

CRANSWICK plc



REPORT & ACCOUNTS
Year ended 31 March 2007

Cranswick was formed in the 1970's by farmers in East Yorkshire to produce animal feed. The Company went onto the Stock Market in 1985 and since that time has evolved into a business that is highly focused on the food sector. Activities include the marketing of pigs, the supply of fresh pork, gourmet sausages, charcuterie, cooked meats, sandwiches and traditional dry cured bacon. This represents over 90 per cent of sales. Sales are also made into the pet and aquatic sector through the supply of bird and small animal food, marine fish and aquatic products.



Share price 1985-2007 (pence)



Start date is entry onto Stock Market, 4 December 1985

Source: Investec

Financial highlights



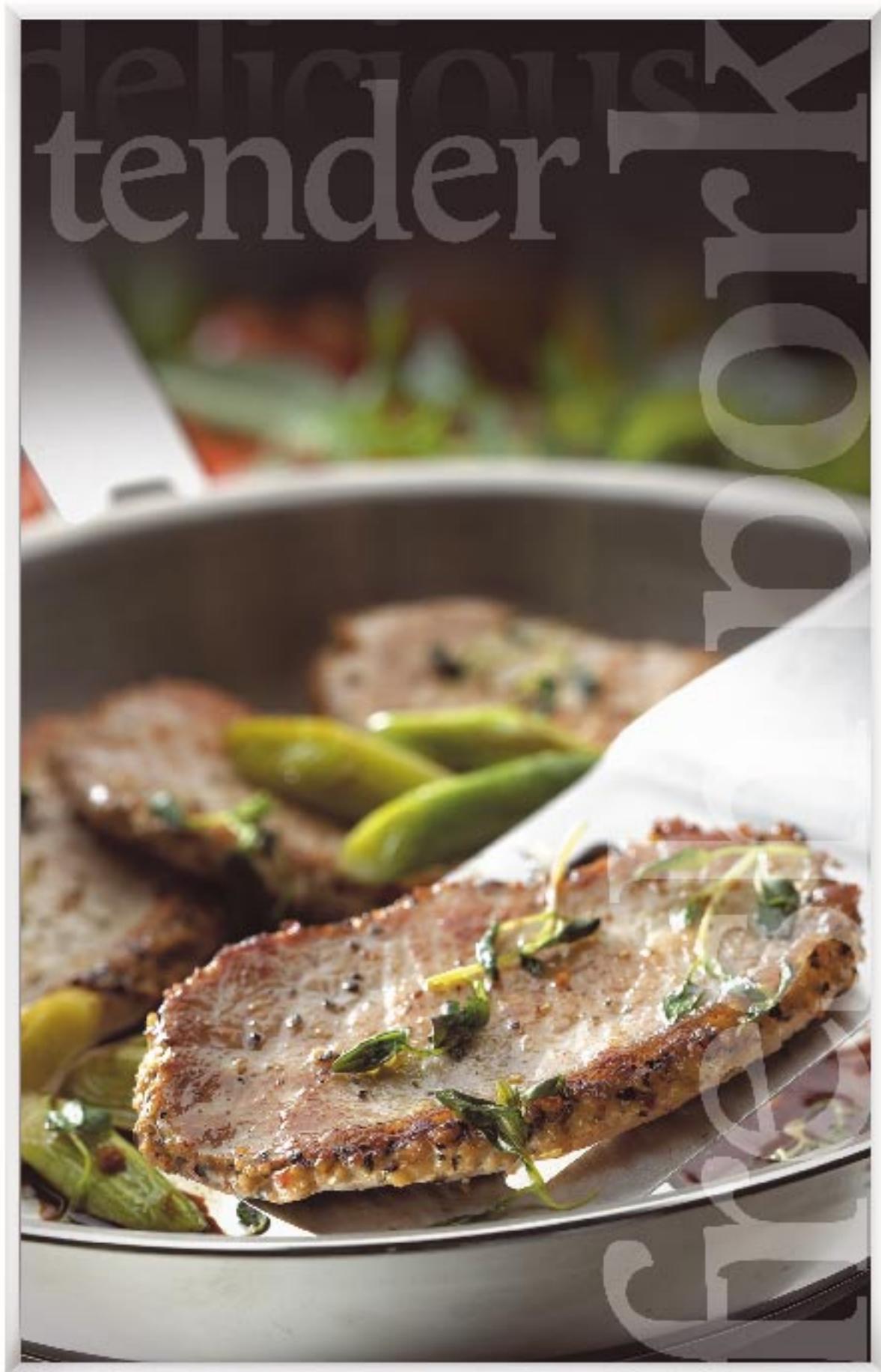
- Turnover up 19 per cent to £525m
- Profit before tax up 12 per cent at £32.4m*
- Increase of 5 per cent in earnings per share to 50.1p*
- Dividend up 10 per cent to 18.1p per share
- Strong cash generation

* Pre-exceptional gain



Contents

Chairman's statement	5
Review of activities	11
Group operating and financial review	17
Group Directors and business locations	24
Directors	25
Report of the Directors	27
Cranswick and the environment	31
Group income statement	32
Group statement of recognised income and expense	33
Company statement of recognised income and expense	33
Group balance sheet	34
Company balance sheet	35
Group cashflow statement	36
Company cashflow statement	37
Notes to the accounts	38
Corporate governance statement	68
Statement of Directors' responsibilities in relation to the financial statements	72
Directors' remuneration report	73
Report of the auditors to the members of Cranswick plc	77
Advisers	79
Shareholder information	80
Some of the awards in recent years to Cranswick businesses	82
Production facilities	84



“ The Board is proposing an increase in the final dividend of 10 per cent to 12.2p per ordinary share ”



Chairman's statement

I am pleased to be able to report to Shareholders that Cranswick has continued its successful development and is once again reporting record profits. Underlying sales growth was particularly strong resulting in an increase in market share which was further enhanced by the strategic acquisition of DeliCo on 1 November 2006.

Results

The Company achieved an increase in sales of 19 per cent to £525 million. Turnover in the food division was up by 21 per cent at £493 million and this accounted for 94 per cent of total Company sales. The increase in sales largely reflected organic growth although the DeliCo acquisition during the year added £9 million. Strong sales increases were evident across most food categories highlighting the success of the Company's strategy in positioning itself in a number of growing, premium areas of the market. The Company's other activity which is involved in the pet and aquatic sector saw a marginal reduction in sales reflecting higher aquatic sales but a decline in bird food.

Profit before tax and exceptional gains increased by 12 per cent from £29.0 million to £32.4 million. Earnings per share on a similar basis rose to 50.1 p (2006 – 47.8p). The increase of 5 per cent in earnings per share reflects a normal tax charge this year compared to a lower charge previously following the acquisition of Perkins, as well as additional shares in issue. Exceptional gains in both this year and last year relate to profits on disposal of surplus properties. The exceptional gain before tax this year was £0.3m and in 2006 amounted to £2.1m.

The results are considered in more detail in the review of activities section.

Cash Flow

Cash flow was again very strong with cash generated from operations of £41.8 million, the same as the previous year. This allowed the Company to purchase DeliCo without increasing year-end borrowings. The net cash cost of the acquisition was £13.4 million with a further £3.6 million satisfied by shares. Capital expenditure, net of disposal proceeds, was slightly ahead of last year at £10.8 million resulting in borrowings of £75.9 million compared with £77.1 million a year ago. Interest cover pre exceptional gains was 7.9 times compared with 6.7 times in 2006.

Dividend

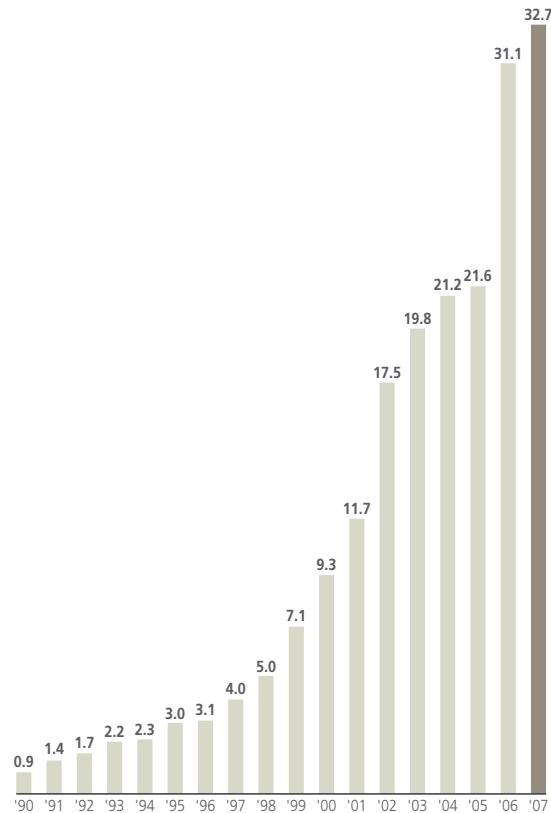
The Board is proposing an increase in the final dividend of 10 per cent to 12.2p per ordinary share. Along with the interim dividend of 5.9p per ordinary share paid in January 2007 this makes a total dividend for the year of 18.1p per ordinary share, an increase of 10 per cent on last year's 16.5p. The final dividend, if approved by Shareholders, will be paid on 7 September 2007 to Shareholders on the register at the close of business on 6 July 2007. Shares will go ex-dividend on 4 July 2007. Shareholders will have the option to receive the dividend by way of scrip issue.

healthy
quality
omega



“ Through a combination of acquisitions and organic development the business has evolved into one focused predominantly on the supply of premium food products ”

Profit before tax 1990-2007 (£m)



Employees

The year has not been without its challenges, which included a fire in December 2006 at the Chorleywood aquatics site. The Company has continued to progress and on behalf of my colleagues on the Board I would like to express our sincere thanks to all members of staff for the expertise and commitment which they bring to the business.

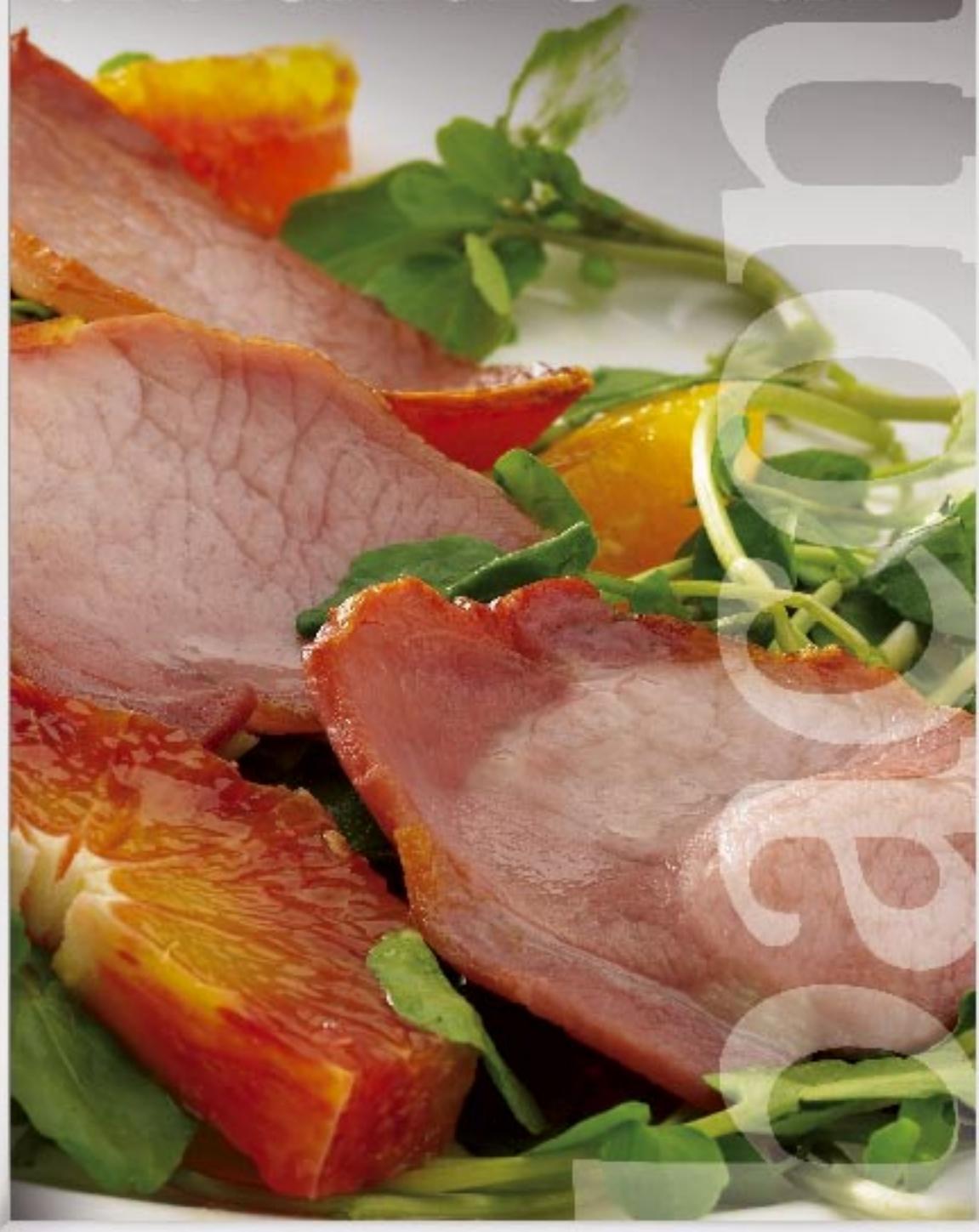
Strategic Development

The Company was formed by farmers in the early 1970's to produce pig feed. In 1988 the Board embarked on a strategy to broaden the base of the Company's activities and to seek opportunities to develop into related areas offering greater scope to add value to the Company's processes. Through a combination of acquisitions and organic development the business has evolved into one focused predominantly on the supply of premium food products.

As part of this strategy the Company today announces the sale of the feed milling business of Cranswick Mill, the group's original activity. There will be a cash inflow resulting from the sale and the reduction in working capital of approximately £7 million. The trading environment for this business has been particularly challenging in recent years following the substantial reduction in the UK pig herd. Despite some rationalisation of milling capacity in the industry there continues to be oversupply. Efforts to mitigate the impact of this have included the further development of the starter feed business and tight cost control. Feed sales in the year totalled £25 million and a small profit was achieved. The opportunity to develop a solution to the challenges facing the business was explored and successfully concluded with BOCM Pauls, a leading supplier of animal feed. BOCM have plans for investment in the site and for the further development of the business. The sale of the feed milling business follows the sale of the pig production business in the previous financial year. The pig marketing business of Cranswick Mill, the procurement arm of Cranswick Country Foods, is to continue as an integral part of the Group. We wish David Ball, managing director of Cranswick Mill, his colleagues and BOCM every future success.

The food division was expanded in November with the acquisition of DeliCo, producer of sliced cooked meats, a growing category in the food sector. The business has been successfully integrated by the management team in the Cranswick Convenience Foods division. At the time of acquisition there

air-dried
traditional



“ The current year has commenced in an encouraging manner and the Board looks to the future with confidence ”



was substantial unutilised capacity in the relatively new production facility. Our plans for filling this capacity have been successful and the business is on track for a substantial increase in sales over the next year.

Cranswick Gourmet Bacon, producer of traditional air-dried bacon, was established by way of joint venture in 2004 with Cranswick holding 70 per cent of the equity. This was increased to 85 per cent during the year and we anticipate that this will be increased to 100 per cent in the near future. The quality of the premium bacon produced by this business is underlined by the numerous awards it continues to pick up.

The Company has recently received planning permission for the further development of the primary pork processing site in East Yorkshire which secures the longer term plans of this important part of the Company's activities.

Outlook

Compound annual growth in sales over the past five years has been 18 per cent per annum and is a combination of both organic and acquisitive development. The past year has seen sales rise by 19 per cent and we anticipate further sales increases over the next year although, as reported previously, there are signs that the Company is facing a more competitive trading environment. The Board is confident that, with activities in a number of growing premium food categories and strong operational management teams, the maintenance of an unchanged strategy will continue the successful development of Cranswick. The current year has commenced in an encouraging manner and the Board looks to the future with confidence.

Martin Davey
Chairman, 21 May 2007

flavour & provenance



“ All the Cranswick food producing sites have achieved the highest 'A' grade BRC (British Retail Consortium) standards ”



Review of activities – Food

By the Chief Executive *Bernard Hoggarth*

The strong sales growth continued, as in recent years, with sales up 21 per cent at £493 million. Sales of food products rose by 20 per cent, with agricultural products up 32 per cent.

The food group's businesses have all shown strong growth in the premium sectors, with our sausage and bacon sales growth being exceptional. The focus and investment in developing our foodservice sales is now bearing fruit with sales in the year exceeding £20 million. The vast majority of this growth has come from specialist lines sold into the gastro-pub chains and supplying the high street dining outlets.

All the Cranswick food producing sites have achieved the highest 'A' grade BRC (British Retail Consortium) standards. We are also proud to have the first food factory in the UK to score zero minor non-compliance at a recent audit. New product development continues to be the life blood of the business across the food operations. To put this into perspective fresh pork, sausage and bacon currently have 25 products under development and launched 88 new products during the year. As part of this process, it is very pleasing to report the food businesses collected 11 industry awards during the financial year.

The fresh pork business has been successful in gaining planning permission for a new replacement processing facility at the Preston site in East Yorkshire. This should be completed during the next two years. This development, coupled with investment we have made previously in the centrally packed meat plant adjoining, will consolidate its position as one of the most efficient primary facilities, and is currently the largest pig processing plant in the UK. This will facilitate the continued development of our customer base and growth going forward. Overall, fresh pork sales in the UK grew by 2 per cent in the year, whilst the Cranswick pork business achieved an impressive 23 per cent increase. Recent investment in new equipment is facilitating the processing of by-product into organic matter which can be used as fertilizer. The tallow extracted in the process is utilised in the production of bio-fuel. We are currently exploring the possibility of using the recycled fuel to power the factory boilers for hot water and steam production and to fuel part of our own fleet of vehicles. In addition we have immediately reduced vehicle movements, due to the previous removal off site of all such by-products via HGV's.

