

**CRANSWICK** *plc*

# report & accounts

Year ended 31 March 2008





**Cranswick** was formed in the 1970s by farmers in East Yorkshire to produce animal feed. The Company went on to 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 supply of fresh pork, gourmet sausages, charcuterie, cooked meats, sandwiches and traditional dry cured bacon. This represents over 90 per cent of sales.

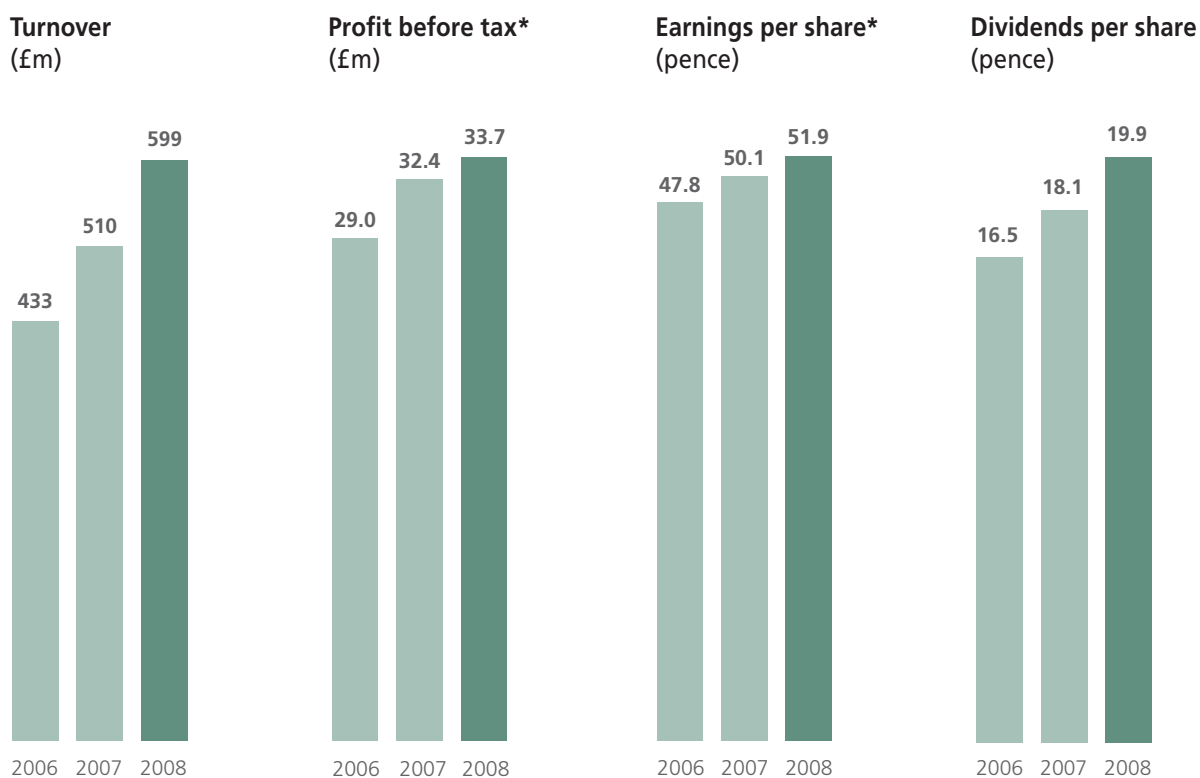
Sales are also made into the pet and aquatic sector through the supply of bird and small animal food, marine fish and aquatic products.

### Share price 1985-2008 (pence)



Start date is entry on to Stock Market, 4 December 1985 – Source: Investec

## Financial highlights



- Turnover up 17 per cent to £599m
- Profit before tax up 4 per cent at £33.7m\*
- Increase of 4 per cent in earnings per share to 51.9p\*
- Dividend up 10 per cent to 19.9p per share

\* Pre-exceptional gain



# Contents

Chairman's statement	4
Review of activities	9
Group operating and financial review	15
Group Directors and business locations	22
Directors	23
Report of the Directors	25
Cranswick and the environment	29
Group income statement	30
Group statement of recognised income and expense	31
Company statement of recognised income and expense	31
Group balance sheet	32
Company balance sheet	33
Group cash flow statement	34
Company cash flow statement	35
Notes to the accounts	36
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	78
Advisers	80
Shareholder information	81
Some of the awards in recent years to Cranswick businesses	83
Production facilities - see inside back cover	



# Chairman's statement

## Continued growth delivers record profits.

The past year has seen continued growth for Cranswick.

Turnover, which has been restated in accordance with IAS 18, rose 17 per cent to £598.9 million and profit before tax rose 8 per cent to £35.3 million. Earnings per share rose 11 per cent to 55.9 pence.

The results for both this year and last year include the benefit of exceptional gains. This year the amount is £1.6 million and is principally attributable to the sale of the feed milling business, reported to Shareholders previously. The balance relates to other asset disposals as does the exceptional gain of £0.3 million in the previous year.

Prior to these exceptional gains, profit before tax increased by 4 per cent to £33.7 million and earnings per share were up by 4 per cent to 51.9 pence per share.

There were strong increases in sales in both the food and pet businesses and this is considered in more detail in the review of activities.

Turnover in the food activities was 17 per cent higher than the previous year which was particularly pleasing. As indicated to Shareholders earlier in the year the Company came under margin pressure as a result of sales price deflation, rising raw material prices in the second half of the year and the devaluation of Sterling against the Euro, the latter, in particular, impacting the charcuterie business. As is usual, there is a time lag before increased costs suffered by manufacturers can be reflected in selling prices. I am pleased to report that following increased selling prices in the primary processing activities towards the end of the year we are now also starting to see selling price increases in our further processing activities.

Major projects encompassing the integration of DeliCo, acquired in November 2006, and the commissioning of the new 'air-dried bacon' factory were completed during the year and the benefits that they bring are important elements of our strategic growth plans. During the year the minority shareholding in the bacon business was acquired. All Cranswick businesses are now wholly owned.

The pet business, which accounts for 7 per cent of overall Company sales, had a good year and saw turnover rise by 29 per cent. The aquatics activity had to cope with the disruption of a fire at the Chorleywood site in December 2006 but still went on to deliver record results. The premises damaged by the fire were replaced and the site was fully operational a year later. The pet products business was impacted by soaring raw material costs early in the year but recovered strongly during the second half as these were incorporated into increased selling prices.

### Cash generation a key feature

The cash generated from operations was strong at £40.2 million, notwithstanding an increase in working capital of £8.6 million. Tax, interest and dividend payments amounted to £22.1 million and the cash spent on the purchase of fixed assets, as part of the strategy for continued growth, was more than double the previous year at £25.3 million. This produced a cash outflow of £1.8 million, leaving year-end net borrowings at £78.4 million, 50 per cent of shareholders' funds. The total borrowing facility available to the Group at the year-end was substantially ahead of that figure. Interest cover improved from 7.9 to 8.3 times.

### Dividend increase of 10 per cent

The Board is proposing an increase in the final dividend of 10 per cent to 13.4p per ordinary share. Along with the interim dividend of 6.5p per share paid in January 2008 this makes a total for the year of 19.9p per ordinary share, an increase of 10 per cent on last year's 18.1p. The final dividend, if approved by Shareholders, will be paid on 5 September 2008 to Shareholders on the register at the close of business on 4 July 2008. Shares will go ex-dividend on 2 July 2008. Shareholders will again have the option to receive the dividend by way of scrip issue.

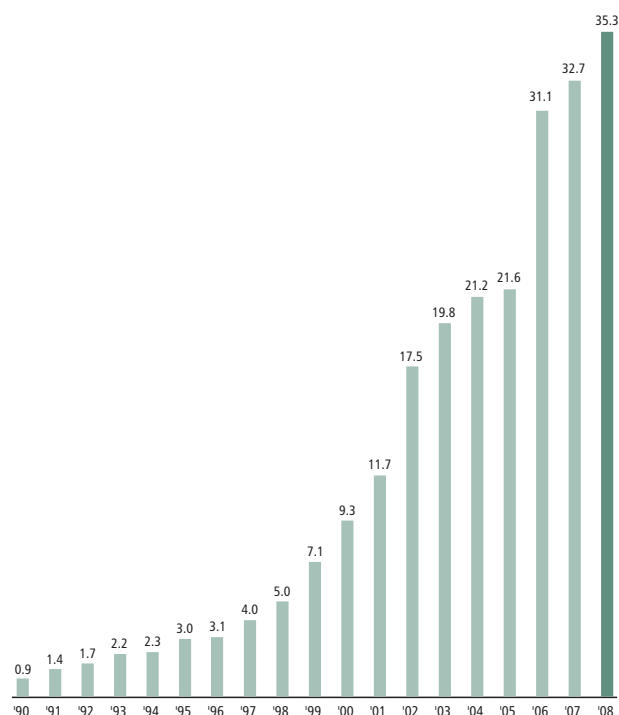






“The past year has seen continued growth for Cranswick.”

### Profit before tax 1990 - 2008 (£m)



### Board confident in its strategy for Cranswick

The Board's strategy in developing the business has been to establish a presence in a number of related and growing areas of the food sector emanating from its origins in pig feed and pig production. This has seen the Company establish a significant presence within fresh pork, cooked meats, bacon, sausage, charcuterie and sandwiches. Within this sphere of activities the Company has focused on premium categories which have been the stronger growing areas of the market. The activities in the pet sector evolved from the original agribusiness activity and once again the Company has a presence in growth categories.

This strategy, which has been coordinated through acquisitive and organic developments, has delivered strong growth for Shareholders. Over the past 10 years, compound annual rates of growth in turnover, profit before tax, earnings per share and dividends per share have all been well into double digits. The Board is confident that Cranswick with its modern, efficient facilities producing a range of quality products which appeal to the tastes of today's consumer can continue to generate strong growth in its business over the next 10 years.

### Board change

Following a period of illness Noel Taylor resigned from the Board in March 2008. Noel joined the Board in 1992 as Managing Director of the cooked meat operation and has been a non-executive director since 1999. On behalf of everyone at Cranswick, I would like to thank Noel for the contribution he has made to the business and wish him well in his recovery.

### The key asset of the business is the staff

The results for the past year have been delivered by operational management teams at each of our business units who possess great expertise and who have been supported by an enthusiastic and talented team of employees. To all of these, many of whom have an interest in the share capital of the Company through share ownership and employee share option schemes, I extend the thanks and appreciation of the Board.

### We look ahead with confidence

The Company has had to absorb increases in its cost base during the second half of the year and further increases are anticipated. Cost increases to date are being incorporated into selling prices on a phased basis, as anticipated, during the first quarter of the new financial year. With this positive development and with the underlying growth in the categories in which we operate set to continue, we look forward to Cranswick's further successful development.

**Martin Davey**  
Chairman, 19 May 2008



# Review of activities - Food

*by the Chief Executive Bernard Hoggarth*

## Year of continued growth.

It is very pleasing to be able to report continued growth in food group sales over the past year. Sales grew by 17 per cent in the year to £559 million. Almost 80 per cent of these sales (£440 million) were to our multiple retail customers. Food service growth continued to be strong too, with sales in excess of £38 million. The food group's focus continues to be in the premium sector.

During the second half of the year raw material inflation was experienced across most categories which impacted margins. The process of passing on this inflation to our customers and ultimately to the consumer is challenging, due to the competitive nature of the retail sector. Our teams have worked tirelessly on these 'inflation' projects and I am pleased to report that there was some success in quarter four, and this has gained momentum into quarter one of the new financial year.

The fresh pork business based in East Yorkshire has now commenced work on a new primary processing facility. Construction work will be ring fenced and, I am pleased to say, will not interfere with the smooth running of the business. The project should be completed during 2009 and will make the site the most technically advanced pork processing plant in the UK. It also ensures the local pig farming community has a modern, efficient, well invested facility situated in the centre of the largest pig producing area in the country. Pork sales grew by 15 per cent in the year, with retail-packed volumes for the major multiples and our premium range of fresh pork particularly strong. Extra matured pork in this premium range is produced from an outdoor-based system with farmers using a specialist breed of pig and sire line. The food group will be supplying its summer eating range of pork products for the barbecue season to its major retail customers.

Gourmet sausage sales were buoyant during the year with sales increasing by 19 per cent. We successfully launched our new brand 'Simply Sausages' into the retail sector and further listings are expected during the year. We also produce, under licence, the 'Weight Watchers' sausage range. New production capacity was tested to the limit at Christmas and it proved to be the most successful period ever in the factory with 100 per cent customer service levels, and volume peaking the week prior to Christmas at almost 500 tonnes of sausages. New business wins have helped bolster sales and offer further opportunities for growth going forward.

