfied with the effectiveness of the external audit process.
- Approved the terms of engagement and remuneration of the external auditor.
- Monitored the independence of the external auditor and concluded that PricewaterhouseCoopers LLP ('PwC') are independent.

Whistleblowing and anti-bribery

- Reviewed and approved the Group's anti-bribery policy.
- Reviewed and approved the Group's whistleblowing policy.
- Reviewed whistleblowing reports and their resolution.

Internal controls and risk management

- Reviewed the Group's internal controls and risk management systems and concluded that they are operating effectively.
- Reviewed and challenged the work, and associated reporting, of the Group Risk Committee.
- Engaged Aon plc to carry out an independent external review of the effectiveness of the Group's Risk Management Framework and reviewed their findings.

Group viability and related disclosures

- Reviewed and concluded that a three-year time horizon for the Group's Viability Statement was appropriate.
- Reviewed the Group's budget, forecasts and downside sensitivity analysis and concluded that the Group is viable over the 3-year time horizon.
- Reviewed and approved the Viability Statement disclosures in the Financial Statements.

AUDIT COMMITTEE REPORT

IT HAS BEEN ANOTHER BUSY YEAR FOR THE COMMITTEE WITH THE TRANSITION OF EXTERNAL AUDITOR FOLLOWING LAST YEAR'S AUDIT TENDER PROCESS AND EXTERNAL REVIEWS OF THE GROUP'S RISK MANAGEMENT FRAMEWORK AND INTERNAL AUDIT FUNCTION ADDING TO THE USUAL FULL COMMITTEE AGENDA.

I am pleased to report on the activities of the Audit Committee during the year ended 31 March 2018.

As in previous years, the Committee has focused on its core responsibilities of supporting the Board and protecting the interests of Shareholders in relation to financial reporting and internal control. This has been achieved by ensuring that the Group has in place a robust risk management process and an effective internal control framework to manage its risks, in support of going concern and viability confirmations. In addition, the Committee has continued to focus on ensuring the integrity, quality and compliance of the Group's external financial reporting.

This report sets out:

- the role, composition, activities and responsibilities of the Audit Committee;
- a summary of the meetings of the Audit Committee during the year;
- the significant financial reporting issues debated by the Committee;
- the Committee's oversight of the Group's Risk Management and internal control systems in support of the Board;
- the respective roles and effectiveness of the internal and external auditors;
- details of the transition of external auditor during the year; and
- the Committee's annual review of external auditor independence.

The Committee met three times during the year and invited the Company's Chairman, Chief Executive, Group Finance Director, Group Financial Controller and Head of Internal Audit to attend the meetings along with the external Audit Partner and Senior Manager. The Committee also held separate private meetings with internal and external audit.

The Committee reviewed the appropriateness of the financial results for the full year and half year and the first and third quarter trading statements, including applicable accounting policies, key judgement areas, going concern and viability assumptions. The Committee also reviewed the Annual Report & Accounts taken as a whole to ensure they are fair, balanced and understandable and provide the necessary information for Shareholders to assess the Company's performance, business model and strategy.

Specific areas of financial reporting focus during the year included:

- the quantum and appropriateness of commercial accruals;
- the accounting treatment and disclosure of biological assets; and
- revenue recognition.

The Committee reviewed Internal Audit's terms of reference and work plans and oversaw the Group's relationship with the external auditor including scope, fees and work performed. The Committee was satisfied with the performance of the Group's internal audit function and the external auditor.

In the coming year, the Committee will continue to focus on the Group's risk management processes, internal control frameworks and external financial reporting to ensure that they remain effective and robust to support the future successful growth and development of the business.

On behalf of the Board



Mark Reckitt
Chair of the Audit Committee

22 May 2018

ROLE OF THE COMMITTEE

The Committee's primary role is to assist the Board in providing effective governance over the appropriateness of the Group's financial reporting, Risk Management and internal control systems. It is responsible for monitoring the integrity of the financial statements and other communications and announcements to the market, and for considering whether accounting policies are appropriate. It reviews the Company's internal controls and risk management frameworks, and reviews and approves the activities, plans and effectiveness of both the Group's internal and external auditors.

The Audit Committee terms of reference, which are reviewed and approved by the Board annually, are available on the Company's website and at the Annual General Meeting.

The timing of meetings is designed to fit in with the Group's financial calendar, with meetings in advance of half year and year-end financial reporting in November and May respectively, and an additional meeting in January in preparation for the year end process.

All members of the Committee have extensive managerial experience in large, complex, food sector organisations and have a wide range of financial, commercial and operational expertise. It is a requirement of the UK Corporate Governance Code that at least one Committee member has recent and relevant financial experience. Mark Reckitt, the Committee Chairman, meets this requirement. Full biographical details of the Audit Committee members can be found on page 49.

ACTIVITIES OF THE COMMITTEE

The Committee is required to meet at least three times a year and its agenda is linked to the Group financial calendar. The Company Chairman, Chief Executive, Finance Director, Group Financial Controller, Head of Internal Audit and representatives of the external auditor are invited to attend each meeting. The Company Secretary also attends the meetings as secretary to the Committee. Both the external auditor and the Head of Internal Audit have the opportunity to access the Committee, without the Executive Directors being present, at any time, and the Committee formally meets with both the external auditor and internal audit independently, at least once a year.

PRINCIPAL RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Committee's principal responsibilities include reviewing and monitoring:

- the integrity of the Group's financial statements;
- the Group's accounting policies and the impact of new and amended accounting standards;
- the effectiveness of the Group's financial reporting, internal control and risk management systems in support of the Board;
- the effectiveness of the internal audit function in the context of the Company's overall risk management framework;
- the effectiveness, scope, cost and independence of the Group's external auditor;
- the Company's whistleblowing and anti-bribery policies; and
- the Group's viability, and its disclosure within the Annual Report.

The Committee makes recommendations to the Board on the removal, appointment or reappointment of the Group's external auditor. The Committee also reviews its terms of reference annually and makes recommendations to the Board for any appropriate changes.

FAIR, BALANCED AND UNDERSTANDABLE

In addition, at the request of the Board, the Audit Committee has reviewed and reported to the Board that it is satisfied that the financial statements taken as a whole are fair, balanced and understandable and provide the information for Shareholders to assess the Company's position and performance, business model and strategy.

In order to give this report, the Audit Committee carried out a number of additional procedures including:

- obtaining confirmation from the relevant preparers of the various parts of the Annual Report that they had reviewed the fairness and completeness of their sections;
- ensuring a thorough verification process had been completed;
- consideration of the Annual Report and Accounts in the context of the Audit Committee's knowledge and experience of the business;
- reviewing the disclosure of Alternative Performance Measures (APMs) and considering their appropriateness for monitoring the Group's underlying performance;
- holding discussions with both internal and external audit; and
- reviewing and discussing a paper from the Finance Director outlining issues to consider and why he believed the Annual Report was fair, balanced and understandable.

The Board and the Committee understand that 'fair' should mean reasonable and impartial, 'balanced' should mean even-handed with both positive and negative messages being portrayed and 'understandable' should mean simple, clear and free from jargon or unnecessary clutter.

ACCOUNTABILITY

AUDIT COMMITTEE REPORT CONTINUED

VIABILITY STATEMENT

Also at the request of the Board, and reflecting the requirement of the UK Corporate Governance Code, the Audit Committee has reviewed and reported to the Board that it is satisfied with the risk disclosures and Viability Statement which have been presented.

In order to give this report, the Audit Committee carried out a number of additional procedures including:

- reviewing risk reporting disclosures in detail;
- considering the appropriateness of the three-year time horizon selected for testing the Group's viability, including consideration of the uncertainty resulting from the UK's exit from the European Union;
- reviewing the Group annual budget and extended three-year forecast and the assumptions therein for reasonableness;
- agreeing appropriate downside sensitivities to be applied to the forecasts for stress testing, based on the Group's principal risks and the work of the Risk Committee; and
- reviewing the availability of debt funding for the Group across the three-year forecast period.

The Board and the Committee concluded that, based on the results of the analysis provided, they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a three-year time horizon (see pages 42 and 43).

PERFORMANCE EVALUATION OF THE AUDIT COMMITTEE

In the prior year, an independent evaluation of the effectiveness of the Committee was carried out externally by EquityCommunications Limited. The evaluation was very positive with comments indicating that the Committee was working well. Recommended actions to further improve the performance of the Committee were incorporated into the Committee's processes and activities for the year ended 31 March 2018.

In the current year an internal evaluation of the performance of the Board and its Committees was carried out which concluded that the Audit Committee continues to provide effective leadership and exerts the required levels of governance and control. Further details of the evaluation are detailed in 'Board Effectiveness' on page 54.

FINANCIAL REPORTING

During the year, the Audit Committee reviewed accounting papers prepared by management and considered, with input from the external auditor, the appropriateness of the main accounting policies, estimates and judgements made in preparing the financial statements. The key matters that the Committee considered in reviewing the financial statements for the year ended 31 March 2018 are set out below.

Financial reporting area	Judgement and assurance considered
Commercial accruals	The Committee reviewed the level of commercial accruals for rebates, discounts and promotional activity at the balance sheet date. The level of commercial accruals is viewed by the Committee, management and the external auditor as an area sensitive to a moderate degree of commercial judgement, albeit 76 per cent of the year end accrual related to volume rebates and similar allowances which require a lower level of judgement and estimation due to their mechanical calculation. The Committee also noted the FRC's guidance on complex supplier arrangements. After reviewing the level of accruals and the intra-year movement, including the profit effect and considering the work of internal and external audit in verifying the underlying contractual arrangements, the Committee supported management's assumptions and accounting treatment including the disclosures provided in the report and accounts. (See Note 20).
Biological assets	As a result of the additional focus which the Group's new external auditors placed on the audit of biological assets the Committee revisited the key assumptions used in the Group's valuation models and the accounting treatment adopted in this area. In accordance with IAS 41, biological assets (pigs and chickens) are valued at fair value in the Group balance sheet, with the net valuation movement disclosed separately on the face of the income statement. The valuation requires a significant level of judgement and is sensitive to the key assumptions used in the models which include mortality rates, growth rates and the fair value of livestock at the various stages of development. The Audit Committee reviewed the assumptions used within the models and management's proposed accounting treatment and was satisfied that the standard had been fairly and consistently applied and the required disclosures made in the financial statements. (See Note 16).
Revenue recognition	The Committee reviewed the Group policy on revenue recognition, to which there were no changes during the year, and concluded that it was appropriate for the business activities carried out by the Group. As a food production business, the Committee does not consider revenue recognition for the Group to be complex, but acknowledges that it is a key area of audit focus due to the risk of misstatement of revenues as a result of management override. The Committee thoroughly reviewed the work of both internal and external audit in this area and concluded that revenues had been appropriately recognised and that there was no evidence of management bias. In addition, the Committee has reviewed the impact of the forthcoming new International Financial Reporting Standard on revenue (IFRS 15 – Revenue from Contracts with Customers) and agreed with management's conclusion that the new standard does not have a material impact on the Group's recognition of revenue. (See Notes 2 and 3).

RISK MANAGEMENT AND INTERNAL CONTROL

The Committee conducted its annual review of the effectiveness of the Company's internal control and Risk Management Framework through the work of Internal Audit, the external auditor's control recommendations on the Group's financial control environment following their audit and thorough review and challenge of monthly Board reports. The Committee also reviewed the Group's whistleblowing and bribery prevention policies and whistleblowing reports.

A Risk Committee chaired by the Finance Director and including representatives from all areas of the business meets quarterly, reporting its outputs directly to the Committee and updating the Board accordingly.

During the year, to provide additional assurance that the Group's Risk Management Framework is operating effectively, the Audit Committee engaged Aon plc to provide an independent review of the Framework, including the activities of the Risk Committee. The review confirmed that, overall, arrangements were appropriate for the size of the Group and operating effectively, as well as highlighting several areas for the further development of the Framework. A plan has been put in place to incorporate these recommendations over the short term.

The Committee reviewed the key conclusions from work performed by the Group Risk Committee during the year to gain assurance over the Risk Management Framework in place across the Group which is designed to identify, evaluate, monitor and mitigate risk. The Committee was satisfied that all principal risks had been identified (see pages 42 to 45) and that the risk management framework is operating effectively and is appropriate to support the Group's strategy for continued growth.

INTERNAL AUDIT

The Audit Committee is responsible for monitoring the performance and effectiveness of the Company's Internal Audit activities. The Audit Committee reviewed and approved the annual Internal Audit plan, ensuring that it was aligned to the principal risks of the business and received regular progress updates on delivery of the plan objectives at each of its meetings during the year. On an annual basis, the Committee reviews and approves the Group's Internal Audit Charter which sets out the role and mandate of the Internal Audit function.

The Internal Audit approach takes into account the overall Group risk framework as well as risks specific to individual operations and is regularly updated to take into account changes to the risk profile of the Group. The plan set out at the beginning of the current year was achieved. Internal Audit findings together with responses from management were considered by the Audit Committee and where necessary challenged. The Audit Committee also reviewed progress by management in addressing the issues identified on a timely basis. The Audit Committee was satisfied that the Internal Audit function is operating effectively and that the level of experience and expertise within the department is appropriate to meet the Group's needs.

During the year, Internal Audit performed a core financial controls review at all sites and also reviewed specific Group non-financial risk areas. Overall no control failings or weaknesses were identified that would have a significant impact on the Group; however, recommendations were raised where necessary at specific sites to strengthen existing processes and controls and follow-up audit visits were carried out at the majority of sites to ensure that agreed corrective actions were being taken.

The Committee keeps the performance and effectiveness of the Internal Audit function under review and in doing so it also assesses the quality, experience and expertise within the department. As outlined in last year's report, to provide additional assurance that the Internal Audit department is operating effectively, the Committee engaged Deloitte LLP during the year to provide an independent assessment of the function.

The review concluded that audits were 'in all material aspects' compliant with Institute of Internal Audit (IIA) standards and also noted that the function has clarity of purpose, has a good understanding of the business, is taken seriously and respected across the Group, and benefits from strong engagement with the Board and Audit Committee. A number of recommendations for the further development of the function were proposed and a plan has been put in place to address these.

The Group operates a decentralised structure where significant accountability is devolved to site operational and financial management. Control weaknesses identified at site level are taken seriously and management and the Committee seek to ensure that their cause is understood and mitigating actions are taken to limit the potential for recurrence. In view of the work of internal audit, external audit and Group management, it is considered unlikely that a weakness at an individual site would have a significant impact on the Group.

EFFECTIVENESS OF THE EXTERNAL AUDIT PROCESS

Following last year's external audit tender process, PricewaterhouseCoopers LLP ('PwC') were formally appointed as the Group's external auditor at the AGM, on 24 July 2017. The Audit Committee assessed the qualifications, expertise, resources and independence of the auditor as part of the audit tender process. These criteria along with the quality and effectiveness of the audit process are reassessed by the Committee on an annual basis.

In addition to the year-end audit, PwC carried out a review on the Group's interim reporting during the year, with delivery of the review being in line with the plan set out during the tender process. The Committee considers that such a review gives the Board additional assurance over the half year process and reporting.

The Committee considered the following factors in assessing the effectiveness of the external audit process:

- the experience and expertise of the Audit Partner and the audit team;
- the level of professional scepticism displayed throughout the audit process;
- the extent to which the audit plan was met and the quality of its delivery and execution;
- the robustness and perceptiveness of work performed on key accounting and audit judgements; and
- the content of reports on audit findings and other communications.

Having considered these factors, and noted the observations made in the auditor's reporting, the Committee was satisfied with the effectiveness of the external audit process.

The Committee will assess the external auditor's performance and effectiveness for the current year through a questionnaire to be completed by Audit Committee members and the Group's senior finance team. The output from the process will be reviewed and discussed by the Audit Committee and with the external auditor at the Committee's November 2018 meeting.

The Audit Committee also approves the terms of engagement and remuneration of the external auditor and monitors their independence. The Committee confirms that it has complied with the requirements of the CMA Order 2014 as regards audit tendering, auditor appointment, negotiation and agreement of audit fees and approval of non-audit services.

ACCOUNTABILITY

AUDIT COMMITTEE REPORT CONTINUED

EXTERNAL AUDIT TRANSITION

As reported previously, PwC were formally appointed as the Group's external auditor at the 2017 AGM. To ensure the firm's independence and avoid any conflict of interest for the year ended 31 March 2018, PwC stepped down as tax advisers to the Group prior to the start of the financial year.

To ensure that PwC were well prepared for their engagement as external auditor, transition meetings were held with Group management and the firm shadowed aspects of Ernst & Young's 2017 audit process including attendance at the Group audit clearance meeting and the year-end Audit Committee meeting to fully understand the audit approach taken and conclusions reached on significant audit issues and judgements.

Subsequently, PwC have continued to build their knowledge of the business through further visits to production sites, meetings with Group management and reporting on the Group's half year interim statement.

AUDITOR INDEPENDENCE

The Group meets its obligations for maintaining an appropriate relationship with the external auditor through the Audit Committee, whose terms of reference include a requirement to oversee the commissioning, and monitor the level, of non-audit work performed by the external auditor, to ensure objectivity and independence is safeguarded. There is an established policy concerning the types of non-audit services the external auditor should not carry out to avoid compromising their independence and these include internal accounting or other financial reporting services, internal audit, tax advice, legal, actuarial or valuation services, executive or management roles or functions and remuneration consultancy. The Audit Committee Chair's approval is required prior to awarding to the external auditor any reporting accountant, or corporate transaction work or any other non-audit services in excess of £30,000.

During the year, the Audit Committee reviewed and considered the following factors to assess the objectivity and independence of PwC:

- The auditor's procedures for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the Group, other than those in the normal course of business permitted by UK ethical guidance.
- The degree of challenge to management and the level of professional scepticism shown by the audit partner and the audit team throughout the process.
- The auditor's policies for rotation of the audit partner every five years, and regular rotation of key audit personnel. The current Audit Partner (Ian Morrison) was selected by PwC to lead the tender process and their first audit of the Group for the year ended 31 March 2018 with the current Audit Senior Manager joining the audit team shortly after the tender process was completed.
- The nature of non-audit work undertaken during the year and its approval in accordance with the Audit Committee's guidelines for ensuring independence.
- Adherence to the Group's internal policy that, other than in exceptional circumstances, the fees paid to the external auditor for non-audit work in any one year should not exceed 70 per cent of the external audit fee on average over the last three years.
- A report from PwC confirming that they have adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained.

Details of the non-audit work and fees paid during the year are set out below:

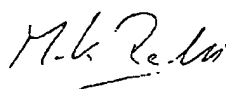
Non-audit fees	£'000
Interim review	15
Other services	2
Total Non-Audit Fees	17
Total Audit Fees	231
Ratio of Non-Audit Fees to Audit Fees	0.07:1

The ratio of non-audit fees to audit fees for the year was well below the 70 per cent limit set out in the Group's policy.

The non-audit work undertaken by the external auditor during the year was limited to the review of the Group's interim results and a grant claim review which the Audit Committee does not consider would provide a threat to PwC's independence.

The Audit Committee is aware of, and sensitive to, investor body guidelines on non-audit fees and the policy of awarding non-audit services is kept under review to ensure that the correct balance is maintained between the Group realising cost-effective benefits from the accumulated knowledge and experience of PwC, whilst also making sure that their audit independence and objectivity is maintained.

Following consideration of the performance and independence of the external auditor at its meeting in May 2018, the Audit Committee recommended to the Board that the reappointment of PwC as the Company's external auditor should be proposed to Shareholders at the 2018 Annual General Meeting.



Mark Reckitt
Chair of the Audit Committee

22 May 2018

ACCOUNTABILITY

THE NOMINATION COMMITTEE

THE NOMINATION COMMITTEE REVIEWS THE STRUCTURE, SIZE AND COMPOSITION OF THE BOARD AND IS RESPONSIBLE FOR CONSIDERING AND MAKING RECOMMENDATIONS TO THE BOARD ON NEW APPOINTMENTS OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS.

COMPOSITION OF THE NOMINATION COMMITTEE

Committee Members	Meetings attended
Martin Davey – Chair	
Steven Esom	
Kate Allum	
Mark Reckitt	

OTHER REGULAR ATTENDEES

- The Chief Executive and Finance Director attend by invitation as required.
- The Company Secretary also attends meetings as secretary to the Committee.

FREQUENCY OF MEETINGS

The Committee meets as necessary and at least twice a year.

INDEPENDENCE

Except for the Chair, all Members of the Committee are independent.

KEY ACTIVITIES IN 2017-18

Board Composition

- Recommended the appointment of independent Non-Executive Directors, Pam Powell and Tim Smith.
- Recommended the reappointment of Steven Esom as a Non-Executive Director.
- Supervised Board induction training.

Succession planning

- Reviewed and updated succession plans for the Board and senior management.
- Reviewed Group talent management programme.

Non-executive directors

- Reviewed the continued independence of the Non-Executive Directors.
- Reviewed Non-Executive Director time commitments and overboarding.

Diversity

- Reviewed the Group's diversity policy.
- Considered implications of the Parker Review and second Hampton-Alexander Review for the Group.

Governance and evaluation

- Reviewed the Governance Section of the 2018 Annual Report and recommended it to the Board for approval.
- Reviewed the Committee's terms of reference.
- Considered FRC consultation on changes to the UK Corporate Governance Code.
- Internal evaluation of Committee's effectiveness undertaken.

NOMINATION COMMITTEE REPORT

As Chair of the Nomination Committee I am pleased to introduce its report for the year ended 31 March 2018.

BOARD APPOINTMENTS

During 2017, the Company commenced a search for additional Non-Executive Directors which resulted in the appointment of Pam Powell and Tim Smith. The Committee, in consultation with other Board members, agreed the key experience and skills required in November 2017 and engaged The Zygos Partnership (an independent external adviser with no other connection to the Company) to assist with the search, which involved the preparation of a long and short list for consideration.

A number of candidates were interviewed by the Chair, the Chief Executive and members of the Committee following which Pam and Tim were recommended to the Board as the Committee's preferred candidates. During the process Pam and Tim met individually with other members of the Board following which the proposed appointment was unanimously approved by the Board. Pam and Tim were appointed to the Board with effect from 1 April 2018 and have also become members of the Nomination, Audit and Remuneration Committees.

During the year, the Board and Nomination Committee also agreed to reappoint Steven Esom as a Non-Executive Director for a further year. In reaching this decision the Board considered Steven's considerable accumulated knowledge of the Group, experience as a non-executive director of listed companies and extensive food sector experience, which the Group wished to retain. However, Steven will have served as a Director for 9 years at the end of his renewed term in November 2018, when he will retire as a Director in accordance with the principles of good corporate governance. On behalf of the Board and Shareholders I would like to thank Steven for his continued support and guidance to the Company during his time as a Director.

All directors will be standing for re-election at the Annual General Meeting. The Board has set out in the Notice of the Meeting its reasons for supporting the re-election of the Directors and their biographical details on pages 48 and 49 demonstrate the range of experience and skills which each brings to the benefit of the Company.

SUCCESSION

The Committee will keep the composition of the Board under review. The Committee will carefully consider the balance of skills, experience and independence on the Board when considering any appointment and will make any appointment against objective criteria on the basis of merit.

As part of the planned transition of executive responsibilities in the Group, I will reduce my part time executive responsibilities from September 2018. Consequently, from September, I will cease to participate in the Group's bonus scheme and any new LTIP awards.