The Lazenby's sausage factory is just 2 years old, but due to the phenomenal success achieved in sales, and the development of new business, we are installing three new production lines to meet demand. This will require capital expenditure in excess of £2 million. The total sausage market showed no growth in the year, but premium categories grew by 19 per cent. The Cranswick business however achieved growth of 28 per cent. Lazenby's was successful in becoming the licensee for the 'Weight Watchers' brand of sausage which we launched during the second half of the year. We also produce the "Black Farmer" brand, which was launched during the year, and Duchy Originals. The latter grew at almost 23 per cent, and reinforces again the continuing trend for consumers to 'trade up' in fresh prepared foods.

tasty &
fresh &
real



Recently the Cranswick Gourmet Sausage Company launched the 'Simply Sausage' brand at The Ivy in London. This event was attended by buyers from the main retailers and a myriad of journalist and food writers and was hosted by celebrity chef James Martin. You can log onto the new website for information on this exciting new range at: www.simplysausages.com.

The cooked meat business, Cranswick Convenience Foods, has continued to grow its sales well above the market place. Pre-packed cooked meat sales nationally rose by almost 7 per cent whereas Cranswick grew by 16 per cent. Deli sales declined slightly in line with the national fall of 3 per cent as consumers continue to switch to more pre-packed convenient formats. The DeliCo acquisition has integrated into the group well and is performing in line with expectations. By the summer this facility will be operating at over 90 per cent of capacity, again in line with our plans. There has been continued capital expenditure, in excess of £6.6 million across the cooked meat facilities during the year. This enables us to continue to be at the forefront of the sector, by incorporating the most modern, efficient equipment into our specialist business units. This coupled with new product development and significant growth in our customer base, bodes well for the future.

Bacon sales were up a very healthy 65 per cent with which we are delighted. With further growth anticipated we are planning for additional production capacity. We have acquired a new freehold site 'twixt Leeds and York of over 8,000 square meters which will enable us to continue to grow this business. We anticipate a weekly capacity from this new facility of in excess of 400 tonnes per week, this compares with a current peak of approximately 75 tonnes. The expected project cost will be approaching £9 million. This large investment will allow the continued focus on the development of the premium bacon category, in the same way that we have developed our sausage business over the last decade. Across the UK bacon market as a whole, we currently have less than a 2 per cent market share. Taking the premium categories on the other hand, Cranswick Gourmet Bacon Company has a 22 per cent market share. Our bacon business received 2 Gold Medals and 2 Silver Medals in the BPEX Foodservice awards and was awarded the Foodservice 'Pork Product of the Year' 2007.

Continental Fine Foods, Cranswick's Manchester based charcuterie business had an exceptional year with sales up 21 per cent to almost £70 million. The business invested in a new high speed slicing line during the year at a cost of £1 million which helped achieve average weekly volumes of over 700,000 packs, compared with 520,000 packs a year ago. Corned beef continues its revival with sales volumes up 22 per cent in the year.

We are working with a small artisan producer of fresh filled pasta in Italy to bring all their facilities up to BRC standards, ready for serving the UK retail market. Following this accreditation we will launch this very special product with a major retail customer later this year. This highlights perfectly one of the main routes to market for Continental Fine Foods, driven by our skilled buyers, researchers and development teams.

The Sandwich Factory (TSF) saw sales rise by 5 per cent in the year with sales of £36m. New business wins in the year include, Ryan Air, Flybe, BMI Baby, First Great Western Railways and the further development of exciting ranges with our retail customers.

TSF has been working with Duchy Originals on a new organic range of sandwiches. The first products should be launched during summer this year. These products will target the premium category with research having shown that there is demand for such premium products in the sector. Within the product portfolio are three new categories. We now produce and supply "food to go" solutions, salads and pizzas. Total units produced were 40 million, with approximately 25 per cent being alternatives to the standard skillet, or sliced sandwich.

TSF has developed its plan to use more recyclable packaging during the year with the introduction of cardboard skillets, biodegradable webs and 'returnable' plastic distribution trays. Further "green" initiatives include the development of an electrolyzed water supply to reduce the amount of chemicals used by the business in the factory cleaning process by 40 per cent.

In summary, we believe our food businesses now operate from some of the best invested and most modern production facilities in the UK. This, coupled with the strong management teams we have in situ and the strength of our new product development teams, leads us to believe we are well placed to continue the profitable growth and development of the food business.

marine stewardship



marine
stewardship

“ During the year TMC supplied a number of high profile projects including seven large ocean exhibits to Sea Life centres around the UK ”



Review of activities – Pet

By the Chief Executive Derek Black

Total sales were marginally down for the year at £31.5 million (2006 – £32.1 million) with increased sales of aquatic products and a reduction in food.

In Pet Products, predominantly bird and small animal food, sales were a little under £20.5 million down 8 per cent. This was due mainly to an extremely hot summer, coupled with a mild autumn and winter. The public's perception is that wild birds do not need feeding during a mild winter. Changing habitats and the need to protect endangered native birds means it is imperative to feed birds not only in winter but all year round and we, along with the RSPB, strive to get this message over to the public. Our target markets remain unchanged and include high street retail chains, wholesale discount multiples, retail membership groups, grocery and mail order.

Sales in the TMC aquatic business were ahead of last year at almost £11 million (2006 – £9.7 million) up 12 per cent. Sales of marine livestock increased by 20 per cent. It is particularly pleasing to report the continued growth and development of the branch businesses. Manchester saw sales up 10 per cent and Bristol an increase of 26 per cent. Sales of dry goods were adversely impacted following a major fire in the warehouse in December at the Chorleywood site and, as a consequence, there was a more modest rise in sales of 6 per cent on last year in this category. The building is presently being reconstructed and will be fully operational by July 2007. There will be no impact to profit, due to the comprehensive levels of insurance cover in place.

During the year TMC supplied a number of high profile projects including 7 large ocean exhibits to Sea Life centres around the UK, including the new aquarium in Loch Lomond, a large recirculation and water treatment system for a cod hatchery in Scotland, and four large marine holding systems to a shellfish supplier. New product launches has also been a key feature for the business with the development of the V2 ultra-violet skimmers, which was voted best Marine Product in 2006 by Practical Fishkeeping.

finest & good ingredients



“ Cranswick has a long record of increasing sales and profit through a combination of investing in modern, efficient factories, developing a range of quality products and making sound acquisitions ”

Group operating and financial review

Nature, objectives and strategies

The Group's businesses

The Group's operations are organised into two business divisions, food and pet. The performance of these two divisions in the year is discussed in the review of activities within the Statement to Shareholders on pages 11 to 15. The food business operates predominantly in the UK with the exception of a small operation selling specialist animal feed into Continental Europe, and the pet business operates entirely within the UK although a proportion of sales are export. The food business manufactures a range of high quality, predominantly fresh products including fresh pork, sausages, bacon and cooked meats for sale to the high street food retailers. It also supplies a range of pre-sliced, pre-packaged charcuterie products for sale into these same customers, sandwiches into the foodservice sector and manufactures pig and poultry feed for sale to pig farmers in the UK and Europe. The pig and poultry feed operation has been sold subsequent to the year-end. The markets in which the food business operates are competitive both in terms of pricing from fellow suppliers and the retail environment in general. The UK food retail market is known to be amongst the most competitive in the world. Despite this, Cranswick has a long record of increasing sales and profits through a combination of investing in modern efficient factories, developing a range of quality products and making sound acquisitions. The businesses are under the control of stable, experienced and talented operational management teams supported by a skilled workforce. The pet business produces a range of bird and small animal food for sale into specialist pet and more general retail outlets, as well as selling tropical marine fish and aquatic products largely into specialist retailers both in the UK and abroad.

Environmental matters

The Board believes that good environmental practices support the Board's strategy by enhancing the reputation of the Company, the efficiency of production and the quality of products. The industry is subject to a range of UK and EU legislation. Environmental standards are being tightened on a regular basis and require increasing levels of investment. Compliance imposes costs and prolonged failure to comply could materially affect the Group's ability to operate.

Further information on the Group's policies on minimising its environmental impact is given in our Environmental Report on page 31.

Business objectives

It is the Board's view that meeting the following business objectives is key to achieving the financial and non-financial measures that increase shareholder value:

- Delivering innovative, quality products to our customers



- Maintaining the highest level of service to our customers
- Improving operational efficiency
- Securing employee health and safety
- Maximising returns on investment

Business strategies

The Group's market strategy is to focus on the growing quality end of the markets in which we operate, to establish meaningful and long-lasting relationships with our major customers by a combination of product development and high service levels and to invest in quality facilities and the latest equipment to enable us to operate as efficiently as possible. Each operating unit within the Group is given the responsibility for developing its own plans to deliver the objectives of the Group with particular emphasis on growing sales through product innovation and high service levels, improving operational efficiency and securing employee health and safety. The role of the Board in achieving Group objectives is to support operational management and to identify suitable acquisitions that will take the Group into new and growing areas of the market, will open up new customer relationships to the Group or will consolidate existing market positions.

Business KPIs

The Board has assessed that the following KPIs are the most effective measures of progress towards achieving the Group's objectives. A report on performance against these KPIs is given on page 19.

Organic sales growth – year on year increase in sales revenue excluding the impact of acquisitions and disposals.

Gross return on sales – gross profit as a percentage of sales revenue

Net return on sales – operating profit as a percentage of sales revenue

Free cashflow – cash generated from operations less tax and interest paid.

Current and future development and performance

Business development and performance

The key features of the year have been the record profit before tax for the Group, the strong cash generation and the acquisition of Delico that has given us the additional capacity in cooked meats to supply new retail customers. The record of unbroken growth in profits now goes back 19 years. The trading environment in which we operate has remained challenging; in particular it has proved difficult to pass on inflationary increases in costs and we have experienced increasing competitor pressure although the efficiencies that we are achieving as we put extra volumes through our factories have mitigated to some extent against those pressures.

Group revenue

	2007	2006
Group revenue from continuing activities	£524.8m	£441.2m

The Group's revenue from continuing activities has increased by 19 per cent, of which 17 per cent is organic and the balance relates to the November 2006 acquisition of Delico. Food sales excluding Delico increased by 18 per cent with fresh pork growing at 23 per cent, sausages at 28 per cent, bacon at 65 per cent, cooked meats at 16 per cent, charcuterie at 22 per cent and sandwiches at 5 per cent. Sales in the pet activities were slightly down on the previous year following disappointing bird food sales offset by excellent sales growth at Tropical Marine.

Profit before tax

	2007	2006
	£m	£m
Group operating profit before exceptional items	37.1	34.1
Net finance costs	4.7	5.1
Pre-tax profit before exceptional items	32.4	29.0
Exceptional items	0.3	2.1
Profit before tax	32.7	31.1

The increase in group operating profit before exceptional items is entirely attributable to the growth in both sales and profits in the food activities. The animal feed and pet operations were down slightly. The reduction in net finance costs was as a result of the strong cashflow in the year notwithstanding the acquisition of Delico for £17.9 million (excluding costs) of which £14.3 million was cash, partially offset by the increase in UK interest rates in the year.

Performance against KPIs

	2007	2006
Organic sales growth	17.0%	9.0%
Gross return on sales	16.4%	17.4%
Net return on sales	7.1%	7.7%
Free cashflow	£29.9m	£29.8m

The Company has seen substantial growth in organic food sales over the past year driven by its expertise in product development, service levels, quality and value. Whilst further sales growth is anticipated in the forthcoming twelve months there are signs that the Company is facing a more competitive trading environment.

Future development

The Group will continue to seek to increase sales through a combination of product development with existing customers and business gains with new ones. The standard of our factories will be maintained at the highest level and suitable acquisition opportunities will be pursued.

Resources, risks and relationships

Resources

The Group aims to safeguard the assets that give it competitive advantage, being its reputation for product innovation, product quality, food safety and service levels, its modern well-equipped factories, its operational management and its skilled workforce.

Reputation

It is the responsibility of local operational management assisted by their own product development team and Group Technical and Group Health & Safety to maintain and where possible enhance the Group's reputation for product innovation, product quality, food safety and service levels.

Factories

The Group has some of the best-invested, modern facilities in the industry, having invested £55 million over the past four years, and it intends to continue investing to ensure that it maintains its competitive edge.

Employees

The Group aims to recruit, train and retain employees who are valued for their contribution and able to fulfill their potential in meeting the business objectives of their operating unit. The Group companies each have their strategies for retaining staff, including the provision of competitive terms and conditions and share options. The Group has had a Savings-related Share Option Scheme in place for over 10 years, which is open to all employees with 2 years' service and has proved very successful with many staff now also shareholders.

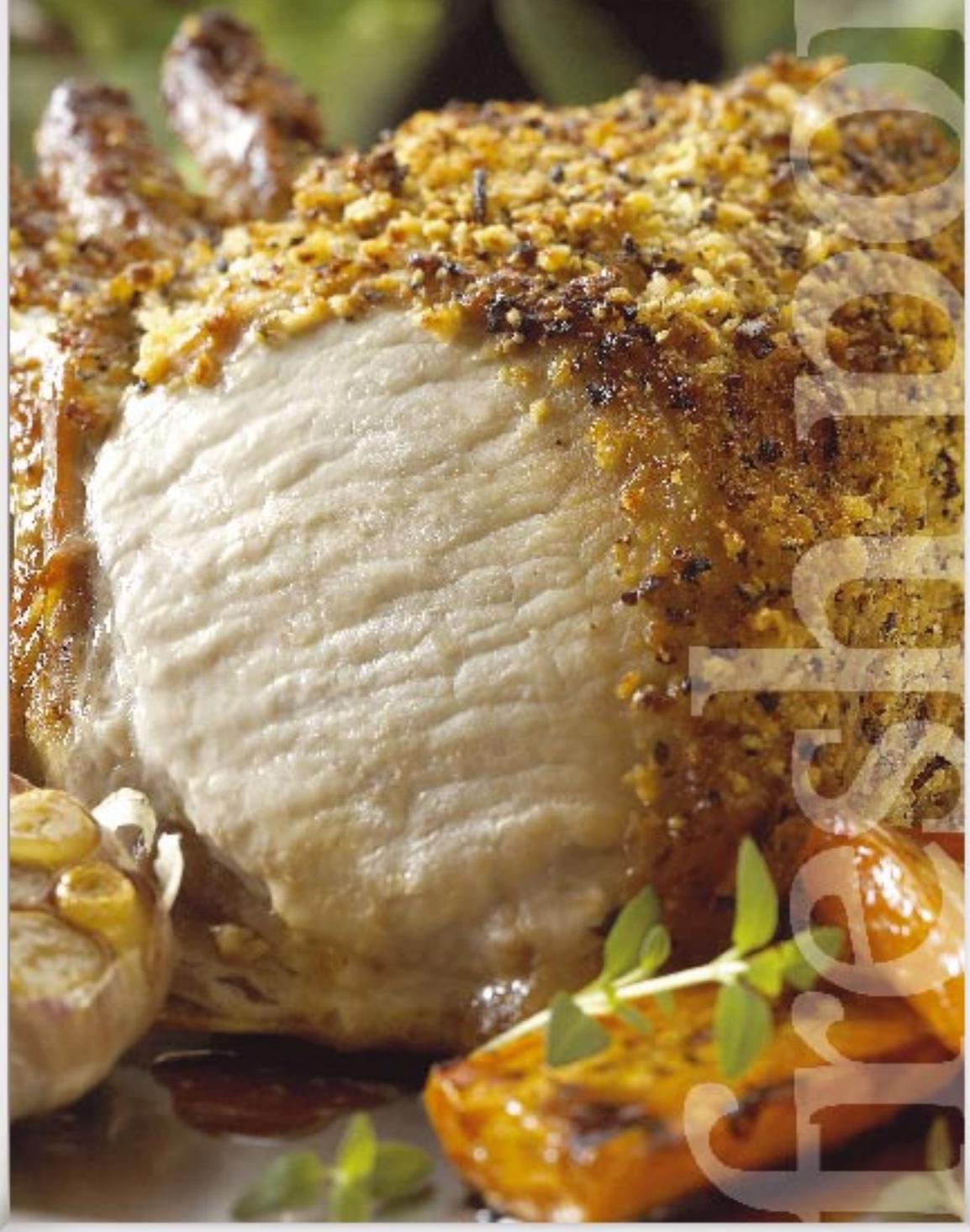
Principal risks and uncertainties

The Group annually carries out a formal exercise to identify and assess the impact of risks on their businesses and the exercise has recently been reviewed. The more significant risks and uncertainties faced by the Group, in line with the rest of the food manufacturing sector, were identified as customer retention, food scares, margins and profitability, and competition. The corporate governance report on pages 68 to 71 describes more about the Group's risk management processes.

Relationships

The Board encourages businesses to support local community organisations and charities in the locations in which they operate.

organic



Financial position and performance

Exceptional items

The exceptional item in 2007 relates to the profit on sale of the former pet products facility at Beverley, East Yorkshire. Deferred tax of £229,000, of which £150,000 relates to the prior year, was provided on the rolled-over gain. The exceptional item in 2006 relates to the profit of £2.1 million on sale of the former sausage factory at Cottingham, East Yorkshire less taxation of £0.6 million.

Finance costs

Finance costs have decreased from £5.1 million in 2006 to £4.7 million in the current year reflecting reduced bank borrowings on the back of the strong cashflow in the year partially offset by higher UK interest rates and the acquisition of DeliCo.

Taxation

An analysis of the tax charge is set out in note 8 to the financial statements. The total tax charge as a percentage of profit before taxation was 30.6 per cent in the current year and 26.6 per cent in 2006, the latter rate reflecting the impact of tax losses acquired. The standard rate of UK Corporation tax was 30 per cent in both years. In addition the Group benefits from tax amounts taken directly to equity and included in the Group Statement of Recognised Income and Expense.

Earnings per share

Basic earnings per share before exceptionals increased by 5 per cent to 50.1 pence. Due to the large exceptional gain in the prior year, there was a reduction in earnings per share after exceptionals of 1.0 pence. The average number of shares in issue, which is the basis of both calculations, was 1 per cent higher in 2007 than 2006.

Cashflow

Operating activities were in line with the previous year generating £41.8 million (2006 - £41.8 million) of cash and cash equivalents. The net cash outflow from investing activities of £24.3 million reflects the cash component of the Delico acquisition of £13.5 million plus capital additions of £12.0 million less sales proceeds of £1.1 million. The previous year's outflow was £10.1 million and comprised capital additions of £14.0 million less disposals of £3.9 million. The £10.1 million of net cash used in financing activities in 2007 is largely due to interest paid of £4.0 million and dividends paid of £6.5 million. The additional borrowings of £10.0 million to fund the Delico acquisition, and £1.8 million proceeds from the issue of share capital were almost offset by the repayment of borrowings of £11.4 million. The prior year cash outflow from financing comprised repayment of borrowings of £18.8 million, interest paid of £5.1 million and dividends paid of £5.8 million. The overall result is a net decrease in cash and cash equivalents of £0.5 million (2005 – £3.3 million).