I am pleased to report that the new Cranswick Gourmet Bacon Company facility, one of the largest projects undertaken in the business, was completed on time. With the new site operational, it enabled us to achieve 100 per cent service levels during the hectic Christmas build up. This was even more satisfying considering the level of labour intensive products manufactured at this time of year. Sales grew by a very pleasing 44 per cent year on year. In a relatively new and developing area for the group, we are delighted with this growth. We successfully launched gammon joints, applewood smoked back bacon, organic variations and we also commenced the slicing and packing of product under the 'Weight Watchers' brand. We were delighted that the 'Taste the Difference' applewood smoked back bacon received The Grocer's own label excellence award recently. The final phase of the site development was the recent installation of a 'Wiltshire curing' facility. The Wiltshire curing process is one of the oldest, traditional methods of curing bacon. In our true gourmet style, we will additionally air dry the product to further enhance the flavour and eating experience. The sales shift into the premium sector seems finally to have arrived in the bacon category. With our new facility we are well placed to capitalise on this trend.

Cranswick Convenience Foods, the cooked meat business, had a very busy year with the integration of the DeliCo facility and the introduction of additional business wins into that site. This, along with organic growth, increased sales by 32 per cent. Operating from five sites and producing deli products as well as pre-packed sliced meats, the business cooks beef and poultry as well as pork based products. The cooked meat business experienced significant raw material inflation during the final quarter, which in the case of beef and turkey was exceptional and of such magnitude that the absorption of these increased costs proved difficult. Extra volume and revenue growth helped the business dilute some of this cost

and supported margins until price increases were achieved. The UK pre-packed cooked meat market grew by almost 4 per cent in the past year, but the deli market contracted by just over 1 per cent. These trends are a major focus for the cooked meat business and together with customers' changing shopping habits and their desire for new and inspirational products is the reason we have a large new product development team of seventeen chefs and technicians spread around the Convenience Foods production facilities.

Continental Fine Foods (CFF) sales increased by 20 per cent as the consumer trend to try new continental products continues. New products in the Italian range were launched, from which we anticipate strong growth. Hand-made 'artisan' fresh Italian pasta has recently been launched. This project so typifies the role of CFF today. The procurement team received their brief and after much searching, a family firm who produced hand-made pasta products near Modena, in Italy, was identified. We believed the provenance and quality of the 'home-made' pasta and fillings were exceptional. We helped the Italian producer achieve its factory accreditation, assisted in the development of ranges for the UK market and arranged visits to Italy by our customer's technical and development teams. The range was launched, with CFF arranging importation and distribution. We are soon to launch a range of speciality pâtés by the celebrated chef Albert Roux and again this underlines the quality focus of our food business. In addition to raw material inflation, the CFF business had to cope with the devaluation of Sterling against the Euro in the second half of the year although the impact on the business was mitigated to some extent by the use of forward exchange contracts.

The Sandwich Factory sales rise of 7 per cent was pleasing and ahead of market rates. The development of the customer base whilst causing some initial impact on margins, looks set to put the business in a stronger position going forward. The business suffered cost inflation in bread and dairy products, but enters the new financial year with more volume and margin recovery underway.

It is a credit to our technical teams across the group that all ten food production sites operate from BRC (global standard) 'A' grade facilities. As a business we believe that as well as being innovative and efficient food producers we must also be very aware of the 'impact on the environment' from our operations. As such, we work with the Carbon Trust and we are the first meat sector company to sign up to FHC2000, with a target of reducing our processed water usage by 20 per cent over the next twelve years. We have set up, through ENVIROWISE, inspections of all sites to establish the carbon footprint for the individual business units and also to establish current usage for water, energy, waste, packaging and emissions expressed per tonne of finished product produced. By using environmental KPI's our site directors are responsible for reporting progress to the Board going forward, and reducing the environmental impact in subsequent years.

Substantial investment over recent years has given Cranswick some of the most modern and efficient facilities in the industry. Our excellent, experienced management teams, with their focus on quality, product development and innovation set us apart from many of our competitors. We are also well placed to continue benefiting from the premiumisation of many of the categories in which we operate. I feel confident that going forward the business is well placed to continue its record of growth.







## Review of activities - Pet

*by the Chief Executive Derek Black*

### Strong growth with sales up 29 per cent at £39.7 million (2007 – £30.6 million) with increased sales in both pet and aquatics.

Pet Products delivered a strong performance in both bird and small animal food with sales up substantially, reflecting excellent growth in both convenience and bulk pack. During the first half of the year the business suffered from spiralling global raw material prices, which impacted margins. This issue was subsequently rectified by way of increased selling prices.

New product launches continue to be at the heart of business expansion with 30 new products being brought to market during the year. It is pleasing to note that sales of wild bird accessories have benefited from this investment with year on year growth of some 80 per cent, with a further 25 new products on stream for this season. The Nature's Feast brand is now recognised as one of the category leaders and represents innovation, quality, functionality and excellent value for money.

Our development strategy remains unchanged. The focus has been on high street budget retail, national grocery and pet retail chains, wholesale discount multiples, retail membership groups and mail order and we have enjoyed continued growth.

During the year we obtained the Investors in People (IIP) award. This will be the platform for other accreditations in our structured development. The environment is at the forefront of our decision-making and in excess of 85 per cent of waste produced at the Driffield site is recycled. As an example, hessian sacks from supplies of raw materials are being processed into hanging basket liners.

We have streamlined operations, centralised our raw material holding facilities and leased a 50,000 sq ft warehousing facility situated close to the Pet Products site at Driffield.

Tropical Marine Centre (TMC) delivered increased sales, despite the disruption caused by a major fire at the Chorleywood facility in December 2006 which has been previously reported. I am pleased to confirm that the re-build and fit out was completed on time and the business has relocated from temporary accommodation in Watford. Sales of marine livestock were boosted by exclusive access to new fisheries at the Great Barrier Reef in Australia, which became available for the first time. Dry goods sales benefited from a strong year for new product introductions in TMC's highly popular and award winning V2 range. This included products like the V2Skim which is specially designed to fit in the growing range of smaller reef tanks. The V2 range has greatly widened the appeal and affordability of the marine hobby, helping to sustain strong growth in the sector. Other new products included a greatly enlarged and rebranded range of Gamma frozen foods. We have also developed a range of eco-friendly, low carbon footprint LED lighting systems under the Aquaray brand. The "Aquabeam 500" is the first product to be launched under this range and is the first affordable solid state lighting system of its kind, affording substantial energy savings on conventional lighting systems. We believe this product will suit many other business applications and is just the start of many future opportunities.

The two satellite sites at Manchester and Bristol continue to perform above expectation and this has provided us with the confidence to expand operations into mainland Europe. We have secured a site under a leasehold arrangement in Lisbon, Portugal and this will be fully operational in early autumn, servicing customers in major towns and cities throughout Portugal and Spain.

We have the most advanced pet food manufacturing and aquatic facilities in Europe which, along with dedicated staff and strong management teams, will drive our expansion plans over the years ahead.









# 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 9 to 12. Both businesses operate entirely in 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. 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 29.

### 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 below.

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 cash flow – 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 and the strong operating cash generation from operating activities, which enabled us to fund a record level of capital expenditure, with only a small increase in borrowings. The record of unbroken growth in profits now goes back 20 years. The trading environment in which we operate has remained challenging; in particular there have been delays in passing on increases in raw material costs and the impact of Sterling's devaluation against the Euro, particularly in our Charcuterie business. We have experienced continuing 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. In addition we are making good progress in recovering cost price increases.

### Group revenue

	2008	2007 (Restated)
Group revenue from continuing activities	£598.9m	£510.5m

The Group's revenue from continuing activities has increased by 17 per cent, but sales were 21 per cent ahead on a like-for-like basis after accounting for the sale of the animal feed business in May and the acquisition of DeliCo in November 2006. Food sales increased by 20 per cent on a like-for-like basis, with fresh pork growing at 15 per cent, sausage at 19 per cent, bacon at 44 per cent, cooked meats at 27 per cent, charcuterie at 20 per cent and sandwiches at 7 per cent. Sales in the pet activities increased by 29 per cent, with bird food growing at 42 per cent and aquatic products at 6 per cent.

### Profit before tax

	£m	£m
Group operating profit before exceptional items	38.4	37.1
Net finance costs	(4.7)	(4.7)
Pre-tax profit before exceptional items	33.7	32.4
Exceptional items	1.6	0.3
Profit before tax	35.3	32.7

The increase in group operating profit before exceptional items is largely attributable to the growth in profits in the pet activities.

### Performance against KPIs

	2008	2007 (Restated)
Organic sales growth	21.0%	16.0%
Gross return on sales	14.2%	16.7%
Net return on sales	6.4%	7.3%
Free cashflow	£25.9m	£29.9m

The Company has seen substantial growth in organic sales over the past year driven by its expertise in product development, service levels, quality and value and further sales growth is anticipated in the next twelve months. During the year the Company came under margin pressure as a result of sales price deflation, rising raw material prices and devaluation of Sterling against the Euro and this is reflected in the gross and net returns on sales. Principal cash flows are discussed on page 18.

### 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, 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 £81 million over the past five 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 fulfil 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, raw material prices, 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.

## Financial position and performance

### Exceptional items

The exceptional item in 2008 relates to the profit on sale of the feed milling business of Cranswick Mill of £1.1 million, profit on disposal of stock and fixed assets at Tropical Marine of £0.8 million following settlement of the material damage insurance claim relating to the fire at the Chorleywood premises in December 2006, less £0.3 million provided against future rental and restatement costs for an unoccupied leasehold property in Thornaby, North Yorkshire, all stated before a tax credit of £0.2 million. 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.

### Finance costs

Finance costs of £4.7 million were in line with the previous year, with increased net debt resulting from the substantial capital investment programme in the year, partially offset by lower UK interest rates.

### 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 27.4 per cent in the current year and 30.6 per cent in 2007, the current year rate benefiting from the net tax credit on the exceptional items referred to above and a lower deferred tax charge which reflects the reduction in the Corporation Tax rate from 30% to 28% from 1 April 2008. The standard rate of UK Corporation Tax was 30% 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 4 per cent to 51.9 pence. Due to the large exceptional gain in the year, earnings per share after exceptionals increased by 11 per cent to 55.9 pence. The average number of shares in issue, which is the basis of both calculations, was 45,832,000 (2007 - 44,967,000).

## Cash flow

Cash generated from operating activities was slightly down on the previous year at £40.2 million (2007 - £41.8 million) of cash and cash equivalents. The net cash outflow from investing activities of £20.6 million reflects capital additions of £25.3 million less sales proceeds of £4.7 million. The previous year's outflow was £24.3 million and comprised the cash component of the Delico acquisition of £13.5 million plus capital additions of £12.0 million less sales proceeds of £1.2 million. The £17.8 million of net cash used in financing activities in 2008 is largely due to interest paid of £5.3 million, dividends paid of £7.7 million and repayment of borrowings of £5.4 million. The prior year cash outflow from financing of £10.1 million was 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 £1.8m proceeds from the issue of share capital were almost offset by the repayment of borrowings of £11.4 million. The overall result is a net decrease in cash and cash equivalents of £7.7 million (2007 - £0.5 million).

## Capital structure

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

The Group regards its Shareholders' equity as its capital and manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 March 2008 and 31 March 2007.

The Group's capital structure is as follows:

	2008	2007
	£m	£m
Net debt (note 25)	78.4	75.9
Cranswick plc shareholders' equity	155.3	135.7
Capital employed	233.7	211.6

More details about the Group's capital structure are set out in Note 21 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 25. The proposed final dividend for 2008 together with the interim paid in January 2008 amount to 19.9 pence per share which is 10 per cent higher than the previous year. The increase in share capital of the Group comprises 167,554 of share options exercised during the year and 103,611 in respect of scrip dividends. There were no share repurchases during the year.

## Treasury policies

### Functional currency

The functional currency of the Group is Sterling.

### 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% 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 on 6 January 2005, when borrowings increased significantly. The Group's policy is to manage its cost of borrowing using a mix of fixed and variable rate debt. Whilst fixed rate interest bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate borrowing means that the Group is exposed to unplanned costs should debt be restructured or repaid early as part of the liquidity management process. In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risk as costs increase if market rates rise. 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 cash flow projections and the daily borrowings position.

### Credit risk

Practically all sales are made on credit terms, the majority of which are to the major UK food retailers. Overdue accounts are reviewed at 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, where practical, to guarantee the repayment of the monies in the event of default. For all major customers, credit terms are agreed by negotiation and for all other customers, credit terms are set by reference to external credit agencies.

### 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 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. Major projects are approved by the main board. 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 £16.875 million repayable at the rate of £11.25 million per annum, a revolving credit facility of £10.0 million and an overdraft facility of £20.0 million. Unutilised facilities at 31 March 2008 were £14.3 million (2007 - £25.2 million) following repayment of borrowings of £11.25 million during the year.

### 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. 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 21 to the accounts.

