

**CRANSWICK** / *plc*

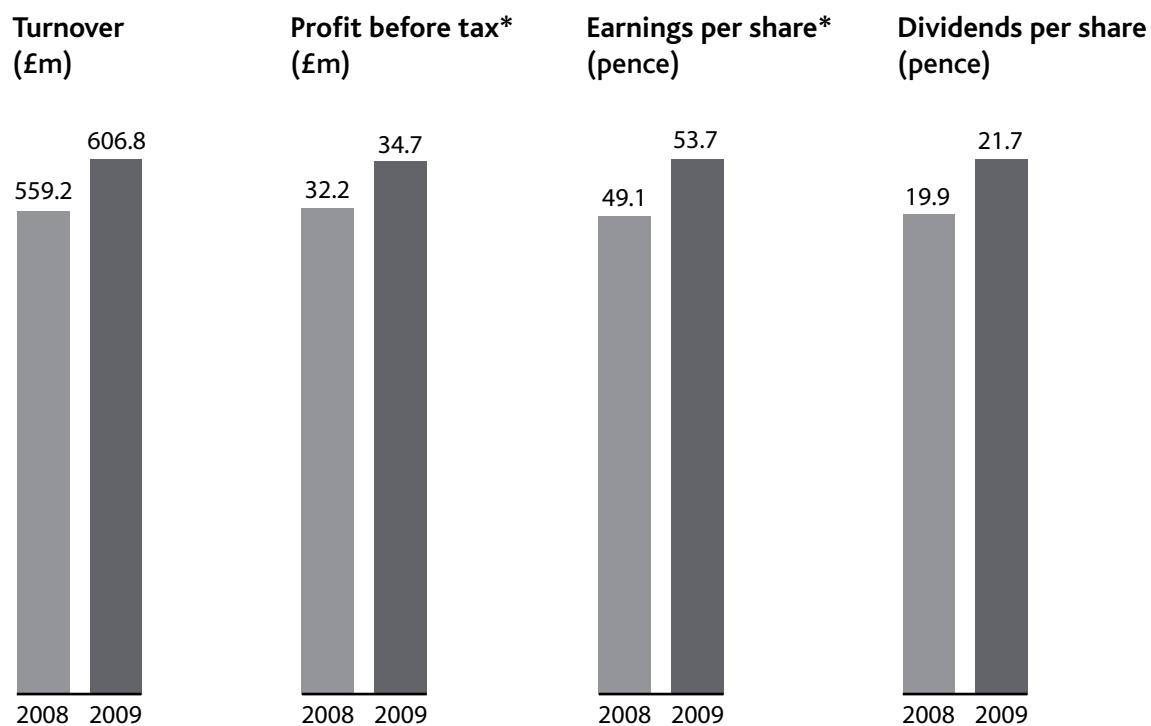
# Report & Accounts



Year ended 31 March  
2009

**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 now represents 100 percent of sales as the pet and aquatics business was sold subsequent to the year end and has been treated as discontinued.

## Financial highlights



- Turnover from continuing operations up 9 per cent to £607m
- Profit before tax from continuing operations up 8 per cent at £34.7m\*
- Increase of 9 per cent in earnings per share from continuing operations to 53.7p\*
- Dividend up 9 per cent to 21.7p per share

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\*Before exceptional items

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Cranswick's record of growth has continued during the past year



# Chairman's statement

## Continued development

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**I am pleased to be reporting to Shareholders that Cranswick's record of growth has continued during the past year.**

Total sales increased by 9 per cent to £653 million. In the prior year sales included almost two months trading in the animal feed business which was sold in May 2007. Adjusting for this the underlying increase in sales was 10 per cent. Total profit before tax and exceptional items rose 9 per cent to £36.7 million. The published figures do not take this form because the pet business, which was sold subsequent to the March 2009 year end, has been treated as a discontinued activity in accordance with International Financial Reporting Standard (IFRS) 5. The pet business had an encouraging year and sales for the year were 17 per cent ahead at £46.5 million.