Capital structure

The Group's capital structure is as follows:

	2007	2006
	£m	£m
Net debt (note 26)	75.9	77.1
Cranswick plc shareholders' equity	135.7	112.4
Capital employed	<u>211.6</u>	<u>189.5</u>

More details about the Group's capital structure are set out in Note 22 Financial Instruments.

Distributions, capital raising and share repurchases

Under IFRS dividends paid and proposed during the year are no longer shown on the profit and loss account but are charged against reserves when they are paid. Details of dividends paid and proposed during the year are given in the Directors' Report on page 27. The proposed final dividend for 2007 together with the interim paid in January 2007 amount to 18.1 pence per share which is 10 per cent higher than the previous year. The increase in share capital of the Group comprises 478,766 in respect of the Delico acquisition, 195,000 shares allotted to Cranswick Trustees Limited at par in respect of the Long Term Incentive Plan approved at last year's Annual General Meeting, 458,693 of share options

premium cut meat



exercised during the year and 152,236 in respect of scrip dividends. There were no share repurchases during the year.

Treasury policies

Foreign currency risk

The major foreign exchange risk facing the Group is in the purchasing of product in the charcuterie and pet food operations. The major currencies involved are the Euro and the US dollar. The policy of the Group is to seek to mitigate the impact of this risk by taking out forward contracts with UK banks for up to 12 months ahead and for amounts that commence at approximately 25 per cent of the requirement and move progressively towards full cover. At least 2 members of the main board attend the monthly meetings of the subsidiary boards at which the key decisions on currency cover are taken.

Interest rate risk

The main board set the policy on interest rate risk at the time of the Perkins acquisition when borrowings increased significantly. Cover was implemented by taking out an interest rate swap agreement with a UK bank on the amortising portion (£45 million) of the medium term loan drawn down to finance the acquisition. This is being repaid at the rate of £5.625 million every 6 months from March 2006 to September 2009. The policy is reviewed from time to time as circumstances change. The monitoring of interest rate risk is handled entirely at head office based on the monthly consolidation of cashflow 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 the monthly board meetings of the operations. The incidence of bad debts is very low. Every attempt is made to resist advance payments for goods and services; where this proves impossible arrangements are put in place wherever possible 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 operation is monitored on a daily basis and capital expenditure above a certain level is approved at the monthly board meeting of each operation at which at least two members of the main board are present and reported at the subsequent monthly main board meeting. Each operation has access to the Group's overdraft facility and all term debt is arranged centrally. The current bank facilities available to the Group are a term loan of £45.0 million repayable in January 2010, an amortising loan facility of £28.125 million repayable at the rate of £11.25 million per annum, a revolving credit facility of £20.0 million and an overdraft facility of £10.0 million. Unutilised facilities at 31 March 2007 were £25.2 million (2006 – £23.0 million).

Price risk

The major exposure the Group has to raw material price fluctuations is pig meat part of which is as a result of currency movements. Historically this has been volatile across Europe but recently the market has been more stable. The Group does not seek to hedge against pig price movements because of the downside risk.

Further details of the Group's financial instruments are disclosed in Note 22 to the accounts.

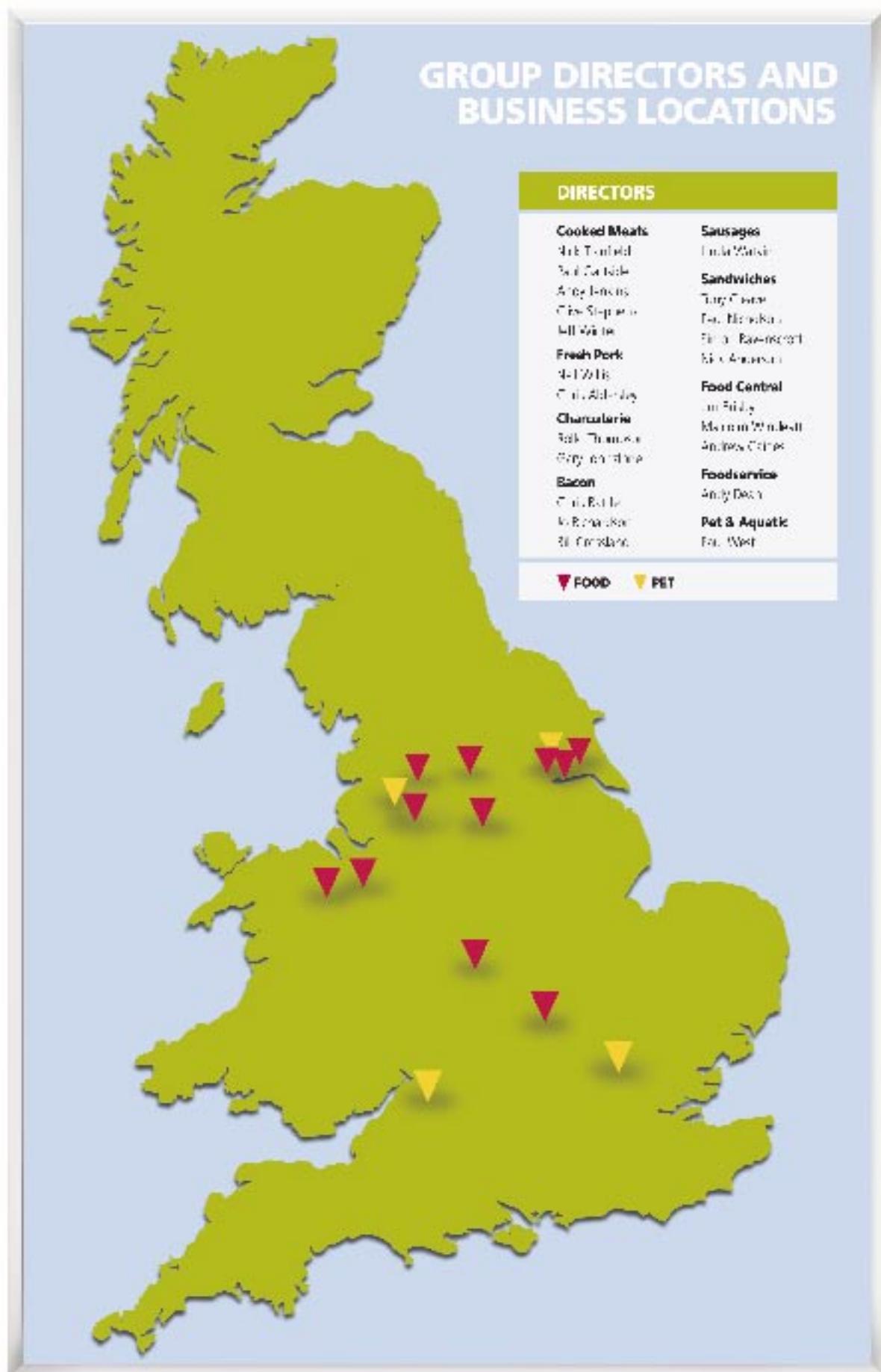
Going concern

After 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.

On behalf of the Board,

John Lindop

Finance Director, 21 May 2007



Directors

Executive Directors

❖ **Martin Davey, Chairman**

Martin qualified as a chartered accountant with Pannell Kerr Forster. He joined Cranswick and became Finance Director in 1985. He was appointed Chief Executive in 1988 and became Chairman in 2004. Since 2004 Martin has been a non-executive director of Thorntons plc, on which he spends one day per month. All fees receivable are paid to the Company.

John Lindop, Finance

John qualified as a chartered accountant with Robson Rhodes' London office. He spent ten years with Northern Foods plc where he was latterly Group Financial Controller and Company Secretary. In 1992 he joined Cranswick as Company Secretary and was appointed to the Board as Finance Director in 1993. Since 2006 John has been a non-executive director of Black Sheep Brewery plc, on which he spends one day per month. All fees receivable are paid to the Company.

Bernard Hoggarth, Chief Executive Food

Bernard holds a National Diploma in Agriculture from the Norfolk College of Agriculture. He joined Cranswick in 1978, focusing on the agribusiness activity before becoming involved in the development of the food manufacturing business during the 1990's. He was appointed a director in 1988 and Chief Executive of Food in 2004.

Derek Black, Chief Executive Pet

Derek gained experience in the agricultural industry before joining Cranswick in 1980. He was responsible for the development of the grain trading business until its sale in 1996. He became involved in the formation of the pet business in 1993 and has focused exclusively on its activities since 1996. He was appointed a director in 1988 and Chief Executive of Pet in 2004.

Adam Couch, Food

Adam joined Cranswick in 1991 as a graduate trainee from Hull University, where he graduated in accountancy. Adam was appointed a director in 2003 and is Managing Director of the fresh pork operations.

Non-executive Directors

❖♦❖ **John Worby**

John is a chartered accountant with many years experience in the food industry, having worked for Uniq plc (previously Unigate PLC) from 1978 until 2002, in various roles including group finance director and deputy chairman. He was appointed a non-executive director of Cranswick plc in 2005 and is Senior Independent Director and Chairman of the Audit Committee. John has a number of non-executive directorships including Genus plc and Smiths News plc. He is also a trustee of Uniq Pension Trustees Limited.

❖♦ **Noel Taylor**

Noel is a qualified engineer with many years experience in the pork and bacon sector. He joined the board of F T Sutton & Son (Rossendale) Limited ("Suttons") as commercial director in 1983, subsequently becoming managing director. Suttons was acquired by Cranswick in 1992 and Noel was appointed a director. He became a non-executive director in 1999.

❖♦❖ **Patrick Farnsworth**

Patrick has many years experience in the food industry, having worked for William Jackson & Son Limited, a Hull-based private company, since 1965, where he was Joint Group Managing Director from 1995 until his retirement in 2005. He was appointed a non-executive director of Cranswick plc in 2004 and was the senior independent director until 2005.

award
winning



Report of the Directors

The Directors submit their report and the audited accounts of the Company for the year ended 31 March 2007.

Principal activities, business review and future developments

The Company's activities are focused in the food and pet sectors. A review of the business and future development of the group and a discussion of the principal risks and uncertainties faced by the group is presented in the Statement to Shareholders on pages 5 to 15 and in the Group Operating and Financial Review on pages 17 to 23.

Results and dividends

The profit on ordinary activities before taxation was £32.7 million (2006 – £31.1 million). After a taxation charge of £10.0 million (2006 – £8.3 million), the profit for the year is £22.7 million (2006 – £22.8 million). An interim dividend of 5.9p per ordinary share was paid on 26 January 2007. The directors recommend the payment of a final dividend for the year, which is not reflected in these accounts, of 12.2p per ordinary share which, together with the interim dividend, represents 18.1p per ordinary share, totaling £8.3 million (2006 – 16.5p per ordinary share, totaling £7.4 million). Subject to approval at the Annual General Meeting, the final dividend will be paid in cash or scrip form on 7 September 2007 to members on the register at the close of business on 6 July 2007. The shares will go ex-dividend on 4 July 2007.

Financial instruments

The Group's risk management objectives and policy are discussed in the Treasury Policies section of the Group Operating and Financial Review on page 23.

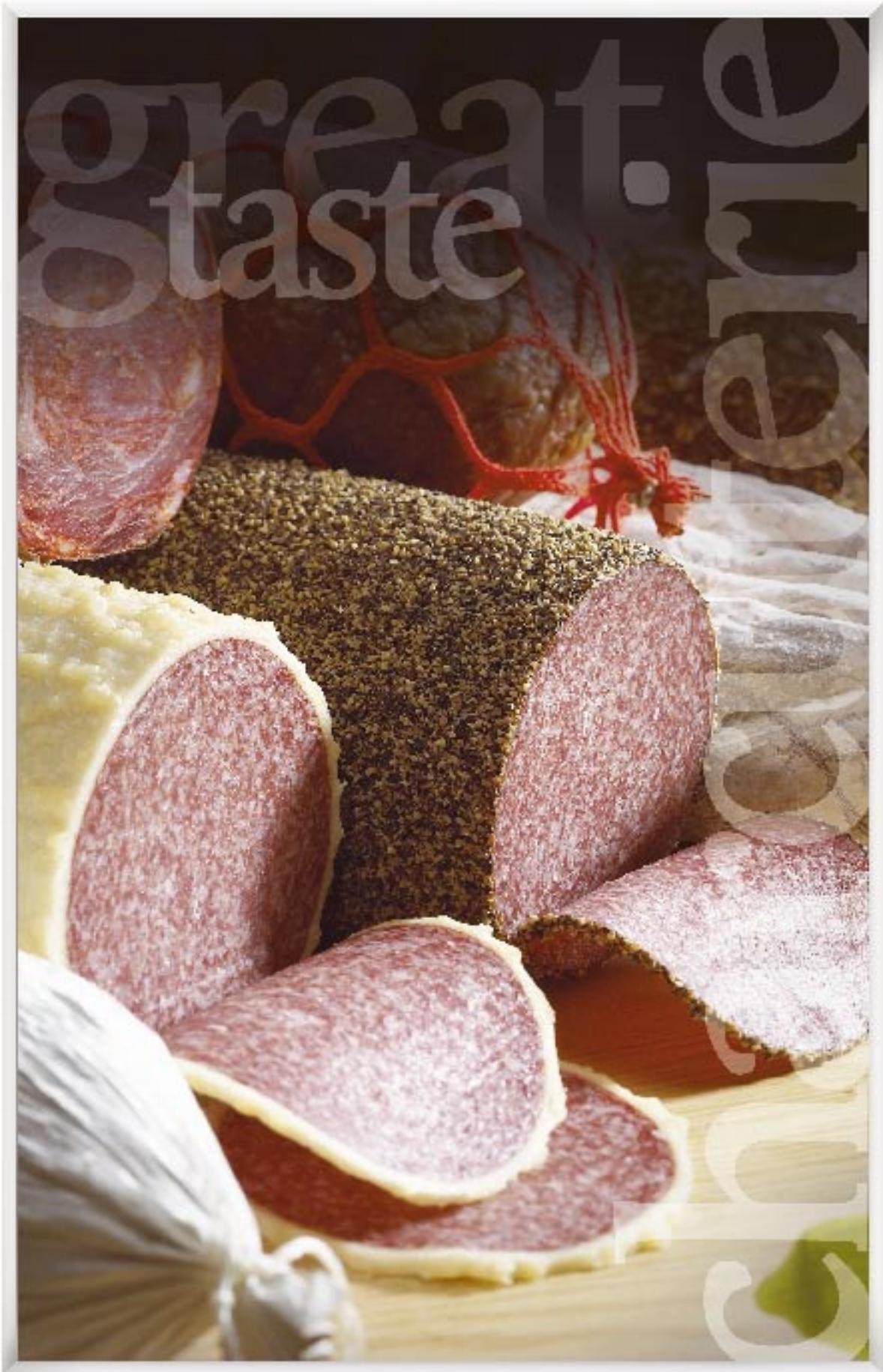
Directors and their interests

The Directors of the Company currently in office are as stated on page 25. Each of the current Directors served for the whole of the year under review. Martin Davey and Bernard Hoggarth retire in accordance with the Articles of Association and, being eligible, each offers himself for re-election.

The interests of the Directors, as defined by the Companies Act 1985, in the ordinary shares of the Company, other than in respect of options to acquire ordinary shares (which are detailed in the analysis of options included in the Directors' Remuneration Report on pages 73 to 76), are as follows:

	At 31 March 2007 – Ordinary Shares	At 31 March 2006 – Ordinary Shares
MTP Davey	183,036	182,118
DJ Black	82,883	78,793
AH Couch	44,627	43,620
B Hoggarth	101,642	101,642
JD Lindop	101,778	97,763
RN Taylor	297,200	297,200
PW Farnsworth	1,058	1,034
JG Worby	1,641	1,641

All the above interests are beneficial.



There have been no other changes to the above interests in the period from 1 April 2007 to 11 May 2007.

Major shareholders

The Company has been informed of the following interests at 11 May 2007 in the 45,956,062 ordinary shares of the Company, as required by the Companies Act 1985:

	Number of shares	% of issued share capital
AMVESCAP PLC	13,230,968	28.8
Legal & General Investment Management	2,555,694	5.6

Employment policies

The Company's policy on employee involvement is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Company's operations. Employees participate directly in the success of the business by participation in the SAYE share option schemes.

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

Payment of suppliers

Payment terms are agreed with each supplier and every endeavour is made to adhere to the agreed terms. The average credit terms for the Group as a whole, based on the year-end trade creditors figure and a 365 day year, is 38 days. The average credit taken by our customers on a similar basis is 35 days.

Events since the balance sheet date

On 18 May 2007, the Group disposed of its feed milling business. Sale proceeds of £3.0m in respect of certain fixed assets and goodwill were received with a further £1.0m for other fixed assets in 12 months time. The net book value of these assets was £2.7m at the balance sheet date. Further cash of approximately £3.0m will be received as working capital is realised. No adjustment has been made in these financial statements for the profit on disposal.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 25. Having made enquiries of fellow Directors and of the Company's auditors, each of these directors confirm that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting and Special Business to be transacted at the Annual General Meeting

The Notice convening the Annual General Meeting can be found in the separate Notice of Annual General Meeting accompanying this Report & Accounts.