## Going concern

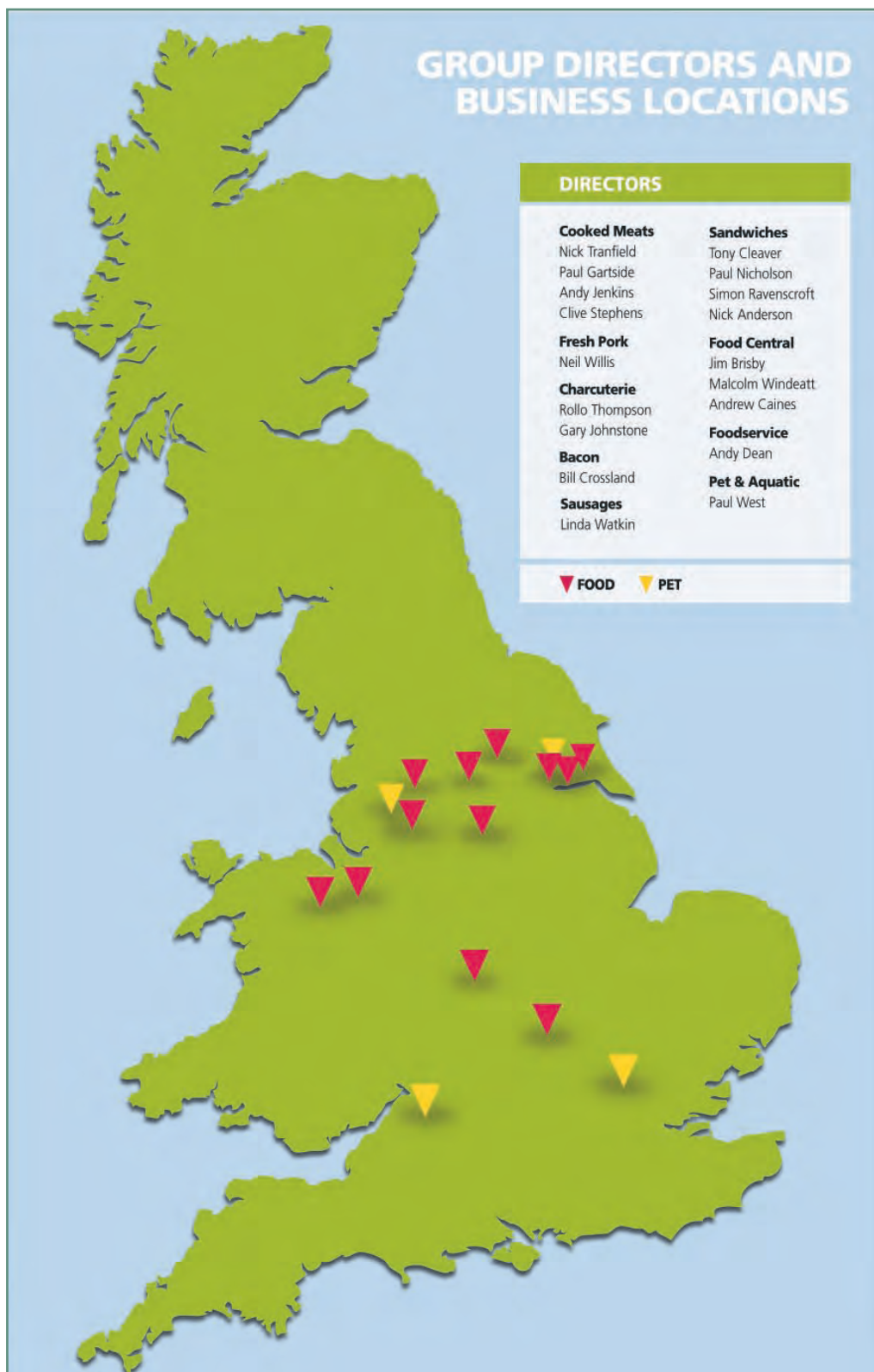
After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

**John Lindop**

Finance Director, 19 May 2008







# 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 Executive Chairman on 26 July 2004. Since 5 April 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 23 March 2007 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 1990s. 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 on 1 August 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.



### **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 on 1 August 2004 and was the senior independent director until 1 August 2005.

---

\* Member of Remuneration Committee

◆ Member of Audit Committee

♣ Member of Nomination Committee



# Report of the Directors

*The Directors submit their report and the audited accounts of the Company for the year ended 31 March 2008.*

## 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 4 to 12 and in the Group Operating and Financial Review on pages 15 to 21.

## Results and dividends

The profit on ordinary activities before taxation was £35.3 million (2007 - £32.7 million). After a taxation charge of £9.7 million (2007 - £10.0 million), the profit for the year is £25.7 million (2007 - £22.7 million). An interim dividend of 6.5p per ordinary share was paid on 25 January 2008. The Directors recommend the payment of a final dividend for the year, which is not reflected in these accounts, of 13.4p per ordinary share which, together with the interim dividend, represents 19.9p per ordinary share, totaling £9.2 million (2007 - 18.1p per ordinary share, totaling £8.3 million). Subject to approval at the Annual General Meeting, the final dividend will be paid in cash or scrip form on 5 September 2008 to members on the register at the close of business on 4 July 2008. The shares will go ex-dividend on 2 July 2008.

## 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 pages 18 to 21.

## Directors and their interests

The appointment and removal of a director is governed by the Articles of Association and within the Terms of the Nomination Committee. The Directors of the Company currently in office are as stated on page 23. Noel Taylor, following a period of ill health, resigned as a director on 14 March 2008. Each of the other Directors served for the whole of the year under review. Derek Black and Patrick Farnsworth retire in accordance with the Articles of Association and, being eligible, each offers himself for re-election.

Details of the Directors' beneficial interests in the ordinary share capital of the Company are included in the Directors' Remuneration Report on pages 73 to 77.

## Major shareholders

The Company has been informed of the following interests at 9 May 2008 in the 46,231,031 ordinary shares of the Company:

	Number of Shares	% of issued share capital
AMVESCAP PLC	13,393,294	28.97
Legal & General Investment Management	3,013,030	6.52
Jupiter Asset Management	2,209,299	4.78
AXA Framlington Investment Managers	1,684,490	3.64
Aberforth Partners	1,653,300	3.58
Insight Investment	1,627,784	3.52

## Share capital structure

The company has one class of shares, being ordinary shares of 10p each. The authorised, allotted and fully paid up share capital is shown in note 22. There are no special rights pertaining to any of the shares in issue.

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

## 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 policy

The Group does not have a formal policy that it follows with regard to payment to 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, are 41 days. The average credit taken by our customers on a similar basis is 35 days.

### 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 23. 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.

### Significant agreements

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

### Long term incentive plan

In the event of a general offer being made to acquire part or all of the issued share capital of the Company as a result of which the offeror may acquire control of the Company, award holders under the Cranswick plc Long Term Incentive Plan ("LTIP") will have an opportunity to exercise their awards either:

- immediately before the time at which the change of control of the Company occurs or any condition subject to which the offer is made has been satisfied ("Take-over Date") but conditional on the Take-over Date occurring, if the Remuneration Committee issues a written notice in advance of the Take-over Date to award holders; or
- at any time within 6 months following the Take-over Date, in any other case.

In the event that the Court sanctions a scheme of arrangement under section 425 Companies Act 1985 (or its replacement provisions under Companies Act 2006) in connection with a scheme for the Company's reconstruction or amalgamation with another company, award holders under the LTIP may exercise their awards during the six month period commencing on the date upon which the scheme of arrangement is sanctioned by the Court. The LTIP also contains provisions enabling award holders to exercise their awards if a person becomes entitled to issue a compulsory acquisition notice under the provisions relating to the compulsory acquisition of a company set out in the Companies Act 1985 (or its replacement provision under the Companies Act 2006). The period allowed for exercise in these circumstances is any time up to the seventh day before the final day upon which that person remains entitled to serve such a notice.

In each case, the extent to which awards are capable of exercise depends on the extent to which the performance targets (as adjusted or amended) have been satisfied.

### Articles of association

There are no special rules relating to the alteration of the Articles of Association, any amendments are approved by the Shareholders. Revised Articles of Association to comply with the Companies Act 2006 are to be included in the Notice of the Annual General Meeting accompanying this Report and Accounts.

### 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 and 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 and Accounts.

By order of the Board

**Malcolm Windeatt**

Company Secretary, 19 May 2008









# Cranswick and the environment

Managing and where possible reducing the impact that the business has on the environment continues to be an important measure of the Company's performance. Retail customers, financial investors and consumers all have a growing interest in the preservation of the environment, and seek assurances that the business operates with the utmost care.

In 2007 Cranswick recognised that in order to continue to make meaningful reductions in the environmental impact of the business, there was a need to review and co-ordinate the Group's approach to environmental management.

In order to progress this further, an Environmental Project Management Team was established and tasked with assessing the Group's current performance, identifying and sharing best practice and formulating performance benchmarks that could be used to measure the environmental performance in subsequent years.

To meet this commitment the Company would pursue the following environmental objectives:

- To continually assess and improve the environmental performance and to raise levels of environmental awareness throughout the business.
- To ensure compliance with all applicable environmental legislation, regulations and associated codes of practice.
- To reduce emissions and prevent pollution.
- To improve waste management practices.
- To reduce consumption of natural resources.
- To minimise noise and nuisance.
- To assist in the management of the ecology.
- To assist in the investigation of environmental incidents in which the Company may be involved.
- To encourage customers and suppliers to use sustainable resources wherever this is possible.
- To make the environmental information available to interested parties.

Cranswick has always recognised the importance of preserving the environment hence two of the largest manufacturing sites, Preston (near Hull) and Valley Park (near Barnsley) have held certification against ISO 14001, the international standard for environmental management, for 3 and 5 years respectively, and during 2008 it is anticipated that DeliCo (near Milton Keynes) will be added to the list of certified sites.

In addition, Preston continues to utilise the Waste to Energy solution by processing waste from the site's abattoir and meat cutting operations, and where feasible, from sister sites, to generate tallow which can then be converted into bio fuel and solids which can be converted into biomass.

The key achievements of the project to date are:

- A new Group Environmental Policy which through more efficient energy management commits the business to target a 20% reduction of the comparative Group carbon footprint i.e. tonnes of CO<sub>2</sub> per tonne of product produced, by the end of the 2010/11 financial year.
- In partnership with suppliers the Company launched a new Packaging Strategy Policy which commits the business to a target of reducing packaging weight per unit of measure of product produced by 25% by the end of 2010/11 financial year. For the year 2007 the estimate of the savings of virgin raw material was 860 tonnes.
- Trials are currently taking place to reduce and then remove PVC in Thermoformed production across the Group throughout 2008.
- A formal Carbon Action Plan has been agreed with the Carbon Trust which gives the Company access to environmental expertise and funding support for the next 3 years.
- Using GHG protocol we have calculated the carbon footprint per tonne of CO<sub>2</sub> produced per tonne of finished product dispatched for each manufacturing site so as to establish 2007 as the benchmark year against which subsequent carbon footprint performance can be measured. For the year 2007 the measurement for the group was 28% of CO<sub>2</sub> tonnes per tonne of product.
- Cranswick has become the first meat sector company to sign up to the FHC 2020 agreement with Envirowise and the Food Federation which commits the Group to reducing the use of process water by 20% by 2020.
- Each of the manufacturing sites has an energy and waste reduction action plan prepared by industry specialists commissioned on the Group's behalf by the Carbon Trust and Envirowise.
- WRAP survey has been carried out to help identify opportunities to reduce/eliminate PVC (substitution and down grading), move to RPET (recycled content), move into recyclable substrates (Mono RPET) and work towards compostability.

Environmental progress is reported at board level against performance benchmarks established from the operation of the business during 2007.

The necessary personnel and financial resources will be allocated to assist the Company in meeting its environmental objectives and business plans, and in ensuring that these remain current and effective.