NON-EXECUTIVE DIRECTORS

Consideration was also given by the Committee to the continued independence of the Non-Executive Directors, including their term in office, the time commitment required from each of them taking into account the number of meetings and preparation and attendance at those meetings. It was concluded that all Non-Executive Directors remained independent and devoted an appropriate amount of time to fulfil their responsibilities. The Committee has considered director 'overboarding' and it is pleased to note that there are no issues at the current time. It believes that the Non-Executive Directors have sufficient time and energy to be effective representatives of Shareholders' interests.

DIVERSITY POLICY

Cranswick recognises the benefits of bringing together a wide variety of backgrounds and experiences and is therefore firmly committed to developing a diverse workforce that is truly representative of all sections of society. All appointments, including recruitments and internal promotions, are based on merit, qualification and abilities, and are not influenced or affected by race, colour, nationality, religion or belief, gender, marital status or civil partnership, family status, pregnancy or maternity, sexual orientation, gender reassignment, disability or age.

The Nomination Committee believes that diversity strengthens the Board and that it is important that the Board is not made up exclusively of like-minded individuals with similar backgrounds. Whilst continuing to appoint on merit, the Nomination Committee will actively consider opportunities to increase the diversity of the Board and senior management, with a view to moving towards meeting the recommendations of the Hampton-Alexander and Parker Reviews.

The gender breakdown of the workforce is set out alongside.

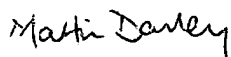
GOVERNANCE AND EVALUATION

The Committee considered its terms of reference to ensure they reflect the Committee's remit, and concluded that they remain appropriate.

The Committee is also considering the Financial Reporting Council's review of the UK Corporate Governance Code and the implications this is likely to have for the Company.

I will be attending the Annual General Meeting to respond to any Shareholder questions that might be raised on the Committee's activities.

On behalf of the Committee



Martin Davey
Chairman

22 May 2018

Diversity of workforce

THE REMUNERATION COMMITTEE

THE REMUNERATION COMMITTEE ESTABLISHES THE POLICY FOR EXECUTIVE DIRECTORS' REMUNERATION AND DETERMINES THE APPROPRIATE PERFORMANCE CONDITIONS FOR THE ANNUAL CASH BONUS AND LONG-TERM INCENTIVE AWARDS.

COMMITTEE MEETINGS DURING THE YEAR

There were four meetings held during the year. The attendance of members at the meetings was as follows:

Committee Members	Meetings attended
Steven Esom – Chair	
Kate Allum	
Mark Reckitt	

OTHER REGULAR ATTENDEES

- The Chairman, Chief Executive and Finance Director attend by invitation as required (no individual is involved in decisions relating to their own remuneration).
- The Company Secretary also attends meetings as secretary to the Committee.

FREQUENCY OF MEETINGS

The Committee meets as necessary and at least twice a year.

INDEPENDENCE

All Members of the Committee are independent.

KEY ACTIVITIES IN 2017-18

Review of Remuneration Policy

- Appointed independent remuneration consultants to advise the Committee.
- Reviewed the existing Remuneration Policy and proposed amendments.

Executive Director and senior executive remuneration

- Reviewed Executive Directors' and other senior executives' base salaries.

Approval of bonuses

- Set objectives for the annual bonus arrangements for 2018 for Executive Directors and senior executives.
- Reviewed the achievement of the Executive Directors' bonus arrangements against 2017 targets.
- Reviewed interim bonuses for Executive Directors against 2018 target.

LTIP awards

- Reviewed the outcome of performance conditions for the LTIP awards which were granted in 2014.
- Approved LTIP awards granted in 2017.

Shareholder engagement

- Engaged with major Shareholders in relation to proposed new remuneration policy.

Other Activities

- Reviewed the Committee's terms of reference.
- Reviewed the Annual Remuneration Report for 2017.
- Reviewed employee benefit structures and approved the issue of the SAYE share scheme for 2017.

REMUNERATION COMMITTEE REPORT

STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

On behalf of the Remuneration Committee and the Board, I am pleased to present the Remuneration Committee Report for the year ended 31 March 2018.

This report sets out our Directors' Remuneration Report for 2018. This year we continued to apply the remuneration policy that was adopted in 2015, but which is due to expire in July. Consequently, we have also reviewed our existing policy with the help of independent executive remuneration consultants, Deloitte

LLP, and will be asking Shareholders to approve a revised remuneration policy at the Company's Annual General Meeting on 30 July 2018. We will also be asking Shareholders to approve amendments to the Company's Long Term Incentive Plan ('LTIP'), in order to reflect the proposed changes to the Remuneration Policy.

A summary of the key changes proposed is set out below with the full new remuneration policy set out in Part 3.

If the new Remuneration Policy is approved by Shareholders, it will become effective immediately for three years until the Company's Annual General Meeting in 2021. As with prior years, Shareholders will also be asked to pass an advisory vote on the Annual Report on Remuneration at the forthcoming Annual General Meeting.

Pay element	Current 2015 Policy	New 2018 Policy
Base Salary	Movement in line with RPI.	Future increases will usually be in line with increases applied to the wider workforce.
Deferral of Bonuses	No deferral.	For new Executive Director appointments there will be a two-year deferral for any bonus earned in excess of 100% of salary until the individual meets their minimum shareholding requirement of 200% of salary.
Bonus Performance Measures	Based on Adjusted PBT.	Flexibility has been introduced to allow the mix and weighting of bonus performance measures to reflect the most appropriate strategic priorities for the year. However, there is no intention to move away from adjusted PBT as the annual bonus measure.
Interim Bonus Payments	Fixed element of bonus is payable based on the first half of the year.	No interim bonuses will be payable. Flexibility has also been introduced to amend formulaic outcomes if this does not appropriately reflect the overall business performance for the year.
Maximum LTIP Awards	Normal maximum of 150% of salary and an exceptional maximum of 200%. Under the current policy 25% of the EPS element and 30% of the TSR element vest at threshold performance which equates to 41.25% of salary for a maximum award of 150%.	Normal maximum to be increased to 200% and the exceptional maximum to 250% of salary to ensure the new Remuneration Policy has sufficient headroom to offer competitive incentive levels that reflect recent and expected future growth in the scale and complexity of the business. While the policy gives us flexibility to determine appropriate performance measures to reflect our strategic priorities, awards for the year ending 31 March 2019 will be subject to EPS and TSR conditions consistent with the old policy, and there is no current intention to change that for future years. Performance targets for the year ending 31 March 2019 have been increased to ensure the level of stretch is commensurate with the increased award opportunity. Awards for the year ending 31 March 2019 will vest as to 18.75% of the EPS element and 22.5% of the TSR element at threshold performance, which equates to 41.25% of salary for a maximum award of 200% of salary (this is the same value that would vest at threshold performance as under the old policy). In the new policy, we have expressed threshold vesting as "not more than 41.25% of salary". Flexibility has been added to grant part of the LTIP award as a tax qualifying Company Share Option Plan ('CSOP') option to give tax advantages to the Company and the participant, without increasing the pre-tax value of the award.

REMUNERATION REMUNERATION COMMITTEE REPORT CONTINUED

This report contains the following separate sections;

- **Part 1** – The Chair's annual statement on pages 67 to 68.
- **Part 2** – Remuneration at a glance on pages 69 to 70.
- **Part 3** – Full details of the new remuneration policy and, subject to Shareholder approval, how this will be applied in the next financial year on pages 71 to 76.
- **Part 4** – The Annual Report on Remuneration on pages 77 to 82 which discloses how the existing policy has been applied during the year. Those elements of part 4 subject to external audit are clearly identified.

NEW REMUNERATION POLICY

The Committee's view on our existing remuneration policy (reflected during our consultation with major Shareholders) is that it is easily understood and has delivered appropriate rewards to our Executive Directors for an impressive performance, both in the Company's underlying performance and growth in Shareholder value.

The aim of the review has therefore been to build upon and enhance our existing policy rather than to redesign the whole basis upon which the Executive Directors are compensated. Our focus during the review has been to ensure that the new policy supports the Company's strategy and, in particular incentivises the Executive Directors to deliver an enhanced performance over the long-term for the benefit of Shareholders. We have also sought to keep our remuneration structures simple and to update our policies so that they reflect developing best practice.

Our new remuneration policy places a greater emphasis on rewarding long-term success through the proposed changes to the maximum awards under the Company's LTIP, whilst allowing sufficient flexibility to adapt to any changes to the business during the three year life of the remuneration policy. This is combined with stretched targets to achieve such maximum award levels. Consequently, the restated remuneration policy will increase the proportion of the overall remuneration

package for Executive Directors that will be linked to long-term performance and the strategic development of the Company's business, which we believe increases the level of alignment with the Company's long-term performance.

Additionally, minor changes are proposed to reflect latest corporate governance and market developments.

As part of our review, the Committee consulted with the Company's major Shareholders and various investor bodies to obtain their views on the proposed changes. The Committee received general support for its proposals and various suggestions made by those consulted were adopted and are reflected in the new remuneration policy being proposed to Shareholders.

2018 BONUSES

Bonus awards for 2018 reflect the impressive performance delivered in the year outlined below*. The maximum bonus of 150 per cent of base salary has been awarded to each of the Executive Directors.

Further details are shown on page 77.

2018 LTIP AWARDS

The LTIP Awards granted in 2015 were based on the three-year performance period from April 2015 to March 2018 and were subject to adjusted EPS (50 per cent) and TSR (50 per cent) targets. Performance over the three-year period as measured against each of these metrics has been very strong, with the maximum target threshold met in both cases. Consequently, 100 per cent of the award will vest in August 2018. This is reflected in the table on page 78.

The Committee also awarded nil-cost share options under the existing LTIP scheme to senior executives, including the Executive Directors, during the year. The number of shares awarded to each Executive Director was equivalent to 150 per cent of base salary based on the market value of the Company's shares at the date of award. These awards are reflected in the table on page 80.

REMUNERATION FOR 2019

Executive Directors (other than Martin Davey who waived his contractual entitlement to an increase this year) were awarded a pay increase of 3 per cent effective from 1 May 2018 in line with the senior executives and the wider workforce. Bonus opportunities will remain unchanged at 150 per cent of salary for 2019 and, subject to approval of the new remuneration policy by Shareholders, LTIP awards will be increased from 150 per cent of salary to 200 per cent of salary for 2019. The bonus and LTIP awards will continue to be subject to stretching targets on the same basis as previous years, namely 100 per cent on Adjusted Group profit before tax for the annual bonus, and 50 per cent on EPS and 50 per cent on Relative TSR for LTIP awards.

SHAREHOLDER ENGAGEMENT

Ongoing engagement by the Chairman, Chief Executive and Finance Director has ensured that key Shareholders have been regularly updated on progress and performance throughout the year. In addition, the Committee conducted a separate consultation exercise on the proposed changes to the Company's Remuneration Policy.

The Committee is pleased to report that 97 per cent of those voting voted in favour of the Remuneration Committee's Report at last year's AGM and the full breakdown of the votes is reported on page 82.

On behalf of the Board, I would like to thank Shareholders for their continued support. Should you have any questions on, or would like to discuss any further aspect of, our remuneration strategy I can be contacted at steven.esom@cranswick.co.uk.



Steven Esom
Chair of the Remuneration Committee

22 May 2018

*2018 BONUSES

Measure	Threshold	Maximum	Actual
Adjusted profit before tax	£82.1m	£90.3m	£96.4m
Bonus payable	20%	150%	150%

Note: Adjusted profit before tax targets are stated before deduction of bonuses paid to Executive Directors and the Chief Operating Officer.

REMUNERATION AT A GLANCE

OUR PERFORMANCE DURING THE YEAR

Cranswick has made further strong strategic, commercial and financial progress during the year.

Adjusted profit before tax £'m
+22.4%

Adjusted earnings per share
+19.9%

+17.6%

Revenue increase to £1,465m.

Performance graph Total Shareholder Return

+11%

Share price increase to 2,844p at 31 March 2018.

See pages 18 and 19 for Strategic progress and KPIs.

— Cranswick

— FTSE All Share

— FTSE 350 Food Producers

REMUNERATION IN 2018

The Committee ensures that executive remuneration targets are stretching, aligned to business strategy to drive long-term Shareholder value and reflect the performance of the business during the period under review. Executive Directors' rewards (excluding base salary and benefits) are two-fold: short term by way of a cash bonus; and longer term by way of share awards under the Company's Long Term Incentive Plan (LTIP).

TARGETS

Bonus

100%

Adjusted profit before tax

LTIP

50%

EPS

50%

Relative TSR

OUTCOMES

Achieved Adjusted Group profit before tax of £92.4 million – maximum bonus achieved (150% of salary). Performance measured over the three year period ending 31 March 2018, EPS growth was RPI + 16.40%, and TSR achieved the 100th percentile. LTIP awards made in August 2015 will therefore vest in full in August 2018 in respect of both the EPS and TSR elements.

	Martin Davey	Adam Couch	Mark Bottomley	Jim Brisby
Salary	313	616	407	407
Benefits	31	32	31	30
Pension	63	123	81	81
Bonus	470	925	611	611
LTIP	861	1,654	1,096	1,086
SAYE	13	–	–	–
Total	1,751	3,350	2,226	2,215

See page 77 for more details.

REMUNERATION FOR 2019

Salary	3% increase to Directors' salaries (other than Martin Davey) in line with senior executives and the wider workforce.
Bonus	Opportunities unchanged at 150% of salary for 2018-19. Stretching target – unchanged from previous years at 100% on Adjusted Group profit before tax.
LTIP awards	Subject to Shareholder approval, award levels to be increased to 200% of salary for 2018-19. Stretching target – unchanged from previous years at 50% on EPS and 50% on relative TSR.

97%

of Shareholders' voting voted in favour of the Remuneration Committee's Report at last year's AGM.

REMUNERATION

REMUNERATION AT A GLANCE CONTINUED

ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY FOR 2018-19

The following charts illustrate the potential pay opportunities for the Executive Directors under three different performance scenarios for the year ending 31 March 2019.

Martin Davey

Adam Couch

Mark Bottomley

Jim Brisby

In illustrating the potential reward, the following assumptions have been made:

	Fixed Pay	Annual Bonus	LTIP
Minimum performance	Base salary effective at 1 May 2018, employer pension contributions of 20% of that salary, and benefits disclosed in the single figure table for the year ending 31 March 2018.	No bonus	No LTIP vesting
Performance in line with expectations		Bonus equal to 50% of the opportunity is earned (i.e. 75% of salary).	LTIP vests as to 50% of the maximum award (100% of salary).
Maximum performance		Bonus equal to 150% of salary is earned.	LTIP vests in full (200% of salary).

REMUNERATION POLICY

This part of the Directors' Remuneration Report sets out the Directors' Remuneration Policy (the 'Policy') which, subject to Shareholder approval at the 2018 Annual General Meeting (AGM), shall take binding effect from the close of that meeting.

LINK BETWEEN POLICY, STRATEGY AND STRUCTURE

Our remuneration policy is principally designed to align the interests of Executive Directors and senior executives with the Company's strategic vision and the creation of sustainable long-term value for our stakeholders without encouraging excessive levels of risk taking. The Policy is intended to remunerate our Executive Directors competitively and appropriately for effective delivery of this and allows them to share in this success and the value delivered to Shareholders. The principles and values that underpin the remuneration strategy are applied on a consistent basis for all Group employees. It is the Group's policy to reward all employees fairly, responsibly and by reference to local market practices, by providing an appropriate balance between fixed and variable remuneration.

The remuneration package is in two parts, to provide competitive total remuneration:

- a non-performance part represented by fixed remuneration (basic salary, pension and benefits); and
- a significant performance related element in the form of an annual bonus and long-term share-based awards.

The details of individual components of the remuneration package are set out below:

Purpose and link to strategy	Operation	Performance metrics	Maximum entitlement
Base salary			
To provide a market competitive base salary to attract and retain executives.	Periodic reviews of market rates. Base salaries are ordinarily reviewed annually taking into account a number of factors including (but not limited to): • the individual's skills, experience and responsibilities; • pay increases within the Group more generally; and • performance, group profitability and prevailing market conditions. Any changes will usually take effect from 1 May. Martin Davey is entitled to an annual increase of not less than RPI under his service agreement agreed in 2006.	While no formal performance conditions apply, an individual's performance in role is taken into account in determining any salary increase.	Whilst there is no maximum salary, increases will normally be within the range of salary increases awarded (in percentage of salary terms) to other employees in the Group. However, higher increases may be awarded in appropriate circumstances, such as: • an increase in scope of the role or the individual's responsibilities; • where an individual has been appointed to the Board at a lower than typical market salary to allow for growth in the role, in which case larger increases may be awarded to move salary positioning to a typical market level as the individual gains experience; • change in size and complexity of the Group; and/or • significant market movement. Such increases may be implemented over such time period as the Committee deems appropriate.
Pension			
To provide a framework to save for retirement.	Executive Directors are entitled to non-contributory membership of the Group's defined contribution pension scheme. Alternatively, at their option, Executive Directors may receive a cash payment in lieu of pension contribution, subject to the normal statutory deductions. Pension contributions may also be made in lieu of salary.	N/A	Maximum employer pension contribution and/or cash payment in lieu, up to 20% of base salary.

REMUNERATION REMUNERATION POLICY CONTINUED

Purpose and link to strategy	Operation	Performance metrics	Maximum entitlement
Benefits			
To provide market competitive benefits as part of the remuneration package.	Market competitive benefits principally comprise health insurance (which may include coverage for the director's spouse and dependent children), personal tax advice, pension advice and Company car allowance or the provision of a Company car and running costs. Additional benefits might be provided from time to time if the Committee decides payment of such benefits is appropriate. Benefits are not pensionable.	N/A	Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value is set at a level which the Committee considers to be appropriately positioned, taking into account relevant market levels based on the nature and location of the role and individual circumstances.
Annual bonus			
To incentivise and reward Executive Directors and senior executives for performance in the year against targets linked to the delivery of the Company's strategic priorities.	Measures and targets are reviewed annually and any pay-out is determined by the Committee after the year end, based on performance against targets set for the financial period. The Committee has discretion to amend the pay-out should any formulaic outcome not reflect the Committee's assessment of overall business performance. Where a bonus opportunity is offered in excess of 100% of salary to an Executive Director appointed on or after the date on which this policy becomes effective, any bonus earned in excess of 100% of salary will be deferred into shares for up to two years until the Executive Director has satisfied the shareholding guidelines. Deferral of any bonus is subject to a de minimis limit of £10,000. The Committee may make an additional payment (in cash or shares) in respect of deferred shares to reflect the value of dividends which would have been paid on those shares during the period from grant to release (this payment may assume that dividends had been reinvested in shares on a cumulative basis). Bonuses are non-pensionable. There is a clawback and malus arrangement in place should the need arise, for misstatement, performance error and misconduct by a participant. Clawback may be applied for up to two years following the payment of the cash element of the bonus, and may be effected in relation to any deferred share award by the cancellation of that award before it vests.	The bonus will be based on the achievement of targets with stretching performance measures and respective weightings (where more than one measure is used) set each year dependent on the Group's strategic priorities.	The maximum opportunity is 150% of base salary. The bonus for achieving threshold performance is 20% of the maximum opportunity.
Share-based awards			
A Save As You Earn (SAYE) share scheme is available to all eligible employees.	Subject to approval by the Board, SAYE options are made available to eligible staff, including Executive Directors, in accordance with the scheme rules which reflect the applicable legislation with an option exercise price which may be set at a discount of up to 20% to the share price when the option is offered.	N/A	The limit on monthly savings and maximum discount that may be applied in setting the exercise price will be determined in accordance with the applicable tax legislation from time to time and will be the same for the Executive Directors as for other eligible employees. At the date of approval of this Policy the maximum saving is £500 per month and the maximum discount is 20%.

Purpose and link to strategy	Operation	Performance metrics	Maximum entitlement
LTIP			
Long Term incentive (LTIP) awards provide a clear link between the remuneration of Executive Directors and the creation of value for Shareholders by rewarding the achievement of longer term strategic priorities aligned to Shareholder interests.	The LTIP awards may take the form of nil (or nominal) cost share options or conditional awards. The Committee may at its discretion structure awards as qualifying LTIP awards, consisting of a tax qualifying CSOP option with an exercise price equal to the market value of a share at the date of grant and an ordinary nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the CSOP option. Awards will usually vest following assessment of the achievement of demanding targets relating to total Shareholder return (TSR) and earnings per share (EPS). Awards held by Executive Directors are then subject to a two year holding period which may be structured as either: (1) the Executive Director being entitled to acquire the shares once vested, but, other than as regards sales to cover tax, being prevented from selling shares until the end of the holding period; or (2) the Executive Director being prevented from acquiring shares until the end of the holding period. If a holding period is structured on the latter basis, the participant may be entitled to an additional payment (in cash or shares) in respect of vested shares to reflect the value of dividends paid on shares from the start of the holding period until the date on which the Executive Director is entitled to acquire shares. There is a clawback and malus arrangement in place should the need arise, for misstatement, performance error and misconduct by a participant. Clawback may be applied for up to two years following vesting, and may be effected in relation to any award during a holding period by the cancellation of that award before the participant becomes entitled to acquire shares. Clawback and malus may be applied to any CSOP option granted under the LTIP to the extent permitted by the applicable tax legislation.	Performance measures for LTIP awards are typically assessed over a period of three years and will be based on financial measures, which may include but are not limited to EPS growth and relative TSR. Where more than one measure is used, the weightings will be determined by the Committee taking into account the Company's key strategic priorities. Threshold vesting will not be at more than 41.25% of salary used to determine the value of the award at grant. The award vests in full for maximum performance.	The normal maximum award level under the LTIP in respect of any financial year is 200% of base salary. In exceptional circumstances this can be increased to 250% of base salary. If a qualifying LTIP award is granted, the value of shares subject to the CSOP option will not count towards the limits referred to above, reflecting the provisions for scale back of the ordinary LTIP award.
Fees and benefits payable to Non-Executive Directors			
To pay fees at a level that reflects market conditions and are sufficient to attract and retain individuals of the appropriate calibre.	The fees of the Non-Executive Directors are determined by the Board and reviewed periodically. On appointment a non-executive Chairman's, fees would be determined by the Committee. Non-Executive Directors are paid a basic fee with additional fees paid for chairing Committees and for the role of Senior Independent Director. Non-Executive Directors are not eligible to participate in any of the Group's share schemes, incentive schemes or pension schemes. Non-Executive Directors may be eligible to receive benefits such as travel costs and other reasonable expenses.	N/A	Fees are set taking into account the responsibilities of the role and the expected time commitment.

REMUNERATION

REMUNERATION POLICY CONTINUED

DIFFERENCES IN POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS FROM POLICY ON REMUNERATION OF EMPLOYEES GENERALLY

The Company aims to provide a remuneration package that is market competitive and which reflects responsibility and role scope. Accordingly Executive Directors have a greater weighting towards long-term and performance based remuneration.

SHAREHOLDING GUIDELINES

To promote alignment between Executive Directors' and Shareholders' interests, the Committee has adopted formal shareholding guidelines for Executive Directors. Each Executive Director is required to hold shares acquired through the LTIP and any deferred bonus award (after sales to cover tax and costs) until the value of their total shareholding is equal to 200 per cent of their annual base salary.