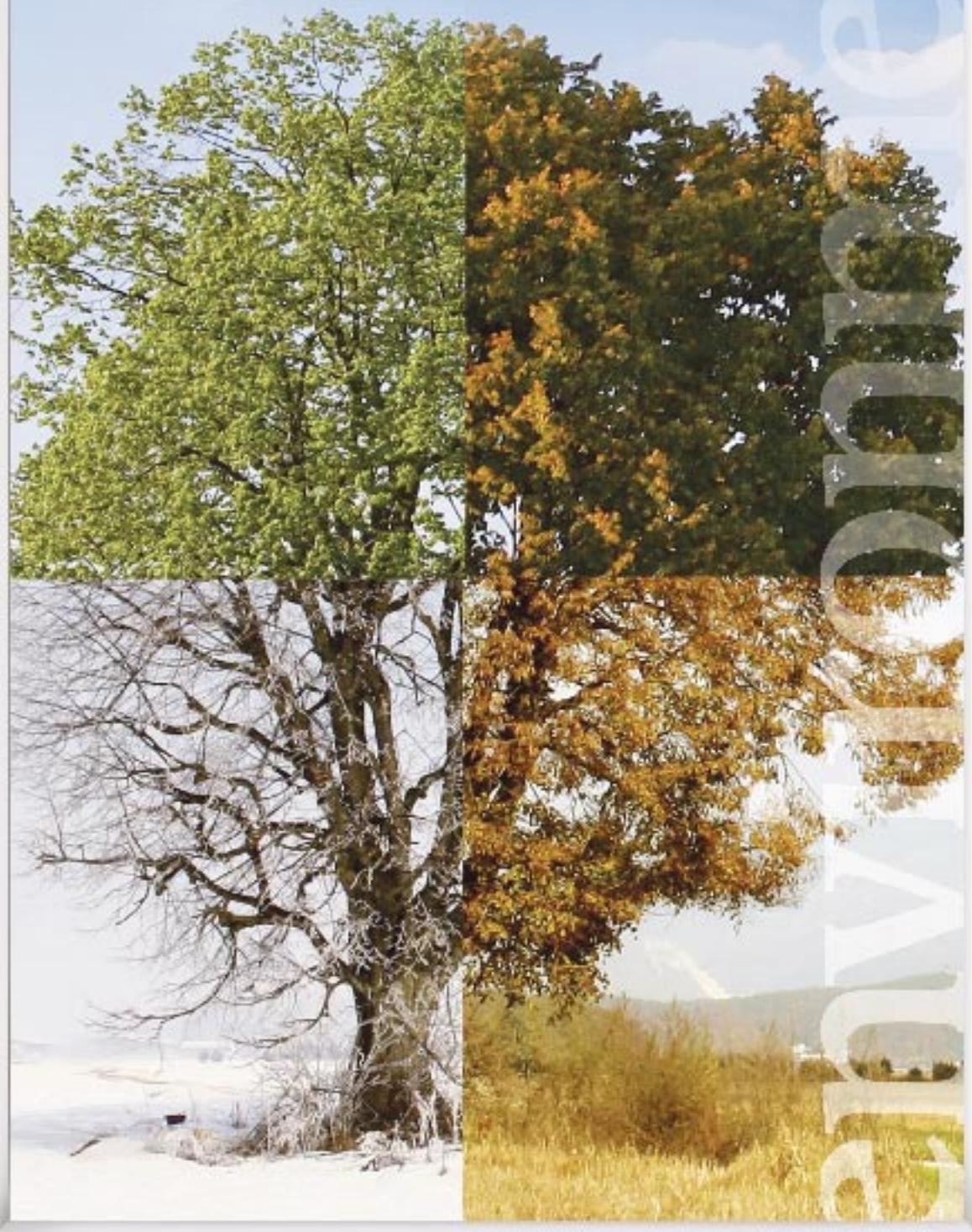
Details of the Special Business to be transacted at the Annual General Meeting are contained in the separate letter from the Chairman, which also accompanies this Report & Accounts.

By Order of the Board

John Lindop

Secretary, 21 May 2007

care + sustain + protect



Cranswick and the Environment

Managing the impact that the business has on the environment is an important measure of the Company performance. Retail customers, financial investors and consumers all have a growing interest in the preservation of the environment, and seek assurances that the business is operated with the upmost care.

A commitment to safe guarding the environment is increasingly influencing the business both in terms of reducing greenhouse gas emissions and tightening controls for the disposal of waste and the treatment of effluent.

The costs associated with the use of fossil fuels and the disposal of waste has in recent years risen significantly and will continue to do so in the future. This challenge is being met by progressing a proactive environmental management initiative which is aimed at identifying those areas which will minimise the carbon footprint, and/or reduce waste, and at the same time improve business efficiency by managing operating costs.

Two of the largest manufacturing sites, Preston and Valley Park, are already benefiting by being certified against ISO 14001 which is the international recognized operating standard for environmental management.

To identify where the environmental impact of our business can be further reduced the expertise within these two sites has been utilised to carry out our own in-house environmental health checks, and work with the Carbon Trust and Envirowise has begun to benefit from their experience and knowledge in assessing the current environmental performance of each of our sites in the key areas of energy, water, waste, packaging & emissions reduction. This will allow the business to set specific reduction targets for each of these key performance indicators and the results will be reviewed by the Board.

Other performance environmental benchmarking indicators are being sought to assess progress when measured against other businesses operating in a similar market.

Cranswick will also encourage all employees to address their individual environmental responsibilities within the framework of their normal operating procedures.

Future investment in sites, processes and equipment will benefit from the use of best available technology in minimizing the impact that our business has on the environment.

Examples of the good environmental work that is already going on within group are:

The Preston based meat processing site has invested in equipment to minimize waste streams from the site by employing the latest technology in waste reduction by the use of separation through centrifuges. The resulting effect will be to dramatically reduce vehicle demand for removing waste and to eventually eradicate the need for further processing once it has left the site. Further benefits of the by-product processing system include the production of an organic compostable material that can be spread on land, and the extraction of tallow for the production of bio-fuel which ultimately could fuel the sites boilers and part of its own fleet of vehicles.

One of the largest sites, Valley Park, will significantly reduce its landfill volume with part of the waste stream going to a local Waste to Energy Plant. Improved separation of the plastic wastes in the factory will enable a higher proportion to be recycled with reciprocal benefits in income from the recycled material.

The Sandwich Factory has recently completed 6 months of trial work in assessing the use of on-site generated electrolysed water disinfectant solutions and this has been rolled out to a number of sites. In so doing the site has substantially reduced its reliance on the use of quaternary ammonium compound based disinfectants by 90 per cent and chemical based detergents by 40 per cent, thereby benefiting the environment, and operating costs.

The recently launched Simply Sausage range incorporates printed sleeves manufactured from 100 per cent recycled material, and uses trays which contain 85 per cent recycled material. In addition to this we are working on converting all of our sausage range packaging to recycled board and are also evaluating other compostable materials.

A copy of the full environmental policy is available on request from Cranswick.

Group income statement

for the year ended 31 March 2007

	Notes	2007			2006		
		Before exceptionals	Exceptionals	Total	Before exceptionals	Exceptionals	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue	3	524,823	-	524,823	441,178	-	441,178
Cost of sales		(438,508)	-	(438,508)	(364,388)	-	(364,388)
Gross profit		86,315	-	86,315	76,790	-	76,790
Operating expenses		(49,239)	-	(49,239)	(42,720)	-	(42,720)
Operating profit	4	37,076	-	37,076	34,070	-	34,070
Profit on disposal of property, plant and equipment	5	-	281	281	-	2,079	2,079
Profit before finance and taxation	3	37,076	281	37,357	34,070	2,079	36,149
Finance revenue	7	6	-	6	25	-	25
Finance costs	7	(4,707)	-	(4,707)	(5,076)	-	(5,076)
Profit before tax		32,375	281	32,656	29,019	2,079	31,098
Taxation	8	(9,773)	(229)	(10,002)	(7,716)	(562)	(8,278)
Profit for the year	25	22,602	52	22,654	21,303	1,517	22,820
Profit for the year attributable to:							
Equity holders of the parent				22,574			22,784
Minority interest				80			36
				22,654			22,820
Earnings per share: (total and continuing)							
Basic	11	50.1p	0.1p	50.2p	47.8p	3.4p	51.2p
Diluted	11	49.7p	0.1p	49.8p	47.4p	3.4p	50.8p

Group statement of recognised income and expense for the year ended 31 March 2007

	2007 £'000	2006 £'000
Income and expense recognised directly in equity		
Profit/(losses) on effective cash flow hedges taken to equity	369	(85)
Exchange differences on retranslation of foreign operations	(5)	6
Deferred tax recognised directly in equity	300	124
Corporation tax recognised directly in equity	712	529
Transitional adjustment on adoption of IAS 32 and IAS 39 at 1 April 2005	-	45
Deferred tax on transitional adjustment	-	(14)
Net income recognised directly in equity	1,376	605
Profit for the year	22,654	22,820
Total recognised income and expense for the year	24,030	23,425

Attributable to:

Equity holders of the parent	23,950	23,389
Minority interest	80	36
	24,030	23,425

Company statement of recognised income and expense

for the year ended 31 March 2007

	2007 £'000	2006 £'000
Income and expense recognised directly in equity		
Gain/(loss) on effective cash flow hedges taken to equity	452	(191)
Deferred tax recognised directly in equity	(118)	100
Corporation tax recognised directly in equity	712	529
Transitional adjustment on adoption of IAS 32 and IAS 39 at 1 April 2005	-	45
Deferred tax on transitional adjustment	-	(14)
Net income recognised directly in equity	1,046	469
Profit for the year	6,665	10,160
Total recognised income and expense for the year	7,711	10,629

Group balance sheet

31 March 2007

	Notes	2007 £'000	2006 £'000
Non-current assets			
Goodwill	12	117,520	111,921
Property, plant and equipment	13	80,277	67,725
		<u>197,797</u>	<u>179,646</u>
Current assets			
Inventories	15	24,626	18,555
Trade and other receivables	16	66,416	54,027
Other financial assets	17	330	106
Cash and cash equivalents	26	2,262	5,000
Total current assets		<u>93,634</u>	<u>77,688</u>
Non-current assets classified as held for sale	18	-	688
Total assets		291,431	258,022
Current liabilities			
Trade and other payables	19	(65,073)	(53,376)
Other financial liabilities	20	(16,933)	(19,422)
Income tax payable		(3,834)	(3,138)
Provisions	21	(289)	(334)
Total current liabilities		<u>(86,129)</u>	<u>(76,270)</u>
Non-current liabilities			
Other payables	19	(37)	(76)
Other financial liabilities	20	(61,544)	(62,720)
Deferred tax liabilities	8	(6,150)	(4,657)
Provisions	21	(1,736)	(1,877)
Total non-current liabilities		<u>(69,467)</u>	<u>(69,330)</u>
Total liabilities		(155,596)	(145,600)
Net assets		135,835	112,422
Equity			
Called-up share capital	23	4,595	4,467
Share premium account	25	47,204	40,797
Share-based payments	25	1,018	531
Hedging and translation reserves	25	351	(13)
Retained earnings	25	82,564	66,604
Equity attributable to members of the parent company		135,732	112,386
Minority interests		103	36
Total equity		135,835	112,422

M Davey

Chairman

J Lindop

Finance Director

21 May 2007

Company balance sheet

31 March 2007

	Notes	2007 £'000	2006 £'000
Non-current assets			
Property, plant and equipment	13	2,339	2,368
Investments in subsidiary undertakings	14	155,430	137,231
		<u>157,769</u>	<u>139,599</u>
Current assets			
Trade and other receivables	16	25,660	30,794
Other financial assets	17	306	-
Income tax receivable		1	51
Total current assets		<u>25,967</u>	<u>30,845</u>
Total assets		183,736	170,444
Current liabilities			
Trade and other payables	19	(41,654)	(31,372)
Other financial liabilities	20	(16,279)	(18,948)
Income tax payable		-	-
Total current liabilities		<u>(57,933)</u>	<u>(50,320)</u>
Non-current liabilities			
Other financial liabilities	20	(61,544)	(62,720)
Deferred tax liabilities	8	(403)	(236)
Total non-current liabilities		<u>(61,947)</u>	<u>(62,956)</u>
Total liabilities		(119,880)	(113,276)
Net assets		63,856	57,168
Equity			
Called-up share capital	23	4,595	4,467
Share premium account	25	47,204	40,797
General reserve	25	4,000	4,000
Merger reserve	25	1,806	1,806
Share-based payments	25	210	142
Hedging reserve	25	306	(146)
Retained earnings	25	5,735	6,102
Equity attributable to members of the parent company		<u>63,856</u>	<u>57,168</u>

M Davey
Chairman

J Lindop
Finance Director

21 May 2007

Group cash flow statement

for the year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Operating activities			
Profit before finance and taxation		37,357	36,149
Adjustments to reconcile group operating profit to net cash inflows from operating activities			
Depreciation		9,252	8,087
Share based payments		487	284
Release of government grants		(39)	(36)
Profit on sale of property, plant and equipment		(250)	(2,220)
(Increase)/decrease in inventories and biological assets		(5,329)	1,125
Increase in trade and other receivables		(9,141)	(5,751)
Increase in trade and other payables		9,493	4,200
Cash generated from operations		41,830	41,838
Tax paid		(7,936)	(6,954)
Net cash from operating activities		33,894	34,884
Cash flows from investing activities			
Interest received		6	25
Acquisition of subsidiaries		(13,506)	-
Purchase of property, plant and equipment		(11,979)	(14,064)
Proceeds from sale of equipment		1,147	3,929
Net cash used in investing activities		(24,332)	(10,110)
Cash flows from financing activities			
Interest paid		(3,966)	(5,119)
Proceeds from issue of share capital		1,776	1,691
Proceeds from borrowings		10,000	-
Issue costs of long-term borrowings		(40)	-
Repayment of borrowings		(11,395)	(18,753)
Dividends paid		(6,467)	(5,847)
Net cash used in financing activities		(10,092)	(28,028)
Net decrease in cash and cash equivalents		(530)	(3,254)
Cash and cash equivalents at beginning of period	26	46	3,291
Effect of foreign exchange rates		(10)	9
Cash and cash equivalents at end of period	26	(494)	46

Company cash flow statement

for the year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Operating activities			
Profit before finance and taxation		9,089	5,843
Adjustments to reconcile operating profit to net cash inflows from operating activities			
Depreciation		35	25
Share based payments		68	70
Decrease in trade and other receivables		5,135	9,213
Increase in trade and other payables		10,838	11,140
Cash generated from operations		25,165	26,291
Tax received		744	490
Net cash from operating activities		25,909	26,781
Cash flows from investing activities			
Interest received		-	7
Dividends received		6,466	102
Purchase of property, plant and equipment		(6)	(51)
Payments to acquire investments in subsidiaries		(14,599)	-
Net cash generated/(used) in investing activities		(8,139)	58
Cash flows from financing activities			
Interest paid		(9,266)	(7,317)
Dividends paid to equity shareholders		(6,467)	(5,847)
Proceeds from issue of share capital		1,776	1,691
Proceeds from borrowings		10,000	-
Issue costs of long-term borrowings		(40)	-
Repayment of borrowings		(11,395)	(18,753)
Net cash used in financing activities		(15,392)	(30,226)
Net increase/(decrease) in cash and cash equivalents		2,378	(3,387)
Cash and cash equivalents at beginning of period	26	(4,480)	(1,093)
Cash and cash equivalents at end of period	26	(2,102)	(4,480)

Notes to the accounts

1. Authorisation of financial statements and statement of compliance with IFRS

The Group and Company financial statements of Cranswick plc (the "Company") for the year ended 31 March 2007 were authorised for issue by the Board of Directors on 21 May 2007 and the balance sheets were signed on the Board's behalf by M Davey and J Lindop. Cranswick plc is a public limited company incorporated and domiciled in England and Wales. 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 1985. 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 230 of the Companies Act 1985 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. A summary of the principal accounting policies, which have been consistently applied throughout the year and the preceding year, is as follows:

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 purchase method of accounting.

Foreign currencies

In the accounts of the Group's companies, 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 both individual foreign currency transactions during the year and monetary assets and liabilities are dealt with in the income statement.

On consolidation, the income statements of the overseas subsidiaries are translated at the average exchange rates for the year and the balance sheets at the exchange rates at the balance sheet date. The exchange differences arising as a result of translating income statements at weighted average rates and restating opening net assets at closing rates are taken to the translation reserve and the gain or loss on disposal of an overseas subsidiary is calculated after taking into account cumulative exchange gains or losses in respect of that subsidiary. Cumulative exchange differences at the date of transition to IFRS were deemed to be nil.

Revenue

Revenue excludes inter-company sales and value-added taxes and represents the invoiced value of goods sold less estimated returns. 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.

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.

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:

- i. 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
- ii. 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:

- i. 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
- ii. 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 directly in equity are recognised in equity and not in the income statement. Otherwise income tax is recognised 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	50 years
Short leasehold improvements	Residue 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. Borrowings 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.

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 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.

Inventories

Inventories, with the exception of biological assets such as tropical marine fish, 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 based on a normal level of activity.

Biological assets

Biological assets are included in the balance sheet at fair value less estimated point of sale costs. Gains and losses are charged to the income statement in the period in which they arise.

Cash and cash equivalents

Cash equivalents are defined as cash at bank and in hand including short term deposits with original maturity within 3 months. For the purposes of the group cashflow 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 special 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 equity and the ineffective portion is recognised in net profit or loss. Gains or losses recognised in equity are transferred to the income statement in the same period in which the hedged item affects the net profit and loss.

For derivatives that do not qualify for special 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.

Employee benefits

i. Pensions

The Group operates a number of 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 Company operates a savings related share option scheme under which options have been granted to Group employees (SAYE scheme). The company reflects in the income statement the cost of share based payments granted to its own employees. The fair value of options granted after 7 November 2002 which have not vested prior to 1 January 2005 is calculated using the Black-Scholes model and the resulting cost is charged to the income statement over the vesting period.

In addition, the Company operates an executive share option scheme for senior executives. Share options issued are exercisable subject to the attainment of certain market-based performance criteria. The fair value of options granted after 7 November 2002 which have not vested prior to 1 January 2005, is calculated using mathematical models, including the Black-Scholes model, modified for the impact of market-based performance criteria and the resulting cost is charged to the income statement over the vesting period.

The Company and Group re-assesses its estimate of the number of options that are expected to become exercisable at each balance sheet date as a result of changes in the expectation of achievement of non-market based performance conditions. Any adjustments to the original estimates are recognised in the income statement.

Non-current assets held for sale

On classification as held for sale, non-current assets are recognised at the lower of carrying amount and fair value less costs to sell and no further depreciation is charged. Impairment losses on initial classification as held for sale are included in profit or loss, as are any gains and losses on subsequent re-measurement.

Exceptional items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the reporting entity and which individually or, if of a similar type, in aggregate need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

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.

Investments

Investments in subsidiaries are shown at cost less any provision for impairment.

New standards and interpretations not applied

During the year, the IASB and IFRIC have issued a number of new standards and interpretations with an effective date after the date of these financial statements. The Directors do not consider that the adoption of these standards and interpretations will have a material impact on the Group's and Company's financial statements in the period of initial application. The standards not applied are as follows:

International Accounting Standards (IAS/IFRS's)		Effective date
IFRS 7	Financial Instruments: Disclosures	1 January 2007
IFRS 8	Operating Segments	1 January 2009
IAS 1	Amendment – Presentation of Financial Statements: Capital Disclosures	1 January 2007
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10	Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008

Upon adoption of IFRS 7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the Group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

Upon adoption of IFRS 8, the Group will have to disclose additional information about its operating segments, although it is anticipated there will be no effect on reported income or net assets.

3. Revenue and segmental analysis

The Group's primary segments are Food and Pet business segments as the Group's management and reporting structure is set out along these lines and the two segments exhibit different risks and rates of return. The results are discussed in the review of activities. Secondary segment information is presented geographically. There are no significant transactions between the primary segments.