On behalf of the Board

**Bernard Hoggarth**

Chief Executive Food, 19 May 2008

# Group income statement

for the year ended 31 March 2008

	Notes	2008			2007 (Restated)		
		Before	Exceptionals	Total	Before	Exceptionals	Total
		exceptionals			exceptionals		
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue	3	598,893	-	598,893	510,483	-	510,483
Cost of sales		(513,701)	-	(513,701)	(425,383)	-	(425,383)
Gross profit		85,192	-	85,192	85,100	-	85,100
Operating expenses		(46,824)	-	(46,824)	(48,024)	-	(48,024)
Operating profit	4	38,368	-	38,368	37,076	-	37,076
Profit on disposal of property, plant and equipment	5	-	1,622	1,622	-	281	281
Profit before finance and taxation	3	38,368	1,622	39,990	37,076	281	37,357
Finance revenue	7	4	-	4	6	-	6
Finance costs	7	(4,650)	-	(4,650)	(4,707)	-	(4,707)
Profit before tax		33,722	1,622	35,344	32,375	281	32,656
Taxation	8	(9,874)	187	(9,687)	(9,773)	(229)	(10,002)
Profit for the year	24	23,848	1,809	25,657	22,602	52	22,654
Profit for the year attributable to:							
Equity holders of the parent		23,796		25,605	22,522		22,574
Minority interest		52		52	80		80
		23,848		25,657	22,602		22,654
Earnings per share: (total and continuing)							
Basic	11	51.9p	4.0p	55.9p	50.1p	0.1p	50.2p
Diluted	11	51.6p	3.9p	55.5p	49.7p	0.1p	49.8p

# Group statement of recognised income and expense

for the year ended 31 March 2008

	2008 £'000	2007 £'000
<b>Income and expense recognised directly in equity</b>		
Movement on hedging items:		
Amount recognised in equity during the period	504	271
Amount removed from equity and included in the income statement	196	98
Exchange differences on retranslation of foreign operations	(17)	(5)
Deferred tax recognised directly in equity	(725)	300
Corporation tax recognised directly in equity	88	712
<b>Net income recognised directly in equity</b>	<b>46</b>	<b>1,376</b>
Profit for the year	25,657	22,654
<b>Total recognised income and expense for the year</b>	<b>25,703</b>	<b>24,030</b>
Attributable to:		
Equity holders of the parent	25,651	23,950
Minority interest	52	80
	<b>25,703</b>	<b>24,030</b>

# Company statement of recognised income and expense

for the year ended 31 March 2008

	2008 £'000	2007 £'000
<b>Income and expense recognised directly in equity</b>		
Movement on hedging items:		
Amount recognised in equity during the period	(432)	354
Amount removed from equity and included in the income statement	196	98
Deferred tax recognised directly in equity	20	(118)
Corporation tax recognised directly in equity	-	712
<b>Net (expense)/income recognised directly in equity</b>	<b>(216)</b>	<b>1,046</b>
Profit for the year	11,011	6,665
<b>Total recognised income and expense for the year</b>	<b>10,795</b>	<b>7,711</b>

# Group balance sheet

31 March 2008

	Notes	2008 £'000	2007 £'000
<b>Non-current assets</b>			
Goodwill	12	117,756	117,520
Property, plant and equipment	13	92,721	80,277
		<u>210,477</u>	<u>197,797</u>
<b>Current assets</b>			
Inventories	15	30,638	24,626
Trade and other receivables	16	77,348	66,416
Other financial assets	17	1,029	330
Cash and cash equivalents	25	3,770	2,262
<b>Total current assets</b>		<u>112,785</u>	<u>93,634</u>
<b>Total assets</b>		<b>323,262</b>	<b>291,431</b>
<b>Current liabilities</b>			
Trade and other payables	18	(73,025)	(65,073)
Other financial liabilities	19	(31,811)	(16,933)
Income tax payable		(3,798)	(3,834)
Provisions	20	(153)	(289)
<b>Total current liabilities</b>		<u>(108,787)</u>	<u>(86,129)</u>
<b>Non-current liabilities</b>			
Other payables	18	(8)	(37)
Other financial liabilities	19	(50,414)	(61,544)
Deferred tax liabilities	8	(7,463)	(6,150)
Provisions	20	(1,336)	(1,736)
<b>Total non-current liabilities</b>		<u>(59,221)</u>	<u>(69,467)</u>
<b>Total liabilities</b>		<b>(168,008)</b>	<b>(155,596)</b>
<b>Net assets</b>		<u><b>155,254</b></u>	<u><b>135,835</b></u>
<b>Equity</b>			
Called-up share capital	22	4,623	4,595
Share premium account	24	48,693	47,204
Share-based payments	24	1,939	1,018
Hedging and translation reserves	24	1,034	351
Retained earnings	24	98,965	82,564
<b>Equity attributable to members of the parent company</b>		<u><b>155,254</b></u>	<u><b>135,732</b></u>
Minority interest		-	103
<b>Total equity</b>		<u><b>155,254</b></u>	<u><b>135,835</b></u>

**M Davey**

Chairman

19 May 2008

**J Lindop**

Finance Director



# Company balance sheet

31 March 2008

	Notes	2008 £'000	2007 £'000
<b>Non-current assets</b>			
Property, plant and equipment	13	2,348	2,339
Investments in subsidiary undertakings	14	155,426	155,430
		<u>157,774</u>	<u>157,769</u>
<b>Current assets</b>			
Trade and other receivables	16	44,239	25,660
Other financial assets	17	70	306
Income tax receivable		-	1
<b>Total current assets</b>		<u>44,309</u>	<u>25,967</u>
<b>Total assets</b>		<b>202,083</b>	<b>183,736</b>
<b>Current liabilities</b>			
Trade and other payables	18	(54,994)	(41,654)
Other financial liabilities	19	(28,518)	(16,279)
Income tax payable		(90)	-
<b>Total current liabilities</b>		<u>(83,602)</u>	<u>(57,933)</u>
<b>Non-current liabilities</b>			
Other financial liabilities	19	(50,414)	(61,544)
Deferred tax liabilities	8	(359)	(403)
<b>Total non-current liabilities</b>		<u>(50,773)</u>	<u>(61,947)</u>
<b>Total liabilities</b>		<b>(134,375)</b>	<b>(119,880)</b>
<b>Net assets</b>		<u><b>67,708</b></u>	<u><b>63,856</b></u>
<b>Equity</b>			
Called-up share capital	22	4,623	4,595
Share premium account	24	48,693	47,204
General reserve	24	4,000	4,000
Merger reserve	24	1,806	1,806
Share-based payments	24	317	210
Hedging reserve	24	70	306
Retained earnings	24	8,199	5,735
<b>Equity attributable to members of the parent company</b>		<u><b>67,708</b></u>	<u><b>63,856</b></u>

**M Davey**

Chairman

19 May 2008

**J Lindop**

Finance Director

# Group cash flow statement

for the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
<b>Operating activities</b>			
Profit before finance and taxation		39,990	37,357
Adjustments to reconcile group operating profit to net cash inflows from operating activities:			
Depreciation		10,090	9,252
Share based payments		921	487
Release of government grants		(29)	(39)
Profit on sale of property, plant and equipment		(2,170)	(250)
Increase in inventories and biological assets		(6,077)	(5,329)
Increase in trade and other receivables		(10,209)	(9,141)
Increase in trade and other payables		7,732	9,493
Cash generated from operations		40,248	41,830
Tax paid		(9,046)	(7,936)
<b>Net cash from operating activities</b>		<b>31,202</b>	<b>33,894</b>
<b>Cash flows from investing activities</b>			
Interest received		4	6
Acquisition of subsidiaries		(54)	(13,506)
Purchase of property, plant and equipment		(25,295)	(11,979)
Proceeds from sale of property, plant and equipment		4,228	1,147
Proceeds from sale of subsidiary		500	-
<b>Net cash used in investing activities</b>		<b>(20,617)</b>	<b>(24,332)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(5,332)	(3,966)
Proceeds from issue of share capital		683	1,776
Proceeds from borrowings		-	10,000
Issue costs of long-term borrowings		-	(40)
Repayment of borrowings		(5,420)	(11,395)
Dividends paid		(7,734)	(6,467)
<b>Net cash used in financing activities</b>		<b>(17,803)</b>	<b>(10,092)</b>
Net decrease in cash and cash equivalents		(7,218)	(530)
Cash and cash equivalents at beginning of period	25	(494)	46
Effect of foreign exchange rates		14	(10)
<b>Cash and cash equivalents at end of period</b>	25	<b>(7,698)</b>	<b>(494)</b>

# Company cash flow statement

for the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
<b>Operating activities</b>			
Profit before finance and taxation		11,284	9,089
Adjustments to reconcile operating profit to net cash inflows from operating activities:			
Depreciation		33	35
Share based payments		107	68
Decrease in trade and other receivables		25,597	5,135
(Decrease)/increase in trade and other payables		(29,950)	10,838
Cash generated from operations		7,071	25,165
Tax (paid)/received		(151)	744
<b>Net cash from operating activities</b>		<b>6,920</b>	<b>25,909</b>
<b>Cash flows from investing activities</b>			
Dividends received		9,772	6,466
Purchase of property, plant and equipment		(42)	(6)
Payments to acquire investments in subsidiaries		(16)	(14,599)
Proceeds from sale of investments in subsidiaries		500	-
<b>Net cash generated/(used) in investing activities</b>		<b>10,214</b>	<b>(8,139)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(11,073)	(9,266)
Dividends paid to equity shareholders		(7,734)	(6,467)
Proceeds from issue of share capital		683	1,776
Proceeds from borrowings		-	10,000
Issue costs of long-term borrowings		-	(40)
Repayment of borrowings		(5,420)	(11,395)
<b>Net cash used in financing activities</b>		<b>(23,544)</b>	<b>(15,392)</b>
Net (decrease)/increase in cash and cash equivalents		(6,410)	2,378
Cash and cash equivalents at beginning of period	25	(2,102)	(4,480)
<b>Cash and cash equivalents at end of period</b>	25	<b>(8,512)</b>	<b>(2,102)</b>

# 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 2008 were authorised for issue by the Board of Directors on 19 May 2008 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.

### Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Share based payments	Note 23 – measurement of share based payments
Goodwill	Note 12 – measurement of the recoverable amount of cash generating units containing goodwill
Provisions	Note 20 – provisions

### 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 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 dispatch and represents the value of sales to customers net of discounts, similar allowances and estimates of returns and excludes value added tax.

#### **Restatement**

The directors have reclassified £14.3 million in 2007 from cost of sales and operating costs to revenue in respect of discounts and similar allowances, a presentation which more appropriately reflects the nature of these amounts. There is no impact on net profit or earnings per share.

#### **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 (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 hedging criteria under IFRS 7 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 hedge accounting under IFRS 7, 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 applied**

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures.

*International Accounting Standards (IAS/IFRS)*

IFRS 7	Financial Instruments: Disclosures
IAS 1	Amendment – Presentation of Financial Statements: Capital Disclosures

*International Financial Reporting Interpretations Committee (IFRIC)*

IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	Group Cash-Settled Share Based Payment Transactions

**New standards and interpretations not applied**

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)		Effective date
IFRS 2	Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Revised Presentation of Financial Statements	1 January 2009
IAS 1	Puttable Financial Instruments	1 January 2009
IAS 32	Puttable Financial Instruments	1 January 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 January 2008
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2008

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	2008			2007 (Restated)		
	Food £'000	Pet £'000	Total £'000	Food £'000	Pet £'000	Total £'000
Revenue	559,228	39,665	598,893	479,839	30,644	510,483
Result before exceptionals	39,275	1,885	41,160	38,936	566	39,502
Exceptionals	830	792	1,622	-	281	281
Results	40,105	2,677	42,782	38,936	847	39,783
Central costs			(2,792)			(2,426)
Profit before finance and taxation			39,990			37,357
Net finance costs			(4,646)			(4,701)
Profit before taxation			35,344			32,656
Income taxes			(9,687)			(10,002)
Profit for the year			25,657			22,654

All revenue derives from sales of goods from continuing operations.

<b>Assets and liabilities</b>						
Assets (excluding goodwill)	177,855	22,790	200,645	152,516	18,745	171,261
Goodwill	117,756	-	117,756	117,520	-	117,520
Assets (including goodwill)	295,611	22,790	318,401	270,036	18,745	288,781
Unallocated assets			4,861			2,650
Total assets			323,262			291,431
Segment liabilities	67,912	4,184	72,096	57,012	2,985	59,997
Unallocated liabilities			95,912			95,599
Total liabilities			168,008			155,596

Unallocated assets and liabilities comprise certain items of property, plant and equipment, loan notes, net debt and taxation balances.

#### Other segment information

Capital expenditure:

Property, plant and equipment	24,420	1,330	25,750	11,383	424	11,807
Depreciation	9,545	545	10,090	8,697	555	9,252

In addition, £10,206,000 of property plant and equipment was acquired as part of the DeliCo acquisition in November 2006 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

	2008	2007 (Restated)
	£'000	£'000
UK	588,492	499,398
Continental Europe	9,915	10,599
Rest of World	486	486
	598,893	510,483

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 tangible assets	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
UK	318,401	288,529	25,750	11,803
Continental Europe	-	252	-	4
Unallocated assets	4,861	2,650	-	-
	<b>323,262</b>	<b>291,431</b>	<b>25,750</b>	<b>11,807</b>

#### 4. Group operating profit

This is stated after charging/(crediting):

	2008	2007 (Restated)
	£'000	£'000
Operating costs:		
Selling and distribution	22,983	20,828
Administration	23,841	27,196
	<b>46,824</b>	<b>48,024</b>
Depreciation of property, plant and equipment	10,090	9,252
Release of government grants	(29)	(39)
Operating lease payments – minimum lease payments	5,015	3,744
Net foreign currency differences	(41)	(303)
Cost of inventories recognised as an expense	438,759	358,706
Increase/(decrease) in provision for inventories	129	(81)
Audit of the financial statements*	165	149

\* £28,000 relates to the Company (2007 - £26,000) and £137,000 (2007 - £123,000) relates to the subsidiaries.