Where an LTIP or deferred bonus award is subject to a holding period on the basis that the Executive Director is prevented from acquiring shares until the end of the holding period, the vested shares count towards the shareholding guidelines, on a net of assumed tax basis.

Shares subject to a deferred bonus award count towards the shareholding guidelines, on a net of assumed tax basis.

ANNUAL BONUS PERFORMANCE TARGETS

The structure of the performance targets applicable to annual bonus awards to be made in a particular year will be set out in the implementation section of the Annual Report on Remuneration which precedes that year rather than in this remuneration policy report. The actual targets will not be disclosed in advance as they are considered to be commercially sensitive information; however, the details will be disclosed retrospectively, provided they are not considered commercially sensitive at that time.

Historically, Group profit before tax, as adjusted for acquisitions, disposals and other non-trading items, was the sole metric against which the annual bonus award was assessed. Although there is currently no intention to move away from PBT, the policy has been amended to allow flexibility for the Committee to introduce other financial and/or strategic measures, if deemed necessary, to provide an appropriately balanced and stretching incentive. Again, such metrics will be disclosed in the implementation section.

The Committee may vary or substitute any performance measure if an event occurs which causes it to determine that it would be appropriate to do so, provided that any such variation is fair and reasonable and, in the opinion of the Committee, would not make the measure materially less demanding. If the Committee was to make such a variation or substitution, an explanation would be given in the next Directors' Remuneration Report.

LTIP PERFORMANCE TARGETS

Performance measures for LTIP awards will be based on financial measures, with the chosen measures determined by the Committee taking into account strategic priorities. Our current use of EPS and relative TSR, weighted equally, ensures an appropriate link to our financial KPIs along with a link to our performance relative to that of peer companies.

The Committee may vary or substitute any performance measure if an event occurs which causes it to determine that it would be appropriate to do so, provided that any such variation is fair and reasonable and, in the opinion of the Committee, would not make the measure materially less demanding. If the Committee was to make such a variation or substitution, an explanation would be given in the next Directors' Remuneration Report.

OPERATION OF SHARE PLANS

The Committee retains discretion to operate the Company's share plans in accordance with the plan rules, including the ability to adjust the number of shares subject to awards in the event of a variation in share capital, or other relevant event and to settle awards in cash or to grant awards as rights to cash payments calculated by reference to a notional number of shares.

RECRUITMENT REMUNERATION POLICY

When appointing a new Executive Director, the Committee will typically align the remuneration package with the above Policy.

When determining appropriate remuneration arrangements, the Committee may include other elements of pay which it considers are appropriate. However, this discretion is capped and is subject to the limits referred to below.

- Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate.
- Pension will only be provided in line with the above Policy.
- The Committee will not offer non-performance related incentive payments (for example a 'guaranteed sign-on bonus').
- Other elements may be included in the following circumstances:
 - on interim appointment being made to fill an Executive Director role on a short-term basis;
 - if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
 - if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis;
 - if the Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.
- The Committee may also alter the performance measures, performance period, vesting period, deferral period and holding period of the bonus or LTIP, subject to the plan rules, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the next Directors' Remuneration Report.
- The maximum level of variable remuneration which may be granted (excluding 'buyout' awards as referred to below) is 400 per cent of salary.

The Committee may make payments or awards in respect of appointing an Executive Director to 'buyout' remuneration arrangements forfeited on leaving their previous employer. In doing so, the Committee will take into account relevant factors including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The Committee will generally seek to structure 'buyout' awards or payments on a comparable basis to the remuneration arrangements forfeited. Any such payments or awards are excluded from the maximum level of variable remuneration referred to above. 'Buyout' awards will ordinarily be granted on the basis that they are subject to forfeiture or 'clawback' in the event of departure within 12 months of joining Cranswick, although the Committee will retain discretion not to apply forfeiture or clawback in appropriate circumstances.

Any share awards referred to in this section will be granted as far as possible under Cranswick's existing share plans. If necessary and subject to the limits referred to above, recruitment awards may be granted outside of these plans as permitted under the Listing Rules which will allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue in accordance with their terms.

Fees payable to a newly appointed Chairman or Non-Executive Director will be in line with the policy in place at the time of appointment.

POLICY ON PAYMENT FOR LOSS OF OFFICE

Individual Directors' eligibility for the various elements of remuneration is set out below:

Provision	Treatment upon loss of office
Fixed remuneration	Salary/fees, benefits and pension contributions/salary supplement will be paid to the date of termination. The Company may make a payment in lieu of notice at any time after notice has been given by either the Company or the Director. This payment would include basic salary for the unexpired period of notice and may also include benefits (including pension contributions or applicable salary supplement or contribution in lieu of salary) for that period. Under the terms of his service agreement, if Martin Davey's employment is terminated by the Company without giving 12 months' notice (other than for circumstances justifying summary dismissal) liquidated damages are payable calculated based on Martin Davey's annual salary, benefits and pro rata bonus entitlement.
Annual Bonus	This will be reviewed on an individual basis and the decision whether or not to award a bonus in full or in part will be dependent upon a number of factors including the circumstances of their departure and their contribution to the business during the bonus period in question. Any bonus payment would typically be pro-rated from time in service to termination and paid at the usual time (although the Committee retains discretion to pay the bonus earlier in appropriate circumstances) and to vary the application of (or disapply) time based prorating. If bonus deferral would otherwise apply to any bonus for the year of termination or prior year, the Remuneration Committee may pay the full bonus earned in cash. Any outstanding deferred bonus awards would typically continue (other than in the event of summary dismissal where the entitlement would lapse) and vest at the originally anticipated date, although the Remuneration Committee retains discretion to release any such award at the date of cessation or at an alternative date before the originally anticipated date.
LTIP	Unvested LTIP awards will vest on cessation of employment, unless cessation is as a result of death, injury, ill health, disability, redundancy, retirement with the agreement of the Company or other circumstances at the discretion of the Committee. In these 'good leaver' scenarios, awards will usually vest at the normal vesting date subject to the satisfaction of the performance conditions and, unless the Committee determines otherwise, a pro-rata reduction to reflect the proportion of the vesting period that has elapsed at the date of cessation. The Committee retains discretion to vest awards early (and to assess performance conditions early where relevant) and to waive the time based pro-rating reduction. The holding period would typically apply for the two year period following vesting, although the Committee has discretion to vary the application of the holding period. If an Executive Director ceases employment during the holding period relating to an LTIP award, the holding period will ordinarily continue to apply, unless cessation is due to the death of the Executive Director, although the Committee has discretion to bring it to an end earlier. In the event of death, the holding period would come to an end.
Other payments	In appropriate circumstances, payments may also be made in respect of accrued holiday pay, and outplacement and legal fees. Options under the SAYE scheme will vest on cessation in accordance with the plan rules, which do not allow for discretionary treatment.
Change of control	In the event of a change of control, unvested awards under the LTIP will be released to the extent determined by the Committee taking into account the relevant performance conditions and, unless the Committee determines otherwise, the extent of vesting so determined shall be reduced to reflect the proportion of the vesting period that has elapsed. In the event of a change of control during the holding period relating to an award under the LTIP, that holding period shall come to an end. Deferred bonus awards will vest in full on a change of control.

Options under the SAYE scheme will vest on a change of control.

Where appropriate the Committee would have regard to the departing Executive Director's duty to mitigate loss. Other than as described above, there are no express provisions within the Director's service contracts for the payment of compensation or liquidated damages on termination of employment.

REMUNERATION

REMUNERATION POLICY CONTINUED

Where a 'buyout' or other award is made, the leaver provisions would be determined at the time of the award.

The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

The Non-Executive Directors are not entitled to compensation on termination of their appointment in excess of their outstanding fee entitlement.

SERVICE CONTRACTS

The Remuneration Committee's current policy is not to enter into employment contracts with any element of notice period in excess of one year. Accordingly, the following Executive Directors have a one year rolling contract: Adam Couch commencing 1 May 2006 (revised 1 August 2012), Mark Bottomley from 1 June 2009 and Jim Brisby from 26 July 2010.

The service contract for Martin Davey includes a one year notice period from 1 May 2006 except in the case of a change in control of the Company when the notice period is two years from the employer and three months' from the employee for the first six months following the change of control, thereafter it reverts back to a one year notice period from either party. The contract also has special provisions relating to liquidated damages requiring that the notice period stipulated in the contract will be paid in full, which has been described above in the policy on termination. These conditions were incorporated into new contracts several years ago when the Directors changed from contracts that had notice periods of up to three years. Whilst these contractual terms differ from the current policy, the Remuneration Committee has concluded that it would not be appropriate, in the circumstances, to seek to further amend the contractual terms agreed with this individual in 2006.

NON-EXECUTIVE DIRECTORS

Each Non-Executive Director has an appointment letter – Steven Esom for one year from 12 November 2017, Kate Allum for three years from 1 July 2016, Mark Reckitt for three years from 1 May 2017, and Pam Powell and Tim Smith for three years from 1 April 2018. The continuing appointments are subject to annual re-election at the Company's Annual General Meeting.

Copies of the service contracts and letters of appointment are held at the Company's Registered Office and will be available for inspection at the Annual General Meeting.

LEGACY REMUNERATION ARRANGEMENTS

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before 27 July 2015 (the date the Company's existing remuneration policy came into effect); (ii) before the Policy set out in this 2018 Annual Report came into effect, provided that the terms of payment were consistent with the Shareholder approved Directors' Remuneration Policy in force at the time they were agreed, or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

These legacy remuneration arrangements include the arrangements for Martin Davey referred to above in relation to the terms of his service agreement agreed in 2006.

PAY AND CONDITIONS ELSEWHERE IN THE GROUP

The Committee does not directly consult with employees regarding the remuneration of the Executive Directors. However, when considering remuneration levels to apply, the Committee will take into account base pay increases, bonus payments and share awards made to the Company's employees generally.

The following are the key aspects of how pay and employment conditions across the Group are taken into account when setting the remuneration of employees, including the Executive Directors:

- the Group operates within the UK food sector and has many employees who carry out demanding tasks within the business;
- all employees, including Directors, are paid by reference to the market rate;
- performance is measured and rewarded through a number of performance related bonus schemes across the Group including LTIP share options for Executive Directors and senior executives;
- performance measures are cascaded down through the organisation to individual businesses;
- the Group offers employment conditions that are commensurate with a medium-sized quoted company, including high standards of health and safety and equal opportunities; and
- the Group operates Save As You Earn share schemes which are open to all eligible employees including Executive Directors. (Approximately 20 per cent of the workforce participate in the SAYE scheme.)

CONSIDERATION OF SHAREHOLDERS' VIEWS

The Committee believes that ongoing dialogue with major Shareholders is of key importance. During the 2017/18 financial year, the Committee consulted with Shareholders in relation to the new Policy, and our proposals have been finalised having regard to feedback received.

ANNUAL REPORT ON DIRECTORS' REMUNERATION

DIRECTORS' REMUNERATION (AUDITED)

The table below sets out the single figure remuneration details of the Directors for the reporting year:

£'000	Salary and fees		Benefits		Bonus		LTIP*		Pension		SAYE		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Executive Directors														
Mark Bottomley	407	396	31	30	611	594	1,096	906	81	79	-	51	2,226	2,056
Jim Brisby	407	396	30	32	611	594	1,086	814	81	79	-	14	2,215	1,929
Adam Couch	616	599	32	31	925	898	1,654	1,341	123	120	-	-	3,350	2,989
Martin Davey	313	304	31	34	470	457	861	900	63	61	13	-	1,751	1,756
	1,743	1,695	124	127	2,617	2,543	4,697	3,961	348	339	13	65	9,542	8,730
Non-Executive Directors														
Kate Allum	48	48	-	-	-	-	-	-	-	-	-	-	48	48
Steven Esom	56	56	-	-	-	-	-	-	-	-	-	-	56	56
Mark Reckitt	56	56	-	-	-	-	-	-	-	-	-	-	56	56
	160	160	-	-	-	-	-	-	-	-	-	-	160	160
Total	1,903	1,855	124	127	2,617	2,543	4,697	3,961	348	339	13	65	9,702	8,890

* The values of the LTIP awards which vested in June 2017 have been updated for the actual share price on the date of vesting. In line with the regulations the values for 2018 are based on the average share price over the three month period to 31 March 2018 as these awards will not vest until August 2018 (see tables on page 78).

As reported last year the Executive Directors had pay awards in the year effective from 1 May 2017 of:

Adam Couch	3.1%	In line with change in RPI
Jim Brisby	3.1%	In line with change in RPI
Mark Bottomley	3.1%	In line with change in RPI
Martin Davey	3.1%	In line with change in RPI

Benefits principally comprise health insurance, personal tax advice, pension advice and Company car allowance.

Pension consists of contributions of up to 20 per cent of base salary which are either paid into a defined contribution pension scheme or are received as a cash allowance in lieu of the pension contribution, or, as a combination of both. No Director has any entitlement or prospective entitlement under any defined benefit pension scheme.

The number of Directors who were active members of the money purchase pension scheme in the year was two (2017: two).

ANNUAL BONUS ARRANGEMENT (AUDITED)

The bonus scheme in operation is based on the achievement of Group profit targets which are set with regard to the Company's budget, historical performance and market outlook for the year. There are four bonus profit targets triggering awards of 20 per cent, 50 per cent, 100 per cent and 150 per cent of base salary with a straight line, pro-rata award for profits falling between the targets. There is a modest fixed sum paid out at the half year stage based on the achievement of the half year target.

The performance in the year, before charging bonus awards made to the Executive Directors and the Chief Operating Officer, was £96.4 million. This exceeded the maximum profit target resulting in a bonus award of 150 per cent of salary as shown below.

	Threshold	On Target		Maximum	Actual
Adjusted profit targets	£82.1m	£85.3m	£88.3m	£90.3m	£96.4m
Bonus payable	20%	50%	100%	150%	150%

This award is reflected in the table above.

REMUNERATION

ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

LONG TERM INCENTIVE PLAN (AUDITED)

The Remuneration Committee awards nil-cost options under the LTIP scheme in order to ensure that Executive Directors and senior management are involved in the longer term success of the Group. Options can only be exercised if certain performance criteria are achieved by the Group as follows:

- 50 per cent of each award is subject to an earnings per share (EPS) target measured against average annual increases in the Retail Price Index (RPI) over a three year period. The EPS target allows 25 per cent of the shares subject to the target to vest at an average annual outperformance above RPI of 3 per cent and 100 per cent of the shares to vest at an average annual outperformance of 7 per cent with outperformance between 3 and 7 per cent rewarded pro-rata.
- 50 per cent is aligned to a total Shareholder return (TSR) target measured against a comparable group of companies over a three year period. The TSR target allows 30 per cent of the shares subject to the target to vest at the 50th percentile and 100 per cent at the 75th percentile with performance between the 50th and 75th percentiles rewarded pro-rata.

The comparison companies used are: Associated British Foods plc, AG Barr plc, Britvic plc, Carrs Milling Industries plc, Dairy Crest Group plc, Devro plc, Greencore Group plc, Hilton Food Group plc, Kerry Group plc, McBride plc, Premier Foods plc, and Tate and Lyle plc.

The Remuneration Committee, which decides whether performance conditions have been met, considers EPS and TSR to be the most appropriate measures of the long-term performance of the Group.

The value of the LTIP for the year ended 31 March 2018 relates to awards made in 2015 with a performance criteria based on the three years ended 31 March 2018 that will vest in August 2018 calculated at the average price for the three months ending on 31 March 2018 of 3,052 pence. Over the three year performance period the EPS element of the award, based on the criteria set above, gave an outperformance of 16.4 per cent over the average increase in RPI so achieving a 100 per cent award. For the TSR element of the award, measured against a comparable group of companies, the business achieved an increase of 120.4 per cent and put the Company at the top of its comparative group which was at the 100th percentile so again an award of 100 per cent was achieved. The total award of 100 per cent is reflected in the table on page 77, and below.

	Date of grant	Options granted	Vesting performance	Shares awarded	Average share price	Value of shares
Mark Bottomley	1 August 2015	35,900	100%	35,900	3,052	1,095,522
Jim Brisby	1 August 2015	35,600	100%	35,600	3,052	1,086,367
Adam Couch	1 August 2015	54,200	100%	54,200	3,052	1,653,963
Martin Davey	1 August 2015	28,200	100%	28,200	3,052	860,549

The value of the LTIP for the year ended 31 March 2017 relates to awards, made in 2014, with a performance criteria based on the three years ended 31 March 2017 that vested in June 2017, calculated at a vesting share price of 2,960 pence. The EPS element of the award achieved 100 per cent of its performance target and 100 per cent was achieved under the TSR measure giving an overall award of 100 per cent and this is reflected in the 2017 column of the table on page 77 and in the table below.

	Date of grant	Options awarded	Value of award as at 31 March 2017 based on an average price of 2,379p	Value of award when vested in June 2017 at the market price of 2,960p
Mark Bottomley	1 June 2014	30,600	727,974	905,760
Jim Brisby	1 June 2014	27,500	654,225	814,000
Adam Couch	1 June 2014	45,300	1,077,687	1,340,880
Martin Davey	1 June 2014	30,400	723,216	899,840

The value of the SAYE options relates to awards granted 3, 5 or 7 years ago that have had their full contribution paid by the Executive and have been exercised in the year. The awards in 2018 exercised by Martin Davey had an exercise price of 1,187 pence and a market value of 2,960 pence. The notional gains are shown in the 2018 column of the table on page 77.

PAYMENTS TO PAST DIRECTORS (AUDITED)

There have been no payments made to past Directors or payments made for loss of office in the year.

PERFORMANCE GRAPH – TOTAL SHAREHOLDER RETURN (UNAUDITED)

The graph below shows the percentage change (from a base of 100 in March 2009) in the Total Shareholder Return (with dividends reinvested) for each of the last nine years on a holding of the Company's shares against the corresponding change in a hypothetical holding in the shares of the FTSE 350 Food Producers and Processors Price Index (FTSE FPP) and the FTSE All Share Index (FTSE All Share). The FTSE FPP and the FTSE All Share were chosen as representative benchmarks of the sector and the market as a whole for the business.

The table below illustrates the change in the total CEO remuneration over a period of nine years, with the bonus awards in those years and the LTIP vesting awards set against a percentage of the maximum available.

£'000	2010	2011	2012	2013	2014	2015	2016	2017	2018
Base salary	464	483	508	505	542	562	588	599	616
Benefits	24	25	28	28	31	29	29	31	32
Pension	93	97	102	86	108	112	118	120	123
Bonus	705	107	453	639	252	843	882	898	925
LTIP	172	207	243	171	149	825	1,148	1,341	1,654
SAYE	–	–	6	7	–	–	38	–	–
CEO total remuneration	1,458	919	1,340	1,436	1,082	2,371	2,803	2,989	3,350
Bonus award against maximum opportunity	97%	14%	56%	80%	31%	100%	100%	100%	100%
LTIP vesting against maximum opportunity	85%	100%	93%	43%	25%	87%	100%	100%	100%

Bernard Hoggarth was the Chief Executive up to August 2012 and from that date Adam Couch has fulfilled that role. The 2013 figures are the sum of the remuneration received by both Directors in that year.

CHANGE IN TOTAL REMUNERATION OF THE CHIEF EXECUTIVE COMPARED TO EMPLOYEES (UNAUDITED)

The table below shows the percentage change from 2017 to 2018 in the Chief Executive's salary compared to the change for all permanent employees of the business (excluding all Board Directors).

	Total pay	Salary	Benefits	Bonus
Chief executive	12%	3%	3%	3%
All other employees* (excluding all Board Directors)	15%	14%	2%	41%

* Includes the impact of pay awards, growth in employee numbers and corporate activity.

RELATIVE IMPORTANCE OF THE SPEND ON PAY (UNAUDITED)

The table below shows the total remuneration paid across the Group together with the total dividend paid in respect of 2018 and the preceding financial year.

	2018 £m	2017 £m	Change %
Pay against distributions			
Remuneration paid to all employees*	177.6	153.4	15.8%
Total dividends paid in the year	23.4	19.6	19.4%

* Includes the impact of pay awards, growth in employee numbers and corporate activity.

REMUNERATION

ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

SHARE OPTIONS (AUDITED)

Details of the nil-cost LTIP options granted in the year under the LTIP are set out below:

	Date of grant	Basis of award	Number of shares	Share price at grant*	Face value of shares	Vesting at minimum performance	End of performance period
Mark Bottomley	1 June 2017	150% of salary	20,800	2,952	£614,016	27.5%	31 March 2020
Jim Brisby	1 June 2017	150% of salary	20,800	2,952	£614,016	27.5%	31 March 2020
Adam Couch	1 June 2017	150% of salary	31,400	2,952	£926,928	27.5%	31 March 2020
Martin Davey	1 June 2017	150% of salary	16,000	2,952	£472,320	27.5%	31 March 2020

* Based on the average of the mean high/low share price for the three days preceding the grant date of the options.

The awards are exercisable between 1 June 2020 and 1 June 2027, subject to performance. 50 per cent of the award depends on the performance of EPS and 50 per cent on TSR for the period from 1 April 2017 to 31 March 2020. If the minimum performance was achieved the EPS element would give 25 per cent and the TSR element would give 30 per cent; overall 27.5 per cent of the grant would vest.

OUTSTANDING SHARE AWARDS (AUDITED)

The interests of the Executive Directors in the LTIP and SAYE schemes were as follows:

Long Term Incentive Plan (audited)

	Year of award	At 1 April 2017 Number	Granted in the year Number	Exercised in the year Number	Lapsed in the year Number	At 31 March 2018 Number	Exercise price p	Market price at grant p
Mark Bottomley	2014	30,600	-	(30,600)	-	-	nil	1,266
	2015	35,900	-	-	-	35,900	nil	1,628
	2016	25,700	-	-	-	25,700	nil	2,333
	2017	-	20,800	-	-	20,800	nil	2,960
Jim Brisby	2014	27,500	-	(27,500)	-	-	nil	1,266
	2015	35,600	-	-	-	35,600	nil	1,628
	2016	25,700	-	-	-	25,700	nil	2,333
	2017	-	20,800	-	-	20,800	nil	2,960
Adam Couch	2014	45,300	-	(45,300)	-	-	nil	1,266
	2015	54,200	-	-	-	54,200	nil	1,628
	2016	38,900	-	-	-	38,900	nil	2,333
	2017	-	31,400	-	-	31,400	nil	2,960
Martin Davey	2014	30,400	-	(30,400)	-	-	nil	1,266
	2015	28,200	-	-	-	28,200	nil	1,628
	2016	19,800	-	-	-	19,800	nil	2,333
	2017	-	16,000	-	-	16,000	nil	2,960

The performance periods run for three years from 1 April in each year and conclude on 31 March three years later and are exercisable on the attainment of certain performance criteria detailed on page 78. The range of exercise dates are 1 August 2018 to 1 June 2027.

The LTIP, issued in 2015, which vests in August 2018, will achieve 100 per cent of both the EPS target and the TSR measure giving a maximum share award.