Business segments

	2007			2006		
	Food £'000	Pet £'000	Total £'000	Food £'000	Pet £'000	Total £'000
Revenue	493,365	31,458	524,823	409,119	32,059	441,178
Result before exceptionals	38,936	566	39,502	35,433	796	36,229
Exceptionals	-	281	281	2,079	-	2,079
Results	38,936	847	39,783	37,512	796	38,308
Central costs			(2,426)			(2,159)
Profit before finance and taxation			37,357			36,149
Net finance costs			(4,701)			(5,051)
Profit before taxation			32,656			31,098
Income taxes			(10,002)			(8,278)
Profit for the year			22,654			22,820

All revenue derives from sales of goods from continuing operations.

Assets and liabilities

Assets (excluding goodwill)	152,516	18,745	171,261	119,753	20,401	140,154
Goodwill	117,520	-	117,520	111,921	-	111,921
Assets (including goodwill)	270,036	18,745	288,781	231,674	20,401	252,075
Unallocated assets			2,650			5,947
Total assets			291,431			258,022
Segment liabilities	57,012	2,985	59,997	48,277	2,724	51,001
Unallocated liabilities			95,599			94,599
Total liabilities			155,596			145,600

Unallocated assets and liabilities comprise certain items of property, plant and equipment, non-current assets classified as held for sale, loan notes, net debt and taxation balances.

Other segment information

Capital expenditure:						
Property, plant and equipment	11,383	424	11,807	13,384	916	14,300
Depreciation	8,697	555	9,252	7,567	520	8,087
Impairments of property plant & equipment	-	-	-	-	-	-

In addition, £10,206,000 of property, plant and equipment was acquired as part of the Delico acquisition which relates to the Food and UK segments.

Geographical segments

The following table sets out sales by destination, regardless of where the goods were produced:

	Sales revenue by geographical market	
	2007 £'000	2006 £'000
UK	513,738	430,707
Continental Europe	10,599	10,218
Rest of World	486	253
	524,823	441,178

The following table sets out the geographical location of the group's assets and of additions to property, plant and equipment and intangible assets:

	Carrying amount of segment assets, including goodwill		Additions to property, plant and equipment and intangible assets	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
UK	288,529	251,737	11,803	14,275
Continental Europe	252	338	4	25
Unallocated assets	2,650	5,947	-	-
	291,431	258,022	11,807	14,300

4. Group operating profit

This is stated after charging:

	2007 £'000	2006 £'000
Operating costs		
Selling and distribution	22,043	18,347
Administration	27,196	24,373
	49,239	42,720
Depreciation of property, plant and equipment	9,252	8,087
Release of government grants	(39)	(36)
Operating lease payments – minimum lease payments	3,744	2,858
Net foreign currency differences	(303)	208
Cost of inventories recognised as an expense	358,706	289,481
(Decrease)/Increase in provision for inventories	(81)	78
Audit of the financial statements*	149	140

* £26,000 relates to the Company (2005 – £25,000).

In addition, payments to Ernst & Young LLP for non audit services amounted to £156,000 (2006 – £126,000) of which £nil related to the transition to IFRS (2006 – £55,000), £5,000 for an audit related service (2006 – nil), £73,000 (2006 – £nil) related to due diligence services and £78,000 (2006 – £71,000) to taxation.

5. Exceptional items

Non-recurring income during the year was as follows:

	2007 £'000	2006 £'000
Recognised below operating profit		
Profit on disposal of property, plant and equipment	281	2,079

The corporation tax charge associated with these exceptional items amounted to £nil (2006 – £nil). Deferred tax of £229,000, of which £150,000 relates to the prior year, (2006 – £562,000) was provided on the rolled-over gain.

The cash flow impact of exceptional items is £770,000 (2006 – £2,975,000) received in relation to asset disposals after associated costs.

6. Employees

Group	2007 £'000	2006 £'000
Staff costs:		
Wages and salaries	59,130	53,229
Social security costs	5,293	4,559
Other pension costs	921	765
	65,344	58,553

Included within wages and salaries is a total expense for share based payments of £487,000 (2006 – £284,000) all of which arises from transactions accounted for as equity-settled share based payment transactions.

Company	2007 £'000	2006 £'000
Staff costs:		
Wages and salaries	1,610	1,248
Social security costs	188	144
Other pension costs	219	197
	2,017	1,589

Included within wages and salaries is a total expense for share based payments of £68,000 (2006 – £70,000) 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:

	2007 No	2006 No
Production	2,567	2,320
Selling and distribution	204	180
Administration	253	222
	3,024	2,722

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 Report on Directors' Remuneration on pages 73 to 76. The employee costs shown above include the following emoluments in respect of Directors of the Company:

Group and Company	2007 £'000	2006 £'000
Directors' remuneration (excluding IFRS 2 share option charge)	3,724	2,832
Aggregate gains made by directors on exercise of share options	487	693

7. Finance revenue and costs

	2007 £'000	2006 £'000
Bank interest received	(6)	(25)
Loan note interest paid	45	42
Bank interest paid and similar charges	4,610	4,974
Movement in discount on provisions	52	60
	4,707	5,076

8. Taxation

a) Analysis of tax charge in the year	2007 £'000	2006 £'000
Tax charge based on the profit for the year:		
UK corporation tax		
UK corporation tax on profits of the year	9,323	7,720
Adjustments in respect of previous years	(6)	12
	9,317	7,732
Overseas taxation		
Overseas taxation on profits of the year	25	101
Adjustments in respect of previous years	-	-
	9,342	7,833
UK deferred tax		
Originating and reversal of temporary differences	430	1,436
Adjustments in respect of previous years	230	(991)
	660	445
Tax on profit on ordinary activities	10,002	8,278

The prior year's tax charge was reduced by £941,000 due to the purchase of group relief at a discount from the former owners of subsidiary companies which has increased the capital allowances available to the Group.

Tax relating to items charged or credited directly to equity:	2007 £'000	2006 £'000
Group		
Share based payments	(411)	(98)
Net gain/(loss) on revaluation of cash flow hedges	111	(26)
Corporation tax credit on share options exercised	(712)	(529)
Transitional adjustments on adoption of IAS 32 and IAS 39	-	14
Tax credit in the statement of recognised income and expense	(1,012)	(639)
Company		
Net gain/(loss) on revaluation of cash flow hedges	135	(58)
Corporation tax credit on share options exercised	(712)	(529)
Deferred tax credit on share options exercised	(17)	(42)
Transitional adjustments on adoption of IAS 32 and IAS 39	-	14
Tax credit in the statement of recognised income and expense	(594)	(615)

b) Factors affecting tax charge for the period

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	32,656	31,098
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30 per cent (2005 – 30 per cent)	9,797	9,329
Effect of:		
Disallowable expenses	44	75
Rollover and indexation	(40)	(137)
Other	(23)	(10)
Adjustments in respect of prior years	224	(979)
Total tax charge for the year	10,002	8,278

c) Deferred tax

Group	2007 £'000	2006 £'000
Deferred tax liability in the balance sheet		
Accelerated capital allowances	5,424	3,372
Rollover and holdover relief	938	873
Other temporary differences	592	725
Share based payments	(804)	(313)
Deferred tax liability	6,150	4,657
Deferred tax in the income statement		
Accelerated capital allowances	918	(1,131)
Payment for group relief	-	468
Share based payments	(80)	(98)
Rollover relief	66	562
Other temporary differences	(244)	644
Deferred income tax expense	660	445
Company		
Deferred tax liability in the balance sheet		
Accelerated capital allowances	153	135
Rollover relief	41	41
Other temporary differences	294	158
Share based payments	(85)	(98)
Deferred tax liability	403	236

d) Temporary differences associated with Group investments

At 31 March 2007 no deferred tax liability has been recognised (2006 – £nil) in respect of any taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group can control the timing of any such payments. There are no income tax consequences to the Group in relation to dividends paid to shareholders.

9. Profit attributable to members

Of the profit attributable to members, the sum of £6,665,000 (2006 – £10,160,000) has been dealt with in the accounts of Cranswick plc.

10. Equity dividends

	2007 £'000	2006 £'000
Declared and paid during the year		
Final dividend for 2006 – 11.1p per share (2005 – 9.8p)	4,959	4,335
Interim dividend for 2007 – 5.9p per share (2006 – 5.4p)	2,667	2,406
Dividends paid		
Proposed for approval of shareholders at the Annual General Meeting on 30 July 2007		
Final dividend for 2007 – 12.2p (2006 – 11.1p)	5,607	4,958

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 £22,574,000 (2006 – £22,784,000) 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 Group discloses in its consolidated income statement as exceptional items those material items which individually or, if of a similar type, in aggregate need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. Accordingly, basic and diluted earnings per share are also presented on this basis using the weighted average number of ordinary shares for both basic and diluted amounts as per the table below.

	2007 Thousands	2006 Thousands
Basic weighted average number of shares	44,967	44,477
Dilutive potential ordinary shares – share options	366	359
	<hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/>
	45,333	44,836

Basic weighted average number of shares for 2007 excludes shares held during the year by the Cranswick plc Employee Benefit Trust.

12. Intangible fixed assets

Group	Goodwill £'000
Cost	
At 31 March 2005 and at 31 March 2006	111,921
Acquisition of subsidiary undertakings	5,599
At 31 March 2007	<hr/> <hr/> <hr/> <hr/> 117,520
Impairments as at 31 March 2005, 2006 and 2007	-
Net book amounts at 31 March 2006	111,921
Net book amounts at 31 March 2007	<hr/> <hr/> <hr/> 117,520

In August 2006, the Group increased its investment in Cranswick Gourmet Bacon Company Ltd from 70 per cent to 85 per cent. Goodwill arising from this amounted to £60,000.

Goodwill of £5,539,000 arising on the acquisition of Delico Limited is detailed further in Note 14.

The Company has no intangible assets.

As from 1 April 2004, the date of transition to IFRS, goodwill is no longer amortised but is instead 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	2007 £'000	2006 £'000
Cooked meats	86,903	81,364
Sandwiches	16,526	16,526
Continental Fine Foods	10,968	10,968
Other	3,123	3,063
	<hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/>
	117,520	111,921

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 four years. Forecast replacement capital expenditure is included from budgets and thereafter capital is assumed to represent 100 per cent of depreciation.

Subsequent cash flows are forecast to grow in line with the assumed long-term trend in UK GDP of circa 2.5 per cent derived from third party market information.

A discount rate of 9.8 per cent has been used (2006 – 8.5 per cent) being management's estimate of the Group's weighted average cost of capital.

The calculation is most sensitive to the following assumptions:

- Sales volumes
- Gross margin
- Discount rate

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. These sectors have historically demonstrated growth rates higher than GDP but for these purposes a reversion to long-term GDP growth is assumed beyond the five year period of cash flow projections.

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.

All calculations of this nature are sensitive to the discount rate used. Management's estimate of the Group's weighted average cost of capital has been used for each cash generating unit.

Management believes that currently the assumptions used are unlikely to change to an extent which reduced value in use below that of recoverable amount. Assumptions and projections are updated on an annual basis.

13. Property, plant and equipment

Group	Freehold land and buildings	Leasehold improvements	Plant equipment and vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 31 March 2005	27,106	15,627	60,096	102,829
Additions	1,582	863	11,855	14,300
Transfers to assets held for resale	(952)	-	-	(952)
Disposals	(156)	(3)	(3,396)	(3,555)
At 31 March 2006	27,580	16,487	68,555	112,622
On acquisition of subsidiary undertaking	-	-	16,363	16,363
Additions	132	318	11,357	11,807
Transfer from/(to) assets held for resale	231	-	(61)	170
Disposals	(140)	-	(2,051)	(2,191)
At 31 March 2007	27,803	16,805	94,163	138,771
Depreciation				
At 31 March 2005	1,957	5,113	32,603	39,673
Charge for the year	470	869	6,748	8,087
Transfers to assets held for resale	(264)	-	-	(264)
Relating to disposals	(15)	(3)	(2,581)	(2,599)
At 31 March 2006	2,148	5,979	36,770	44,897
On acquisition of subsidiary undertaking	-	-	6,157	6,157
Charge for the year	466	919	7,867	9,252
Transfer from/(to) assets held for resale	10	-	(39)	(29)
Relating to disposals	(76)	-	(1,707)	(1,783)
At 31 March 2007	2,548	6,898	49,048	58,494
Net book amounts				
At 31 March 2005	25,149	10,514	27,493	63,156
At 31 March 2006	25,432	10,508	31,785	67,725
At 31 March 2007	25,255	9,907	45,115	80,277

Included in freehold land and buildings is land with a cost of £2,952,000 (2006 – £2,952,000) which is not depreciated relating to the Group and £1,210,000 (2006 – £1,210,000) relating to the Company. The cost of freehold land and buildings includes £538,000 (2006 – £538,000) in respect of capitalised interest. £nil of interest was capitalised during the year (2006 – £71,000).

Company	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 31 March 2005	2,431	-	2,431
Additions	-	51	51
At 31 March 2006	2,431	51	2,482
Transfers from other group companies	-	18	18
Additions	-	3	3
At 31 March 2007	2,431	72	2,503
Depreciation			
At 31 March 2005	89	-	89
Charge for the year	21	4	25
At 31 March 2006	110	4	114
Transfers from other group companies	-	15	15
Charge for the year	21	14	35
At 31 March 2007	131	33	164
Net book amounts			
At 31 March 2005	2,342	-	2,342
At 31 March 2006	2,321	47	2,368
At 31 March 2007	2,300	39	2,339

14. Investment in subsidiary undertakings

Company	£'000
Shares at cost	
At 31 March 2005	137,211
Additions in year	20
At 31 March 2006	137,231
Additions in year	18,199
At 31 March 2007	155,430

Delico Limited was acquired on 1 November 2006 and has been accounted for as an acquisition from that date. The fair values of the assets acquired are the same as the book values and are detailed below:

	Fair value £'000
Property, plant and equipment	10,206
Inventories	742
Cash and short term deposits	1,168
Trade and other receivables	3,248
Trade and other payables	(1,570)
Deferred taxation	(1,134)
Net assets	12,660
Goodwill arising on acquisition	5,539
Cost of acquisition	18,199
Discharged by:	
Cash consideration	14,272
Issue of new shares (478,766 shares at £7.52)	3,600
Acquisition costs	327
	18,199

The fair values on acquisition of Delico Limited can be restated within one year of acquisition.

From the date of acquisition to 31 March 2007, Delico Limited has contributed £181,000 to the profit of the Group. If the combination had taken place at the beginning of the year, the consolidated profit of the Group would have been £22,851,000 and the revenue from continuing operations would have been £536,503,000.

Included in the £5,539,000 of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include capacity and an assembled workforce.

The principal subsidiary undertakings are:

Food

Cranswick Country Foods plc

Studleigh-Royd Limited

Brookfield Foods Limited

The Sandwich Factory Group Limited (registered in Scotland)

Cranswick Gourmet Bacon Company Limited (85% ownership, holding via Cranswick Country Foods plc)

Cranswick Mill Limited

Delico Limited

Pet

Cranswick Pet & Aquatics plc

Except where stated otherwise, each of the companies is registered in England and Wales and Cranswick plc holds directly 100 per cent of the shares and voting rights of each subsidiary undertaking.

15. Inventories (including biological assets)

Group	2007 £'000	2006 £'000
Raw materials	20,334	13,672
Finished goods and goods for resale	4,155	4,726
Biological assets (see below)	137	157
	24,626	18,555

The Group breeds and imports tropical marine fish and other invertebrates for supply to specialist aquatic retailers. At 31 March 2007 marine stock represented approximately 56,000 fish (2006 - approximately 57,000 fish). The fair value of tropical marine fish is determined from retail selling price less a margin and reduced by £4,000 in the year.

16. Trade and other receivables

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade receivables	58,585	46,909	-	-
Amounts owed by group undertakings	-	-	25,602	30,640
Other receivables	3,457	1,971	58	154
Prepayments and accrued income	4,374	5,147	-	-
	66,416	54,027	25,660	30,794

17. Other financial assets – Current

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Forward currency contracts	24	106	-	-
Interest rate swaps	306	-	306	-
	330	106	306	-

Forward currency contracts are used to hedge a proportion of anticipated purchases denominated in foreign currencies and are 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 equity and are then recycled 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 22.

Under the terms of the interest rate swap the Group receives LIBOR interest and pays fixed interest of 4.98 per cent. The notional principal amount stands at £27,000,000 as at 31 March 2007 and reduces in equal semi-annual amounts to £nil by January 2010.

18. Non-current assets classified as held for sale

Group	£'000
At 1 April 2005	891
Additional costs	5
Transfer from property, plant and equipment	688
Sold in the year	(896)
At 31 March 2006	688
Additional costs	35
Transfer to property, plant and equipment	(199)
Sold in the year	(524)
At 31 March 2007	-

Following the rationalisation of small animal feed production on to a single site in 2006 a factory became vacant and was reclassified as a non-current asset held for sale as at 31 March 2006. The property, with a carrying value of £489,000, was sold in September 2006 for gross consideration of £805,000 realising a profit of £281,000 after associated costs, but before taxation. This profit has been treated as an exceptional item as described in note 5 and relates to the pet segment.

19. Trade and other payables

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Current				
Trade payables	43,882	36,489	-	-
Amounts owed to group undertakings	-	-	36,541	28,922
Other payables	21,191	16,887	5,113	2,450
	65,073	53,376	41,654	31,372
Non-current				
Deferred income	37	76	-	-

20. Financial liabilities

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Current				
Bank overdrafts	2,756	4,954	2,102	4,480
Amounts outstanding under revolving credit facility	2,000	2,000	2,000	2,000
Current instalments due on bank loan	11,250	11,250	11,250	11,250
Loan notes	927	1,072	927	1,072
Interest rate swaps	-	146	-	146
	16,933	19,422	16,279	18,948
Non-current				
Non-current instalments due on bank loan	61,544	62,720	61,544	62,720

A bank overdraft facility of £10 million (2006 – £10m) is in place until December 2009, of which £2,756,000 (2006 – £4,954,000) was utilised at 31 March 2007. Interest is payable at a margin over base rate.

A revolving credit facility of £20 million is in place of which £2 million was utilised as at 31 March 2007 (2006 – facility of £20 million of which £2 million was utilised). This facility expires in December 2009. Interest is payable on the loan at a margin between 0.5 and 0.8 per cent above LIBOR.