In addition, payments to Ernst & Young LLP for non audit services amounted to £117,000 (2007 - £156,000) of which £4,000 related to an audit related service (2007 – £5,000), £44,000 (2007 - £73,000) related to due diligence services and £69,000 (2007 - £78,000) to taxation.

Fees paid to Ernst & Young LLP for non-audit services to the Company itself are not disclosed in the individual accounts of Cranswick plc because group financial statements are prepared which are required to disclose such fees on a consolidated basis.

#### 5. Exceptional items

Non-recurring income during the year was as follows:

	2008	2007
	£'000	£'000
<b>Recognised below operating profit</b>		
Profit on disposal of property, plant and equipment	1,622	281

The corporation tax credit associated with these exceptional items amounted to £90,000 (2007 - £nil). Deferred tax of £97,000 was released (2007 – £229,000 provided on the rolled over gain).

The cash flow impact of exceptional items is £3,826,000 (2007 - £770,000) received in relation to asset disposals after associated costs.

## 6. Employees

<b>Group</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs:		
Wages and salaries	<b>72,827</b>	59,130
Social security costs	<b>6,103</b>	5,293
Other pension costs	<b>1,378</b>	921
	<b>80,308</b>	65,344

Included within wages and salaries is a total expense for share based payments of £921,000 (2007 - £487,000) all of which arises from transactions accounted for as equity-settled share based payment transactions.

<b>Company</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs:		
Wages and salaries	<b>1,376</b>	1,610
Social security costs	<b>163</b>	188
Other pension costs	<b>534</b>	219
	<b>2,073</b>	2,017

Included within wages and salaries is a total expense for share based payments of £107,000 (2007 - £68,000) 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:

<b>Group</b>	<b>2008</b>	<b>2007</b>
	<b>No</b>	<b>No</b>
Production	<b>2,933</b>	2,567
Selling and distribution	<b>235</b>	204
Administration	<b>260</b>	253
	<b>3,428</b>	3,024

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 77. The employee costs shown above include the following emoluments in respect of Directors of the Company:

<b>Group and Company</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Directors' remuneration (excluding IFRS 2 share option charge)	<b>3,458</b>	3,724
Aggregate gains made by directors on exercise of share options	<b>9</b>	487

## 7. Finance revenue and costs

	2008 £'000	2007 £'000
<b>Finance revenue</b>		
Bank interest received	(4)	(6)
<b>Finance costs</b>		
Loan note interest paid	54	45
Bank interest paid and similar charges	4,553	4,610
Total interest expense for financial liabilities not at fair value through profit and loss	4,607	4,655
Movement in discount on provisions	43	52
<b>Total finance costs</b>	<b>4,650</b>	<b>4,707</b>

The interest relates to financial assets and liabilities carried at amortised cost together with the impact of interest rate swaps.

## 8. Taxation

### a) Analysis of tax charge in the year

	2008 £'000	2007 £'000
<b>UK corporation tax:</b>		
UK corporation tax on profits of the year	9,038	9,323
Adjustments in respect of previous years	6	(6)
	<b>9,044</b>	<b>9,317</b>
<b>Overseas taxation:</b>		
Overseas taxation on profits of the year	-	25
Adjustments in respect of previous years	54	-
Total current tax	<b>9,098</b>	<b>9,342</b>
<b>UK deferred tax:</b>		
Originating and reversal of temporary differences	599	430
Adjustments in respect of previous years	(10)	230
Total deferred tax	<b>589</b>	<b>660</b>
<b>Tax on profit on ordinary activities</b>	<b>9,687</b>	<b>10,002</b>
<b>Tax relating to items charged or credited directly to equity:</b>		
	2008 £'000	2007 £'000
<b>Group</b>		
Share based payments	535	(411)
Net gain on revaluation of cash flow hedges	190	111
Corporation tax credit on share options exercised	(88)	(712)
<b>Tax charge/(credit) in the statement of recognised income and expense</b>	<b>637</b>	<b>(1,012)</b>
	2008 £'000	2007 £'000
<b>Company</b>		
Net (loss)/gain on revaluation of cash flow hedges	(72)	135
Corporation tax credit on share options exercised	-	(712)
Deferred tax charge/(credit) on share options exercised	52	(17)
<b>Tax credit in the statement of recognised income and expense</b>	<b>(20)</b>	<b>(594)</b>



**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:

Group	2008 £'000	2007 £'000
Profit on ordinary activities before tax	35,344	32,656
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007 - 30%)	10,603	9,797
Effect of:		
Disallowed expenses	69	44
Rollover and indexation	(741)	(40)
Deferred tax rate difference	(535)	-
Other	241	(23)
Adjustments in respect of prior years	50	224
<b>Total tax charge for the year</b>	<b>9,687</b>	<b>10,002</b>

**c) Deferred tax**

Group	2008 £'000	2007 £'000
The deferred tax included in the balance sheet is as follows:		
<b>Deferred tax liability</b>		
Accelerated capital allowances	5,814	5,424
Rollover and holdover relief	933	938
Other temporary differences	974	592
Share based payments	(258)	(804)
<b>Deferred tax liability</b>	<b>7,463</b>	<b>6,150</b>

The Group will benefit from the reduction in the main rate of corporation tax to 28% from 1 April 2008. Deferred tax is required to be measured at the tax rates expected to apply in the periods in which the temporary differences are expected to reverse, hence deferred tax has been provided at 28%.

	2008 £'000	2007 £'000
<b>Deferred tax in the income statement</b>		
Accelerated capital allowances	390	918
Share based payments	10	(80)
Rollover relief	(5)	66
Other temporary differences	194	(244)
<b>Deferred income tax expense</b>	<b>589</b>	<b>660</b>

Company	2008 £'000	2007 £'000
<b>Deferred tax liability in the balance sheet</b>		
Accelerated capital allowances	165	153
Rollover relief	39	41
Other temporary differences	208	294
Share based payments	(53)	(85)
<b>Deferred tax liability</b>	<b>359</b>	<b>403</b>

**d) Temporary differences associated with group investments**

At 31 March 2008 no deferred tax liability has been recognised (2007: £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 £11,011,000 (2007 - £6,665,000) has been dealt with in the accounts of Cranswick plc.

## 10. Equity dividends

	2008	2007
	£'000	£'000
Declared and paid during the year:		
Final dividend for 2007 – 12.2p per share (2006 – 11.1p)	5,587	4,959
Interim dividend for 2008 – 6.5p per share (2007 – 5.9p)	2,980	2,667
<b>Dividends paid</b>	<b>8,567</b>	<b>7,626</b>
Proposed for approval of shareholders at the Annual General Meeting on 28 July 2008:		
Final dividend for 2008 - 13.4p (2007 - 12.2p)	6,195	5,607

## 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 £25,605,000 (2007 - £22,574,000) 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.

	2008	2007
	Thousands	Thousands
Basic weighted average number of shares	45,832	44,967
Dilutive potential ordinary shares – share options	286	366
	<b>46,118</b>	<b>45,333</b>

Basic weighted average number of shares for 2008 excludes 195,000 shares (2007 – 195,000 shares) held during the year by the Cranswick plc Employee Benefit Trust.

## 12. Intangible fixed assets

Group	Goodwill
	£'000
<b>Cost</b>	
At 31 March 2006	111,921
Acquisition of subsidiary undertakings	5,599
At 31 March 2007	117,520
Acquisition of subsidiary undertakings	236
<b>At 31 March 2008</b>	<b>117,756</b>
<b>Impairments as at 31 March 2006, 2007 and 2008</b>	<b>-</b>
Net book amounts at 31 March 2007	117,520
<b>Net book amounts at 31 March 2008</b>	<b>117,756</b>

In August 2008, the Group increased its investment in Cranswick Gourmet Bacon Company Ltd from 85% to 100% for a cash consideration of £38,000 and loan notes of £336,000. Goodwill arising from this amounted to £219,000.

Goodwill of £5,539,000 arising on the acquisition of Delico Limited in November 2006 is detailed further in Note 14.

The Company has no other 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	2008 £'000	2007 £'000
Cooked meats	86,903	86,903
Sandwiches	16,526	16,526
Continental Fine Foods	10,968	10,968
Other	3,359	3,123
	<b>117,756</b>	<b>117,520</b>

### 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% 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 9.1 per cent has been used (2007 - 9.8 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 reduces 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
<b>Cost</b>				
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
Transfers 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
Additions	9,916	55	15,779	25,750
Disposals	(1,556)	-	(7,540)	(9,096)
<b>At 31 March 2008</b>	<b>36,163</b>	<b>16,860</b>	<b>102,402</b>	<b>155,425</b>
<b>Depreciation</b>				
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
Transfers 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
Charge for the year	467	911	8,712	10,090
Relating to disposals	(654)	-	(5,226)	(5,880)
<b>At 31 March 2008</b>	<b>2,361</b>	<b>7,809</b>	<b>52,534</b>	<b>62,704</b>
<b>Net book amounts</b>				
At 31 March 2006	25,432	10,508	31,785	67,725
At 31 March 2007	25,255	9,907	45,115	80,277
<b>At 31 March 2008</b>	<b>33,802</b>	<b>9,051</b>	<b>49,868</b>	<b>92,721</b>

Included in freehold land and buildings is land with a cost of £3,853,000 (2007 - £2,952,000) which is not depreciated relating to the Group and £1,210,000 (2007 - £1,210,000) relating to the Company. The cost of freehold land and buildings includes £935,000 (2007 - £538,000) in respect of capitalised interest. £397,000 of interest, which was the whole amount eligible, was capitalised during the year (2007 - £nil).



Company	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
<b>Cost</b>			
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
Additions	-	43	43
Disposals	-	(5)	(5)
<b>At 31 March 2008</b>	<b>2,431</b>	<b>110</b>	<b>2,541</b>
<b>Depreciation</b>			
At 31 March 2006	110	4	114
Transfer from other group companies	-	15	15
Charge for the year	21	14	35
At 31 March 2007	131	33	164
Charge for the year	21	12	33
Relating to disposals	-	(4)	(4)
<b>At 31 March 2008</b>	<b>152</b>	<b>41</b>	<b>193</b>
<b>Net book amounts</b>			
At 31 March 2006	2,321	47	2,368
At 31 March 2007	2,300	39	2,339
<b>At 31 March 2008</b>	<b>2,279</b>	<b>69</b>	<b>2,348</b>

## 14. Investment in subsidiary undertakings

Company	£'000
Shares at cost:	
At 31 March 2006	137,231
Additions in year	18,199
At 31 March 2007	155,430
Disposals in year	(4)
<b>At 31 March 2008</b>	<b>155,426</b>

During the year the Group disposed of its investment in Cranswick GmbH for a cash consideration of £500,000 as part of the disposal of the feed milling business. The profit on disposal is included as part of the exceptional item.

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

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 (holding via Cranswick Country Foods plc)  
 Cranswick Mill Limited  
 Cranswick ApS (registered in Denmark)  
 Delico Limited

#### Pet

Cranswick Pet & Aquatics plc

Except where otherwise stated, 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

#### Group

	2008 £'000	2007 £'000
Raw materials	24,218	20,334
Finished goods and goods for resale	6,278	4,155
Biological assets (see below)	142	137
	30,638	24,626

The Group breeds and imports tropical marine fish and other invertebrates for supply to specialist aquatic retailers. At 31 March 2008 marine stock represented approximately 44,000 fish (2007 - approximately 47,000 fish). The fair value of tropical marine fish is determined from retail selling price less a margin and increased by £6,000 (2007 – reduced by £4,000) in the year.

## 16. Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Financial Assets:				
Trade receivables	68,504	58,585	-	-
Amounts owed by group undertakings	-	-	44,177	25,602
Other receivables	3,474	3,457	20	58
	<u>71,978</u>	<u>62,042</u>	<u>44,197</u>	<u>25,660</u>
Non-financial assets:				
Prepayments and accrued income	5,370	4,374	42	-
	<u>77,348</u>	<u>66,416</u>	<u>44,239</u>	<u>25,660</u>

Financial assets are carried at amortised cost

As at 31 March, the analysis of trade receivables that were past due but not impaired is as follows:

Group	Trade receivables	Of which:			
		Not due	Past due date in the following periods:		
			Less than 30 days	Between 30 and 60 days	More than 60 days
	£'000	£'000	£'000	£'000	£'000
2008	68,504	57,683	7,718	2,061	1,042
2007	58,585	52,912	4,488	714	471

Trade receivables are non-interest bearing and are generally on 30-60 days' terms and are shown net of a provision for impairment. As at 31 March 2008, trade receivables at nominal value of £634,000 (2007 - £591,000) were impaired and fully provided for. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Movements in the provision for impairment of receivables were as follows:

	£'000
<b>Bad debt provision</b>	
At 31 March 2006	536
Provided in year	61
Written off	(6)
At 31 March 2007	591
Provided in year	167
Written off	(124)
<b>At 31 March 2008</b>	<u>634</u>

There are no bad debt provisions against other receivables.