Reported sales for the continuing food business increased 9 per cent to £607 million. There were a number of challenges in the year including inflation, the impact of sterling's devaluation and the pressures faced by the consumer as a result of the difficult economic environment. Sales of pork products have proved resilient in the face of this not least because of pork's competitive pricing by comparison to other meats. Sales increases were seen across each of the main food categories.

Profit before tax in the continuing business rose 8 per cent to £34.7 million from £32.2 million last year. Last year's figure is stated prior to the exceptional gain recorded on asset disposals and the sale of the animal feed business. Earnings per share rose 9 per cent to 53.7p per share on the same basis. In my Report to Shareholders last year I drew attention to rising raw material prices. These were dealt with either by absorption through efficiency gains, passed on by way of higher selling prices or by a combination of both. There has been further inflation during 2009 which is being handled similarly.

This has been a successful year for the Company and the continued development of the business was recognised

by Cranswick's admission to the FTSE 250 during the year which increases the potential investor base.

### Cash generation strong

The cash generated from operations was extremely strong at £53.4 million, up from £40.2 million the previous year. Working capital reduced by £0.4 million which was pleasing given the strong growth in sales. Tax, interest and dividend payments amounted to £21.0 million, and the cash spent on the purchase of fixed assets, as part of the strategy for continued growth, was £20.9 million following the £25.3 million spent the previous year. This generated a cash inflow of £10.9 million, leaving year-end borrowings of £66.6 million, 40 per cent of shareholders' funds. Interest cover improved from 8.4 times to 10.4 times.

In December the Company agreed new bank facilities for three years. As a result, the Company is well placed to continue its long-term growth strategy through a combination of further investment in fixed assets and acquisitions, as typified by the recently announced purchase of Bowes of Norfolk Limited, subject to clearance by the Competition Authorities.

### Dividend increased

The Board is proposing an increase in the final dividend of 10 per cent to 14.7p per ordinary share. Along with the interim dividend of 7.0p per share paid in January 2009 this makes a total for the year of 21.7p per ordinary share, an increase of 9 per cent on last year's 19.9p. The final dividend, if approved by Shareholders, will be paid on 4 September 2009 to Shareholders on the register at the close of business on 3 July 2009. Shares will go ex-dividend on 1 July 2009. Shareholders will again have the option to receive the dividend by way of scrip issue.

### Strategy

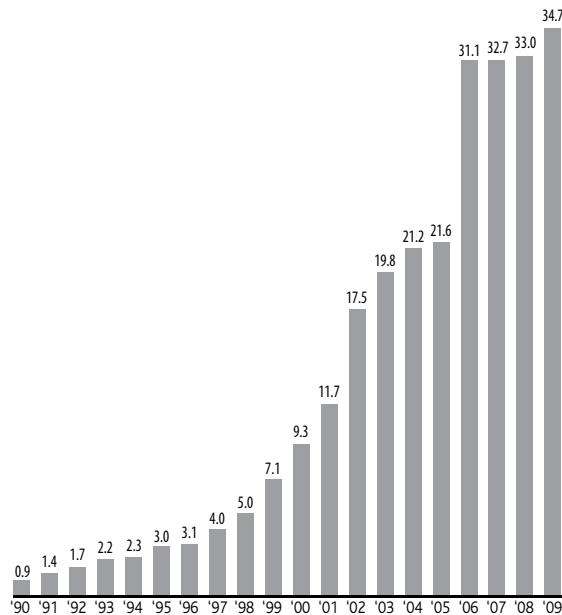
The Board's strategy for the development of the business has delivered rising profits and strong returns for

Cranswick is now fully focused on the food business



## The past year has seen continued growth for Cranswick

**Profit before tax**  
1990-2009 (£m)



Shareholders. Over the past 10 years compound annual rates of growth in total sales, profit before tax, earnings per share and dividends per share have all been well into double digits.

The strategy has been to develop a range of complementary activities, in growing sectors of the market, emanating from the Company's origins in pig feed and pig production. This has seen the business develop, by way of acquisitions and organically, a strong presence in the food sector. The activities in the pet sector evolved from the original agribusiness activity.

In recent years the original agribusiness activity was sold and the decision was made last year to focus fully on the food business. Last month the Board announced the sale of the pet activities, following a competitive process, to a management buy-out (MBO) team and that contracts had been exchanged for the acquisition of the Bowes of Norfolk pork processing business.