The following Directors exercised LTIP share options during the year:

	Number	Date exercised	Exercise price p	Market price p	Gain on exercise £'000
Mark Bottomley	30,600	7 July 2017	nil	2,832	867
Jim Brisby	27,500	7 July 2017	nil	2,832	779
Adam Couch	45,300	7 July 2017	nil	2,832	1,283
Martin Davey	30,400	7 July 2017	nil	2,832	861

Savings related share option scheme (audited)

	Year of award	At 1 April 2017 Number	Granted in the year Number	Exercised in the year Number	Lapsed in the year Number	At 31 March 2018 Number	Exercise price p	Range of exercise dates
Mark Bottomley	2014	1,276	–	–	–	1,276	1,187	1 Mar 2020–1 Sep 2020
	2017	–	350	–	–	350	2,565	1 Mar 2021–1 Sep 2021
Jim Brisby	2014	1,276	–	–	–	1,276	1,187	1 Mar 2020–1 Sep 2020
Adam Couch	2011	936	–	–	–	936	579	1 Mar 2019–1 Sep 2019
	2014	1,276	–	–	–	1,276	1,187	1 Mar 2020–1 Sep 2020
	2015	667	–	–	–	667	1,456	1 Mar 2021–1 Sep 2021
	2017	–	205	–	–	205	2,565	1 Mar 2023–1 Sep 2023
Martin Davey	2014	758	–	(758)	–	–	1,187	1 Mar 2018–1 Sep 2018
	2015	618	–	–	–	618	1,456	1 Mar 2019–1 Sep 2019
	2017	–	350	–	–	350	2,565	1 Mar 2021–1 Sep 2021

The Executive Directors are eligible, as are other employees of the Group, to participate in the SAYE scheme, which by its nature does not have performance conditions.

The following Executive Director exercised savings related share options during the year:

	Number	Date exercised	Exercise price p	Market price p	Notional gain £'000
Martin Davey	758	9 March 2018	1,187	2,960	13

MINIMUM SHAREHOLDING

The Remuneration Committee has recommended that the Executive Directors hold shares in the Company worth at least 200 per cent of base salary, with the holding to be built up over a five year period. The Directors' current holdings and value are now all in excess of the 200 per cent target and are shown below.

DIRECTORS' INTERESTS (AUDITED)

	LTIP (Unvested, subject to performance)	LTIP (Vested*, unexercised)	SAYE (Non- performance related)	Number of shares held as at 31 March 2018	Value of shares held as a % of base salary	Target %
Mark Bottomley	46,500	35,900	1,626	79,021	550	200
Jim Brisby	46,500	35,600	1,276	91,949	640	200
Adam Couch	70,300	54,200	3,084	138,009	635	200
Martin Davey	35,800	28,200	968	231,069	2,091	200
Steve Esom	–	–	–	1,441	–	–
Mark Reckitt	–	–	–	1,300	–	–

* LTIP awards are due to vest in August 2018 with the performance criteria now completed.

The share price at 31 March 2018 of 2,844p was used in calculating the percentage figures shown above.

Kate Allum has no interests in the Company at the present time.

There have been no further changes to the above interests in the period from 1 April 2018 to 22 May 2018. Pam Powell and Tim Smith were appointed Directors on 1 April 2018 and have no interests in the Company at the present time.

REMUNERATION FOR THE YEAR ENDING 31 MARCH 2019

The Executive Directors (other than Martin Davey who waived his contractual entitlement to an increase) were awarded an increase of 3 per cent which is consistent with the average increase awarded to senior executives and to other employees in the Group taking into account local practices and regional variations in pay and conditions.

Following the increase in pay, which will be applicable from 1 May 2018, the Executive Directors' base salaries will be:

Director	New salary	Rationale
Mark Bottomley	£420,750	Increase in line with workforce
Jim Brisby	£420,750	Increase in line with workforce
Adam Couch	£636,500	Increase in line with workforce
Martin Davey	£314,250	No change

The 2019 bonus scheme in operation will be based on the achievement of Group profit targets which are set having regard to the Company's budget, historical performance and market outlook for the year. The actual 2019 targets are not disclosed as they are considered to be commercially sensitive. The targets will be declared retrospectively in the 2019 Annual Report, provided they are not considered commercially sensitive at that time. There are four bonus profit targets triggering awards of 20 per cent, 50 per cent, 100 per cent and 150 per cent of base salaries with a straight line pro-rata award for profits falling between the targets.

REMUNERATION

ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

REMUNERATION FOR THE YEAR ENDING 31 MARCH 2019 CONTINUED

Subject to Shareholder approval of the remuneration policy, LTIP awards, equivalent to 200 per cent of basic salary, will be made in August 2018 and vesting will be after a three year performance period for both TSR and EPS. 50 per cent of the award will be based on the target for TSR and 50 per cent on the target for EPS as detailed on page 78.

ADVISERS TO THE COMMITTEE

The Committee keeps itself fully informed on the developments within the industry and in the field of remuneration and seeks advice from external advisers where appropriate. Deloitte LLP were appointed in 2017 by the Remuneration Committee to advise on the review of the Company's remuneration policy and were paid £21,000 for their services. Deloitte also provides consultancy services to the Group. However, the Committee have reviewed any potential conflicts of interest and judged that Deloitte's advice is both objective and independent.

STATEMENT OF SHAREHOLDERS VOTING (UNAUDITED)

The resolutions to approve the 2017 Remuneration Committee Report were passed on a show of hands at the Company's last AGM held on 24 July 2017.

The votes cast by proxy in respect of those resolutions were:

Remuneration Committee report	Number	%
For	38,029,120	97.1
Against	1,151,626	2.9
Withheld	259,758	-

REMUNERATION DISCLOSURE

This report complies with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013 (the Regulations), the principles of the 2016 UK Corporate Governance Code and the Listing Rules of the Financial Conduct Authority.



Steven Esom

Chair of the Remuneration Committee

22 May 2018

ENGAGEMENT WITH SHAREHOLDERS

WE RECOGNISE THE IMPORTANCE OF ENGAGING WITH ALL OUR SHAREHOLDERS ON A REGULAR BASIS, AND THIS ENSURES WE CAPTURE AND EMBRACE FEEDBACK AND EMERGING TRENDS.

Regular engagement with investors provides the Group with the opportunity to discuss certain areas of interest and to ascertain any areas of concern Shareholders may have. During the year, the Non-Executive Directors also engaged with a number of major Shareholders in relation to its new remuneration policy as explained in more detail in the Remuneration Report on pages 66 to 82. The Group also engages with Shareholders through regular meetings and at the Annual General Meeting. Presentations are made by the Chief Executive, the Finance Director and the Commercial Director to analysts and institutional Shareholders on the half year and full year results and on Company strategy. A similar presentation is made to Shareholders attending the Annual General Meeting. The Senior Independent Director and Committee Chairs are also available for direct meetings with institutional Shareholders where required and attend the Annual General Meeting. Significant matters relating to the trading or development of the business are disseminated to the market by way of Stock Exchange announcements.

The Company responds promptly to Shareholder queries and the Group's website (www.cranswick.plc.uk) contains a wide range of information on the Group including the Annual and Interim Reports, related presentations and Stock Exchange announcements.

The views of Shareholders, expressed during meetings, are communicated, as appropriate, to the Board as a whole. The Chairman, Chief Executive or the Finance Director discuss governance and strategy with major Shareholders from time to time. The Board also welcomes the attendance and questions of Shareholders at the Annual General Meeting which is also attended by the Chairs of the Audit, Remuneration and Nomination Committees.

MAJOR SHAREHOLDERS

The Company has been notified of the following interests of 3 per cent or more in the issued share capital of the Company:

	At 31 March 2018		Nature of holding
	Number of shares	% of issued share capital	
Invesco Perpetual	9,967,757	19.51	Direct & Indirect
Fidelity Management & Research	4,876,855	9.55	Direct & Indirect
Standard Life Aberdeen	3,018,585	5.91	Direct & Indirect
Wellington Management	2,714,401	5.31	Direct & Indirect
Legal & General Investment Management	1,726,916	3.38	Direct

There have been no notifications of any significant changes, a different whole percentage movement, to these shareholdings as at 22 May 2018.

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements of the Company and the Group for the year ended 31 March 2018. The Directors' Report consists of pages 84 to 86 and has been drawn up and presented in accordance with and in reliance upon applicable English company law. The liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

DIRECTORS INTERESTS AND INDEMNITIES

The membership of the Board and biographical details of the Directors are given on pages 48 and 49. Details of the Directors' beneficial interests in the ordinary shares of the Company and in share options over the ordinary share capital of the Company are included in the Remuneration Committee Report on pages 66 to 82.

In accordance with the recommendations of the UK Corporate Governance Code, all Directors will stand for re-election at the forthcoming Annual General Meeting.

The Company has in place directors' and officers' liability insurance which gives appropriate cover against the costs of defending themselves in civil proceedings taken against them in their capacity as a director or officer of the Company and in respect of damages resulting from any unsuccessful defence of any proceedings.

CONFLICTS OF INTEREST

The Company has a register in place for managing conflicts of interest with the Directors which is reviewed and updated annually. The Directors have a continuing duty throughout the year to update any changes to these conflicts.

PROFIT AND DIVIDENDS

The profit from continuing operations for the financial year, after taxation amounts to £70.0 million (2017: £62.4 million). The Directors have declared dividends as follows:

	2018	2017
Interim dividend per share paid on 26 January 2018	15.1p	13.1p
Final dividend per share proposed	38.6p	31.0p
Total dividend	£27.4m	£22.2m

Subject to approval at the Annual General Meeting, the final dividend will be paid in cash or scrip form on 7 September 2018 to members on the register at the close of business on 20 July 2018. The shares will go ex-dividend on 19 July 2018. The proposed final dividend for 2018 together with the interim paid in January 2018 amount to 53.7 pence per share which is 21.8 per cent higher than the previous year.

TAX CONTRIBUTION

Within the UK our tax contribution to the UK treasury takes two forms: direct contributions, being a cost to the Company which includes corporation tax on profits, employer's National Insurance on wages paid, business rates and apprenticeship levy; and indirect contributions, being income tax and employee's National Insurance on wages paid. The total paid in the year amounts to £74 million and is analysed as follows:

Direct tax

Indirect tax

SHARE CAPITAL

The Company has one class of shares, being ordinary shares of 10 pence each. There are no special rights pertaining to any of the shares in issue; each share carries the right to one vote at general meetings of the Company. The allotted and fully paid up share capital is shown in Note 24 on page 130. During the year the share capital increased by 612,657 shares. The increase comprised 432,405 of shares issued relating to share options exercised during the year and 180,252 of shares issued in respect of scrip dividends.

MAJOR SHAREHOLDERS

Notifiable share interests of which the Company has been made aware are set out on page 83.

CAPITAL RAISING AND SHARE REPURCHASES

The Directors of Cranswick plc have received limited authority to disapply Shareholders' pre-emption rights in certain circumstances, to authorise the Company to buy back a proportion of the Company's share capital and to allow the Directors to allot shares. Further resolutions will be placed before the Annual General Meeting to be held on 30 July 2018 to renew these powers.

At the last Annual General Meeting the Directors received authority from the Shareholders to:

Allot Shares

This gives Directors the authority to allot authorised but unissued shares and maintains the flexibility 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, to be held on 30 July 2018, is limited to £1,682,576 which represented approximately 33 per cent of the issued share capital as at 31 May 2017.

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 plans. This authority will expire at the end of the Annual General Meeting to be held on 30 July 2018.

Disapplication of pre-emption rights

This dis-applies rights of pre-emption on the allotment of shares by the Company, or to grant rights to subscribe for, or to convert securities into ordinary shares or sell treasury shares for cash. The authority will allow the Directors to allot equity securities for cash pursuant to the authority to allot shares mentioned above, to grant rights for ordinary shares and to sell treasury shares for cash without a pre-emptive offer to existing Shareholders, up to an aggregate nominal amount of £504,773, representing 10 per cent of the Company's issued share capital as at 31 May 2017. This authority will expire at the end of the Annual General Meeting to be held on 30 July 2018.

To buy own shares

This authority allows the Company to buy its own shares in the market, as permitted under the Articles of Association of the Company, up to a limit of 10 per cent of the Company's issued share capital. The price to be paid for any share must not be less than 10 pence, 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 five 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. This authority will expire at the end of the Annual General Meeting to be held on 30 July 2018. The Directors would consider holding any of its own shares that it purchases pursuant to this authority as treasury shares.

The Company did not repurchase any shares during the year and at the year end the Group held no treasury shares.

The Company is not aware of any agreements between Shareholders that may result in restrictions on the transfer of securities and for voting rights.

There are no restrictions on the transfer of ordinary shares in the Company other than where certain restrictions may apply from time to time, on the Board of Directors and other senior executive staff, which are imposed by laws and regulations relating to insider trading laws and market requirements relating to close periods.

ANNUAL GENERAL MEETING AND SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of Cranswick plc will be held at the Mercure Hull Grange hotel on Monday 30 July 2018. A notice convening the Annual General Meeting can be found in the separate Notice of Annual General Meeting accompanying this Report & Accounts.

Details of the Special Business to be transacted at the Annual General Meeting are contained in the separate letter from the Chairman which also accompanies this Report & Accounts, and covers the Directors' authority to allot shares, the partial disapplication of pre-emption rights and the authority for the Company to buy its own shares.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as independent external auditor will be proposed at the Annual General Meeting, together with the authority for the Audit Committee to determine their remuneration. A statement on the independence of the external auditors is included in the report of the Audit Committee on pages 58 to 62.

ARTICLES OF ASSOCIATION

The Company's Articles of Association may only be amended by a special resolution at a general meeting of the Shareholders.

CAPITAL STRUCTURE

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise value for Shareholders and other stakeholders.

The Group regards its Shareholders' equity and net debt as its capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ended 31 March 2017 and 31 March 2018.

The Group's capital structure is as follows:

	2018 £'m	2017 £'m
Net (funds)/debt (Note 27)	(20.6)	11.0
Cranswick plc Shareholders' equity	479.9	421.4
Capital employed	459.3	432.4

CHANGE OF CONTROL

There are no agreements that the Company considers significant and to which the Company is party that would take effect, alter or terminate upon change of control of the Company following a takeover bid other than the following:

- the Company is party to a number of banking agreements which upon a change of control of the Company are terminable by the bank upon the provision of 30 working days' notice;
- there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occur because of a takeover bid other than as stated in the Remuneration Committee Report, on page 76, relating to Martin Davey; and
- there are certain provisions in the Company's Save As You Earn share option plan and the Long Term Incentive Plan that may cause options and awards granted to vest on a takeover. The proportion of the awards that are capable of exercise will depend on the time in the scheme and as far as the LTIP is concerned the extent to which the performance targets (as adjusted or amended) have been satisfied.

POLITICAL DONATIONS

The Group has made no political donations during the year ended 31 March 2018.

DIRECTORS' REPORT CONTINUED

FINANCIAL INSTRUMENTS

Functional currency

The functional currency of all Group undertakings is Sterling.

Foreign currency risk

The main foreign exchange risk facing the Group is in the purchasing of charcuterie products and fresh pork cuts from continental Europe in Euros and the sale of fresh pork to the USA and China denominated in US Dollars. The policy of the Group is to seek to mitigate the impact of this risk by taking out forward contracts for up to twelve months ahead and for amounts that commence at approximately 25 per cent of the requirement and move progressively towards full cover. The Finance Director is consulted about the key decisions on currency cover.

Interest rate risk

The Group's current policy is to manage its cost of borrowing using a mix of fixed and variable rate debt. Whilst fixed rate interest-bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate borrowing means that the Group is exposed to unplanned costs should debt be restructured or repaid early as part of the liquidity management process. In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risk as costs increase if market rates rise. The Group has reduced its borrowings significantly in recent years and at 31 March 2018 gearing was at nil (2017: 2.6 per cent). Given this conservative debt structure the Group has not fixed the interest rate on any part of its current facility. The Board will keep this situation under constant review and will fix the interest rate on a proportion of the Group's borrowings at such time as it becomes appropriate to do so. The monitoring of interest rate risk is handled entirely at head office, based on the monthly consolidation of cash flow projections and the daily borrowings position.

Credit risk

Practically all sales are made on credit terms, the majority of which are to the major UK food retailers. Overdue accounts are reviewed at monthly management meetings. The incidence of bad debts is low. For all major customers, credit terms are agreed by negotiation and for all other customers, credit terms are set by reference to external credit agencies and/or commercial awareness. Every attempt is made to resist advance payments to suppliers for goods and services; where this proves commercially unworkable, arrangements are put in place, where practical, to guarantee the repayment of the monies in the event of default.

Liquidity risk

The Group has historically been very cash-generative. The bank position for each site is monitored on a daily basis and capital expenditure is approved at local management meetings at which members of the main Board are present and reported at the subsequent monthly main Board meeting. Major projects, in excess of £1 million, are approved by the main Board. Each part of the Group has access to the Group's overdraft facility and all term debt is arranged centrally. The Group renewed its bank facility in November 2016 and extended it for a further year during the current period. The arrangement is made up of a revolving credit facility of £160.0 million including a committed overdraft facility of £20.0 million. The Group manages the utilisation of the revolving credit facility through the monitoring of monthly consolidated cash flow projections and the daily borrowings position. The current arrangement extends the maturity of the Group's available financing to November 2022 with the option to extend by a further year, providing it with reduced liquidity risk and medium-term funding to meet its objectives. The unutilised element of the facility at 31 March 2018 was £159.0 million (2017: £144.0 million).

RESEARCH AND DEVELOPMENT

The Group remains at the forefront of new product development offering consumers a wide range of products. Through innovative use of existing and emerging technologies, there will continue to be successful development of new products and processes for the Group.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of activities. The financial position of the Group, its cash flows, liquidity position and borrowing facility are described above. The Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk are referred to below.

The Group has considerable financial resources together with strong trading relationships with its key customers and suppliers. As a consequence, the Directors believe that the Group is well placed to manage its business risk successfully.

After reviewing the available information, including business plans and making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

OTHER STATUTORY DISCLOSURES

The Corporate Governance Report on pages 50 to 55, the Statement of Directors' Responsibilities on page 87 of the Annual Report and Note 23 (Financial Instruments and Liquidity Risk) to the financial statements are incorporated into the Directors' Report by reference.

Other information can be found in the following sections of the Strategic Report:

Future developments in the business of the Group	Pages 2 to 45
Viability Statement	Pages 42 and 43
Greenhouse Gas Emissions	Page 36
Employment Policies	Pages 26 and 27

The only information required to be disclosed pursuant to Listing Rule 9.8.4R are the details of the Company's Long Term Incentive Plan which can be found in the Remuneration Committee Report on pages 66 to 82.

The Directors' Report was approved by a duly authorised committee of the Board on 22 May 2018 and signed on its behalf by:



Steven Glover
Company Secretary

22 May 2018

Company number: 1074383

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group and Company's performance, business model and strategy.

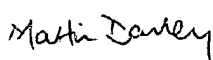
Each of the Directors, whose names and functions are listed in the Leadership report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

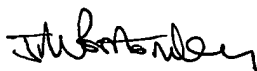
- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

On behalf of the Board



Martin Davey
Chairman

22 May 2018



Mark Bottomley
Finance Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRANSWICK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Cranswick plc's Group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2018 and of the Group's profit and the Group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the Group and Company balance sheets as at 31 March 2018; the Group income statement and Group and Company statements of comprehensive income, the Group and Company statements of cash flows, and the Group and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

Other than those disclosed in the Audit Committee Report on page 62, we have provided no non-audit services to the Group or the parent company in the period from 1 April 2017 to 31 March 2018.

OUR AUDIT APPROACH

Overview

-
- Overall Group materiality: £4.6 million, based on 5% of Adjusted profit before tax.
 - Overall parent company materiality: £3.4 million, initially based on 1% of total assets and capped at £3.4 million due to Group materiality allocation.
-
- We, as the Group engagement team, audited all of the components – with the exception of Ravenscroft & Thackeray and Cranswick Bio – covering £1,459.2 million (99%) of the Group's external revenues and £87.5 million (99%) of the Group's Adjusted profit before tax.
-
- Complex customer accruals.
 - IAS 41 – Biological assets.
-

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and parent company financial statements, including, but not limited to, the risk of non-compliance related to the Group's financial conduct, the Companies Act 2006, the Listing Rules, Pensions legislation, UK tax legislation, and ongoing requirements as a result of the Group's manufacture of food products. Our tests included, but were not limited to, review of legal correspondence and discussions with the Group management and management's experts. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

How our audit addressed the key audit matter

Complex customer accruals

As is industry practice, the Group has numerous types of complex commercial arrangements with retailers and other customers that have a range of terms (for example promotions, rebates and discounts). These commercial accruals also include advertising and marketing contributions and total £8.9 million (2017: £10.2 million).

Due to the varying terms of these arrangements, and given these agreements and activity may span a year end, a degree of judgment is exercised in determining the valuation of the liability and the timing of when this liability should be recognised.

We consider there to be a specific risk associated with the completeness, accuracy and valuation of the commercial accrual that has been recognised at the year end as this is material and can be complex and judgemental.

Our audit procedures included understanding and evaluating the controls and systems related to the commercial accruals process, and obtaining audit evidence through substantive audit procedures.

The substantive audit procedures performed for each individual division varied depending upon the nature and level of commercial accruals and type of agreement but included the following tests, on a sample basis:

- Inquiries of management and the account managers to understand how the calculations are performed;
- Testing of the calculations performed in arriving at the accrual, by agreeing the calculations to agreements in place with the customers, and the relevant sales volume data;
- Agreement, on a sample basis, of the amounts raised and settled with customers, for claims which have arisen within the current or next financial year;
- Look back at the accuracy of the prior year (and older) provisions, to determine customer patterns and assess management's ability to make accurate estimates of the required provisions; and
- Reviewed historical payments made on aged balances and reviewed underlying agreements to assess the appropriateness of the aged accruals in place across the Group.

We found, based on the results of our testing, that the accrual recorded and disclosures made in the financial statements were consistent with the supporting evidence obtained.

INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF CRANSWICK PLC

Key audit matter

IAS 41 – Biological assets

Due to the nature of the Group's operations, biological assets consisting of pigs and chickens are recognised. On initial recognition and at the balance sheet date, these biological assets have been measured at their fair value less costs to sell, in line with IAS 41. The net IAS 41 valuation movement recognised in the year is a cost of £2.2 million (2017: credit of £4.1 million).

The valuation of these biological assets requires significant levels of judgement and industry-specific expertise in applying appropriate assumptions. Changes in a number of the key assumptions (including mortality rates, growth rates, and the fair value at various stages of development) can have a material impact on the valuation.

How our audit addressed the key audit matter

We gained an understanding of, and evaluated the key processes used to calculate the fair value of the biological assets.

We performed a recalculation of both the pig and chicken valuation models used to assess the accuracy of the calculation and audited the underlying data inputs to the model.

We evaluated the Directors' assessment of the assumptions used in relation to the valuation of the biological assets as follows:

- We have compared the mortality assumptions within the models to the operational data obtained from the farms;
- We have reviewed the growth rate of the chickens to third party source data and have assessed the reasonableness of the straight line growth model used for pigs; and
- We have agreed the fair value price of the assets at the various stages of their life cycle to supporting third party data.

We have performed a sensitivity analysis over all of the above assumptions and confirmed significant movements would be required to result in a material misstatement.

We found, based on the results of our testing, that the calculation and disclosures made in the financial statements in relation to the IAS 41 valuation of biological assets were consistent with the supporting evidence obtained.