## 17. Other financial assets - current

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Forward currency contracts	959	24	-	-
Interest rate swaps	70	306	70	306
	<u>1,029</u>	<u>330</u>	<u>70</u>	<u>306</u>

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Movement on hedged items:				
Amounts recognised in equity	504	271	(432)	354
Amounts removed from equity and included in the income statement	196	98	196	98
	<u>700</u>	<u>369</u>	<u>(236)</u>	<u>452</u>

Movements on hedged foreign currency contracts are recycled through cost of sales. Interest rate movements on hedged bank borrowings are re-cycled through finance costs.

All financial assets are used for hedging. 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 21.

Under the terms of the interest rate swap the Group receives LIBOR interest and pays fixed interest of 4.98%. The notional principal amount stands at £18,000,000 as at 31 March 2008 and reduces in equal semi-annual amounts to £nil by January 2010.

## 18. Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
<b>Current</b>				
Trade payables	52,763	43,882	154	-
Amounts owed to group undertakings	-	-	54,057	36,541
Other payables	20,262	21,191	783	5,113
	<u>73,025</u>	<u>65,073</u>	<u>54,994</u>	<u>41,654</u>
<b>Non-current</b>				
Deferred income	8	37	-	-

## 19. Other financial liabilities

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
<b>Current</b>				
Bank overdrafts	11,468	2,756	8,512	2,102
Amounts outstanding under revolving credit facility	8,000	2,000	8,000	2,000
Current instalments due on bank loan	11,250	11,250	11,250	11,250
Loan notes	1,093	927	756	927
	<u>31,811</u>	<u>16,933</u>	<u>28,518</u>	<u>16,279</u>
<b>Non-current</b>				
Non-current instalments due on bank loan	50,414	61,544	50,414	61,544

All financial liabilities are amortised at cost.

A bank overdraft facility of £20 million (2007 - £10 million) is in place until December 2009, of which £11,468,000 (2007 - £2,756,000) was utilised at 31 March 2008. Interest is payable at a margin over base rate.

A revolving credit facility of £10 million is in place of which £8 million was utilised as at 31 March 2008 (2007 - 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 of 0.6% above LIBOR.



The maturity profile of bank loans is as follows:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
In one year or less	11,250	11,250	11,250	11,250
Between one year and two years	50,625	11,250	50,625	11,250
Between two and five years	-	50,625	-	50,625
	<u>61,875</u>	<u>73,125</u>	<u>61,875</u>	<u>73,125</u>
Unamortised issue costs	(211)	(331)	(211)	(331)
	<u>61,664</u>	<u>72,794</u>	<u>61,664</u>	<u>72,794</u>

The balance outstanding on the bank loan is repayable in 3 semi-annual instalments of £5,625,000 from September 2008, followed by a single payment of £45,000,000 in December 2009. Interest is payable on the loan at a margin of 0.6% 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%.

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

## 20. Provisions

Group	Lease provisions £'000
At 1 April 2007	2,025
Utilisation in the year	(579)
Unwinding of discount	43
<b>At 31 March 2008</b>	<b><u>1,489</u></b>

Analysed as:

	Group	
	2008	2007
	£'000	£'000
Current liabilities	153	289
Non-current liabilities	<u>1,336</u>	<u>1,736</u>
	<u>1,489</u>	<u>2,025</u>

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

## 21. Financial instruments

An explanation of the Company and Group's financial instruments risk management strategy is set out on pages 18 to 21 in the Group Operating and 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 2008 and their weighted average interest rates is set out below:

Group				Fixed interest		
				1 year or less	1-2 years	2-3 years
				£'000	£'000	£'000
As at 31 March 2008	Weighted average effective interest rate %	Total £'000	At floating interest rates £'000			
Financial liabilities:						
Bank overdrafts	6.54%	(11,468)	(11,468)	-	-	-
Revolving credit facility	6.22%	(8,000)	(8,000)	-	-	-
Bank loan (including the effect of interest rate swaps)	6.05%	(61,875)	(43,875)	(9,000)	(9,000)	-
Loan notes	5.24%	(1,093)	(1,093)	-	-	-
		(82,436)	(64,436)	(9,000)	(9,000)	-
Less: effect of interest rate swaps		-	(18,000)	9,000	9,000	-
Total financial liabilities excluding the effect of interest rate swaps		(82,436)	(82,436)	-	-	-
Financial assets: Cash at bank	4.54%	3,770	3,770	-	-	-
		(78,666)	(78,666)	-	-	-

Group				Fixed interest		
				1 year or less	1-2 years	2-3 years
				£'000	£'000	£'000
As at 31 March 2007	Weighted average effective interest rate %	Total £'000	At floating interest rates £'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)	-	-	-

The maturity profile of bank loans is set out in note 19.

The interest rate profile of the interest earning financial assets and interest bearing liabilities of the Company as at 31 March 2008 and their weighted average interest rates is set out on following page:

Company	Fixed interest					
	Weighted average effective interest rate %	Total  £'000	At floating interest rates  £'000	1 year or less	1-2 years	2-3 years
				£'000	£'000	£'000
<b>As at 31 March 2008</b>						
Financial liabilities:						
Bank overdrafts	6.54%	(8,512)	(8,512)	-	-	-
Revolving credit facility	6.22%	(8,000)	(8,000)	-	-	-
Bank loan (including the effect of interest rate swaps)	6.05%	(61,875)	(43,875)	(9,000)	(9,000)	-
Loan notes	5.24%	(756)	(756)	-	-	-
		(79,143)	(61,143)	(9,000)	(9,000)	-
Less: effect of interest rate swaps		-	(18,000)	9,000	9,000	-
Total financial liabilities excluding the effect of interest rate swaps		(79,143)	(79,143)	-	-	-
Financial assets: Cash at bank		-	-	-	-	-
		(79,143)	(79,143)	-	-	-

Company	Fixed interest					
	Weighted average effective interest rate %	Total  £'000	At floating interest rates  £'000	1 year or less	1-2 years	2-3 years
				£'000	£'000	£'000
<b>As at 31 March 2007</b>						
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)	(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		(78,154)	(78,154)	-	-	-
Financial assets: Cash at bank		-	-	-	-	-
		(78,154)	(78,154)	-	-	-

### Currency profile

The Group's financial assets at 31 March 2008 include Sterling denominated cash balances of £1,648,000 (2007 - £894,000), Danish Krona £99,000 (2007 - £195,000), Euro £611,000 (2007 - £902,000) and US dollar £1,412,000 (2007 - £271,000), all of which are held in the UK with the exception of Danish Krona £98,000 (2007 - £83,000) and Euro £nil (2007 - £218,000). 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	2008		2007	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Cash	3,770	3,770	2,262	2,262
Forward currency contracts	959	959	24	24
Interest rate swap	70	70	306	306
	<u>4,799</u>	<u>4,799</u>	<u>2,592</u>	<u>2,592</u>
<b>Financial liabilities</b>				
Bank overdraft	(11,468)	(11,468)	(2,756)	(2,756)
Amounts outstanding under revolving credit facility	(8,000)	(8,000)	(2,000)	(2,000)
Bank loan, gross of issue costs	(61,875)	(61,875)	(73,125)	(73,125)
Loan notes	(1,093)	(1,093)	(927)	(927)
	<u>(82,436)</u>	<u>(82,436)</u>	<u>(78,808)</u>	<u>(78,808)</u>
<b>At 31 March</b>	<u>(77,637)</u>	<u>(77,637)</u>	<u>(76,216)</u>	<u>(76,216)</u>
<b>Company</b>	2008		2007	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
<b>Financial asset</b>				
Interest rate swap	70	70	306	306
<b>Financial liabilities</b>				
Bank overdraft	(8,512)	(8,512)	(2,102)	(2,102)
Amounts outstanding under revolving credit facility	(8,000)	(8,000)	(2,000)	(2,000)
Bank loan, gross of issue costs	(61,875)	(61,875)	(73,125)	(73,125)
Loan notes	(756)	(756)	(927)	(927)
	<u>(79,143)</u>	<u>(79,143)</u>	<u>(78,154)</u>	<u>(78,154)</u>
<b>At 31 March</b>	<u>(79,073)</u>	<u>(79,073)</u>	<u>(77,848)</u>	<u>(77,848)</u>

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 and liabilities are included in notes 16 and 18.



## 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 IFRS 7 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	\$13,450,000	1 April 2008 to 10 October 2008	\$1.98 - \$2.00	107
Euros	€14,000,000	1 April 2008 to 15 September 2008	€1.3050 – €1.4710	852

These contracts were effective cash flow hedges under the criteria set out in IFRS 7 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 £18,000,000 as at 31 March 2008 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 IFRS 7 and therefore movements in fair value have been posted directly to equity and recycled through the income statement at the time the hedged item affects the profit and loss account.

### Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity. The sensitivity analysis excludes all non-derivative fixed rate financial instruments carried at amortised cost but includes those recognised at fair value as well as all non-derivative floating rate financial instruments. Fair value interest rate hedges, that are part of a hedging relationship, have been excluded from the analysis, as gains and losses from fair valuing both the hedging item and hedging instrument almost cancel one another out completely in the income statement.

However, for the purpose of the sensitivity analysis hedged loans are treated as floating rate borrowings as a result of the swap relationship, which exposes them to a variable interest expense in the income statement.

Currency derivatives have not been included in the sensitivity analysis below as they are not considered to be exposed to interest rate risk.

	Increase/ decrease in basis points	Effect on profit before tax £000
2008		
Sterling	+25 -25	(201) 201
2007		
Sterling	+25 -25	(202) 202

**Liquidity risk**

The tables below summarise the maturity profile of the Group's financial liabilities at 31 March 2008 and 2007 based on contractual undiscounted payments.

Year ended 31 March 2008	Less than 1 year £'000	1 to 2 years £'000	Total £'000
Bank overdraft	11,468	-	11,468
Revolving credit facility	8,000	-	8,000
Bank loan	11,715	54,591	66,306
Loan notes	1,093	-	1,093
Trade and other payables	73,025	8	73,033
	<b>105,301</b>	<b>54,599</b>	<b>159,900</b>

Year ended 31 March 2007	Less than 1 year £'000	1 to 3 years £'000	Total £'000
Bank overdraft	2,756	-	2,756
Revolving credit facility	2,000	-	2,000
Bank Loan	11,715	70,345	82,060
Loan notes	927	-	927
Trade and other payables	65,073	37	65,110
	<b>82,471</b>	<b>70,382</b>	<b>152,853</b>

**22. Called-up share capital****Group and Company**

Authorised:	2008 Number	2007 Number	2008 £'000	2007 £'000
Ordinary shares of 10p each	<b>63,600,000</b>	63,600,000	<b>6,360</b>	6,360

Allotted, called-up and fully paid Ordinary shares of 10p each:	2008 Number	2007 Number	2008 £'000	2007 £'000
At 1 April	<b>45,954,326</b>	44,669,630	<b>4,595</b>	4,467
On exercise of share options	<b>167,554</b>	653,694	<b>17</b>	65
Scrip dividends	<b>103,611</b>	152,236	<b>11</b>	15
Issues on acquisition of subsidiary	-	478,766	-	48
<b>At 31 March</b>	<b>46,225,491</b>	45,954,326	<b>4,623</b>	4,595

On 7 September 2007, 27,239 ordinary shares were issued at 844.1p as a result of shareholders exercising the scrip dividend option in lieu of the cash payment for the 2007 final dividend.

On 25 January 2008, 76,372 ordinary shares were issued at 790.0p as a result of shareholders exercising the scrip dividend option in lieu of the cash payment for the 2008 interim dividend.

During the course of the year, 137,554 ordinary shares were issued to employees exercising SAYE options at prices between 255.0p and 679.0p and 30,000 ordinary shares were issued to directors and employees exercising executive share options at a price of 601.0p per ordinary share.

Of the unissued ordinary share capital £99,467 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	18,756	264p	March 2005 to October 2009
Savings related	11,038	415p	March 2007 to October 2010
Savings related	49,887	255p	March 2008 to October 2011
Savings related	71,887	375p	March 2008 to October 2012
Savings related	130,505	471p	March 2009 to October 2013
Savings related	122,126	679p	March 2010 to October 2014
Savings related	100,473	665p	March 2011 to October 2015
Executive	490,000	601p	July 2008 to July 2015

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 prior year, 243,694 ordinary shares were issued to employees exercising SAYE options at prices between 255p and 415p, and 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.