The maturity profile of bank loans is as follows:

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
In one year or less				
In one year or less	11,250	11,250	11,250	11,250
Between one year and two years	11,250	11,250	11,250	11,250
Between two and five years	50,625	51,875	50,625	51,875
	73,125	74,375	73,125	74,375
Unamortised issue costs	(331)	(405)	(331)	(405)
	72,794	73,970	72,794	73,970

The balance outstanding on the bank loan is repayable in 5 semi-annual instalments of £5,625,000 from September 2007, followed by a single payment of £45,000,000 in December 2009. Interest is payable on the loan at a margin between 0.5 and 0.8 per cent above LIBOR. The loan is unsecured. The loan is subject to normal bank covenant arrangements. Under the terms of the interest rate swap the Group receives LIBOR interest and pays fixed interest of 4.98 per cent.

Loan notes bear interest based on base rate and are repayable on demand at six-monthly intervals.

21. Provisions

Group	Lease provisions £'000
At 1 April 2006	2,211
Utilisation in the year	(238)
Unwinding of discount	52
At 31 March 2007	2,025

Analysed as:

	Group	
	2007 £'000	2006 £'000
Current liabilities	289	334
Non-current liabilities	1,736	1,877
	2,025	2,211

Lease provisions are held against dilapidations obligations on leased properties and for the costs of onerous leases for property and plant and machinery. These provisions are expected to be utilised over the next six years. There are no provisions held by the Company.

22. Financial instruments

An explanation of the Company and Group's financial instruments risk management strategy is set out on page 23 in the Financial Review.

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 2007 and their weighted average interest rates is set out below:

Group	As at 31 March 2007	Weighted average effective interest rate %	Fixed interest				
			Total £'000	At floating interest rates £'000	1 year or less £'000	1-2 years £'000	2-3 years £'000
Financial liabilities:							
Bank overdrafts	6.25%	(2,756)	(2,756)				
Revolving credit facility	6.05%	(2,000)	(2,000)				
Bank loan (including the effect of interest rate swaps)	5.50%	(73,125)	(46,125)	(9,000)	(9,000)	(9,000)	-
Loan notes	5.25%	(927)	(927)				
		(78,808)	(51,808)	(9,000)	(9,000)	(9,000)	-
Less: effect of interest rate swaps		-	(27,000)	9,000	9,000	9,000	-
Total financial liabilities excluding the effect of interest rate swaps		(78,808)	(78,808)	-	-	-	-
Financial assets: Cash at bank	4.25%	2,262	2,262	-	-	-	-
		(76,546)	(76,546)	-	-	-	-
Group	As at 31 March 2006	Weighted average effective interest rate %	Fixed interest				
			Total £'000	At floating interest rates £'000	1 year or less £'000	1-2 years £'000	2-3 years £'000
Financial liabilities:							
Bank overdrafts	5.50%	(4,954)	(4,954)				
Revolving credit facility	5.30%	(2,000)	(2,000)				
Bank loan (including the effect of interest rate swaps)	5.50%	(74,375)	(38,375)	(9,000)	(9,000)	(9,000)	(9,000)
Loan notes	4.50%	(1,072)	(1,072)				
		(82,401)	(46,401)	(9,000)	(9,000)	(9,000)	(9,000)
Less: effect of interest rate swaps		-	(36,000)	9,000	9,000	9,000	9,000
Total financial liabilities excluding the effect of interest rate swaps		(82,401)	(82,401)	-	-	-	-
Financial assets: Cash at bank	3.50%	5,000	5,000	-	-	-	-
		(77,401)	(77,401)	-	-	-	-

The maturity profile of bank loans is set out in note 20.

The interest rate profile of the interest earning financial assets and interest bearing liabilities of the Company as at 31 March 2007 and their weighted average interest rates is set out on the following page:

Company	Weighted average effective interest rate %	Fixed interest					
		Total £'000	At floating interest Rates £'000	1 year or less £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000
As at 31 March 2007							
Financial liabilities:							
Bank overdrafts	6.25%	(2,102)	(2,102)				
Revolving credit facility	6.05%	(2,000)	(2,000)				
Bank loan (including the effect of interest rate swaps)	5.50%	(73,125)	(46,125)	(9,000)	(9,000)	(9,000)	-
Loan notes	5.25%	(927)	(927)				
		(78,154)	(51,154)				
Less: effect of interest rate swaps		-	(27,000)	9,000	9,000	9,000	
		(78,154)	(78,154)	-	-	-	-
Total financial liabilities excluding the effect of interest rate swaps							
Financial assets: Cash at bank		-	-	-	-	-	-
		(78,154)	(78,154)	-	-	-	-
As at 31 March 2006							
Financial liabilities:							
Bank overdrafts	5.50%	(4,480)	(4,480)	-	-	-	-
Revolving credit facility	5.30%	(2,000)	(2,000)	-	-	-	-
Bank loan (including the effect of interest rate swaps)	5.50%	(74,375)	(38,375)	(9,000)	(9,000)	(9,000)	(9,000)
Loan notes	4.50%	(1,072)	(1,072)	-	-	-	-
		(81,927)	(45,927)	(9,000)	(9,000)	(9,000)	(9,000)
Less: effect of interest rate swaps		-	(36,000)	9,000	9,000	9,000	9,000
		(81,927)	(81,927)	-	-	-	-
Total financial liabilities excluding the effect of interest rate swaps							
Financial assets: Cash at bank		-	-	-	-	-	-
		(81,927)	(81,927)	-	-	-	-

Currency profile

The Group's financial assets at 31 March 2007 include sterling denominated cash balances of £894,000 (2006 – £2,315,000), Danish Krone £195,000 (2006 – £342,000), Euro £902,000 (2006 – £1,792,000) and US Dollar £271,000 (2006 – £551,000), all of which are held in the UK with the exception of Danish Krone £83,000 (2006 – £88,000) and Euro £218,000 (2006 – £271,000). The Group's financial liabilities are denominated in sterling.

The proportion of the Group's net assets denominated in foreign currencies is immaterial.

The Company's 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.

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.

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. Fair value is determined by reference to market prices where an active market exists or from discounting future cash flows based on market yield curves. All derivative financial instruments are shown on the balance sheet at fair value.

The fair value of floating rate assets and liabilities is estimated to be equivalent to book value.

Group	2007		2006	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Financial assets				
Cash	2,262	2,262	5,000	5,000
Forward currency contracts	24	24	106	106
Interest rate swap	306	306	-	-
	<u>2,592</u>	<u>2,592</u>	<u>5,106</u>	<u>5,106</u>
Financial liabilities				
Bank overdraft	(2,756)	(2,756)	(4,954)	(4,954)
Amounts outstanding under revolving credit facility	(2,000)	(2,000)	(2,000)	(2,000)
Bank loan, gross of issue costs	(73,125)	(73,125)	(74,375)	(74,375)
Loan notes	(927)	(927)	(1,072)	(1,072)
Interest rate swap	-	-	(146)	(146)
	<u>(78,808)</u>	<u>(78,808)</u>	<u>(82,547)</u>	<u>(82,547)</u>
At 31 March	(76,216)	(76,216)	(77,441)	(77,441)

Company	2007		2006	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Financial asset				
Interest rate swap	306	306	-	-
Financial liabilities				
Bank overdraft	(2,102)	(2,102)	(4,480)	(4,480)
Amounts outstanding under revolving credit facility	(2,000)	(2,000)	(2,000)	(2,000)
Bank loan, gross of issue costs	(73,125)	(73,125)	(74,375)	(74,375)
Loan notes	(927)	(927)	(1,072)	(1,072)
Interest rate swap	-	-	(146)	(146)
	<u>(78,154)</u>	<u>(78,154)</u>	<u>(82,073)</u>	<u>(82,073)</u>
At 31 March	(77,848)	(77,848)	(82,073)	(82,073)

The book value of trade and other receivables and trade and other payables equates to fair value for the Group and Company. Details of these financial assets are included in notes 16 to 19.

Hedges

Financial instruments designated as cash flow hedges are held at fair value in the balance sheet. The Group hedges two types of cash flows:

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 equity and subsequently recycled through the income statement at the time that the hedged item affects profit and loss.

Group	Amount	Maturities	Exchange rates	Fair value £'000
Dollars	\$5,550,000	2 April 2007 to 4 December 2007	\$1.90-\$1.97	32
Euros	€14,350,000	26 April 2007 to 21 April 2008	€1.4563 -€1.503	(8)

These contracts were effective cash flow hedges under the criteria set out in IAS 39 and therefore these fair value gains were recognised directly in equity.

The Company does not hold any forward contracts.

Interest rate swap

The Group hedges a proportion of the interest cash flows payable in respect of bank loans. Under the terms of the interest rate swap the Group receives LIBOR interest and pays fixed interest of 4.98 per cent. The notional principal amount of the swap stands at £27,000,000 as at 31 March 2007 and reduces in equal semi-annual amounts to £nil by January 2010.

The swap was an effective cash flow hedge under the criteria set out in IAS 39 and therefore movements in fair value have been posted directly to equity.

23. Called-up share capital

Group and Company

Authorised	2007 Number	2006 Number	2007 £'000	2006 £'000
Ordinary shares of 10p each	<u>63,600,000</u>	<u>53,000,000</u>	<u>6,360</u>	<u>5,300</u>
Allotted, called-up and fully paid	2007 Number	2006 Number	2007 £'000	2006 £'000
Ordinary shares of 10p each				
At 1 April	<u>44,669,630</u>	<u>44,051,460</u>	<u>4,467</u>	<u>4,405</u>
On exercise of share options	<u>653,694</u>	<u>468,349</u>	<u>65</u>	<u>47</u>
Scrip dividends	<u>152,236</u>	<u>149,821</u>	<u>15</u>	<u>15</u>
Issues on acquisition of subsidiary	<u>478,766</u>	<u>-</u>	<u>48</u>	<u>-</u>
At 31 March	<u>45,954,326</u>	<u>44,669,630</u>	<u>4,595</u>	<u>4,467</u>

On 6 September 2006, 61,081 ordinary shares were issued at 714.8p as a result of shareholders exercising the scrip dividend option in lieu of the cash payment for the 2006 final dividend.

On 26 January 2007, 91,155 ordinary shares were issued at 792.9p as a result of shareholders exercising the scrip dividend option in lieu of the cash payment for the 2007 interim dividend.

During the course of the year, 243,694 ordinary shares were issued to employees exercising SAYE options at prices between 255p and 415p, 215,000 ordinary shares were issued to directors and employees exercising executive share options at a price of 518.5p per ordinary share and 195,000 ordinary shares were allotted at par to Cranswick

Trustees Limited in respect of the Cranswick plc Long Term Incentive Plan approved at last year's Annual General Meeting.

On 1 November 2006, 478,766 ordinary shares were issued at £7.52 each as part of the consideration for Delico Limited.

Of the unissued ordinary share capital £114,087 is reserved for allotment under the Savings Related and Executive Share Option Schemes. The options are exercisable as follows:

	Number	Exercise price	Exercise period
Savings related	26,443	264p	March 2007 to October 2009
Savings related	34,117	415p	March 2008 to October 2010
Savings related	80,328	255p	March 2007 to October 2011
Savings related	167,269	375p	March 2008 to October 2012
Savings related	144,735	471p	March 2009 to October 2013
Savings related	152,978	679p	March 2010 to October 2014
Executive	535,000	601p	July 2008 to July 2015

On 9 September 2005, 68,119 ordinary shares were issued at 648p as a result of shareholders exercising the scrip dividend option in lieu of the cash payment for the 2005 final dividend.

On 27 January 2006, 81,702 ordinary shares were issued at 584p as a result of shareholders exercising the scrip dividend option in lieu of the cash payment for the 2006 interim dividend.

During the course of the previous year, 38,349 ordinary shares were issued to employees exercising SAYE options at prices between 121p and 415p, and 430,000 ordinary shares were issued to directors and employees exercising executive share options at a price of 362p per ordinary share.

24. Share based payments

Executive Share Options

The Company operates two executive share option schemes, a Revenue approved scheme and an unapproved scheme both of which are equity settled.

Share options are granted periodically to promote the involvement of senior management in the longer term success of the Company. Options can only be exercised if certain performance conditions are met by the Company. These conditions are based on total shareholder return over the performance period and require the Company to be in the top half of a basket of food companies quoted on the London Stock Exchange selected by the Remuneration Committee. Options have a contractual life of ten years.

Directors may also apply for SAYE options on the same terms as apply to all other employees.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

Group	2007 Number	2007 WAEP £	2006 Number	2006 WAEP £
Outstanding as at 1 April	795,000	5.79	645,000	4.14
Granted during the year	-	-	610,000	6.01
Forfeited during the year	(45,000)	6.01	(30,000)	6.01
Exercised during the year (note i)	(215,000)	5.19	(430,000)	3.62
Expired during the year	-	-	-	-
Outstanding as at 31 March	<u>535,000</u>	<u>6.01</u>	<u>795,000</u>	<u>5.79</u>
Exercisable at 31 March	-	-	-	-
Company	2007 Number	2007 WAEP £	2006 Number	2006 WAEP £
Outstanding as at 1 April	400,000	5.79	405,000	4.14
Granted during the year	-	-	265,000	6.01
Forfeited during the year	-	-	-	-
Exercised during the year (note i)	(135,000)	5.19	(270,000)	3.62
Expired during the year	-	-	-	-
Outstanding as at 31 March	<u>265,000</u>	<u>6.01</u>	<u>400,000</u>	<u>5.79</u>
Exercisable at 31 March	-	-	-	-

i. The weighted average share price at the date of the exercise for the options exercised is £9.50 (2005 – £6.21).

For the share options outstanding as at 31 March 2007, the weighted average remaining contractual life is 1.6 years. (2006 – 2.6 years).

There were no options granted during the year.

The weighted average fair value of options granted during the previous year was £6.01. The range of exercise prices for options outstanding at the end of the year was £6.01.

Long Term Incentive Plan

The Long Term Incentive Plan was approved at last year's Annual General Meeting. During the course of the year 195,000 options were granted to directors and senior executives. There is a three year performance period at the end of which half the options will be measured against earnings per share targets and the other half measured against total shareholder return targets. The EPS target allows 25 per cent of the shares subject to the target to be issued at nil cost at an outperformance of 3 per cent and 100 per cent of the shares at an outperformance of 7 per cent with outperformance between 3 and 7 per cent rewarded pro-rata. The TSR target allows 50 per cent of the shares subject to the target to be issued at nil cost 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 are Carrs Milling Industries plc, Dairy Crest Group plc, Devro plc, Arla Foods plc, Glanbia plc, Greencore Group plc, Northern Foods plc, Robert Wiseman Dairies plc, Premier Foods plc, RHM plc and Uniq plc. The options have a contractual life of ten years. 5,000 options were forfeited during the year leaving 190,000 outstanding.

All Employee Share Options (SAYE scheme)

All employees are entitled to a grant of options once they have been in service for two years 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 3, 5 or 7 years.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

Group	2007 Number	2007 WAEF £	2006 Number	2006 WAEF £
Outstanding as at 1 April	739,063	4.15	645,337	3.19
Granted during the year (note i)	153,033	6.79	162,586	4.71
Forfeited during the year	(42,532)	3.71	(28,381)	3.15
Exercised during the year (note ii)	(243,694)	2.75	(40,479)	3.63
Expired during the year	-	-	-	-
Outstanding as at 31 March (note iii)	<u>605,870</u>	<u>4.42</u>	<u>739,063</u>	<u>4.15</u>
Exercisable at 31 March	<u>1,736</u>	<u>2.55</u>	<u>3,536</u>	<u>4.15</u>
Company	2007 Number	2007 WAEF £	2006 Number	2006 WAEF £
Outstanding as at 1 April	24,542	3.50	23,381	3.42
Granted during the year (note i)	1,069	6.79	2,071	4.71
Forfeited during the year	-	-	-	-
Exercised during the year (note ii)	(9,224)	2.64	(910)	4.15
Expired during the year	-	-	-	-
Outstanding as at 31 March	<u>16,387</u>	<u>4.20</u>	<u>24,542</u>	<u>3.50</u>
Exercisable at 31 March	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

- i. The share options granted during the year were at 679p, representing a 20 per cent discount on the price at the relevant date.
- ii. The weighted average share price at the date of the exercise for the options exercised is £9.68 (2006 – £5.95).
- iii. Included within this balance are options over 26,444 shares (2006 – 147,412 shares) that have not been recognised in accordance with IFRS 2 as options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

For the share options outstanding as at 31 March 2007 the weighted average remaining contractual life is 2.70 years (2006 – 3.05 years).

The weighted average fair value of options granted during the year was £6.79 (2006 – £1.67). The range of exercise prices for options outstanding at the end of the year was £2.55-£6.79 (2006 – £2.55-£4.71).

The fair value of both Executive and All Employee 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 2007 and 31 March 2006.

Group and Company	2007	2006
Dividend yield	1.9%-4.1%	2.41% - 2.6%
Expected share price volatility	24.5%-31%	31%
Risk free interest rate	4.29%-5.0%	4.51% - 4.81%
Expected life of option (years)	3, 5, 7 years	3, 5, 7 years
Exercise prices	£nil - £6.79	£4.71 - £6.01

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 executive options is adjusted to take into account the market-based performance condition.