We determined that there were no key audit matters applicable to the parent company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Group is organised in to 17 reporting units all within the UK. The Group Financial Statements are a consolidation of these reporting units and the centralised functions. The reporting units vary in size and we identified 15 components that required an audit of their complete financial information due to their individual size or risk characteristics. The components where we performed an audit of their complete financial information accounted for 99% of the Group's Adjusted profit before income tax and 99% of the Group's revenue. All of these components were audited by the Group engagement team.

Of the remaining 2 components that together represent 1% of the Group's Adjusted profit before tax, we performed analytical procedures to respond to any potential risks of material misstatement to the Group financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£4.6 million.	£3.4 million.
How we determined it	5% of Adjusted profit before tax.	1% of Total assets and subsequently capped due to Group materiality allocation.
Rationale for benchmark applied	Adjusted profit before tax excludes the impact of fair value adjustments (IAS 41 fair value movements) and non-cash transactions not directly linked to operating performance (amortisation of customer relationship intangible assets). Based on the benchmarks used in the Annual Report, Adjusted profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of a holding company, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.2 million and £3.9 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million (Group audit) and £0.2 million (Parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF CRANSWICK PLC

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on pages 42 and 43 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on pages 42 and 43 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 87, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 57 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 87, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent 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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 24 July 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Ian Morrison

Ian Morrison (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

22 May 2018

**GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 £'m	2017 £'m
Revenue	3	1,464.5	1,245.1
Adjusted Group operating profit		92.8	76.1
Net IAS 41 valuation movement on biological assets	16	(2.2)	4.1
Amortisation of customer relationship intangible assets	12	(2.2)	(2.1)
Group operating profit	4	88.4	78.1
Finance costs	6	(0.4)	(0.6)
Profit before tax		88.0	77.5
Taxation	7	(18.0)	(15.1)
Profit for the year from continuing operations		70.0	62.4
Discontinued operations:			
Profit for the year from discontinued operations	8	–	4.8
Profit for the year		70.0	67.2
Earnings per share (pence)			
On profit for the year from continuing operations:			
Basic	11	137.8p	124.2p
Diluted	11	137.1p	123.7p
On profit for the year:			
Basic	11	137.8p	133.8p
Diluted	11	137.1p	133.3p

An analysis of costs within Group operating profit is presented in Note 4.

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'m	2017 £'m
Profit for the year		70.0	67.2
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Cash flow hedges			
Gains arising in the year	21	0.1	0.3
Reclassification adjustments for gains included in the income statement	21	(0.3)	(0.1)
Income tax effect	7	–	(0.1)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(0.2)	0.1
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial losses on defined benefit pension scheme	26	(0.2)	(6.3)
Income tax effect	7	0.1	1.3
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		(0.1)	(5.0)
Other comprehensive income, net of tax		(0.3)	(4.9)
Total comprehensive income, net of tax		69.7	62.3

COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

Company profit for the year of £21.9 million (2017: £25.3 million) was equal to total comprehensive income for the year attributable to owners of the parent in both years.

GROUP BALANCE SHEET
AT 31 MARCH 2018

	Notes	2018 £'m	2017 £'m
Non-current assets			
Intangible assets	12	156.2	158.4
Property, plant and equipment	13	237.3	215.7
Biological assets	16	0.8	1.0
Total non-current assets		394.3	375.1
Current assets			
Biological assets	16	17.0	18.6
Inventories	17	59.2	62.2
Trade and other receivables	18	160.1	150.6
Financial assets	19	0.1	0.3
Cash and short-term deposits	27	20.6	4.1
Total current assets		257.0	235.8
Total assets		651.3	610.9
Current liabilities			
Trade and other payables	20	(147.8)	(144.5)
Financial liabilities	21	(0.9)	(5.4)
Provisions	22	(0.2)	(0.1)
Income tax payable		(10.2)	(7.2)
Total current liabilities		(159.1)	(157.2)
Non-current liabilities			
Other payables	20	(0.9)	(1.1)
Financial liabilities	21	–	(16.0)
Deferred tax liabilities	7	(1.0)	(2.9)
Provisions	22	(2.3)	(2.8)
Defined benefit pension scheme deficit	26	(8.1)	(9.5)
Total non-current liabilities		(12.3)	(32.3)
Total liabilities		(171.4)	(189.5)
Net assets		479.9	421.4
Equity			
Called-up share capital	24	5.1	5.0
Share premium account		81.5	74.8
Share-based payments		21.0	16.7
Hedging reserve		–	0.2
Retained earnings		372.3	324.7
Equity attributable to owners of the parent		479.9	421.4

On behalf of the Board

Martin Davey

Martin Davey
Chairman

Mark Bottomley

Mark Bottomley
Finance Director

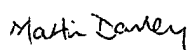
22 May 2018

COMPANY BALANCE SHEET AT 31 MARCH 2018

	Notes	2018 £'m	2017 £'m
Non-current assets			
Property, plant and equipment	13	0.5	0.6
Investments in subsidiary undertakings	14	164.5	161.5
Deferred tax assets	7	1.0	1.1
Total non-current assets		166.0	163.2
Current assets			
Trade and other receivables	18	38.3	39.4
Cash and short-term deposits	27	5.1	2.0
Total current assets		43.4	41.4
Total assets		209.4	204.6
Current liabilities			
Trade and other payables	20	(61.0)	(51.3)
Provisions	22	(0.1)	(0.1)
Income tax payable		(1.1)	(0.8)
Total current liabilities		(62.2)	(52.2)
Non-current liabilities			
Financial liabilities	21	–	(15.0)
Provisions	22	(0.6)	(0.6)
Total non-current liabilities		(0.6)	(15.6)
Total liabilities		(62.8)	(67.8)
Net assets		146.6	136.8
Equity			
Called-up share capital	24	5.1	5.0
Share premium account		81.5	74.8
General reserve		4.0	4.0
Merger reserve		1.8	1.8
Share-based payments		21.0	16.7
Retained earnings		33.2	34.5
		146.6	136.8

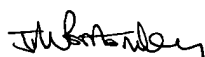
The Company's profit for the year was £21.9 million (2017: £25.3 million).

On behalf of the Board



Martin Davey
Chairman

22 May 2018



Mark Bottomley
Finance Director

**GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 £'m	2017 £'m
Operating activities			
Profit for the year		70.0	67.2
<i>Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:</i>			
Income tax expense	7	18.0	15.2
Net finance costs		0.4	0.6
Loss/(gain) on sale of property, plant and equipment		0.8	(0.1)
Depreciation of property, plant and equipment	13	35.7	27.7
Amortisation of intangible assets	12	2.2	2.1
Profit on sale of business	8	–	(4.5)
Share-based payments		4.3	3.6
Difference between pension contributions paid and amounts recognised in the income statement		(1.7)	(1.3)
Release of government grants		(0.2)	(0.2)
Net IAS 41 valuation movement on biological assets		2.2	(4.1)
(Increase)/decrease in biological assets		(0.4)	0.4
Decrease/(increase) in inventories		3.0	(14.6)
Increase in trade and other receivables		(9.0)	(24.9)
Increase in trade and other payables		2.4	20.6
Cash generated from operations		127.7	87.7
Tax paid		(15.6)	(14.8)
Net cash from operating activities		112.1	72.9
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	15	(5.3)	(56.0)
Purchase of property, plant and equipment		(58.7)	(47.0)
Proceeds from sale of property, plant and equipment		0.7	0.5
Proceeds from sale of discontinued operations, net of cash surrendered	8	–	15.5
Net cash used in investing activities		(63.3)	(87.0)
Cash flows from financing activities			
Interest paid		(0.4)	(0.5)
Proceeds from issue of share capital		1.6	0.8
Issue costs of long-term borrowings		(0.2)	(1.1)
Repayment of borrowings		(15.0)	–
Proceeds from borrowings		–	16.0
Dividends paid		(18.2)	(14.6)
Repayment of capital element of finance leases and hire purchase contracts		(0.1)	(0.2)
Net cash (used in)/from financing activities		(32.3)	0.4
Net increase/(decrease) in cash and cash equivalents	27	16.5	(13.7)
Cash and cash equivalents at beginning of year	27	4.1	17.8
Cash and cash equivalents at end of year	27	20.6	4.1

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'m	2017 £'m
Operating activities			
Profit for the year		21.9	25.3
<i>Adjustments to reconcile Company profit for the year to net cash inflows from operating activities:</i>			
Dividends received		(18.2)	(24.9)
Income tax expense		1.6	1.9
Net finance cost		4.7	4.8
Depreciation of property, plant and equipment	13	0.1	-
Reduction in carrying value of investment	14	-	3.9
Share-based payments		1.3	1.5
Decrease/(increase) in trade and other receivables		1.3	(3.1)
Increase/(decrease) in trade and other payables		9.7	(29.5)
Cash generated from/(used in) operations		22.4	(20.1)
Tax paid		(1.0)	(1.3)
Net cash from/(used in) operating activities		21.4	(21.4)
Cash flows from investing activities			
Dividends received		18.2	24.9
Net cash from investing activities		18.2	24.9
Cash flows from financing activities			
Interest paid		(4.7)	(4.8)
Proceeds from issue of share capital		1.6	0.8
Issue costs of long-term borrowings		(0.2)	(1.1)
Repayment of borrowings		(15.0)	-
Proceeds from borrowings		-	16.0
Dividends paid		(18.2)	(14.6)
Net cash used in financing activities		(36.5)	(3.7)
Net increase/(decrease) in cash and cash equivalents	27	3.1	(0.2)
Cash and cash equivalents at beginning of year	27	2.0	2.2
Cash and cash equivalents at end of year	27	5.1	2.0

**GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Share capital Note (a) £'m	Share premium Note (b) £'m	Share-based payments Note (e) £'m	Hedging reserve Note (f) £'m	Retained earnings £'m	Total equity £'m
At 31 March 2016	5.0	69.0	13.1	0.1	280.9	368.1
Profit for the year	-	-	-	-	67.2	67.2
Other comprehensive income	-	-	-	0.1	(5.0)	(4.9)
Total comprehensive income	-	-	-	0.1	62.2	62.3
Share-based payments	-	-	3.6	-	-	3.6
Scrip dividend	-	5.0	-	-	-	5.0
Share options exercised (proceeds)	-	0.8	-	-	-	0.8
Dividends	-	-	-	-	(19.6)	(19.6)
Deferred tax related to changes in equity	-	-	-	-	0.1	0.1
Current tax related to changes in equity	-	-	-	-	1.1	1.1
At 31 March 2017	5.0	74.8	16.7	0.2	324.7	421.4
Profit for the year	-	-	-	-	70.0	70.0
Other comprehensive income	-	-	-	(0.2)	(0.1)	(0.3)
Total comprehensive income	-	-	-	(0.2)	69.9	69.7
Share-based payments	-	-	4.3	-	-	4.3
Scrip dividend	-	5.2	-	-	-	5.2
Share options exercised (proceeds)	0.1	1.5	-	-	-	1.6
Dividends	-	-	-	-	(23.4)	(23.4)
Deferred tax related to changes in equity	-	-	-	-	(0.3)	(0.3)
Current tax related to changes in equity	-	-	-	-	1.4	1.4
At 31 March 2018	5.1	81.5	21.0	-	372.3	479.9

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Share capital Note (a) £'m	Share premium Note (b) £'m	General reserve Note (c) £'m	Merger reserve Note (d) £'m	Share-based payments Note (e) £'m	Retained earnings £'m	Total equity £'m
At 31 March 2016	5.0	69.0	4.0	1.8	13.1	28.3	121.2
Profit for the year, being total comprehensive income	-	-	-	-	-	25.3	25.3
Share-based payments	-	-	-	-	3.6	-	3.6
Scrip dividend	-	5.0	-	-	-	-	5.0
Share options exercised (proceeds)	-	0.8	-	-	-	-	0.8
Dividends	-	-	-	-	-	(19.6)	(19.6)
Deferred tax related to changes in equity	-	-	-	-	-	0.1	0.1
Current tax related to changes in equity	-	-	-	-	-	0.4	0.4
At 31 March 2017	5.0	74.8	4.0	1.8	16.7	34.5	136.8
Profit for the year, being total comprehensive income	-	-	-	-	-	21.9	21.9
Share-based payments	-	-	-	-	4.3	-	4.3
Scrip dividend	-	5.2	-	-	-	-	5.2
Share options exercised (proceeds)	0.1	1.5	-	-	-	-	1.6
Dividends	-	-	-	-	-	(23.4)	(23.4)
Deferred tax related to changes in equity	-	-	-	-	-	(0.1)	(0.1)
Current tax related to changes in equity	-	-	-	-	-	0.3	0.3
At 31 March 2018	5.1	81.5	4.0	1.8	21.0	33.2	146.6

Notes:

a) *Share capital*

The balance classified as share capital represents the nominal value of ordinary 10 pence shares issued.

b) *Share premium*

The balance classified as share premium includes the net proceeds in excess of nominal value on issue of the Company's equity share capital, comprising 10 pence ordinary shares.

c) *General reserve*

This reserve arose in 1993 when the High Court of Justice granted permission to reduce the Company's share premium account by £4.0 million which was credited to a separate reserve named the general reserve.

d) *Merger reserve*

Where shares have been issued as consideration for acquisitions, the value of shares issued in excess of nominal value has been credited to the merger reserve rather than to the share premium account.

e) *Share-based payments reserve*

This reserve records the fair value of share-based payments expensed in the income statement, and in the case of the Company in relation to share-based payments to employees of subsidiary companies, capital contributions to cost of investments (Note 25).

f) *Hedging reserve*

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

NOTES TO THE ACCOUNTS

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSs

The Group and Company financial statements of Cranswick plc (the 'Company') for the year ended 31 March 2018 were authorised for issue by the Board of Directors on 22 May 2018 and the balance sheets were signed on the Board's behalf by Martin Davey and Mark Bottomley. Cranswick plc is a public limited company incorporated and domiciled in England and Wales (Company number: 1074383, registered office: 74 Helsinki Road, Hull, HU7 0YW). The Company's ordinary shares are traded on the London Stock Exchange.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Company's financial statements have been prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group and by the Company are set out in Note 2.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements of Cranswick plc, both consolidated and Company, have been prepared under IFRS as adopted by the European Union and in accordance with the Companies Act 2006. A summary of the principal accounting policies, which have been consistently applied throughout the year and the preceding year, is below.

Basis of consolidation

The Group financial statements consolidate the financial statements of Cranswick plc and its subsidiaries. The results of undertakings acquired or sold are consolidated for the periods from the date of acquisition or up to the date of disposal. Acquisitions are accounted for under the acquisition method of accounting.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or right, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Judgements and key sources of estimation uncertainty

The preparation of the Group financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

In the process of applying the Group's accounting policies, management has made the following estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant estimates and assumptions:

Share-based payments	Note 25 – measurement of share-based payments. The fair value of share-based payments is estimated using inputs including expected share price volatility, the expected life of the options and the number of awards that will ultimately vest.
Pensions	Note 26 – pension scheme actuarial assumptions. The valuation of the defined benefit pension scheme is determined using assumptions including mortality, discount rates and inflation.
Acquisitions	Note 15 – fair value adjustments on acquisition include the valuation of intangible assets with inputs based on discount rate, sales growth and customer churn assumptions.
Biological assets	Note 16 – valuation includes assumptions in relation to mortality and growth rate.

Significant judgements:

Share-based payments	Note 25 – measurement of share-based payments. The selection of valuation models requires the use of management's judgement. The fair value of share-based payments is estimated as at the date of grant using the Black-Scholes option pricing model.
Alternative measures	Note 31 – alternative performance measures. Management apply judgement to identify the significant non-cash items to exclude when calculating adjusted performance measures. The Board believe alternative measures are useful as they exclude volatile, one-off and non-cash items.
Commercial accruals	Note 20 – trade and other payables.
(Advertising and marketing contributions)	The level of commercial accruals is viewed by management as an area sensitive to a level of judgement in determining the timing and quantum of liabilities to be recognised.

Other estimates and judgements have been applied by management in producing the Annual Report and Accounts including, but not limited to, depreciation and amortisation rates, and provision for impairment of trade receivables. However, these are not considered to have a significant risk of material adjustment.

New standards and interpretations applied

The following accounting standards and interpretations became effective for the current reporting period:

International Accounting Standards (IAS/IFRSs)

	Effective date
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017
IAS 7 Statement of Cash Flows (amendment)	1 January 2017
IAS 12 Income Taxes (amendment)	1 January 2017

The application of these standards has not had a material effect on the net assets, results and disclosures of the Group.

New and revised standards and interpretations not applied

In these Financial Statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- 'IFRS 15: Revenue from Contracts with Customers' will be effective for annual periods beginning on or after 1 January 2018. The standard deals with revenue recognition and establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenues and cash flows arising from the Group's contracts with its customers. The standard provides clarification about when control of goods is passed to customers and contains more guidance about the measurement of revenue contracts which have discounts, rebates and other payments to customers. During 2017, the Group completed a review of the requirements of IFRS 15 against current accounting policies. The areas the Group considered included payments to customers and the timing of revenue recognition based on control of goods. The Group has concluded that there will be no material impact of adopting IFRS 15.
- 'IFRS 9: Financial Instruments' will be effective for annual periods beginning on or after 1 January 2018. The standard includes requirements for classification and measurement, impairment and hedge accounting. The Group has evaluated the impact of IFRS 9 and concluded that it does not expect a material impact on the recognition and measurement of income and costs in the Income Statement or of assets and liabilities in the Balance Sheet. The Group has assessed the classification and measurement of certain financial assets on the Balance Sheet and concluded that there will be no significant change as a result of this. Further, the nature of the Group's current hedging activities and the quantum of its bad debt risk means that the impact of IFRS 9 will be immaterial in respect of these items. IFRS 9 mandates certain additional disclosures, which the Group will make in the future.
- 'IFRS 16: Leases' will be effective for annual periods beginning on or after 1 January 2019. The standard changes the principles for the recognition, measurement, presentation and disclosure of leases. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise lease liabilities and 'right of use' assets on the Balance Sheet, with exemptions for low value and short-term leases. The Group is in the process of evaluating the impact of IFRS 16 on its current lease arrangements, which mainly consists of agricultural properties.

A number of other new standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2018 and have not yet been applied in preparing these Financial Statements. None of these are expected to have a significant effect on the Financial Statements of the Group.

The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards. The Group has not early adopted any of the above standards.

NOTES TO THE ACCOUNTS CONTINUED

2. ACCOUNTING POLICIES CONTINUED

Revenue

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and any associated costs can be measured reliably. Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer on despatch and represents the value of sales to customers net of discounts, similar allowances and estimates of returns and excludes value added tax.

Sales related discounts and similar allowances comprise (commercial accruals):

- Volume rebates and similar allowances – which are sales incentives to customers to encourage them to purchase increased volumes and are related to total volumes purchased and sales growth.
- Advertising and marketing contributions – which are directly related to promotions run by customers.

For commercial accruals that must be earned, management make estimates related to customer performance, sales volume and agreed terms, to determine total amounts earned and to be recorded in deductions from revenue. (See significant judgments above, and Note 20).

Alternative performance measures

The Board monitors performance principally through the adjusted performance measures. Adjusted profit and earnings per share measures exclude certain non-cash items including the net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, profit on sale of a business and goodwill impairment charges. Free cash flow is defined as net cash from operating activities less interest paid and like-for-like revenue excludes the contribution from Crown Chicken and Ballymena prior to the anniversary of their acquisition and also the impact of the 53rd week in the current year.

The Board believes that such alternative measures are useful as they exclude volatile (net IAS 41 valuation movement on biological assets), one-off (impairment of goodwill and profit on sale of a business) and non-cash (amortisation of intangible assets) items which are normally disregarded by investors, analysts and brokers in gaining a clearer understanding of the underlying performance of the Group when making investment and other decisions. Equally, like-for-like revenue provides these same stakeholders with a clearer understanding of the organic sales growth of the business. (Reconciliations of alternative performance measures can be found in Note 31).

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred tax is provided on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity and not in the income statement. Otherwise income tax is recognised in the income statement.

Dividends

Dividends receivable by the Company are recognised in the income statement if they are declared, appropriately authorised and no longer at the discretion of the entity paying the dividend, prior to the balance sheet date. Dividends payable by the Company are recognised when declared and therefore final dividends proposed after the balance sheet date are not recognised as a liability at the balance sheet date. Dividends paid to Shareholders are shown as a movement in equity rather than on the face of the income statement.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss.

Intangible assets

Goodwill is the excess of the fair value of the consideration paid for a business over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is capitalised and subject to an impairment review, both annually and when there are indications that the carrying value may not be recoverable.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised. When an entity is disposed of, any goodwill associated with it is included in the carrying amount of the operation when determining the gain or loss on disposal except that goodwill arising on acquisitions prior to 31 March 2004 which was previously deducted from equity is not recycled through the income statement.

Intangible assets acquired as part of an acquisition of a business are capitalised at fair value separately from goodwill only if the fair value can be measured reliably on initial recognition and the future economic benefits are expected to flow to the Group. Customer relationships are amortised evenly over their expected useful lives of five years, with amortisation charged through administration expenses in the income statement.

Property, plant and equipment

Property, plant and equipment are included at cost less accumulated depreciation and any provision for impairment.

Freehold land is not depreciated. Depreciation is charged on property, plant and equipment on the depreciable amount, being cost less the estimated residual value (based on prices prevailing at the balance sheet date) on a straight line basis over their estimated useful economic lives, or the estimated useful economic lives of their individual parts.

Useful economic lives are principally as follows:

Freehold buildings	30-50 years
Short leasehold improvements	Remainder of lease
Plant and equipment	5-11 years
Motor vehicles	4 years

The carrying value of property, plant and equipment is reviewed for impairment individually or at the cash-generating unit level when events or changes in circumstances indicate that the carrying value may not be recoverable.

Capitalised borrowing costs

Borrowing costs incurred in financing the construction of qualifying assets such as property, plant and equipment are capitalised up to the date at which the relevant asset is substantially complete. Borrowing costs are calculated using the Group's weighted average cost of borrowing during the period of capitalisation. All other borrowing costs are expensed as incurred.

Investments

Investments in subsidiaries are shown at cost less any provision for impairment.

Accounting for leases

i) Finance leases

Assets which are financed by leasing agreements that transfer substantially all the risks and rewards of ownership to the lessee (finance leases) are capitalised at the inception of the lease at fair value or, if lower, the present value of the minimum lease payments, in 'Property, plant and equipment' and the corresponding capital cost is shown as an obligation to the lessor in 'Borrowings'. Depreciation is charged to the income statement over the shorter of the estimated useful life of the asset and the term of the lease. The interest element of the rental obligations is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remainder of the capital amount outstanding.

ii) Operating leases

Leases, which are not finance leases, are classified as operating leases. Lease payments are charged to the income statement on a straight line basis over the term of the lease.

Government grants and contributions

UK Regional Development Grants and grants receivable from the European Union and DEFRA in respect of property, plant and equipment are credited to deferred income and released to the income statement over the relevant depreciation period.

NOTES TO THE ACCOUNTS CONTINUED

2. ACCOUNTING POLICIES CONTINUED

Inventories

Inventories are stated 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, where applicable, based on a normal level of activity.