## 23. Share based payments

### Executive Share Options

The Company operates three executive share option schemes, a Revenue approved scheme, an unapproved scheme and a long term incentive plan, all 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	2008	2008	2007	2007
	Number	WAEP	Number	WAEP
		£		£
Outstanding as at 1 April	535,000	6.01	795,000	5.79
Forfeited during the year	(15,000)	6.01	(45,000)	6.01
Exercised during the year (note i)	(30,000)	6.01	(215,000)	5.19
Outstanding as at 31 March	<u>490,000</u>	<u>6.01</u>	<u>535,000</u>	<u>6.01</u>
Exercisable at 31 March	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Company	2008	2008	2007	2007
	Number	WAEP	Number	WAEP
		£		£
Outstanding as at 1 April	265,000	6.01	400,000	5.79
Exercised during the year (note i)	-	-	(135,000)	5.19
Outstanding as at 31 March	<u>265,000</u>	<u>6.01</u>	<u>265,000</u>	<u>6.01</u>
Exercisable at 31 March	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

i) The weighted average share price at the date of the exercise for the options exercised is £8.71 (2007 – £9.50).

For the share options outstanding as at 31 March 2008, the weighted average remaining contractual life is 0.6 years. (2007 – 1.6 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

During the course of the year 190,000 options at nil cost were granted to directors and senior executives, the share price at that time was 854p. 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% at the 75th percentile with performance between the 50th and 75th percentile rewarded pro-rata. The comparison companies are Carrs Milling Industries plc, Dairy Crest Group plc, Devro 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. No options were forfeited during the year leaving 380,000 outstanding.

Group	2008	2008	2007	2007
	Number	WAEP	Number	WAEP
		£		£
Outstanding as at 1 April	190,000	-	-	-
Granted during the year	190,000	-	195,000	-
Forfeited during the year	-	-	(5,000)	-
Outstanding as at 31 March	<u>380,000</u>	<u>-</u>	<u>190,000</u>	<u>-</u>
Exercisable at 31 March	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Company	2008	2008	2007	2007
	Number	WAEP	Number	WAEP
		£		£
Outstanding as at 1 April	125,000	-	-	-
Granted during the year	125,000	-	125,000	-
Outstanding as at 31 March	<u>250,000</u>	<u>-</u>	<u>125,000</u>	<u>-</u>
Exercisable at 31 March	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



**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	2008	2008	2007	2007
	Number	WAEP	Number	WAEP
		£		£
Outstanding as at 1 April	605,870	4.42	739,063	4.15
Granted during the year (note i)	102,204	6.65	153,033	6.79
Forfeited during the year	(66,208)	5.14	(42,532)	3.71
Exercised during the year (note ii)	(137,194)	3.66	(243,694)	2.75
Outstanding as at 31 March (note iii)	504,672	5.16	605,870	4.42
Exercisable at 31 March	11,978	3.91	1,736	2.55
Company	2008	2008	2007	2007
	Number	WAEP	Number	WAEP
		£		£
Outstanding as at 1 April	16,387	4.20	24,542	3.50
Granted during the year (note i)	3,793	6.65	1,069	6.79
Exercised during the year (note ii)	(9,581)	3.98	(9,224)	2.64
Outstanding as at 31 March	10,599	5.28	16,387	4.20
Exercisable at 31 March	-	-	-	-

- i) The share options granted during the year were at 665p, 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 £6.58 (2007 - £9.68).
- iii) Included within this balance are options over 18,756 shares (2007 - 26,444 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 2008 the weighted average remaining contractual life is 2.56 years. (2007 - 2.70 years).

The weighted average fair value of options granted during the year was £8.48 (2007 - £8.77). The range of exercise prices for options outstanding at the end of the year was £2.55 - £6.79 (2007 - £2.55 - £6.79).

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 2008 and 31 March 2007:

Group and Company	2008	2007
Dividend yield	1.90%-4.10%	1.90%-4.10%
Expected share price volatility	24.5%-31.0%	24.5%-31.0%
Risk free interest rate	4.29%-5.80%	4.29%-5.00%
Expected life of option (years)	3,5,7 years	3,5,7 years
Exercise prices	£nil - £6.79	£nil - £6.79

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.

## 24. Reconciliation of movements in equity

Group	Attributable to equity holders of the parent						Minority interest	Total equity	
	Share capital	Share premium	Share based payments	Hedging reserve	Translation reserve	Retained earnings			
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)				
	£'000	£'000	£'000	£'000	£'000	£'000			
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 1 April 2007	4,595	47,204	1,018	329	22	82,564	135,732	103	135,835
Cash flow hedges	-	-	-	700	-	-	700	-	700
Exchange differences	-	-	-	-	(17)	-	(17)	-	(17)
Profit for the year	-	-	-	-	-	25,605	25,605	52	25,657
Exercise of options	17	666	-	-	-	-	683	-	683
Scrip dividends	11	823	-	-	-	-	834	-	834
Share based payments	-	-	921	-	-	-	921	-	921
Deferred tax recognised directly in equity	-	-	-	-	-	(725)	(725)	-	(725)
Corporation tax recognised directly in equity	-	-	-	-	-	88	88	-	88
Purchase of Minority Interest	-	-	-	-	-	-	-	(155)	(155)
Dividends	-	-	-	-	-	(8,567)	(8,567)	-	(8,567)
At 31 March 2008	4,623	48,693	1,939	1,029	5	98,965	155,254	-	155,254

Company	Share capital	Share premium	Share based payments	Hedging reserve	Merger reserve	General reserve	Retained earnings	Total
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 6)	(Note 7)		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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 1 April 2007	4,595	47,204	210	306	1,806	4,000	5,735	63,856
Cash flow hedges	-	-	-	(236)	-	-	-	(236)
Profit for the year	-	-	-	-	-	-	11,011	11,011
Exercise of options	17	666	-	-	-	-	-	683
Scrip dividends	11	823	-	-	-	-	-	834
Share based payments	-	-	107	-	-	-	-	107
Deferred tax recognised directly in equity	-	-	-	-	-	-	20	20
Dividends	-	-	-	-	-	-	(8,567)	(8,567)
At 31 March 2008	4,623	48,693	317	70	1,806	4,000	8,199	67,708

**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 records exchange differences arising from the translation of the financial statements of foreign subsidiaries. In addition it 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.

## 25. Additional cash flow information

Analysis of Group net debt	At 31 March 2007	Cash flow	Other non cash changes	At 31 March 2008
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,262	1,494	14	3,770
Overdrafts	(2,756)	(8,712)	-	(11,468)
	(494)	(7,218)	14	(7,698)
Other financial assets	306	-	(236)	70
	(188)	(7,218)	(222)	(7,628)
Revolving credit	(2,000)	(6,000)	-	(8,000)
Bank loans	(72,794)	11,250	(120)	(61,664)
Loan notes	(927)	170	(336)	(1,093)
Net debt	(75,909)	(1,798)	(678)	(78,385)

	At 31 March 2006	Cash flow	Other non cash changes	At 31 March 2007
	£'000	£'000	£'000	£'000
Cash and cash equivalents	5,000	(2,728)	(10)	2,262
Overdrafts	(4,954)	2,198	-	(2,756)
	46	(530)	(10)	(494)
	-	-	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).

**Analysis of Company net debt**

	At 31 March 2007	Cash flow	Other non cash changes	At 31 March 2008
	£'000	£'000	£'000	£'000
Overdrafts	(2,102)	(6,410)	-	(8,512)
Other financial assets	306	-	(236)	70
	<u>(1,796)</u>	<u>(6,410)</u>	<u>(236)</u>	<u>(8,442)</u>
Revolving credit	(2,000)	(6,000)	-	(8,000)
Bank loans	(72,794)	11,250	(120)	(61,664)
Loan notes	(927)	171	-	(756)
Net debt	<u>(77,517)</u>	<u>(989)</u>	<u>(356)</u>	<u>(78,862)</u>

	At 31 March 2006	Cash flow	Other non cash changes	At 31 March 2007
	£'000	£'000	£'000	£'000
Overdrafts	(4,480)	2,378	-	(2,102)
Other financial assets	-	-	306	306
	<u>(4,480)</u>	<u>2,378</u>	<u>306</u>	<u>(1,796)</u>
Other financial liabilities	(146)	-	146	-
Revolving credit	(2,000)	-	-	(2000)
Bank loans	(73,970)	1,290	(114)	(72,794)
Loan notes	(1,072)	145	-	(927)
Net debt	<u>(81,668)</u>	<u>3,813</u>	<u>338</u>	<u>(77,517)</u>

**26. Contingent liabilities**

The Company, together with its subsidiary undertakings, has entered into a cross 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 £81,343,000 as at 31 March 2008 (2007 - £77,881,000).

**27. Commitments**

- (a) The Directors have contracted for future capital expenditure for property, plant and equipment totalling £7,347,000 (2007 - £475,000).
- (b) The Group's future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Not later than one year	3,737	1,831	-	-
After one year but not more than five years	9,890	8,124	-	-
After five years	24,067	30,905	-	-
	<u>37,694</u>	<u>40,860</u>	<u>-</u>	<u>-</u>



## 28. 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 6. Contributions owing to the insurance companies at the year-end, included in trade and other payables, amounted to £nil (2007 - £218,000).

## 29. 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	Dividends received from related party
Subsidiaries	£'000	£'000
<b>2008</b>	<b>15,015</b>	<b>9,772</b>
2007	13,640	6,466

Amounts owed by or to subsidiary undertakings are disclosed in the Company balance sheet on page 33. Any such amounts are unsecured and repayable on demand.

### Remuneration of key management personnel

	2008	2007
	£'000	£'000
Short-term employee benefits	3,010	3,330
Post-employment benefits	448	394
Share-based payment	451	170
	<u>3,909</u>	<u>3,894</u>

# 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 77, 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 November 2006 and therefore applies to the full year under review. A statement of compliance with the Combined Code can be found at the end of this report.

## The Board

Until 14th March 2008 the Board consisted of an Executive Chairman, two Chief Executives, two other executive directors and three non-executives, two of whom were deemed to be independent. Thereafter the number of non-executives reduced to two with the resignation of Noel Taylor. The remaining two non-executive directors are deemed to be independent. Mr Taylor was not formally deemed to be independent due to his long association with the Company although the Board regarded his background and contribution as highly valuable. The Combined Code recommends that for a company the size of Cranswick it should have at least two independent non-executive directors and therefore the Board is confident that it meets the requirements of the Combined Code in full.

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 cash flow 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, including the review of relevant literature and attending external courses on subjects they wish to improve on. 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 Board, led by the Chairman, has carried out a formal evaluation of its performance and that of its committees under a system based on a questionnaire circulated to all directors which were used to facilitate a board discussion. The evaluation exercise showed that the Board and its committees were working well but as expected a number of actions were agreed to improve effectiveness. The Chairman has carried out an evaluation of the performance of individual directors by individual discussions with the Board members. He 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 23. 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 throughout the year comprised of two independent non-executives, John Worby and Patrick Farnsworth and until his resignation on 14th March 2008 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 with the external auditors 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. 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. There is a policy in place in relation to the types of non-audit services the external auditors cannot do so as not to compromise their independence and these would include internal accounting or other financial services, internal audit services or their outsourcing, executive or management roles or functions, and remuneration consultancy. There is also a whistle blowing 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 terms of reference for the Audit Committee are available from the Company Secretary.

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 comprised of Patrick Farnsworth (Chairman), John Worby and Noel Taylor until his resignation on 14th March 2008. 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 following the resignation of Noel Taylor. Martin Davey, Executive 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. During the year the Committee also received remuneration advice from Deloitte & Touche. Details of the Committee's current remuneration policies are given in the Directors' Remuneration Report on pages 73 to 77.

The terms of reference for the Remuneration Committee are available from the Company Secretary.

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 at least once a year and reviews the structure, size and composition of the Board and is responsible for considering and making recommendations to the Board on new appointments of executive and non-executive directors. It also gives full consideration to succession planning in the course of its work taking into account the challenges and opportunities facing the Company and what skills and expertise are therefore needed on the Board and from senior management in the future. No new Board appointments were considered necessary during the year.

The terms of reference for the Nomination Committee are available from the Company Secretary.

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 Committee
No. of meetings	12	3	3	1
D.Black	11	-	-	-
A.Couch	12	-	-	-
M.Davey	12	-	-	1
B.Hoggarth	12	-	-	-
J.Lindop	12	-	-	-
N.Taylor	5	1	1	-
P.Farnsworth	11	3	3	1
J.Worby	12	3	3	1

### 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 on-going 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.

### **Compliance with the Revised Combined Code**

The Directors consider that the Company has, during the year ended 31 March 2008, complied with the requirements of the revised Combined Code other than as set out below:

- i) The Company did not comply with Combined Code provision A.7.2 for nine months of the year in that Noel Taylor, non-executive director, did not have a fixed term contract, but was employed subject to a notice period of 6 months. On the 1st January 2008 he was given a two year letter of appointment as with the other non-executive directors.
- ii) The Company 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 deemed an independent non-executive director. Following his resignation on 14th March 2008 the Company believes it now complies.

By order of the Board

**Malcolm Windeatt**  
Company Secretary,

19 May 2008



## 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 confirm to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of Cranswick plc and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of Cranswick plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the cash flows of the Company and of the Group and the financial performance 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 and the Group have 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.