25. Reconciliation of movements in equity

Group	Attributable to equity holders of the parent						Minority Interest	Total Equity
	Share capital (Note 1) £'000	Share premium (Note 2) £'000	Share based payments (Note 3) £'000	Hedging reserve (Note 4) £'000	Translation reserve (Note 5) £'000	Retained earnings £'000		
At 1 April 2005	4,405	38,250	247	-	21	49,922	92,845	- 92,845
Impact of adoption of IAS 32 and IAS 39	-	-	-	45	-	(14)	31	- 31
Cash flow hedges	-	-	-	(85)	-	-	(85)	- (85)
Exchange differences	-	-	-	-	6	-	6	- 6
Profit for the year	-	-	-	-	-	22,784	22,784	36 22,820
Exercise of options	47	1,644	-	-	-	-	1,691	- 1,691
Scrip dividends	15	903	-	-	-	-	918	- 918
Share based payments	-	-	284	-	-	-	284	- 284
Deferred tax recognised directly in equity	-	-	-	-	-	124	124	- 124
Corporation tax recognised directly in equity	-	-	-	-	-	529	529	- 529
Dividends	-	-	-	-	-	(6,741)	(6,741)	- (6,741)
At 1 April 2006	4,467	40,797	531	(40)	27	66,604	112,386	36 112,422
Cash flow hedges	-	-	-	369	-	-	369	- 369
Exchange differences	-	-	-	-	(5)	-	(5)	- (5)
Profit for the year	-	-	-	-	-	22,574	22,574	80 22,654
Exercise of options	65	1,711	-	-	-	-	1,776	- 1,776
Scrip dividends	15	1,144	-	-	-	-	1,159	- 1,159
Share issues	48	3,552	-	-	-	-	3,600	- 3,600
Share based payments	-	-	487	-	-	-	487	- 487
Deferred tax recognised directly in equity	-	-	-	-	-	300	300	- 300
Corporation tax recognised directly in equity	-	-	-	-	-	712	712	- 712
Purchase of minority interest	-	-	-	-	-	-	-	(13) (13)
Dividends	-	-	-	-	-	(7,626)	(7,626)	- (7,626)
At 31 March 2007	4,595	47,204	1,018	329	22	82,564	135,732	103 135,835

Company	Share capital (Note 1) £'000	Share premium (Note 2) £'000	Share based payments (Note 3) £'000	Hedging reserve (Note 4) £'000	Merger reserve (Note 6) £'000	General reserve (Note 7) £'000	Retained earnings	Total
At 1 April 2005	4,405	38,250	72	-	1,806	4,000	2,068	50,601
Impact of adoption of IAS 32 and IAS 39	-	-	-	45	-	-	(14)	31
Cash flow hedges	-	-	-	(191)	-	-	-	(191)
Profit for the year	-	-	-	-	-	-	10,160	10,160
Exercise of options	47	1,644	-	-	-	-	-	1,691
Scrip dividends	15	903	-	-	-	-	-	918
Share based payments	-	-	70	-	-	-	-	70
Deferred tax recognised directly in equity	-	-	-	-	-	-	100	100
Corporation tax recognised directly in equity	-	-	-	-	-	-	529	529
Dividends	-	-	-	-	-	-	(6,741)	(6,741)
At 1 April 2006	4,467	40,797	142	(146)	1,806	4,000	6,102	57,168
Cash flow hedges	-	-	-	452	-	-	-	452
Profit for the year	-	-	-	-	-	-	6,665	6,665
Exercise of options	65	1,711	-	-	-	-	-	1,776
Scrip dividends	15	1,144	-	-	-	-	-	1,159
Share issues	48	3,552	-	-	-	-	-	3,600
Share based payments	-	-	68	-	-	-	-	68
Deferred tax recognised directly in equity	-	-	-	-	-	-	(118)	(118)
Corporation tax recognised directly in equity	-	-	-	-	-	-	712	712
Dividends	-	-	-	-	-	-	(7,626)	(7,626)
At 31 March 2007	4,595	47,204	210	306	1,806	4,000	5,735	63,856

Notes:**1. Share capital**

The balance classified as share capital represents the nominal value of ordinary 10p shares issued.

2. 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 10p ordinary shares.

3. Share based payments reserve

This reserves records the fair value of share based payments expensed in the income statement.

4. Hedging reserve

This reserve includes the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

5. Translation reserve

This reserve records exchange differences arising from the translation of the financial statements of foreign subsidiaries.

6. 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.

7. General reserve

This reserve arose in 1993 when the High Court of Justice granted permission to reduce the Company's share premium account by £4,000,000 which was credited to a separate reserve named the general reserve.

26. Additional cash flow information**Analysis of Group net debt**

	At 31 March 2006 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2007 £'000
Cash and cash equivalents	5,000	(2,728)	(10)	2,262
Overdrafts	(4,954)	2,198	-	(2,756)
	46	(530)	(10)	(494)
Other financial assets	-	-	306	306
	46	(530)	296	(188)
Other financial liabilities	(146)	-	146	-
Revolving credit	(2,000)	-	-	(2,000)
Bank loans	(73,970)	1,290	(114)	(72,794)
Loan notes	(1,072)	145	-	(927)
Net debt	(77,142)	905	328	(75,909)

Net debt is defined as cash and cash equivalents and derivatives at fair value less interest bearing liabilities (net of unamortised issue costs).

	At 31 March 2005 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2006 £'000
Cash and cash equivalents	5,025	(34)	9	5,000
Overdrafts	(1,734)	(3,220)	-	(4,954)
	3,291	(3,254)	9	46
Other financial liabilities	-	-	(146)	(146)
Revolving credit	(5,000)	3,000	-	(2,000)
Bank loans	(89,487)	15,625	(108)	(73,970)
Loan notes	(1,200)	128	-	(1,072)
Net debt	(92,396)	15,499	(245)	(77,142)

Analysis of Company net debt

	At 31 March 2006	Cash flow	Other non cash changes	At 31 March 2007
	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	-	-	-
Overdrafts	(4,480)	2,378	-	(2,102)
	(4,480)	2,378	-	(2,102)
Other financial assets	-	-	306	306
	(4,480)	2,378	306	(1,796)
Other financial liabilities	(146)	-	146	-
Revolving credit	(2,000)	-	-	(2,000)
Bank loans	(73,970)	1,290	(114)	(72,794)
Loan notes	(1,072)	145	-	(927)
Net debt	(81,668)	3,813	338	(77,517)
	At 31 March 2005	Cash flow	Other non cash changes	At 31 March 2006
	£'000	£'000	£'000	£'000
Cash	-	-	-	-
Overdrafts	(1,093)	(3,387)	-	(4,480)
	(1,093)	(3,387)	-	(4,480)
Other financial liabilities			(146)	(146)
Revolving credit	(5,000)	3,000	-	(2,000)
Bank loans	(89,487)	15,625	(108)	(73,970)
Loan notes	(1,200)	128	-	(1,072)
Net debt	(96,780)	15,366	(254)	(81,668)

27. Contingent liabilities

The Company, together with its subsidiary undertakings, has entered into a guarantee with Lloyds TSB Bank plc and The Royal Bank of Scotland plc in respect of the Group's facilities with those banks. Drawn down amounts totalled £78,808,000 as at 31 March 2007 (2006 – £82,401,000).

28. Commitments

- The Directors have contracted for future capital expenditure for property, plant and equipment totalling £475,000 (2006 – £531,000).
- The Group's future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Not later than one year	1,345	1,147	-	-
After one year but not more than five years	6,178	5,535	-	-
After five years	21,824	22,510	-	-
	29,347	29,192	-	-

29. Pension commitments

The Group operates a number of 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 and the amount charged to the profit and loss account is disclosed in note 4. Contributions owing to the insurance companies at the year-end, included in trade and other payables, amounted to £218,000 (2006 – £196,000).

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 only

Related party	Services rendered to the related party £'000	Dividends received from related party £'000
Subsidiaries		
2007	13,640	6,467
2006	8,000	11,503

Amounts owed by or to subsidiary undertakings are disclosed in the Company balance sheet on page 35. Any such amounts are unsecured and repayable on demand.

Remuneration of key management personnel

	2007 £'000	2006 £'000
Short-term employee benefits	3,211	2,376
Post-employment benefits	383	337
Share-based payments	170	114
	3,764	2,827

31. Events since the Balance sheet date

On 18 May 2007, the Group disposed of its feed milling business. Sale proceeds of £3.0m in respect of certain fixed assets and goodwill were received with a further £1.0m for other fixed assets in 12 months time. The net book value of these assets was £2.7m at the Balance Sheet date. Further cash of approximately £3.0m will be received as working capital is realised. No adjustment has been made in these financial statements for the profit on disposal.

Corporate governance statement

Statement by the Directors on compliance with the provisions of the Combined Code.

Principles of good governance

The Board is committed to high standards of corporate governance. The adoption and maintenance of good governance is the responsibility of the Board as a whole. This report, together with the Directors' Remuneration Report on pages 73 to 76, describes how the Board applies the principles of good governance and best practice as set out in the Combined Code on Corporate Governance (the "Combined Code") which came into effect for reporting years commencing after 30 November 2003 and therefore applies to the full year under review. A statement of compliance can be found at the end of this report.

The Board

The Board consists of an Executive Chairman, two Chief Executives, two other executive directors and three non-executives, two of whom are deemed to be independent. Noel Taylor is not deemed to be independent due to his long association with the Company. The Combined Code recommends that the board of directors of a UK public company should include a balance of executive and non-executive directors (including independent non-executives) such that no individual or small group of individuals can dominate the board's decision-making. The Board is confident that it meets the requirements of the Combined Code in full that apply to a company the size of Cranswick.

The Board meets each month throughout the year to direct and control the overall strategy and operating performance of the Group. To enable them to carry out these responsibilities all directors have full and timely access to all relevant information. A formal schedule of matters reserved for decision by the Board covers key areas of the Group's affairs including acquisition and divestment policy, approval of budgets, major capital expenditure projects, profit and cashflow performance and general treasury and risk management policies. Responsibility for the Group's day-to-day operations is delegated to the Chief Executives of the two divisions who, supported by the executive directors and executive management, implement the Board's strategy and manage the Group's business. Upon appointment, all directors undertake a formal introduction to all the Group's activities and are also provided with the opportunity for on-going training to ensure that they are kept up-to-date on changes in relevant legislation and the general business environment. Procedures are in place for directors to seek both independent advice at the expense of the Company and the advice and services of the Company Secretary in order to fulfil their duties. The Company Secretary is responsible to the Board for ensuring that Board procedures are complied with and for advising the Board, through the Chairman, on all governance matters. The appointment and removal of the Company Secretary is determined by the Board as a whole.

The Chairman carries out a performance appraisal of the Board, its committees and directors and meets with the non-executive directors at least once a year to consider his conclusions. In addition, the non-executive directors meet, without the Chairman present, in order to appraise his performance.

The Company's Articles of Association provide that one third (but not more than one third) of the Directors retire by rotation each year and with the proviso that each Director shall seek re-election at the Annual General Meeting every three years. All new directors are subject to election by shareholders at the first opportunity following their appointment.

Directors' biographies and membership of the various committees are shown on page 25. The formal terms of reference for the main Board Committees together with the terms and conditions of appointment of non-executive directors are available for inspection at the Company's Registered Office and at the Annual General Meeting.

Board Committees

Audit Committee

The Audit Committee comprises the three non-executives, John Worby, Patrick Farnsworth and Noel Taylor. The Committee is chaired by John Worby, the Company's Senior Independent Director, who is a Chartered Accountant and has considerable recent relevant financial experience. It is a requirement of the Combined Code that the Audit Committee should comprise all independent non-executive directors. The Board is confident that the Company complies with this requirement, with the exception of Noel Taylor as outlined on page 71.

The Chairman, the Finance Director and the Group Financial Controller, who is responsible for assessing the Group's internal financial controls, together with the external auditors attend the meetings as appropriate. The external auditors have the opportunity for direct access to the Committee without the Executive Directors being present and the Committee formally meets at least once a year without the Executive Directors being present.

The Committee reviews the Group's accounting policies and internal reports on accounting and internal financial control matters together with reports from the external auditors. The Audit Committee has overall responsibility for monitoring the integrity of financial statements and related announcements and for all aspects of internal control and meets at least three times a year, two of which involve a review of the Group's interim and full year statements together with the fourth quarter update. The Audit Committee considers annually the extent and effectiveness of the work of the internal audit function. The Audit Committee is also responsible for recommendations for the appointment, reappointment or removal of the external auditors and for reviewing their effectiveness. It also approves the terms of engagement and remuneration of the external auditors, and monitors their independence including the nature and levels of non-audit services. There is a whistleblowing policy in place which includes arrangement by which staff can, in confidence, raise concerns about possible improprieties in matters of financial reporting and other matters.

The Chairman of the Audit Committee will be available at the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities.

Remuneration Committee

The Remuneration Committee comprises Patrick Farnsworth (Chairman), Noel Taylor and John Worby. It is a requirement of the Combined Code that the Remuneration Committee should, in the case of smaller companies, consist of at least two members who are considered by the Combined Code to be independent. It is a requirement of the Combined Code that the Remuneration Committee should comprise all independent non-executive directors. The Board is confident that the Company complies with this requirement, with the exception of Noel Taylor as outlined on page 71. Martin Davey, Chairman, attends meetings of the Remuneration Committee by invitation and in an advisory capacity. No director attends any part of a meeting at which his own remuneration is discussed. The executive directors determine the remuneration of the non-executive directors.

The Committee recommends to the Board the policy for executive remuneration and determines, on behalf of the Board, the other terms and conditions of service for each executive director. It determines appropriate performance conditions for the annual cash bonus and long term incentive schemes and approves awards and the issue of options in accordance with the terms of those schemes. The Remuneration Committee also recommends and monitors the level and structure of remuneration of senior management below that of main board director. The Remuneration Committee has access to advice from the Company Secretary and to detailed analysis of executive remuneration in comparable companies. Details of the Committee's current remuneration policies are given in the Directors' Remuneration Report on pages 73 to 76.

The Chairman of the Remuneration Committee attends the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities.

Nomination Committee

The Nomination Committee comprises Martin Davey, Executive Chairman, who also acts as the Committee's Chairman, Patrick Farnsworth, independent non-executive, and John Worby, independent non-executive. It is a requirement of the Combined Code that a majority of the members of the Nomination Committee should be non-executive directors, and the Chairman should be either the chairman of the board or a non-executive director. The Board is confident that it fully complies with these requirements of the Combined Code. Due to the size of the Company and the stability of the Board the Chairman's time commitment to the Committee is not anticipated to be heavy.

The Committee meets as required and is authorised to propose to the Board new appointments of executive and non-executive directors.

The Chairman of the Nomination Committee will attend the Annual General meeting to respond to any shareholder questions that might be raised on the Committee's activities.

Meetings attendance

Details of the number of meetings of, and members' attendance at, the Board, Audit, Remuneration and Nomination Committees during the year are set out in the table below.

	Board	Audit Committee	Remuneration Committee	Nomination
No. of meetings	12	3	5	-
DJ Black	11			
AH Couch	12			
MTP Davey	12			
B Hoggarth	11			
JD Lindop	12			
RN Taylor	11	2	5	
PW Farnsworth	12	3	5	
JG Worby	12	3	5	

Shareholders

The views of shareholders expressed during meetings with them are communicated by the Chairman to the Board as a whole, and through this process of communication the Board's executive and non-executive directors are able to gain a sound understanding of the views and concerns of the major shareholders. The Chairman discusses governance and strategy with major shareholders. Other directors are available to meet the company's major shareholders if requested. The Senior Independent Director is available to listen to the views of shareholders, particularly if they have concerns which contact with the Chairman has failed to resolve or for which such contact is inappropriate. Principles of corporate governance and voting guidelines issued by the Company's institutional shareholders and their representative bodies are circulated to and considered by the Board. The Board also welcomes the attendance and questions of shareholders at the Annual General Meeting which is also attended by the Chairmen of the Audit, Remuneration and Nominations Committees.

Going Concern

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

Internal Control

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

The Group operates within a clearly defined organisational structure with established responsibilities, authorities and reporting lines to the Board. The organisational structure has been designed in order to plan, execute, monitor and control the Group's objectives effectively and to ensure that internal control becomes embedded in the operations. The Chairman of the Audit Committee reports to the Board on issues relating to internal controls and risk management issues following each Audit Committee meeting. The Board confirms that the key ongoing processes and features of the Group's internal risk based control system, which accord with the Turnbull guidance, have been fully operative throughout the year and up to the date of the Annual Report being approved. These include; a process to identify and evaluate business risk; a strong control environment; an information and

communication process; a monitoring system and a regular Board review for effectiveness. The Group Financial Controller is responsible for overseeing the Group's internal controls.

During the year the management of the Food and Pet businesses identified the key business risks within their operations, considered the financial implications and assessed the effectiveness of the control processes in place to mitigate these risks. The Board reviewed a summary of the findings and this, along with direct involvement in the strategies of the businesses, investment appraisal and budgeting process, enabled the Board to report on the effectiveness of internal control. Following its review the Board determined that it was not aware of any significant deficiency or material weakness in the system of internal control.

Auditor Independence

The Board is satisfied that Ernst & Young LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained. The Company meets its obligations for maintaining the appropriate relationship with the external auditors through the Audit Committee whose terms of reference include an obligation to consider and keep under review the degree of work undertaken by the external auditor, other than the statutory audit, to ensure such objectivity and independence is safeguarded. In addition, the Chairman of the Audit Committee is consulted prior to awarding to the external auditors any non audit services in excess of £20,000.

During the year the Audit Committee considered the following factors in assessing the objectivity and independence of Ernst & Young LLP:

- i. The auditors' procedures for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the Company, other than those in the normal course of business permitted by UK ethical guidance.
- ii. The auditors' policies for the rotation of the lead partner and key audit personnel.
- iii. Adherence by management and the auditor to the Group's policy for the procurement of non-audit services which was adopted during the year.

Compliance with the Revised Combined Code

The Directors consider that the Company has, during the year ended 31 March 2007, complied with the requirements of the revised Combined Code other than as set out below.

- i. The Board did not comply with Combined Code provisions A.7.2 and B.1.6 for the first month of the year in that notice periods contained in the service agreements dated 1 May 2004 for M.Davey, D.Black and B. Hoggarth contain notice periods that reduced progressively to 1 year by 1 May 2006. In addition, in the case of a takeover of the Company the notice period is two years for the first six months following takeover. Also, N. Taylor, non-executive director, does not have a fixed term contract, but is employed subject to a notice period of six months.
- ii. The Board did not comply throughout the year with Combined Code provisions B2.1 and C3.1 regarding the composition of the Audit and Remuneration Committees as Noel Taylor is not an independent non-executive director.

Statement of directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' remuneration report

Information not subject to audit

Remuneration committee

The Remuneration Committee comprises the non-executive directors Patrick Farnsworth (chairman of the committee), Noel Taylor and John Worby. The Executive Chairman attends the meetings in an advisory capacity as requested. The Committee determines the remuneration of the Company's executive directors and puts forward its recommendations for approval by the Board. The committee has not used remuneration consultants in the year, but has undertaken a review of remuneration levels at quoted companies of comparable size. The remuneration of the non-executives is determined by the executive directors and reflects the time, commitment and responsibility of their roles.

Remuneration policy

The Company's policy is that the overall remuneration package offered by the Company should be sufficiently competitive to attract, retain and motivate high quality executives and to align the rewards of the executives with the progress of the Company whilst giving consideration to salary levels in similar sized quoted companies in the sector and in the region. The remuneration package includes a significant performance related element in the form of a profit related bonus and share based awards. The share based awards are granted by the Remuneration Committee and only vest on the achievement of demanding targets aligned to shareholder returns. The details of individual components of the remuneration package and service contracts are set out below:

Basic salary and benefits

Basic salary, car allowance and benefits are reviewed annually. Benefits principally comprise medical insurance.

Bonus scheme

The bonus scheme in operation is based on the achievement of group profit targets. The profit targets and bonuses are the same for all executive directors. Total bonus is capped at 150 per cent of basic salary. Non-executive directors do not participate in the Company's bonus scheme. Incentive payments and benefits are not pensionable.