Biological assets

The Group's biological assets consist of pigs in the form of breeding sows (classified as non-current assets) and their progeny for processing within the Group and externally (classified as current assets) and chickens in the form of breeder stocks (classified as non-current assets) and their progeny for processing within the Group and externally (classified as current assets). On initial recognition and at the balance sheet date biological assets have been measured at their fair value less costs to sell, in line with IAS 41. Gains and losses in relation to the fair value of biological assets are recognised in the income statement, within 'cost of sales', in the period in which they arise.

Cash and cash equivalents

Cash and cash equivalents are defined as cash at bank and in hand including short-term deposits with original maturity within three months. For the purposes of the Group cash flow statement, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts.

Financial instruments

i) Debt instruments, including bank borrowings

Debt instruments are initially recognised at the fair value of net proceeds received after the deduction of issue costs. Subsequently debt instruments are recognised at amortised cost using the effective interest method. Issue costs are charged to the income statement over the term of the debt at a constant rate on the balance sheet carrying amount under the effective interest method.

ii) Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its cash flow risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward contracts is calculated by reference to current forward exchange rates for contracts with a similar maturity profile. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

Where derivatives meet the hedging criteria under IAS 39 for cash flow hedges the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in the income statement. Gains or losses recognised in comprehensive income are transferred to the income statement in the same period in which the hedged item affects the net profit or loss. If a forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the income statement.

For derivatives that do not qualify for hedge accounting under IAS 39, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Financial assets – loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Foreign currencies

In the accounts of each entity in the Group, individual transactions denominated in foreign currencies are translated into functional currency at the actual exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rates ruling at the balance sheet date. Profits and losses on settlement of individual foreign currency transactions and movements on monetary assets and liabilities are dealt with in the income statement.

Employee benefits

i) Pensions

A subsidiary of the Group operates a defined benefit pension scheme for certain employees which requires contributions to be made to a separate trustee administered fund. The scheme was closed to new members on 30 June 2004.

The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in Sterling, and that have terms to maturity approximating to the terms of the related pension liability.

The amounts charged to operating profit are any gains and losses on settlements and curtailments, and these are included as part of staff costs.

Past-service costs are recognised immediately in income, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight line basis over the vesting period.

The difference between the interest cost on plan liabilities and the expected return on plan assets is recognised in the income statement as other finance revenue or costs.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise.

The Group also operates defined contribution schemes for employees under which contributions are paid into schemes managed by major insurance companies. Contributions are calculated as a percentage of employees' earnings and obligations for contributions to the schemes are recognised as cost of sales or operating expenses in the income statement in the period in which they arise.

ii) Equity-settled share-based payments

The Group operates a savings related share option scheme under which options have been granted to Group employees (SAYE scheme). In addition, the Group operates a Long Term Incentive Plan (LTIP) for senior Executives. Share options awarded are exercisable subject to the attainment of certain market-based and non-market-based performance criteria.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using the Black-Scholes option pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

On transition to IFRS, the Group did not apply the measurement rules of IFRS 2 to equity-settled awards granted before 7 November 2002 or granted after that date and vested before 1 January 2005. However, later modifications of such equity instruments are measured under IFRS 2.

NOTES TO THE ACCOUNTS CONTINUED

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

IFRS 8 requires operating segments to be identified on the basis of the internal financial information reported to the Chief Operating Decision Maker (CODM). The Group's CODM is deemed to be the Executive Directors on the Board, who are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The CODM assesses profit performance principally through adjusted profit measures consistent with those disclosed in the Annual Report and Accounts.

For the purposes of managing the business, the Group is organised into one reportable segment, being Food: manufacture and supply of food products to UK grocery retailers, the food service sector and other UK and global food producers.

The reportable segment 'Food' represents the aggregation of four operating segments which are aligned to the product categories of the Group; Fresh Pork, Convenience, Gourmet Products and Poultry, all of which manufacture and supply food products through the channels described above. These operating segments have been aggregated into one reportable segment as they share similar economic characteristics. The economic indicators which have been assessed in concluding that these operating segments should be aggregated include the similarity of long-term average margins; expected future financial performance; and operating and competitive risks. In addition, the operating segments are similar with regard to the nature of the products and production process, the type and class of customer, the method of distribution and the regulatory environment.

	2018 £'m	2017 £'m
Continuing operations – sale of goods	1,464.5	1,245.1
Discontinued operations – sale of goods	–	18.8
	1,464.5	1,263.9

Geographical segments

The following table sets out revenues by destination, regardless of where the goods were produced:

	2018 £'m	2017 £'m
UK	1,419.3	1,238.7
Continental Europe	30.2	13.3
Rest of world	15.0	11.9
	1,464.5	1,263.9

In addition to the non-UK sales disclosed above the Group also made sales to export markets through UK-based meat trading agents totalling £51.0 million (2017: £48.7 million). Including these sales, total sales to export markets were £96.2 million for the year (2017: £73.9 million).

Revenue from discontinued operations in the prior year relates wholly to the UK.

Customer concentration

The Group has two customers (2017: two) which individually account for more than 10 per cent of the Group's total revenue. These customers account for 23 per cent and 21 per cent respectively. In the prior year these same two customers accounted for 24 per cent and 20 per cent respectively.

The Group's non-current assets were all located within the UK for both 2018 and 2017.

4. GROUP OPERATING PROFIT

Group operating costs comprise:

	Continuing operations		Discontinued operations		Total	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Cost of sales excluding net IAS 41 valuation movement on biological assets	1,277.7	1,086.2	–	16.6	1,277.7	1,102.8
Net IAS 41 valuation movement on biological assets*	2.2	(4.1)	–	–	2.2	(4.1)
Cost of sales	1,279.9	1,082.1	–	16.6	1,279.9	1,098.7
Gross profit	184.6	163.0	–	2.2	184.6	165.2
Selling and distribution costs	55.7	50.9	–	1.2	55.7	52.1
Administrative expenses excluding amortisation of customer relationship intangible assets	38.3	31.9	–	0.6	38.3	32.5
Amortisation of customer relationship intangible assets	2.2	2.1	–	–	2.2	2.1
Administrative expenses	40.5	34.0	–	0.6	40.5	34.6
Total operating costs	1,376.1	1,167.0	–	18.4	1,376.1	1,185.4

* This represents the difference between operating profit prepared under IAS 41 and operating profit prepared under historical cost accounting, which forms part of the reconciliation to adjusted operating profit.

Group operating profit is stated after charging/(crediting):

	Continuing operations		Discontinued operations		Total	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Depreciation of property, plant and equipment	35.7	27.6	–	0.1	35.7	27.7
Amortisation of customer relationship intangible assets	2.2	2.1	–	–	2.2	2.1
Release of government grants	(0.2)	(0.2)	–	–	(0.2)	(0.2)
Operating lease payments – minimum lease payments	7.7	7.9	–	0.1	7.7	8.0
Net foreign currency differences	(0.1)	0.2	–	–	(0.1)	0.2
Cost of inventories recognised as an expense	844.7	706.7	–	7.1	844.7	713.8
Increase in provision for inventories	2.7	1.2	–	–	2.7	1.2
Research and development expenditure	1.0	2.6	–	–	1.0	2.6

Auditors' remuneration

Fees payable to the Company's auditors in respect of the audit

Audit of these financial statements	0.1	0.1	–	–	0.1	0.1
Local statutory audits of subsidiaries	0.2	0.2	–	–	0.2	0.2
Total audit remuneration	0.3	0.3	–	–	0.3	0.3

Fees payable to the Company's auditors in respect of non-audit related services

Other services	–	0.1	–	–	–	0.1
Total non-audit related remuneration	–	0.1	–	–	–	0.1

Auditors' remuneration in the prior year was paid to the Group's previous auditors, Ernst & Young LLP.

'Other' non-audit related services of £0.1 million in the prior year were in respect of corporate finance services in relation to acquisition related activities.

Further details of audit and non-audit fees can be found on page 62.

Fees paid to auditors for non-audit services by the Company itself are not disclosed in the individual accounts of Cranswick plc because Group financial statements are prepared which are required to disclose such fees on a consolidated basis.

NOTES TO THE ACCOUNTS CONTINUED

5. EMPLOYEES

	Group		Company	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Staff costs:				
Wages and salaries	177.6	153.4	8.1	7.4
Social security costs	17.4	15.2	1.6	1.8
Other pension costs	2.9	3.0	0.1	0.1
	197.9	171.6	9.8	9.3

Included within wages and salaries is a total expense for share-based payments of £4.3 million (2017: £3.6 million) all of which arises from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees during the year was:

	Group		Company	
	2018 Number	2017 Number	2018 Number	2017 Number
Production	5,686	5,092	–	–
Selling and distribution	330	286	–	–
Administration	322	236	40	36
	6,338	5,614	40	36

The Group and Company consider the Directors to be the key management personnel. Details of each Director's remuneration, pension contributions and share options are detailed in the Remuneration Committee Report on pages 66 to 82. The employee costs shown above include the following remuneration in respect of Directors of the Company:

Group and Company	2018 £'m	2017 £'m
Directors' remuneration	5.0	4.9
Pension contribution	–	–
	5.0	4.9
Aggregate gains made by Directors on exercise of share options	3.8	3.6
Number of Directors receiving pension contributions under money purchase schemes	2	2

Details of Directors' remuneration can be found in the Remuneration Committee Report on page 77. The total Directors' remuneration of £5.0 million (2017: £4.9 million) comprises salary and fees £1.9 million (2017: £1.9 million), benefits £0.1 million (2017: £0.1 million), bonus £2.6 million (2017: £2.5 million) and pension £0.4 million (2017: £0.4 million). The difference between pension contributions noted above and pension contributions on page 77 is cash paid in lieu of pension.

6. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Finance costs						
Bank interest paid and similar charges	0.2	0.4	–	–	0.2	0.4
Total interest expense for financial liabilities not at fair value through profit or loss	0.2	0.4	–	–	0.2	0.4
Net finance cost on defined benefit pension deficit (Note 26)	0.1	0.1	–	–	0.1	0.1
Movement in discount on provisions and financial liabilities	0.1	0.1	–	–	0.1	0.1
Total finance costs	0.4	0.6	–	–	0.4	0.6

The interest relates to financial assets and liabilities carried at amortised cost.

7. TAXATION**a) Analysis of tax charge in the year**

Tax charge based on the profit for the year:

	2018 £'m	2017 £'m
Current income tax:		
UK corporation tax on profit for the year	20.0	16.6
Adjustments in respect of prior years	0.4	(0.8)
Total current tax	20.4	15.8
Deferred tax:		
Origination and reversal of temporary differences	(2.4)	(0.1)
Deferred tax rate change	0.3	(0.2)
Adjustments in respect of prior years	(0.3)	(0.3)
Total deferred tax	(2.4)	(0.6)
Tax on profit on ordinary activities	18.0	15.2

Continuing and discontinued activities:

	2018 £'m	2017 £'m
Income tax expense from continuing operations	18.0	15.1
Income tax expense from discontinued operations	–	0.1
	18.0	15.2

Tax relating to items charged or credited to other comprehensive income or directly to equity:

Group	2018 £'m	2017 £'m
<i>Recognised in Group statement of comprehensive income</i>		
Deferred tax on revaluation of cash flow hedges	–	0.1
Deferred tax on actuarial losses on defined benefit pension scheme	0.2	(1.1)
Corporation tax credit on actuarial losses on defined benefit pension scheme	(0.3)	(0.2)
	(0.1)	(1.2)
<i>Recognised in Group statement of changes in equity</i>		
Deferred tax charge/(credit) on share-based payments	0.3	(0.1)
Corporation tax credit on share options exercised	(1.4)	(1.1)
	(1.1)	(1.2)
Total tax credit recognised directly in equity	(1.2)	(2.4)
Company	2018 £'m	2017 £'m
<i>Recognised in Company statement of changes in equity</i>		
Deferred tax charge/(credit) on share-based payments	0.1	(0.1)
Corporation tax credit on share options exercised	(0.3)	(0.4)
Total tax credit recognised directly in equity	(0.2)	(0.5)

NOTES TO THE ACCOUNTS CONTINUED

7. TAXATION CONTINUED

b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2017: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2018 £'m	2017 £'m
Profit on ordinary activities before tax (including discontinued operations)	88.0	82.4
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19 per cent (2017: 20 per cent)	16.7	16.5
Effect of:		
Disallowed expenses	1.2	0.7
Deferred tax rate change	0.3	-
Non-taxable income	(0.3)	(0.9)
Adjustments in respect of prior years	0.1	(1.1)
Total tax charge for the year	18.0	15.2

Analysed as:

	2018 £'m	2017 £'m
Continuing operations	18.0	15.1
Discontinued operations	-	0.1
	18.0	15.2

c) Deferred tax

The deferred tax included in the Group balance sheet is as follows:

Group	2018 £'m	2017 £'m
Deferred tax liability in the balance sheet		
Accelerated capital allowances	5.0	6.0
Biological assets	(0.4)	0.1
Rollover and holdover relief	0.1	0.1
Other temporary differences	(0.3)	(0.3)
Share-based payments	(2.8)	(2.6)
Deferred tax on defined benefit pension scheme	(1.4)	(1.5)
Customer relationships intangibles	0.8	1.1
Deferred tax liability	1.0	2.9

The deferred tax included in the income statement is as follows:

	2018 £'m	2017 £'m
Deferred tax in the income statement		
Accelerated capital allowances	(1.2)	(1.5)
Biological assets	(0.4)	0.9
Other temporary differences	(0.1)	0.1
Share-based payments	(0.4)	-
Deferred tax on defined benefit pension scheme	-	0.3
Customer relationships intangibles	(0.4)	(0.4)
Deferred tax credit	(2.5)	(0.6)

The deferred tax included in the Company balance sheet is as follows:

Company	2018 £'m	2017 £'m
Deferred tax asset in the balance sheet		
Other temporary differences	–	(0.1)
Share-based payments	(1.0)	(1.0)
Deferred tax asset	(1.0)	(1.1)

d) Change in corporation tax rate

A reduction in the main rate of corporation tax in the UK from 19 per cent to 17 per cent from 1 April 2020 was enacted before the balance sheet date. Deferred tax is therefore provided at 17 per cent.

8. DISCONTINUED OPERATIONS

On 23 July 2016, the Group sold its shareholding in The Sandwich Factory Holdings Limited (The Sandwich Factory). The sale allowed the Group to focus on its portfolio of high growth, premium product categories.

The results of discontinued operations in the prior year, which have been separately disclosed as a single line item at the foot of the Group income statement, were as follows:

Results of discontinued operations	2018 £'m	2017 £'m
Revenue	–	18.8
Expenses	–	(18.4)
Operating profit and profit before tax from discontinued operations	–	0.4
Income tax expense on ordinary activities of the discontinued operations	–	(0.1)
Profit on sale of business	–	4.5
Profit after tax from discontinued operations	–	4.8

Earnings per share from discontinued operations

Basic earnings per share	–	9.6
Diluted earnings per share	–	9.6

Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations:

Operating activities	–	(1.2)
Investing activities	–	(0.4)
Net cash from discontinued operations	–	(1.6)

A profit of £4.5 million arose on the sale of The Sandwich Factory, being the difference between cash proceeds and the carrying value of net assets plus attributable goodwill.

NOTES TO THE ACCOUNTS CONTINUED

8. DISCONTINUED OPERATIONS CONTINUED

The net assets which were sold in the prior year were as follows:

	£'m
Intangible assets – Goodwill	7.0
Property, plant and equipment	2.6
Inventories	1.1
Trade and other receivables	9.3
Trade and other payables	(9.0)
	11.0
Cash proceeds received	16.2
Cash and cash equivalents surrendered	(0.5)
Legal costs incurred, settled in cash	(0.2)
	15.5
Profit on sale of business	4.5

9. PROFIT ATTRIBUTABLE TO MEMBERS

Of the profit attributable to members, the sum of £21.9 million (2017: £25.3 million) has been dealt with in the accounts of Cranswick plc.

10. EQUITY DIVIDENDS

	2018 £'m	2017 £'m
Declared and paid during the year:		
Final dividend for 2017 – 31.0p per share (2016: 25.9p)	15.7	13.0
Interim dividend for 2018 – 15.1p per share (2017: 13.1p)	7.7	6.6
Dividends paid	23.4	19.6

Proposed for approval of Shareholders at the Annual General Meeting on 30 July 2018:

Final dividend for 2018 – 38.6p per share (2017: 31.0p)	19.7	15.6
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11. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to members of the parent company of £70.0 million (2017: £67.2 million) by the weighted average number of shares outstanding during the year. In calculating diluted earnings per share amounts, the weighted average number of shares is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The weighted average number of ordinary shares for both basic and diluted amounts was as per the table below:

	2018 Thousands	2017 Thousands
Basic weighted average number of shares	50,787	50,191
Dilutive potential ordinary shares – share options	238	195
	51,025	50,386

Adjusted earnings per share

Adjusted earnings per share are calculated using the weighted average number of shares for both basic and diluted amounts as detailed above (see Note 31).

12. INTANGIBLE ASSETS

Group	Goodwill £'m	Customer relationships £'m	Total £'m
Cost			
At 31 March 2016	144.6	7.0	151.6
On acquisition (Note 15)	23.2	4.6	27.8
On sale of business	(16.5)	–	(16.5)
At 31 March 2017 and 31 March 2018	151.3	11.6	162.9
Amortisation			
At 31 March 2016	9.5	2.4	11.9
Amortisation	–	2.1	2.1
On sale of business	(9.5)	–	(9.5)
At 31 March 2017	–	4.5	4.5
Amortisation	–	2.2	2.2
At 31 March 2018	–	6.7	6.7
Net book value			
At 31 March 2016	135.1	4.6	139.7
At 31 March 2017	151.3	7.1	158.4
At 31 March 2018	151.3	4.9	156.2

Impairment testing

Goodwill is subject to annual impairment testing. Goodwill acquired through business combinations has been allocated for impairment testing purposes to the following principal cash-generating units:

Cash-generating unit	2018 £'m	2017 £'m
Fresh Pork	21.8	21.8
Livestock	1.7	1.7
Cooked Meats	90.2	90.2
Continental Fine Foods	11.0	11.0
Premium Cooked Poultry	9.2	9.2
Fresh Chicken	13.7	13.7
Other	3.7	3.7
	151.3	151.3

Assumptions used

The recoverable amount for each cash-generating unit has been determined based on value-in-use calculations using annual budgets for each business for the following year, approved by the Board of Directors, and cash flow projections for the next two years calculated for the Viability Statement, extended for a further two years. Forecast replacement capital expenditure is included from budgets and thereafter capital is assumed to represent 100 per cent of depreciation, except where specific expansion plans are in place.

Subsequent cash flows are forecast to grow in line with the long-term rate of inflation of 3 per cent.

A pre-tax discount rate of 7.2 per cent has been used (2017: 6.2 per cent) being management's estimate of the weighted average cost of capital adjusted for risks specific to the CGUs. An adjustment has also been made in arriving at the pre-tax discount rate to reflect the fact that the weighted average cost of capital is a post-tax rate.

The calculation is most sensitive to the following assumptions:

Sales volumes

Sales volumes are influenced by the growth of the underlying food segment, the market shares of our customers, selling prices and the quality of our products and service. Historical volumes are used as the base and adjusted over the projection period in line with current growth rates.

NOTES TO THE ACCOUNTS CONTINUED

12. INTANGIBLE ASSETS CONTINUED

Gross margin

Gross margin depends upon average selling prices, the cost of raw materials and changes in the cost of production overheads. Historical margins are used as the base, adjusted for management's expectations derived from experience and with reference to budget forecasts.

Discount rates

All calculations of this nature are sensitive to the discount rate used. Management's estimate of the weighted average cost of capital has been used for each cash-generating unit.

Sensitivity

Management believes that currently there is no reasonably possible change to the assumptions that would reduce the value-in-use below the value of the carrying amount for any of the Group's cash-generating units. Assumptions and projections are updated on an annual basis.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £'m	Leasehold improve- ments £'m	Plant, equipment and vehicles £'m	Assets in the course of construction £'m	Total £'m
Cost					
At 31 March 2016	104.8	3.0	217.2	2.9	327.9
Additions	6.1	0.2	31.1	11.2	48.6
On acquisition	12.8	-	6.5	-	19.3
Transfers between categories	1.3	-	6.5	(7.8)	-
Disposals	(0.2)	(0.1)	(2.2)	-	(2.5)
On sale of business	-	(2.1)	(7.5)	-	(9.6)
At 31 March 2017	124.8	1.0	251.6	6.3	383.7
Additions	1.9	-	31.8	25.5	59.2
Transfers between categories	0.1	-	8.4	(8.5)	-
Disposals	(1.2)	-	(4.0)	-	(5.2)
At 31 March 2018	125.6	1.0	287.8	23.3	437.7
Depreciation					
At 31 March 2016	15.6	1.9	131.9	-	149.4
Charge for the year	3.0	0.4	24.3	-	27.7
Relating to disposals	-	(0.1)	(2.0)	-	(2.1)
On sale of business	-	(1.2)	(5.8)	-	(7.0)
At 31 March 2017	18.6	1.0	148.4	-	168.0
Charge for the year	8.1	-	27.6	-	35.7
Relating to disposals	(0.1)	-	(3.2)	-	(3.3)
At 31 March 2018	26.6	1.0	172.8	-	200.4
Net book amounts					
At 31 March 2016	89.2	1.1	85.3	2.9	178.5
At 31 March 2017	106.2	-	103.2	6.3	215.7
At 31 March 2018	99.0	-	115.0	23.3	237.3

Included in freehold land and buildings is land with a cost of £9.2 million (2017: £9.2 million), which is not depreciated, relating to the Group, and £0.5 million (2017: £0.5 million) relating to the Company.

Cost includes £1.1 million (2017: £1.1 million) in respect of capitalised interest. No interest was capitalised during the year (2017: £nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.75 per cent, which was the effective rate of the borrowing used to finance the construction.

The Directors believe that the fair value of the property, plant and equipment is not materially different to the net book amounts presented above.