By order of the Board

**M Davey**  
Chairman

**J Lindop**  
Finance Director

19 May 2008

# Directors' remuneration report

## Information not subject to audit

### Remuneration committee

The Remuneration Committee comprises the non-executive directors Patrick Farnsworth (Chairman of the Committee) John Worby and, until his resignation, Noel Taylor. 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 used the firm of Deloitte & Touche (who provided no other services during the year) as remuneration consultants in the year and has also 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. A fixed sum is payable when the target is achieved with a percentage being payable for results in excess of the target. The total bonus is capped at 150% 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 plc, Carrs Milling Industries plc, Dairy Crest Group plc, Devro plc, Glanbia plc, Greencore plc, Northern Foods plc, Robert Wiseman Dairies plc, and Uniq plc. 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 average annual increases in the retail price index ("RPI") over a three year period and the other half to a total shareholder return ("TSR") target measured against a comparable group of food companies over a three year period. The comparison companies are Carrs Milling Industries plc, Dairy Crest Group plc, Devro plc, Glanbia plc, Greencore 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 average annual outperformance of 3 per cent and 100 per cent of the shares at an average annual 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 include one year notice periods from 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 take-over. J. Lindop and A. Couch have one year rolling contracts which commenced on 30 June 2004 and 1 May 2006 respectively. P. Farnsworth and J. Worby have two year appointment letters from 1 January 2008. 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 2003) 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.



Source: Investec

## Information subject to audit

### Directors' remuneration

The remuneration of directors for the year was as follows:

	2008	2007
	£'000	£'000
Salary and fees	1,967	1,801
Bonuses	788	1,275
Benefits	6	5
Payment in lieu of pension contribution	249	249
	<b>3,010</b>	<b>3,330</b>
Pension contribution	448	394
	<b>3,458</b>	<b>3,724</b>
Aggregate notional gains made by directors on exercise of options	9	487

**Individual directors, including pension contributions:**

	Salary and fees	Bonus	Other	Benefits	Total 2008	Total 2007	Pension 2008	Pension 2007
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

**Non-executive directors:**

PW Farnsworth	35	-	-	-	<b>35</b>	32	-	-
RN Taylor	52	-	-	1	<b>53</b>	55	<b>11</b>	11
(to date of resignation)								
JG Worby	38	-	-	-	<b>38</b>	32	-	-

**Executive directors:**

DJ Black	312	170	81	1	<b>564</b>	631	<b>59</b>	55
MTP Davey	542	170	76	1	<b>789</b>	817	<b>105</b>	94
B Hoggarth	421	170	92	1	<b>684</b>	725	<b>81</b>	71
JD Lindop	233	108	-	1	<b>342</b>	488	<b>129</b>	108
AH Couch	334	170	-	1	<b>505</b>	550	<b>63</b>	55

"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 (2007 - 6). 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 2008 were £41,675 (2007 - £34,458). 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 2008 were £10,980 (2007 - £10,275).

**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 2007 No	Granted in the year No	Exercised in the year No	Lapsed	At 31 March 2008 No	Exercise price p	Range of exercise dates
MTP Davey	50,000	-	-	-	50,000	601.0	4 July 2008/3 July 2015
DJ Black	50,000	-	-	-	50,000	601.0	4 July 2008/3 July 2015
AH Couch	50,000	-	-	-	50,000	601.0	4 July 2008/3 July 2015
B Hoggarth	50,000	-	-	-	50,000	601.0	4 July 2008/3 July 2015
JD Lindop	50,000	-	-	-	50,000	601.0	4 July 2008/3 July 2015

No share options were exercised in the year apart from the SAYE Scheme shown below

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.

**Long term incentive plan**

	At 1 April 2007	Granted in the year	Exercised in the year	Lapsed	At 31 March 2008	Weighted average exercise price p	Range of exercise dates
	No	No	No		No		
MTP Davey	25,000	25,000	-	-	50,000	Nil	1 Sept 2009/1 Sept 2017
DJ Black	25,000	25,000	-	-	50,000	Nil	1 Sept 2009/1 Sept 2017
AH Couch	25,000	25,000	-	-	50,000	Nil	1 Sept 2009/1 Sept 2017
B Hoggarth	25,000	25,000	-	-	50,000	Nil	1 Sept 2009/1 Sept 2017
JD Lindop	25,000	25,000	-	-	50,000	Nil	1 Sept 2009/1 Sept 2017

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 60.

The options granted in the year are exercisable between 1 September 2010 and 1 September 2017.

**Savings related share option scheme**

	At 1 April 2007	Granted in the year	Exercised in the year	Lapsed	At 31 March 2008	Weighted average exercise price p	Range of exercise dates
	No	No	No		No		
MTP Davey	2,526	1,443	(2,526)	-	1,443	665	1 Mar 2011/1 Sept 2011
DJ Black	3,158	288	(791)	-	2,655	468	1 Mar 2010/1 Sept 2011
AH Couch	5,689	1,785	-	-	7,474	395	1 Mar 2009/1 Sept 2015
B Hoggarth	2,310	866	(1,516)	-	1,660	572	1 Mar 2009/1 Sept 2011
JD Lindop	3,158	-	(791)	-	2,367	444	1 Mar 2010/1 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
D J Black	791	1 March 2008	415.0	540.0	1
J D Lindop	791	1 March 2008	415.0	540.0	1
MTP Davey	2,526	1 March 2008	375.0	540.0	4
B Hoggarth	1,516	1 March 2008	375.0	540.0	3

The market price of the company's shares at 31 March 2008 was 515.0p 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	945.5p	495.0p
Options issued during the year: SAYE	847.5p	495.0p
Executive	900.0p	495.0p

**Directors' beneficial interests (unaudited)**

	At 31 March 2008 Ordinary Shares	At 31 March 2007 Ordinary Shares
M T P Davey	200,426	182,900
D J Black	88,758	82,883
A Couch	55,644	44,627
B Hoggarth	107,594	101,642
J D Lindop	106,513	101,778
P Farnsworth	1,082	1,058
J 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 2008 to 9 May 2008

On behalf of the Board

**Patrick Farnsworth**

Chairman of the Remuneration Committee

19 May 2008



# 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 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes 1 to 29. 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

The 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 directors' report 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 Business Review section of the directors' report.

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 2006 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 directors' report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, 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 2008 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 2008;
- 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 statements, Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the financial statements.

**Ernst & Young LLP**

*Registered auditor*

Hull, 19 May 2008

## Advisers

<b>Secretary</b>	Malcolm Windeatt FCA
<b>Company Number</b>	1074383
<b>Registered Office</b>	74 Helsinki Road Sutton Fields Hull HU7 0YW
<b>Stockbrokers</b>	Investec Investment Banking - London Brewin Dolphin Securities - Newcastle
<b>Registrars</b>	Capita IRG plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Auditors</b>	Ernst & Young LLP - Hull
<b>Solicitors</b>	Rollits - Hull
<b>Bankers</b>	Lloyds TSB Bank plc The Royal Bank of Scotland plc
<b>Merchant Bankers</b>	N M Rothschild & Sons - Leeds

# Shareholder information

## Five Year Statement

	IFRS				UK GAAP
	2008 £'m	2007 £'m	2006 £'m	2005 £'m	2004 £'m
Turnover *	598.9	510.5	432.9	313.9	268.0
Profit before tax **	35.3	32.7	31.1	21.6	21.2
Earnings per share **	55.9p	50.2p	51.2p	38.6p	35.8p
Dividends per share	19.9p	18.1p	16.5p	14.5p	13.2p
Capital expenditure	25.8	11.8	14.3	19.1	10.0
Net debt	(78.4)	(75.9)	(77.1)	(92.4)	(13.3)
Net assets	155.3	135.8	112.4	92.8	68.8

\* The directors have reclassified discounts and similar allowances from cost of sales and operating costs to revenue, a presentation which more appropriately reflects the nature of these amounts.

\*\* 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 is defined as per note 25 to the accounts.

## Financial calendar

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

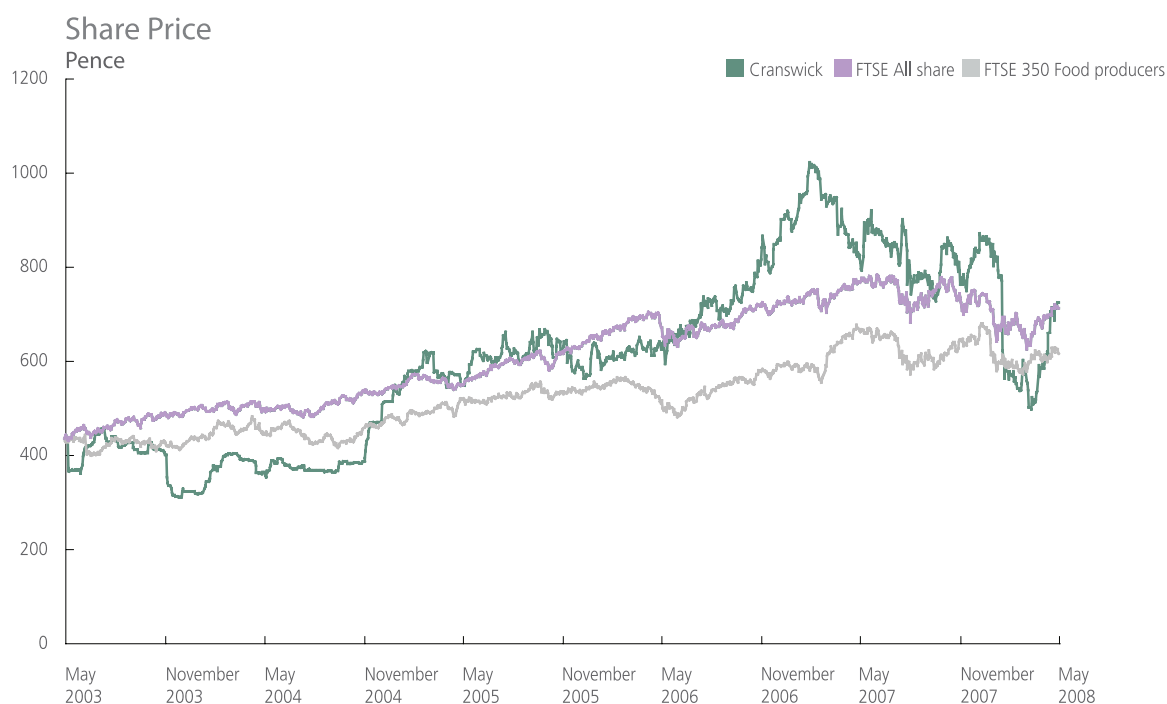
## Shareholder analysis

at 9 May 2008

	Number of holdings	Number of shares
<b>Classification</b>		
Private shareholders	1,142	6,256,748
Corporate bodies and nominees	547	39,974,283
	<b>1,689</b>	<b>46,231,031</b>
<b>Size of holding (shares)</b>		
1 – 1,000	777	317,323
1,001 – 5,000	549	1,232,195
5,001 – 10,000	119	852,760
10,001 – 50,000	126	2,858,961
50,001 – 100,000	54	3,856,337
Above 100,000	64	37,113,455
	<b>1,689</b>	<b>46,231,031</b>
<b>Share price</b>		
Share price at 31 March 2007	940p	
Share price at 31 March 2008	515p	
High in the year	945p	
Low in the year	495p	

### Share price movement

Cranswick's share price movement over the five year period to May 2008 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"), both rebased at May 2003, is shown below:



Source: Investec

## Some of the awards in recent years to Cranswick businesses

### Grocer Own Label Excellence Award

2008 **Winner** **Meat & Poultry Grocer Own Label Awards** – Applewood Smoked Bacon

### BPEX Foodservice Pork Product of the Year Competition

2008 **Gold** **Best Cured Product** – Jack Scaife Hand Cured, Air Dried Gammon Steak  
**Gold** **Best Fresh Pork Cut** – Outdoor Reared Hampshire Breed Thick Cut Pork Chops  
**Gold** **Best Pork Ready Meal** – Ham Shanks in Dijonnaise Sauce  
**Silver** **Best Innovative Pork Product** – Smokey Flavour Maple BBQ Ribs  
2007 **Gold** **Best Innovative Pork Product** – Pork Shanks  
**Gold** **Best Cured Product** – Muscavado Sweetcure Streaky Bacon  
**Silver** **Best Cured Product** – Muscavado Sweetcure Back Bacon  
**Silver** **Best Fresh Pork Cut** – Hampshire Outdoor Reared Rib Roast

### Yorkshire Company of the Year 2007

2007 **Winner** **Yorkshire Business Enterprise Award**

### 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

### PFK 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



Bacon



Cooked meats



**Registered office:** Helsinki Road, Sutton Fields, Hull HU7 0YW Tel. 01482 372000  
[www.cranswick.co.uk](http://www.cranswick.co.uk)