Share options

The basic salary and the bonus scheme are intended as the most significant part of directors' remuneration; in addition, executive share options can be proposed by the Remuneration Committee and are granted periodically to promote the involvement of senior management in the longer term success of the Company. Options can only be exercised if certain performance criteria are achieved by the Company. For executive options these criteria are based on total shareholder return over the 3 year performance period and require the Company to be in the top half against a basket of food companies quoted on the London Stock Exchange. The comparison companies are ABF, Carrs Milling, Dairy Crest, Devro, Arla Foods, Glanbia, Greencore, Northern Foods, Robert Wiseman, Richmond Foods and Uniq. For the Long Term Incentive Plan ("LTIP") approved at the 2006 Annual General Meeting half the shares granted under the LTIP are subject to an earnings per share ("EPS") target measured against increases in the retail price index ("RPI") and the other half to a total shareholder return ("TSR") target measured against a comparable group of food companies. The comparison companies are Carrs Milling Industries plc, Dairy Crest Group plc, Devro plc, Arla Foods plc, Glanbia plc, Greencore Group plc, Northern Foods plc, Robert Wiseman Dairies plc, Premier Foods plc, RHM plc and Uniq plc. The EPS target allows 25 per cent of the shares subject to the target to be issued at nil cost at an outperformance of 3 per cent and 100 per cent of the shares at an outperformance of 7 per cent with outperformance between 3 and 7 per cent rewarded pro-rata. The TSR target allows 50 per cent of the shares subject to the target to be issued at nil cost at the 50th percentile and 100 per cent at the 75th percentile with performance between the 50th and 75th percentiles rewarded pro-rata. The Remuneration Committee, who decides whether performance conditions have been met, considers these to be the most appropriate measures of the long term performance of the Company. Directors may also apply for SAYE options on the same terms as apply to all other employees.

Pensions

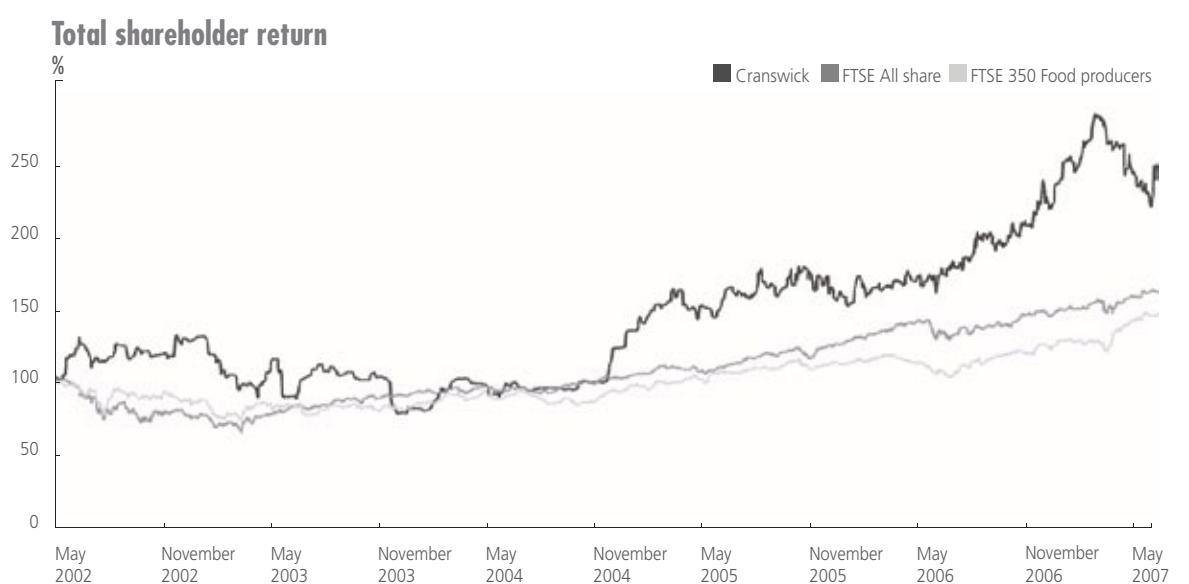
Executive Directors are members of the Company "money-purchase" pension scheme. Employer contributions are determined by the service contracts. In some cases there are payments in lieu of pension contributions at the option of the individual.

Service contracts

The service contracts for M. Davey, D. Black and B. Hoggarth first commenced on 30 June 2004 and include notice periods which reduced to one year on 1 May 2006 except in the case of a takeover of the Company when the notice period is 2 years for the first six months following the takeover. J. Lindop and A. Couch have 1 year rolling contracts which commenced on 30 June 2004 and 1 May 2006 respectively. N. Taylor has a 6 month rolling service contract, which commenced on 4 September 1992, and P. Farnsworth and J. Worby have three year appointment letters from 1 August 2004 and 1 August 2005 respectively. The contracts for M. Davey, D. Black, B. Hoggarth and J. Lindop have special provisions relating to liquidated damages requiring that the notice period stipulated in the contract will be paid in full. For the other contracts the Remuneration Committee will consider the circumstances of an early termination and determine compensation payments accordingly.

Performance graph

The graph below shows the percentage change (from a base of 100 in May 2002) in the total shareholder return (with dividends reinvested) for each of the last five years on a holding of the Company's shares against the corresponding change in a hypothetical holding in the shares in 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 for the business of the sector and the market as a whole for the business.



Information subject to audit.

Directors' Remuneration

The remuneration of directors for the year was as follows:

	2007 £'000	2006 £'000
Salary and fees	1,801	1,827
Bonuses	1,275	402
Benefits	5	6
Payment in lieu of pension contribution	249	249
Pension contribution	3,330	2,484
Aggregate notional gains made by directors on exercise of options	394	348
	<u>3,724</u>	<u>2,832</u>
	<u>487</u>	<u>693</u>

Individual directors, including pension contributions:

	Salary and fees	Bonus	Other*	Benefits	Total 2007	Total 2006	Pension 2007	Pension 2006
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-executive directors:								
PW Farnsworth	32	-	-	-	32	31	-	-
RN Taylor	55	-	-	-	55	55	11	11
JG Worby	32	-	-	-	32	21	-	-
(2006 - from date of appointment)								
Executive directors:								
Dr. B Bell (to date of retirement)	-	-	-	-	-	214	-	3
DJ Black	294	255	81	1	631	435	55	53
MTP Davey	485	255	76	1	817	589	94	84
B Hoggarth	377	255	92	1	720	504	71	65
JD Lindop	232	255	-	1	488	302	108	84
AH Couch	294	255	-	1	550	333	55	48

* Other comprises payments in lieu of pension contribution.

The number of directors who were active members of the money purchase pension scheme during the year was 6 (2006 – 7). Benefits principally comprise medical insurance.

M Davey is a non-executive director of Thorntons plc. His fees in this capacity are paid to the Company; amounts receivable for the year ended 31 March 2007 were £34,458 (2006 – £31,125). J Lindop is a non-executive director of Black Sheep Brewery plc. His fees in this capacity are paid to the Company; amounts receivable for the year ended 31 March 2007 were £10,275 (2006 – £nil).

Share Options

The Company operates an executive share option scheme and a long term incentive plan for senior executives, including directors, and a savings related share option scheme which is available to all employees. The interests of the directors in these schemes were as follows:

Executive share option scheme

	At 1 April 2006	Granted in the year	Exercised in the year	Lapsed	At 31 March 2007	Exercise price	Range of exercise dates
	No	No	No		No	p	
MTP Davey	25,000 50,000	- -	(25,000) -	- -	50,000	518.5 601.0	23 Dec 2005/22 Dec 2012 4 July 2008/3 July 2015
DJ Black	25,000 50,000	- -	(25,000) -	- -	50,000	518.5 601.0	23 Dec 2005/12 Dec 2012 4 July 2008/3 July 2015
AH Couch	10,000 50,000	- -	(10,000) -	- -	50,000	518.5 601.0	23 Dec 2005/22 Dec 2012 4 July 2008/3 July 2015
B Hoggarth	25,000 50,000	- -	(25,000) -	- -	50,000	518.5 601.0	23 Dec 2005/22 Dec 2011 4 July 2008/3 July 2015
JD Lindop	25,000 50,000	- -	(25,000) -	- -	50,000	518.5 601.0	23 Dec 2005/22 Dec 2012 4 July 2008/3 July 2015

The executive share options of each director are exercisable subject to the attainment of performance criteria based on the total return to shareholders during the 3 year performance period being in the top half against a basket of food companies quoted on the London Stock Exchange.

The following directors exercised executive share options during the year:

	Number	Date exercised	Exercise price p	Market price p	Notional gain £'000s
MTP Davey	25,000	8 Mar 2007	518.5	930.0	103
DJ Black	25,000	8 Mar 2007	518.5	930.0	103
AH Couch	10,000	8 Mar 2007	518.5	930.0	41
B Hoggarth	25,000	8 Mar 2007	518.5	930.0	103
JD Lindop	25,000	8 Mar 2007	518.5	930.0	103

Long term incentive plan

	At 1 April 2006	Granted in the year	Exercised in the year	Lapsed	At 31 March 2007	Weighted average exercise price p	Range of exercise dates
	No	No	No	No	No		
MTP Davey	-	25,000	-	-	25,000	Nil	1 Sept 2009/1 Sept 2016
DJ Black	-	25,000	-	-	25,000	Nil	1 Sept 2009/1 Sept 2016
AH Couch	-	25,000	-	-	25,000	Nil	1 Sept 2009/1 Sept 2016
B Hoggarth	-	25,000	-	-	25,000	Nil	1 Sept 2009/1 Sept 2016
JD Lindop	-	25,000	-	-	25,000	Nil	1 Sept 2009/1 Sept 2016

The options of each director under the Long term incentive plan are exercisable after 3 years on the attainment of certain performance criteria detailed on page 73.

Savings related share option scheme

	At 1 April 2006	Granted in the year	Exercised in the year	Lapsed	At 31 March 2007	Weighted average exercise price p	Range of exercise dates
	No	No	No	No	No		
MTP Davey	2,526	-	-	-	2,526	375	1 Mar 2008/1 Sept 2008
DJ Black	5,030	534	(2,406)	-	3,158	449	1 Mar 2008/1 Sept 2011
AH Couch	5,689	-	-	-	5,689	310	1 Mar 2009/1 Sept 2013
B Hoggarth	2,310	-	-	-	2,310	408	1 Mar 2008/1 Sept 2009
JD Lindop	5,030	534	(2,406)	-	3,158	449	1 Mar 2008/1 Sept 2010

The 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 directors exercised savings related share options during the year:

	Number	Date exercised	Exercise Price p	Market Price p	Notional gain £'000s
DJ Black	2,406	1 March 2007	264.0	985.0	17
JD Lindop	2,406	1 March 2007	264.0	985.0	17

The market price of the Company's shares at 31 March 2007 was 940.0p per share. The highest and lowest market prices during the year for each share option that is unexpired at the end of the year are as follows:

	Highest	Lowest
Options in issue throughout the year	1,021.0p	592.0p
Options issued during the year: SAYE	984.5p	927.0p
Executive	1,021p	722.0p

There have been no changes to the above interests in the period from 1 April 2007 to 11 May 2007.

On behalf of the Board

Patrick Farnsworth

Chairman of the Remuneration Committee

21 May 2007

Report of the auditors

to the members of Cranswick plc

Independent auditor's report to the members of Cranswick plc

We have audited the Group and parent company financial statements (the "financial statements") of Cranswick plc for the year ended 31 March 2007 which comprise the Group Income Statement, Group and Company Statements of Recognised Income and Expense, Group and Company Balance Sheets, Group and Company Cash Flow Statements and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial information, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Report of the Directors.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Statement to Shareholders, Review of Activities Food, Review of Activities Pet, the Group Operating and Financial Review, the Corporate Governance Statement and the Five Year Statement and Shareholder Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Report of the Directors is consistent with the financial statements.

Ernst & Young LLP

Registered auditor

Hull, 21 May 2007

Advisers

Secretary John Lindop FCA

Company Number 1074383

Registered Office 74 Helsinki Road
Sutton Fields
Hull HU7 0YW

Stockbrokers Investec Investment Banking – London
Brewin Dolphin Securities – Newcastle

Registrars Capita IRG plc
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TU

Auditors Ernst & Young LLP – Hull

Solicitors Rollits – Hull

Bankers Lloyds TSB Bank plc
The Royal Bank of Scotland plc

Merchant Bankers N M Rothschild & Sons – Leeds

Shareholder information

Five year statement

	IFRS			UK GAAP	
	2007 £'m	2006 £'m	2005 £'m	2004 £'m	2003 £'m
Turnover	524.8	441.2	318.5	270.1	237.7
Profit before tax *	32.7	31.1	21.6	21.2	19.8
Earnings per share *	50.2	51.2	38.6p	35.8p	34.2p
Dividends per share	18.1	16.5p	14.5p	13.2p	12.0p
Capital expenditure	11.8	14.3	19.1	10.0	6.7
(Net debt)/net funds	(75.9)	(77.1)	(92.4)	(13.3)	1.6
Net assets	135.8	112.4	92.8	68.8	61.2

* prior to goodwill amortisation under UK GAAP; this is the principal difference between UK GAAP and IFRS.

Dividends per share relate to dividends declared in respect of that year.

(Net debt)/net funds is defined as per note 26 to the accounts.

Financial calendar

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

Shareholder analysis
at 11 May 2007

	Number of holdings	Number of shares
Classification		
Private shareholders	1,073	6,287,837
Corporate bodies and nominees	520	39,668,225
	<u>1,593</u>	<u>45,956,062</u>
Size of holding (shares)		
1 – 1,000	707	293,548
1,001 – 5,000	529	1,217,552
5,001 – 10,000	117	821,044
10,001 – 50,000	121	2,833,732
50,001 – 100,000	45	3,230,767
Above 100,000	74	37,559,419
	<u>1,593</u>	<u>45,956,062</u>
Share price		
Share price at 31 March 2006	631.5p	
Share price at 31 March 2007	940.0p	
High in the year	1,021.0p	
Low in the year	592.0p	

Share price movement

Cranswick's share price movement over the five year period to May 2007 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") is shown below:



Source: Investec

Some of the awards in recent years to Cranswick businesses

BPEX Foodservice Pork Product of the Year Competition

2007 **Gold Best Innovative Pork Product** – Pork Shanks
 Gold Best Cured Product – Muscovado Sweetcure Streaky Bacon
 Silver Best Cured Product – Muscovado Sweetcure Back Bacon
 Silver Best Fresh Pork Cut – Hampshire Outdoor Reared Rib Roast

Super Meat Awards

2007 **Winner Best Pork or Bacon Product** – Truly Irresistible Oak Smoked Dry Cured Back Bacon
 Finalist Best Pork or Bacon Product – Sainsburys Taste the Difference Slow Cook Outdoor Reared British Pork Belly
 Finalist Best Sausage Product – Sainsburys Taste the Difference British Pork and Caramelised Red Onion Sausages
 Finalist Best Organic Product – Sainsburys So Organic Dry Cured British Bacon
2005 **Finalist Best Sausage Product** – Aberdeen Angus Beef Sausage
2004 **Winner Best Pork & Bacon Product**
 Winner Best Product Overall – Both with Pork Rib Roast
2003 **Finalist Best Beef Product** – Monterey Jack Cheeseburger

Meat Industry Award

2006 **Winner Sausage of the Year** – Sainsburys 'Pancetta & Parmesan' sausage

Food Awards 2006

2006 **Winner Best Packaging for a Product** – Sainsburys Taste The Difference Dry Cured Sweet Cure Back Bacon

British Turkey Awards

2006 **Winner Best Ready to Eat Product award** – Sainsburys Taste the Difference Free Range Turkey Breast
2003 **Finalist Best Catering Product** – Turkey & Pepper Kebabs

Meat and Poultry News Awards

2005 **Winner Manufacturer of the Year**
2004 **Winner Organic Meat Product of the Year** – Duchy Organic Honey & Rosemary Chipolatas
2002 **Winner Manufacturer of the Year**
 Winner Organic Meat Product of the Year – Organic Pork Joint with Sage & Apple Stuffing

Guild of Fine Food Retailers 'Great Taste' Awards

2005 **Gold Smoked Streaky Bacon**
 Silver Unsmoked Streaky Bacon
 Silver Chilli and Coriander Sausage
 Bronze Pork Sausage
2002 **Gold Arista Pork Loin**
 Gold Chorizo
 Silver Bavarian Ham
 Bronze Green Greek Olives

British Sandwich Association Awards

2005 **Winner** En-Route Retailer of the Year category
 Finalist British Sandwich Designer of the Year

2004 **Winner** En-Route Retailer of the Year category
 Winner Tuna Sandwich Designer of the Year
 Winner Hot & Spicy Sandwich Designer of the Year
 Winner British Sandwich Designer of the Year

2002 **Winner** En-Route Retailer of the Year category

Food Development Agency Awards

2004 **Winner** Best Retail Product – Pork Range

Yorkshire Annual Report Awards

2004 **Winner** Shareholder Value category
2003 **Winner** Shareholder Value category
2002 **Winner** Medium Quoted Company category
 Winner Shareholder Value category

PK Aquatic Awards

2004 **Winner** Best Test Kit – Salifert ph Profi
2001 **Winner** Best Fish Food Product – Gamma
 Winner Best Test Kit – Salifert
 Winner Best Pond Clarifier – Pond Clear UV
 Winner Best Pump – Rio Aqua Pump

Meat and Livestock Commission Awards

2003 **Silver** Best Catering Sausage – Smithfield Sausage

Pizza, Pasta and Italian Food Association Awards

2003 **Winner** Manufactured Pasta Product of the Year – Garlic Mushroom filled Pasta
2002 **Finalist** Pasta Retailer of the Year category

Meat and Livestock Commission Awards

2002 **Winner** Retail Category – Ready to Eat/Heat to Eat – Smokey Joe Pork Wrap & Trinidad Pork Tortilla
2001 **Winner** Retail Category – Ready to Eat/Heat to Eat – Cajun Beef Ciabatta

British Meat Awards

2002 **Winner** Food Service Lamb Product – Aloo Saag Lamb Chapatti
 Winner Retail Pork Product – Creole Pork Enchilada Wrap

The London Stock Exchange PLC Awards

2002 **Finalist** Company of the Year
2001 **Finalist** Company of the Year



Production facilities

“ ...well invested quality assets ”



Fresh pork



Sausages



Charcuterie



Cooked meats

CRANSWICK *plc*

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