Company	Freehold land and buildings £'m	Plant, equipment and vehicles £'m	Total £'m
Cost			
At 31 March 2016, 31 March 2017 and 31 March 2018	0.5	0.5	1.0
Depreciation			
At 31 March 2016	-	0.4	0.4
Charge for the year	-	-	-
At 31 March 2017	-	0.4	0.4
Charge for the year	-	0.1	0.1
At 31 March 2018	-	0.5	0.5
Net book amounts			
At 31 March 2016	0.5	0.1	0.6
At 31 March 2017	0.5	0.1	0.6
At 31 March 2018	0.5	-	0.5

NOTES TO THE ACCOUNTS CONTINUED

14. INVESTMENTS

Company	Subsidiary undertakings £'m
Shares at cost:	
At 31 March 2016	163.2
Capital contribution relating to share options	2.2
Reduction in carrying value on sale of business	(3.9)
At 31 March 2017	161.5
Capital contribution relating to share options	3.0
At 31 March 2018	164.5

The subsidiary undertakings as at 31 March 2018 were:

- Cranswick Country Foods plc
- Cranswick Gourmet Pastry Company Limited (90 per cent owned by Cranswick Country Foods plc)
- Wayland Farms Limited (100 per cent owned by Cranswick Country Foods plc)
- Wold Farms Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Convenience Foods Limited
- Kingston Foods Limited (100 per cent owned by Cranswick Convenience Foods Limited)
- Warwick One Limited (registered in Scotland, registered office 21 Jenny Moores Road, St. Boswells, Melrose, Roxburghshire, TD6 0AN)
- Benson Park Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Bio Limited (100 per cent owned by Cranswick Country Foods plc)
- Mulberry House Foods Limited (100 per cent owned by Cranswick Country Foods plc)
- Weeton Foods Limited (100 per cent owned by Cranswick Country Foods plc)
- Potterdale Foods Limited (100 per cent owned by Cranswick Country Foods plc)
- CCL Holdings Limited (100 per cent owned by Cranswick Country Foods plc)
- Crown Chicken Limited (100 per cent owned by CCL Holdings Limited)
- Cranswick Country Foods Ballymena (registered in Northern Ireland, registered office 146 Fenaghy Road, Cullybackey, County Antrim, Northern Ireland, BT42 1EA, 100 per cent owned by The Harts Corner Natural Sausage Company Limited)
- Cranswick Country Foods (Norfolk) Pension Trustees Limited (100 per cent owned by Cranswick Country Foods (Norfolk) Limited)
- Roma (No.1) plc
- Roma (No.2) Limited*
- Roma (No.3) Limited (100 per cent owned by Roma (No.1) plc)*
- Arrow 1 Limited (100 per cent owned by Cranswick Country Foods (Norfolk) Limited)*
- Brookfield Foods Limited
- Cambury Limited (100 per cent owned by Cranswick Country Foods plc)*
- Charter Pork Cuts Limited
- Continental Fine Foods Limited
- North Wales Foods Limited
- Warwick Two Limited (100 per cent owned by Warwick One Limited)*
- Cranswick Country Foods (Norfolk) Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Country Foods (Sutton Fields) Limited (100 per cent owned by Cranswick Country Foods plc)*
- Cranswick Gourmet Bacon Company Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Gourmet Sausage Company Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Mill Limited
- Cranswick Trustees Limited
- Cranswick Tuck Marketing Limited
- Delico Limited
- F T Sutton and Son (Rossendale) Limited*
- Friars 587 Limited (100 per cent owned by Cranswick Country Foods plc)
- The Harts Corner Natural Sausage Company Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Buckle Farming Limited (50 per cent owned by Cranswick Country Foods plc)

Except where otherwise stated, each of the companies is registered in England and Wales, with registered office 74 Helsinki Road, Hull, HU7 0YW and Cranswick plc holds directly 100 per cent of the shares and voting rights of each subsidiary undertaking.

Following the sale of The Sandwich Factory Holdings Limited by Warwick One Limited during the prior year, the Company reduced the carrying value of its investments in Warwick One Limited to bring it in line with the net assets of the remaining investment.

* These companies were dissolved on 3 April 2018. This had no effect on the net assets of the Group.

15. ACQUISITIONS

Cranswick Country Foods Ballymena

On 16 November 2016, the Group acquired 100 per cent of the issued share capital of Dunbia Ballymena (renamed Cranswick Country Foods Ballymena) for a total consideration of £18.1 million including £3.4 million settlement of intercompany creditors due to the previous owner and a deferred consideration of £1.3 million. The principal activity of Cranswick Country Foods Ballymena is primary pig processing. The acquisition enhances Cranswick's pig processing capability and establishes a significant presence in Northern Ireland.

Fair values of the net assets at the date of acquisition were as follows:

	Fair value £'m
Net assets acquired:	
Customer relationships	1.7
Property, plant and equipment	1.8
Inventories	0.6
Trade and other receivables	8.2
Bank and cash balances	0.2
Trade and other payables	(6.4)
Corporation tax liability	(0.4)
Deferred tax liability	(0.2)
Provisions	(0.3)
	5.2
Goodwill arising on acquisition	9.5
Cost of acquisition	14.7
Satisfied by:	
Cash	13.4
Contingent consideration	1.3
Net cash outflow arising on acquisition:	
Cash consideration paid	13.4
Creditors repaid	3.4
Cash and cash equivalents acquired	(0.2)
	16.6

Intercompany loans were repaid on completion giving a total consideration for the acquisition of £18.1 million.

All of the trade receivables acquired were collected in full.

Included in the £9.5 million of goodwill recognised are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce.

Transaction costs in relation to the acquisition of £0.3 million were expensed within administrative expenses in the prior year.

In the prior year, from the date of acquisition to 31 March 2017, the external revenue of Ballymena was £17.3 million and the business contributed a net profit after tax of £1.0 million to the Group. Had the acquisition taken place at the beginning of the prior year, revenue in the prior year would have been £27.4 million higher and profit in the prior year would have been £1.8 million higher.

Contingent consideration

The agreement included contingent consideration payable in cash to the previous owners of Cranswick Country Foods Ballymena based on obtaining a licence to export to China. The amount paid during the year was £1.3 million.

NOTES TO THE ACCOUNTS CONTINUED

15. ACQUISITIONS CONTINUED

Crown Chicken

On 8 April 2016, the Group acquired 100 per cent of the issued share capital of CCL Holdings Limited and its wholly owned subsidiary Crown Chicken Limited (Crown) for net cash consideration of £39.4 million. The principal activities of Crown Chicken Limited are the breeding, rearing and processing of fresh chicken, as well as the milling of grain for the production of animal feed. The acquisition provides the Group with a fully integrated supply chain for its growing poultry business.

Fair values of the net assets at the date of acquisition were as follows:

	Fair value £'m
Net assets acquired:	
Customer relationships	2.9
Property, plant and equipment	17.5
Biological assets	4.8
Inventories	1.9
Trade and other receivables	10.0
Bank and cash balances	3.9
Trade and other payables	(7.9)
Corporation tax liability	(0.6)
Deferred tax liability	(2.5)
Finance lease obligations	(0.4)
	29.6
Goodwill arising on acquisition	13.7
Total consideration	43.3
Satisfied by:	
Cash	43.3
Net cash outflow arising on acquisition:	
Cash consideration paid	43.3
Cash and cash equivalents acquired	(3.9)
	39.4

All of the trade receivables acquired have been collected in full.

Included in the £13.7 million of goodwill recognised above are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce and the strategic benefits of vertical integration including security of supply.

Transaction costs in relation to the acquisition of £0.4 million were expensed within administrative expenses in the prior year.

In the prior year, from the date of acquisition to 31 March 2017, the external revenue of Crown was £82.6 million and the business contributed a net profit after tax of £4.5 million to the Group. There was no material difference between the revenue and profit contributed to the Group had the acquisition taken place at the beginning of the prior year and those presented.

2015 – Benson Park**Contingent consideration**

On 22 October 2014, the Group acquired 100 per cent of the issued share capital of Benson Park Limited for a total consideration of £23.8 million.

The agreement included contingent consideration payable in cash to the previous owners of Benson Park Limited based on the performance of the business over a 2.5 year period. The amount payable was to be between £nil and £4.0 million dependant on the average profit before interest and tax of the business during the 2.5 year period versus an agreed target level.

During the year the full £4.0 million contingent consideration was paid.

2015 – Yorkshire Baker

On 2 April 2014, the Group acquired the goodwill associated with the Yorkshire Baker business in exchange for certain property, plant and equipment and 10 per cent of the issued share capital of Cranswick Gourmet Pastry Company Limited. Goodwill of £0.4 million was recognised on acquisition representing certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies and the assembled workforce. Transaction costs were £nil. There is a put and call option in place over the 10 per cent shareholding, exercisable at fixed points over a three year period to 31 October 2018, based on the results of Cranswick Gourmet Pastry Company Limited for the preceding financial year. The value has been reassessed at the end of the reporting period, with £0.2 million credited to administrative expenses in the income statement. Total contingent consideration of £0.8 million (2017: £1.0 million) has been recognised in relation to the option.

16. BIOLOGICAL ASSETS

The Group's biological assets consist of pigs in the form of breeding sows (classified as non-current assets) and their progeny for processing within the Group and externally (classified as current assets) and chickens in the form of breeder stocks (classified as non-current assets) and their progeny for processing within the Group and externally (classified as current assets).

Reconciliation of carrying amounts of livestock:

Group	Pigs £'m	Chickens £'m	Total £'m
At 31 March 2016	11.1	–	11.1
On acquisition	–	4.8	4.8
Increases due to purchases	12.4	0.9	13.3
Decrease attributable to harvest	(53.6)	(37.8)	(91.4)
Decreases attributable to sales	(1.8)	(4.6)	(6.4)
Changes in fair value less estimated costs to sell	46.3	41.9	88.2
At 31 March 2017	14.4	5.2	19.6
Increases due to purchases	15.8	1.0	16.8
Decrease attributable to harvest	(63.6)	(44.2)	(107.8)
Decreases attributable to sales	(0.8)	(4.4)	(5.2)
Changes in fair value less estimated costs to sell	47.4	47.0	94.4
At 31 March 2018	13.2	4.6	17.8

NOTES TO THE ACCOUNTS CONTINUED

16. BIOLOGICAL ASSETS CONTINUED

Group	2018 £'m	2017 £'m
Non-current biological assets:		
Pigs	0.5	0.8
Chickens	0.3	0.2
	0.8	1.0
Current biological assets:		
Pigs	12.7	13.6
Chickens	4.3	5.0
	17.0	18.6
Group	2018 £'m	2017 £'m
Net IAS 41 valuation movement on biological assets*		
Changes in fair value of biological assets	94.4	88.2
Biological assets transferred to cost of sales	(96.6)	(84.1)
	(2.2)	4.1

* This represents the difference between operating profit prepared under IAS 41 and operating profit prepared under historical cost accounting, which forms part of the reconciliation to adjusted operating profit.

The Group's valuation model for biological assets utilises quoted (unadjusted) prices in an active market for the valuation of finished pigs, sucklers, weaners and broilers (Level 1 in the fair value hierarchy as detailed in Note 23). The valuation of sows, boars and breeder chickens is based on recent transactions for similar assets (Level 2 in the fair value hierarchy).

The main assumption used in relation to the valuation is mortality which has been based on historical data for each category of pig and chicken.

Additional information:

Group	2018 Number	2017 Number
Quantities at year end:		
Breeding sows (Bearer biological assets)	12,826	12,140
Boars	235	236
Pigs (Consumable biological assets)	190,921	185,175
Breeder chickens (Bearer biological assets)	268,334	253,613
Broiler chickens (Consumable biological assets)	2,957,415	3,353,845
Number of pigs produced in the year	448,740	432,491
Number of chickens produced in the year	29,204,400	28,555,684

17. INVENTORIES

Group	2018 £'m	2017 £'m
Raw materials	39.9	47.3
Finished goods and goods for resale	19.3	14.9
	59.2	62.2

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Financial assets:				
Trade receivables	146.8	138.7	–	0.1
Amounts owed by Group undertakings	–	–	37.4	38.7
Other receivables	5.5	4.9	0.5	0.1
	152.3	143.6	37.9	38.9
Non-financial assets:				
Prepayments and accrued income	7.8	7.0	0.4	0.5
	160.1	150.6	38.3	39.4

The above financial assets are carried at amortised cost. As at 31 March, the analysis of trade receivables that were past due but not impaired was as follows:

Group	Trade receivables	Of which: Not due	Past due date in the following periods:		
	£'m	£'m	Less than 30 days £'m	Between 30 and 60 days £'m	More than 60 days £'m
2018	146.8	129.4	14.3	1.6	1.5
2017	138.7	125.2	10.6	1.4	1.5

Trade receivables are non-interest-bearing and are generally on 30 to 60 day terms and are shown net of any provision for impairment. As at 31 March 2018, trade receivables at nominal value of £2.2 million (2017: £1.0 million) were impaired and fully provided for. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Movements in the provision for impairment of receivables were as follows:

Group	£'m
Bad debt provision	
At 31 March 2016	0.7
Provided in year	0.5
Utilised	(0.2)
At 31 March 2017	1.0
Provided in year	1.7
Utilised	(0.5)
At 31 March 2018	2.2

There are no bad debt provisions against other receivables.

19. FINANCIAL ASSETS

Group	2018 £'m	2017 £'m
Current		
Forward currency contracts	0.1	0.3

NOTES TO THE ACCOUNTS CONTINUED

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Current				
Trade payables	98.1	91.3	0.2	0.3
Amounts owed to Group undertakings	–	–	49.8	43.5
Tax and social security	5.4	2.7	2.6	0.7
Other creditors	9.9	9.1	6.8	4.8
Commercial accruals*	8.9	10.2	–	–
Other accruals	25.3	31.0	1.6	2.0
Deferred income – Government grants	0.2	0.2	–	–
	147.8	144.5	61.0	51.3
Non-current				
Deferred income – Government grants	0.9	1.1	–	–

Government grants received relate to Regional Growth Fund, Rural Development Programme for England and Business Investment Scheme payments. The amounts received have been used to fund fixed asset investment with the objective of creating and safeguarding jobs at the Group's facilities.

For the Company, amounts owed to Group undertakings reflect the net of the financial liabilities disclosed in Note 23 of £261.1 million (2017: £236.1 million) and non-interest bearing amounts owed by the same entities to the Company.

* For the Group, commercial accruals consist of:

	Volume rebates and similar allowances £'m	Advertising and marketing contributions £'m	Total £'m
At 31 March 2016	5.9	2.3	8.2
On acquisition	0.1	–	0.1
Paid	(9.3)	(4.2)	(13.5)
Charged to income statement	10.6	5.3	15.9
On sale of business	(0.2)	(0.3)	(0.5)
At 31 March 2017	7.1	3.1	10.2
Paid	(10.9)	(4.8)	(15.7)
Charged to income statement	10.6	3.8	14.4
At 31 March 2018	6.8	2.1	8.9

21. FINANCIAL LIABILITIES

	Group		Company	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Current				
Forward currency contracts	0.1	–	–	–
Contingent consideration (Note 15)	0.8	5.3	–	–
Finance lease and hire purchase contracts	–	0.1	–	–
	0.9	5.4	–	–
Non-current				
Amounts outstanding under revolving credit facility	–	15.0	–	15.0
Contingent consideration (Note 15)	–	1.0	–	–
	–	16.0	–	15.0
			Group	
			2018 £'m	2017 £'m
Movement on hedged items:				
Gains arising in the year			0.1	0.3
Reclassification adjustment for gains included in the income statement			(0.3)	(0.1)
			(0.2)	0.2

All financial liabilities are carried at amortised cost, except for forward currency contracts and contingent consideration, which are carried at fair value.

Forward currency contracts are used to hedge a proportion of anticipated purchases denominated in foreign currencies and held at fair value in the balance sheet. To the extent that these forward contracts represent effective hedges, movements in fair value are taken directly to other comprehensive income and are then reclassified through the income statement in the period during which the hedged item impacts the income statement. A description of amounts and maturities is contained in Note 23.

Movements on hedged foreign currency contracts are subsequently reclassified through cost of sales.

Banking facility

During the year, the Group extended the period of its banking facility by one year. The facility, which now runs to November 2022 with the potential to extend for a further year, comprises a revolving credit facility of £160 million, including a committed overdraft facility of £20 million. £nil (2017: £nil) of the overdraft facility was utilised at 31 March 2018. Interest is payable at a margin over base rate. £1.0 million (2017: £16.0 million) of the revolving credit facility was utilised as at 31 March 2018. Interest is payable at a margin over LIBOR.

The arrangement fees of £1.3 million (2017: £1.1 million) are being amortised over the period of the facility.

The maturity profile of bank loans is as follows:

	Group		Company	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
In one year or less	–	–	–	–
Between one year and two years	–	–	–	–
Between two years and five years	1.0	16.0	1.0	16.0
	1.0	16.0	1.0	16.0
Unamortised issue costs	(1.0)	(1.0)	(1.0)	(1.0)
	–	15.0	–	15.0

The bank facility for both years was unsecured and subject to interest cover and debt leverage covenants.

Unamortised issue costs relate to the revolving credit facility which expires in November 2022. £1.0 million (2017: £16.0 million) was drawn down under the facility at the year end.

NOTES TO THE ACCOUNTS CONTINUED

22. PROVISIONS

	Group	Company
	Lease provisions £'m	Lease provisions £'m
At 31 March 2017	2.9	0.7
Created in the year	-	-
Utilised in the year	(0.2)	-
Released in the year	(0.3)	-
Movement on discount	0.1	-
At 31 March 2018	2.5	0.7

Analysed as:

	Group		Company	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Current liabilities	0.2	0.1	0.1	0.1
Non-current liabilities	2.3	2.8	0.6	0.6
	2.5	2.9	0.7	0.7

Lease provisions are held against dilapidation obligations on leased properties and onerous leases. These provisions are expected to be utilised over the next ten years.

23. FINANCIAL INSTRUMENTS

An explanation of the Company and Group's financial instruments risk management strategy is set out on page 86 in the Directors' Report.

Interest rate risk profile of financial assets and liabilities

The interest rate profile of the interest-earning financial assets and interest-bearing liabilities of the Group as at 31 March 2018 and their weighted average interest rates is set out below:

As at 31 March 2018

Group	Weighted average effective interest rate %	Total £'m	At floating interest rates £'m	Fixed interest		
				1 year or less £'m	1-2 years £'m	2-3 years £'m
Financial liabilities:						
Revolving credit facility	1.00%	(1.0)	(1.0)	-	-	-
Financial assets:						
Cash at bank	0.00%	20.6	20.6	-	-	-
		19.6	19.6	-	-	-

As at 31 March 2017

Group	Weighted average effective interest rate %	Total £'m	At floating interest rates £'m	Fixed interest		
				1 year or less £'m	1-2 years £'m	2-3 years £'m
Financial liabilities:						
Revolving credit facility	1.00%	(16.0)	(16.0)	-	-	-
Financial assets:						
Cash at bank	0.00%	4.1	4.1	-	-	-
		(11.9)	(11.9)	-	-	-

The maturity profile of bank loans is set out in Note 21.

The interest rate profile of the interest-earning financial assets and interest-bearing liabilities of the Company as at 31 March 2018 and their weighted average interest rates is set out below:

As at 31 March 2018

Company	Weighted average effective interest rate %	Total £'m	At floating interest rates £'m	Fixed interest		
				1 year or less £'m	1-2 years £'m	2-3 years £'m
Financial liabilities:						
Amounts owed to Group undertakings	1.55%	(261.1)	(261.1)	–	–	–
Revolving credit facility	1.00%	(1.0)	(1.0)	–	–	–
		(262.1)	(262.1)	–	–	–
Financial assets:						
Cash at bank	0.00%	5.1	5.1	–	–	–
		(257.0)	(257.0)	–	–	–

As at 31 March 2017

Company	Weighted average effective interest rate %	Total £'m	At floating interest rates £'m	Fixed interest		
				1 year or less £'m	1-2 years £'m	2-3 years £'m
Financial liabilities:						
Amounts owed to Group undertakings	1.50%	(236.1)	(236.1)	-	-	-
Revolving credit facility	1.00%	(16.0)	(16.0)	-	-	-
		(252.1)	(252.1)	-	-	-
Financial assets:						
Cash at bank	0.00%	2.0	2.0	-	-	-
		(250.1)	(250.1)	-	-	-

Currency profile

The Group's financial assets at 31 March 2018 include Sterling denominated cash balances of £20.4 million (2017: (£0.1 million)), Euro £0.5 million (2017: £4.5 million), US Dollar (£0.3 million) (2017: (£0.1 million)) and AUD £nil (2017: (£0.2 million)), all of which are held in the UK.

The proportion of the Group's net assets denominated in foreign currencies is immaterial.

The Group's other financial assets and liabilities are denominated in Sterling.

Credit risk

The Group makes a significant proportion of its sales to the major UK supermarket groups, which correspondingly represent a significant proportion of the Group's trade receivables at any one time. Based on the financial strength of these customers, the Directors do not consider that the Group faces a significant credit risk in this regard. Debts with other customers, which represent a smaller proportion of the Group's trade receivables, are considered to provide greater risk, particularly in the current economic climate. These debts are reviewed on a regular basis by credit controllers and senior management and prudent provision is made when there is objective evidence that the Group will not be able to recover balances in full.

All cash financial assets are held by UK financial institutions. The maximum credit exposure relating to financial assets is represented by their carrying values as at the balance sheet date.

NOTES TO THE ACCOUNTS CONTINUED

23. FINANCIAL INSTRUMENTS CONTINUED

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

The Group's forward currency contracts are measured using Level 2 of the fair value hierarchy. The valuations are provided by the Group's bankers from the proprietary valuation models and are based on mid-market levels as at close of business on the Group's year end reporting date.

Contingent consideration is measured using Level 3 of the fair value hierarchy and relates to future amounts payable on acquisitions. Amounts payable are based on agreements within purchase contracts, management's expectations of the future profitability of the acquired entity and the timings of payments.

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties on an arm's length basis. The fair value of floating rate assets and liabilities is estimated to be equivalent to book value. All derivative financial instruments are shown in the balance sheet at fair value.

Group	2018		2017	
	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m
Forward currency contracts (Note 19 and Note 21)	-	-	0.3	0.3
Contingent consideration (Note 15 and Note 21)	(0.8)	(0.8)	(6.3)	(6.3)

The book value of trade and other receivables, trade and other payables, cash balances, loans receivable, overdrafts, amounts outstanding under revolving credit facility and finance leases and hire purchase contracts equates to fair value for the Group and Company.

Hedges

Financial instruments designated as cash flow hedges are held at fair value in the balance sheet. The Group hedges the following cash flows:

i) Forward contracts to hedge expected future purchases

The Group hedges a proportion of its near-term expected purchases denominated in overseas currencies. Where these hedges meet the hedge criteria of IAS 39, changes in fair value are posted directly to other comprehensive income and subsequently reclassified through the income statement at the time that the hedged item affects profit or loss.

Group

Currency	Amount	Maturities	Exchange rates	Fair value £'m
Euros	24.4m	3 April 2018–2 January 2019	€1.10–€1.16	(0.1)

ii) Forward contracts to hedge expected future sales

The Group hedges a proportion of its near-term expected sales denominated in overseas currencies. Where these hedges meet the hedge criteria of IAS 39, changes in fair value are posted directly to other comprehensive income and subsequently reclassified through the income statement at the time that the hedged item affects profit or loss.

Group

Currency	Amount	Maturities	Exchange rates	Fair value £'m
US Dollars	2.5m	5 April 2018–26 April 2018	£0.71–£0.72	0.1
Euros	3.5m	5 April 2018–6 August 2018	£0.88–£0.90	-

These contracts were effective cash flow hedges under the criteria set out in IAS 39 and therefore fair value gains and losses related to the contracts were recognised directly in other comprehensive income.

The Company does not hold any forward contracts.

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no material impact on the Group's equity.

Currency derivatives have not been included in the sensitivity analysis below as they are not considered to be exposed to interest rate risk.

	Increase/ decrease in basis points	Effect on profit before tax £'m
2018		
Sterling	+100	(0.2)
	-100	0.2
2017		
Sterling	+100	(0.2)
	-100	0.2

Liquidity risk

The tables below summarise the maturity profile of the Group's financial liabilities at 31 March 2018 and 2017 based on contractual undiscounted payments:

At 31 March 2018

Group	Less than 1 year £'m	1 to 2 years £'m	2 to 5 years £'m	Total £'m
Revolving credit facility	–	–	1.0	1.0
Contingent consideration (Note 21)	0.8	–	–	0.8
Trade and other payables	147.6	–	–	147.6
Derivative financial instruments	0.1	–	–	0.1
	148.5	–	1.0	149.5

At 31 March 2017

Group	Less than 1 year £'m	1 to 2 years £'m	2 to 5 years £'m	Total £'m
Revolving credit facility	0.2	0.2	16.6	17.0
Contingent consideration (Note 21)	5.3	1.0	–	6.3
Trade and other payables	144.3	–	–	144.3
	149.8	1.2	16.6	167.6

At 31 March 2018

Company	Less than 1 year £'m	1 to 2 years £'m	2 to 5 years £'m	Total £'m
Revolving credit facility	–	–	1.0	1.0
Trade and other payables	61.0	–	–	61.0
	61.0	–	1.0	62.0

At 31 March 2017

Company	Less than 1 year £'m	1 to 2 years £'m	2 to 5 years £'m	Total £'m
Revolving credit facility	0.2	0.2	16.6	17.0
Trade and other payables	51.3	–	–	51.3
	51.5	0.2	16.6	68.3

The impact of liquidity risk on the Group is discussed in detail in the Directors' Report on page 86.

NOTES TO THE ACCOUNTS CONTINUED

24. CALLED-UP SHARE CAPITAL

Allotted, called-up and fully paid – Ordinary shares of 10 pence each:

Group and Company	2018 Number	2017 Number	2018 £'m	2017 £'m
At 1 April	50,465,544	49,844,854	5.0	5.0
On exercise of share options	432,405	390,082	0.1	–
Scrip dividends	180,252	230,608	–	–
At 31 March	51,078,201	50,465,544	5.1	5.0

On 1 September 2017, 134,742 ordinary shares were issued at 2,787.4 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2017 final dividend.

On 26 January 2018, 45,510 ordinary shares were issued at 3,100.2 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2018 interim dividend.

During the course of the year, 432,405 ordinary shares were issued to employees exercising SAYE and LTIP options at prices between nil and 1,788.0 pence.

Ordinary share capital of £84,480 is reserved for allotment under the Savings Related Share Options Schemes and Long Term Incentive Plans (LTIP). The options are exercisable as follows:

	Number	Exercise price	Exercise period
Savings related	638	692p	March 2014–October 2018
Savings related	3,114	579p	March 2015–October 2019
Savings related	2,765	629p	March 2016–October 2018
Savings related	12,621	916p	March 2017–October 2019
Savings related	95,564	1,187p	March 2018–October 2020
Savings related	141,827	1,456p	March 2019–October 2021
Savings related	163,018	1,788p	March 2020–October 2022
Savings related	226,268	2,565p	March 2021–October 2023
LTIP	685,144	Nil	August 2018–June 2027

On 2 September 2016, 162,823 ordinary shares were issued at 2,151.6 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2016 final dividend.

On 27 January 2017, 67,785 ordinary shares were issued at 2,226.4 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2017 interim dividend.

During the course of the year, 390,082 ordinary shares were issued to employees exercising SAYE and LTIP options at prices between nil and 1,456.0 pence.

25. SHARE-BASED PAYMENTS

The Group operates two share option schemes, a Revenue approved scheme (SAYE) and a Long Term Incentive Plan (LTIP), both of which are equity-settled. The total expense charged to the income statement during the year in relation to share-based payments was £4.3 million (2017: £3.6 million).

Long Term Incentive Plan (LTIP)

During the course of the year 176,260 options at nil cost were granted to Directors and senior executives, the share price at that time was 2,960.0 pence. Details of the performance criteria relating to the LTIP scheme can be found in the Remuneration Committee report on page 73. The maximum term of LTIP options is ten years.

Group	2018 Number	2018 WAEP (£)	2017 Number	2017 WAEP (£)
Outstanding as at 1 April	790,656	–	867,363	–
Granted during the year (i)	176,260	–	215,696	–
Lapsed during the year	–	–	(5,082)	–
Exercised during the year (ii)	(281,772)	–	(287,321)	–
Outstanding as at 31 March (iii)	685,144	–	790,656	–
Exercisable at 31 March	8,000	–	4,000	–
Company	2018 Number	2018 WAEP (£)	2017 Number	2017 WAEP (£)
Outstanding as at 1 April	421,113	–	487,939	–
Granted during the year (i)	94,175	–	115,600	–
Lapsed during the year	–	–	–	–
Exercised during the year (ii)	(146,463)	–	(182,426)	–
Outstanding as at 31 March (iii)	368,825	–	421,113	–
Exercisable at 31 March	–	–	–	–

i) The weighted average fair value of options granted during the year was £27.96 (2017: £22.04). The share options granted during the year were at £nil per share. The share price at the date of grant was £29.60 (2017: £23.33).

ii) The weighted average share price at the date of exercise for the options exercised was £27.84 (2017: £21.57).

iii) For the share options outstanding as at 31 March 2018, the weighted average remaining contractual life is 8.05 years (2017: 8.13 years).

The exercise price for all options outstanding at the end of the year was £nil.

All Employee Share Option Scheme (SAYE)

All employees are entitled to a grant of options once they have been in service for one year or more. The exercise price is equal to the market price of the shares less 20 per cent on the date of the grant. The contractual life of the options is three, five or seven years. The maximum term of SAYE options is 3.5, 5.5 or 7.5 years.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, SAYE share options during the year:

Group	2018 Number	2018 WAEP (£)	2017 Number	2017 WAEP (£)
Outstanding as at 1 April	606,012	13.97	577,515	11.50
Granted during the year (i)	229,595	25.65	185,043	17.88
Lapsed during the year	(39,159)	16.73	(53,785)	12.93
Exercised during the year (ii)	(150,633)	10.90	(102,761)	7.60
Outstanding as at 31 March (iii)	645,815	18.67	606,012	13.97
Exercisable at 31 March	26,989	11.30	14,346	7.45

NOTES TO THE ACCOUNTS CONTINUED

25. SHARE-BASED PAYMENTS CONTINUED

Company	2018 Number	2018 WAEF (£)	2017 Number	2017 WAEF (£)
Outstanding as at 1 April	26,735	12.09	29,556	10.52
Granted during the year (i)	4,717	25.65	3,017	17.88
Lapsed during the year	(263)	6.15	–	–
Exercised during the year (ii)	(9,111)	10.00	(5,838)	7.13
Outstanding as at 31 March (iii)	22,078	16.18	26,735	12.09
Exercisable at 31 March	2,196	11.87	3,119	6.36

- i) The share options granted during the year were at £25.65 (2017: £17.88), representing a 20 per cent discount on the price at the relevant date. The share price at the date of grant was £33.37 (2017: £23.43).
- ii) The weighted average share price at the date of exercise for the options exercised was £28.08 (2017: £23.81).
- iii) For the share options outstanding as at 31 March 2018, the weighted average remaining contractual life is 2.72 years (2017: 2.75 years).

The weighted average fair value of options granted during the year was £9.94 (2017: £6.87). The range of exercise prices for options outstanding at the end of the year was £5.79-£25.65 (2017: £5.79-£17.88).

The fair value of the SAYE and LTIP equity-settled options granted is estimated as at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 March 2018 and 31 March 2017:

Group and Company	2018 LTIP	2018 SAYE	2017 LTIP	2017 SAYE
Dividend yield	1.68%	1.68%	1.89%	1.88%
Expected share price volatility	31.0%	31.0%	31.0%	31.0%
Risk-free interest rate	0.49%	0.49%-0.73%	0.59%	0.11%-0.48%
Expected life of option	3 years	3, 5 years	3 years	3, 5 years
Exercise prices	£nil	£25.65	£nil	£17.88

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The initial fair value of LTIP options is adjusted to take into account market-based performance conditions.

26. PENSION SCHEMES

Defined benefit pension scheme

The Group acquired a defined benefit final salary pension scheme during 2009, which is funded by the payment of contributions to separately administered trust funds. The scheme was closed to new members and future accrual on 30 June 2004.

Pension costs are determined with the advice of an independent qualified actuary on the basis of a triennial valuation using the projected unit credit method. The latest available formal actuarial valuation of the scheme was carried out as at 31 December 2015. This valuation was updated to the year end. Plan assets are stated at fair value at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

a) Change in benefit obligation	2018 £'m	2017 £'m
Benefit obligation at the beginning of the year	36.1	26.7
Interest cost	0.8	0.9
Remeasurement (gains)/losses:		
Actuarial (gains)/losses arising from changes in financial assumptions	(0.9)	7.5
Actuarial gains arising from changes in demographic assumptions	–	(0.5)
Movement on additional liability recognised due to minimum funding requirement	1.9	2.0
Benefits paid from plan	(0.4)	(0.5)
Benefit obligation at the end of the year	37.5	36.1

	2018 £'m	2017 £'m
b) Change in plan assets		
Fair value of plan assets at the beginning of the year	26.6	22.3
Interest income	0.7	0.8
Return on plan assets	0.7	2.7
Employer contributions	1.8	1.3
Benefits paid from plan	(0.4)	(0.5)
Fair value of plan assets at the end of the year	29.4	26.6
c) Amounts recognised in the balance sheet		
Present value of funded obligations	(37.5)	(36.1)
Fair value of plan assets	29.4	26.6
Net liability recorded in the balance sheet	(8.1)	(9.5)
d) Components of pension cost		
Amounts recognised in the income statement:		
Interest cost	0.8	0.9
Expected return on plan assets	(0.7)	(0.8)
Total pension cost recognised in the income statement	0.1	0.1
Actual return on assets		
Actual return on plan assets	1.4	3.5
Amounts recognised in the Group statement of comprehensive income		
Actuarial losses immediately recognised	(0.2)	(6.3)
Cumulative amount of actuarial losses recognised	(12.9)	(12.7)
The weighted average actuarial assumptions used in the valuation of the scheme were as follows:		
e) Principal actuarial assumptions	2018	2017
Discount rate	2.50%	2.55%
Rate of price inflation	3.10%	3.40%
Revaluation of deferred pensions:		
Benefits accrued prior to 1 January 1998	5.00%	5.00%
Benefits accrued after 1 January 1998	3.10%	3.40%
Rate of compensation increase:		
Benefits accrued prior to 1 January 1997	3.00%	3.00%
Benefits accrued after 1 January 1997	3.10%	3.40%
Future expected lifetime of pensioner at age 65:	2018	2017
Current pensioners		
Male	22.6	22.5
Female	24.7	24.6
Future pensioners		
Male	24.8	24.7
Female	27.0	26.9

NOTES TO THE ACCOUNTS CONTINUED

26. PENSION SCHEMES CONTINUED

The mortality rates used have been taken from Base tables S2PA (CMI 2015 improvements 1.5 per cent long-term rate of improvement) (2017: S1PA (CMI 2015 improvements 1.5 per cent long-term rate of improvement)).

At 31 March 2018, the average duration of the scheme liabilities was 24 years (2017: 24 years). For deferred pensions the average duration was 27 years (2017: 28 years) and for pensions in payment the average duration was 13 years (2017: 13 years).

The Group's deficit as measured under IFRIC 14 is £8.1 million (2017: £9.5 million) as a result of the Group's commitment to future contributions to the scheme. This compares to an underlying IAS 19 deficit of £2.9 million (2017: £6.2 million).

A 0.1 per cent increase/decrease in the discount rate would give rise to a £19,000 decrease/£18,000 increase (2017: £26,000 decrease/£27,000 increase) in the deficit at 31 March 2018.

A 0.1 per cent increase/decrease in the inflation assumption would give rise to a £nil increase/£nil decrease (2017: £nil increase/£nil decrease) in the deficit at 31 March 2018.

A one year increase/decrease in the life expectancy assumption would give rise to a £nil increase/£nil decrease (2017: £nil increase/£nil decrease) in the deficit at 31 March 2018.

The scheme rules require the pension benefits to be uplifted by Retail Price Index (RPI), so there was no financial effect from the statutory requirement to uplift pension benefits by Consumer Price Index (CPI) rather than RPI.

	2018 Fair value of plan assets £'m	2017 Fair value of plan assets £'m
f) Plan assets		
<i>Return seeking:</i>		
Diversified growth funds	8.7	14.2
	8.7	14.2
<i>Debt instruments:</i>		
Corporate bonds	5.1	3.6
Gilts	-	2.9
Index linked bonds	-	5.8
	5.1	12.3
<i>Other:</i>		
Cash	1.0	0.1
Derivatives	2.7	-
LDI strategies	11.9	-
Total	29.4	26.6

All of the plan assets have a quoted price in an active market except for cash.

The plan has not invested in any of the Group's own financial instruments nor in any properties or other assets used by the Group.

The Group expects to contribute approximately £1.8 million to the scheme during the year ending 31 March 2019 in respect of regular contributions, and intends to contribute the same amount annually through to September 2022.

The risks to which the plan exposes the entity have been minimised by investing the assets of the scheme across a broad range of return seeking funds and debt instruments.

Defined contribution pension schemes

The Group also operates defined contribution pension schemes whereby contributions are made to schemes operated by major insurance companies. Contributions to these schemes are determined as a percentage of employees' earnings. Contributions owing to the insurance companies at the year end, included in trade and other payables, amounted to £0.3 million (2017: £0.2 million). Contributions during the year totalled £2.9 million (2017: £3.0 million).

27. ADDITIONAL CASH FLOW INFORMATION

Analysis of changes in net (debt)/funds:

Group	At 31 March 2017 £'m	Cash flow £'m	Other non-cash changes £'m	At 31 March 2018 £'m
Cash and cash equivalents	4.1	16.5	–	20.6
Revolving credit	(15.0)	15.2	(0.2)	–
Finance lease and hire purchase contracts	(0.1)	0.1	–	–
Net (debt)/funds	(11.0)	31.8	(0.2)	20.6

Net (debt)/funds is defined as cash and cash equivalents and loans receivable less interest-bearing liabilities net of unamortised issue costs.

Group	At 31 March 2016 £'m	Cash flow £'m	Other non-cash changes £'m	At 31 March 2017 £'m
Cash and cash equivalents	17.8	(13.7)	–	4.1
Revolving credit	–	(14.9)	(0.1)	(15.0)
Finance lease and hire purchase contracts	–	0.2	(0.3)	(0.1)
Net (debt)/funds	17.8	(28.4)	(0.4)	(11.0)

Analysis of changes in net (debt)/funds:

Company	At 31 March 2017 £'m	Cash flow £'m	Other non-cash changes £'m	At 31 March 2018 £'m
Cash and cash equivalents	2.0	3.1	–	5.1
Revolving credit	(15.0)	15.2	(0.2)	–
Net (debt)/funds	(13.0)	18.3	(0.2)	5.1

Company	At 31 March 2016 £'m	Cash flow £'m	Other non-cash changes £'m	At 31 March 2017 £'m
Cash and cash equivalents	2.2	(0.2)	–	2.0
Revolving credit	–	(14.9)	(0.1)	(15.0)
Net (debt)/funds	2.2	(15.1)	(0.1)	(13.0)

28. CONTINGENT LIABILITIES

The Company, together with its subsidiary undertakings, has entered into a cross guarantee with Lloyds Banking Group plc, The Royal Bank of Scotland plc, HSBC UK plc and Santander UK plc in respect of the Group's facility with those banks. Drawn down amounts totalled £1.0 million as at 31 March 2018 (2017: £16.0 million).

For the Company, the amounts drawn down by other Group companies which were guaranteed by the Company at the year end totalled £nil (2017: £nil).

29. COMMITMENTS

(a) The Directors have contracted for future capital expenditure for property, plant and equipment totalling £12.1 million (2017: £15.9 million).

(b) The Group's future minimum rentals payable under non-cancellable operating leases are as follows:

Group	2018 £'m	2017 £'m
Not later than one year	6.1	5.9
After one year but not more than five years	13.7	11.6
After five years	7.0	4.6
	26.8	22.1

The Company has no non-cancellable operating leases.

NOTES TO THE ACCOUNTS CONTINUED

30. RELATED PARTY TRANSACTIONS

During the year the Group and Company entered into transactions, in the ordinary course of business, with related parties, including transactions between the Company and its subsidiary undertakings. In the Group accounts, transactions between the Company and its subsidiaries are eliminated on consolidation but these transactions are reported for the Company below:

Company	Services rendered to related party £'m	Interest paid to related party £'m	Dividends received from related party £'m
Related party – Subsidiaries			
2018	25.7	3.9	18.2
2017	24.7	3.9	24.9

Amounts owed by or to subsidiary undertakings are disclosed in Notes 18 and 20. Any such amounts are unsecured and repayable on demand.

Remuneration of key management personnel:

Group	2018 £'m	2017 £'m
Short-term employee benefits	6.2	6.0
Post-employment benefits	–	–
Share-based payments	1.8	1.6
	8.0	7.6

31. ALTERNATIVE PERFORMANCE MEASURES

The Board monitors performance principally through adjusted and like-for-like performance measures. Adjusted profit and earnings per share measures exclude certain non-cash items including the net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, profit on sale of a business and goodwill impairment charges. Free cash flow is defined as net cash from operating activities less net interest paid and like-for-like revenue excludes the contribution from Crown Chicken and Ballymena prior to the anniversary of their acquisition and also the impact of the 53rd week in the current year.

The Board believes that such alternative measures are useful as they exclude volatile (net IAS 41 valuation movement on biological assets), one-off (impairment of goodwill and profit on sale of a business) and non-cash (amortisation of intangible assets) items which are normally disregarded by investors, analysts and brokers in gaining a clearer understanding of the underlying performance of the Group when making investment and other decisions. Equally, like-for-like revenue provides these same stakeholders with a clearer understanding of the organic sales growth of the business.

Like-for-like revenue

	2018 £'m	2017 £'m	Change
Revenue	1,464.5	1,245.1	+17.6%
Crown Chicken	(3.5)	–	
Ballymena	(33.2)	–	
Impact of 53rd week	(24.5)	–	
Like-for-like revenue	1,403.3	1,245.1	+12.7%

Adjusted Group operating profit

	2018 £'m	2017 £'m	Change
Group operating profit	88.4	78.1	+13.2%
Net IAS 41 valuation movement	2.2	(4.1)	
Amortisation of customer relationship intangible assets	2.2	2.1	
Adjusted Group operating profit	92.8	76.1	+21.9%

Adjusted profit before tax

	2018 £'m	2017 £'m	Change
Profit before tax	88.0	77.5	+13.5%
Net IAS 41 valuation movement	2.2	(4.1)	
Amortisation of customer relationship intangible assets	2.2	2.1	
Adjusted profit before tax	92.4	75.5	+22.4%

Adjusted earnings per share

	2018 £'m	2018 Basic pence	2018 Diluted pence	2017 £'m	2017 Basic pence	2017 Diluted pence
On profit for the year from continuing operations	70.0	137.8	137.1	62.4	124.2	123.7
Amortisation of customer relationship intangible assets	2.2	4.3	4.3	2.1	4.2	4.2
Tax on amortisation of customer relationship intangible assets	(0.4)	(0.7)	(0.7)	(0.4)	(0.7)	(0.7)
Net IAS 41 valuation movement	2.2	4.3	4.3	(4.1)	(8.2)	(8.2)
Tax on net IAS 41 valuation movement	(0.4)	(0.7)	(0.7)	0.7	1.4	1.4
On adjusted profit for the year from continuing operations	73.6	145.0	144.3	60.7	120.9	120.4
On profit for the year	70.0	137.8	137.1	67.2	133.8	133.3
Amortisation of customer relationship intangible assets	2.2	4.3	4.3	2.1	4.2	4.2
Tax on amortisation of customer relationship intangible assets	(0.4)	(0.7)	(0.7)	(0.4)	(0.7)	(0.7)
Net IAS 41 valuation movement	2.2	4.3	4.3	(4.1)	(8.2)	(8.2)
Tax on net IAS 41 valuation movement	(0.4)	(0.7)	(0.7)	0.7	1.4	1.4
Profit on sale of business	–	–	–	(4.5)	(9.0)	(9.0)
On adjusted profit for the year	73.6	145.0	144.3	61.0	121.5	121.0

Free cash flow

	2018 £'m	2017 £'m	Change
Net cash from operating activities	112.1	72.9	+53.8%
Net interest paid	(0.4)	(0.5)	
Free cash flow	111.7	72.4	+54.3%

FIVE YEAR STATEMENT

	2018 £'m	2017 £'m	2016 £'m	2015 £'m	2014 £'m
Turnover^	1,464.5	1,245.1	1,016.3	1,003.3	994.9
Profit before tax^	88.0	77.5	62.1	52.8	54.8
Adjusted profit before tax**	92.4	75.5	64.4	57.8	52.2
Earnings per share^	137.8p	124.2p	98.9p	84.1p	88.7p
Adjusted earnings per share**	145.0p	120.9p	102.8p	92.1p	84.1p
Dividends per share	53.7p	44.1p	37.5p	34.0p	32.0p
Capital expenditure	59.2	48.6	34.1	23.3	22.9
Net funds/(debt)	20.6	(11.0)	17.8	(17.3)	(17.0)
Net assets	479.9	421.4	368.0	332.4	302.7

* Adjusted profit before tax and earnings per share exclude the effects of net IAS 41 valuation movement and acquisition related amortisation in 2018 and 2017; the effects of net IAS 41 valuation movement, acquisition related amortisation and impairment of goodwill in 2016; net IAS 41 valuation movement and acquisition related amortisation in 2015 and release of contingent consideration and net IAS 41 valuation movement on biological assets in 2014. These are the measures used by the Board to assess the Group's underlying performance.

^ 2017 and 2016 reflect continuing operations only.

Dividends per share relate to dividends declared in respect of that year.

Net funds/(debt) is defined as per Note 27 to the accounts.

FINANCIAL CALENDAR

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

SHAREHOLDER ANALYSIS AT 8 MAY 2018

	Number of holdings	Number of shares
Classification		
Private Shareholders	1,243	4,493,918
Corporate bodies and nominees	746	46,593,281
	1,989	51,087,199
Size of holding (shares)		
1-1,000	1,155	399,853
1,001-5,000	446	1,003,425
5,001-10,000	106	764,191
10,001-50,000	142	3,437,527
50,001-100,000	56	4,031,329
Above 100,000	84	41,450,874
	1,989	51,087,199
Share price		
Share price at 31 March 2017		2,559p
Share price at 31 March 2018		2,844p
High in the year		3,337p
Low in the year		2,531p

Share price movement

Cranswick's share price movement over the six year period to May 2018 and comparison against the FTSE 350 Food Producers and Processors Price Index (FTSE FPP) and against the FTSE All Share Price Index (FTSE All Share), all rebased to Cranswick's share price at 4 May 2012 (809p), is shown below:

ADVISERS

Secretary	Steven Glover LLB
Company number	1074383
Registered office	74 Helsinki Road Sutton Fields Hull HU7 0YW
Stockbrokers	Investec Investment Banking – London Shore Capital Stockbrokers – Liverpool
Registrars	Link Asset Services The Registry 34 Beckenham Road Kent BR3 4TU Tel: 0871 664 0300 (calls cost 10 pence per minute plus network extras; lines are open 8.30am to 5.30pm, Monday – Friday) If calling from overseas please call +44 208 639 3399 email: shareholderenquiries@linkgroup.co.uk www.linkassetservices.com
Auditors	PricewaterhouseCoopers LLP – Leeds
Tax advisers	KPMG – Leeds
Solicitors	Rollits LLP – Hull
Bankers	Lloyds Banking Group plc The Royal Bank of Scotland plc HSBC Bank plc Santander UK plc
Merchant bankers	N M Rothschild & Sons – Leeds