The MBO is headed up by Derek Black, previously main board director responsible for the pet division, and Paul West, managing director of Tropical Marine Centre.

### Board changes

Derek Black resigned from the Board on completion of the sale of the pet business. The Board offers its thanks to Derek for the 29 years of service he gave to the Company, including 21 years as a Director. Derek's enthusiasm for the business initially in the grain trading activity, prior to its sale, and subsequently in the pet business has been limitless and we wish him well going forward.

John Lindop is retiring at the end of May on reaching the age of 60 years. John has been with Cranswick for 17 years

and has been Finance Director since 1993. The Board would like to thank John for his invaluable advice and guidance during a period which saw turnover of the business rise from £110 million to £653 million, and to wish him well for the years ahead.

Mark Bottomley, Group Financial Controller, joined Cranswick in January 2008 and will be appointed Finance Director on John's retirement. Mark qualified as a chartered accountant with Binder Hamlyn and has wide commercial experience including time spent within the food sector.

### Staff

I mentioned earlier in my Statement the challenges that the business successfully confronted during the year. It is a tribute to the staff that this was achieved. Around the Company we have a number of management teams each of which are strongly supported by their respective colleagues and on behalf of the Board I thank you all for your expertise and commitment once again. I would also like to thank all employees in the pet activity for their endeavours over the years and wish them enjoyment and success in the business under its new ownership.

### Outlook

Cranswick has a well invested asset base, is strongly cash generative, has skilled operational management teams and is positioned in a number of growth categories of the food sector. The Company has commenced the new financial year in line with management expectations and is well placed to continue its successful development.

**Martin Davey**  
Chairman,  
18 May 2009

**Total external sales grew by 9 per cent to £607 million**



# Review of activities

by the Chief Executive, Bernard Hoggarth

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The continued growth in sales is pleasing to report. Total external sales grew by 9 per cent to £607 million. Internal sales within the Group have risen and totalled in excess of £87 million. Internal sales consist predominantly of primal fresh pork to the further processing sites where it's used in the production of cooked meats, sausage and air-dried bacon. Sales to retail multiple customers and discounters also grew and these together represent over 82 per cent of total sales. The balance is divided between food service and third party food producers.

Raw material inflation was a feature of the year and dealing with this involved the achievement of improved operating efficiencies, pricing discussions with customers or a combination of both. Inflation has resurfaced in recent months. Demand for British pork is strong and has been favourably publicised by a number of celebrity chefs including Jamie Oliver. Coupled with a national pig herd at relatively low levels, in fact less than half the level of 12 years ago, this has impacted pricing. Inflation has also been influenced by the weakness of sterling against the euro resulting in a higher price for pig meat imported into the UK from traditional sources. Despite this the consumer continues to find pork an attractive proposition compared to other proteins such as beef and lamb on both price and health criteria. There is unlikely to be any significant change in the pork supply side in the short term given that the minimum lead time for pig production expansion is about twelve months.

Cranswick is well known as a quality producer and supplier of pork based products. The portfolio of products embraces premium, standard plus, standard and value products and meets the requirements of the consumer in the current economic environment. Substantial volumes have been supplied to customers for 'round pound' promotions and equally encouraging has been the volumes at the premium end for the 'stay-in and dine' consumer. Whether it is a gourmet meal at home or a value ham pack for sandwiches it's in the product range.

The upgraded primary processing plant for fresh pork referred to previously is due for completion early in 2010. The investment in the plant will make an industry leading facility of what is already the largest single site fresh pork processor in the UK. During the year we successfully assisted our major pig producers to achieve 'Freedom Foods' accreditation across their production units and the resulting pork is supplied as part of our range of premium fresh pork. High welfare standards have been a key feature in broadening the customer base for fresh pork and contributed to a rise of 14 per cent in sales.

There has been much focus on developing sales from the new bacon factory at Sherburn and this has been helped by the consumer's increased willingness to buy British. The customer base has been developed further using a 180 year old recipe from Richard Woodall's artisan bacon operation based in Cumbria. All these products are air-dried and matured in a similar process to that used for the Jack Scaife branded bacon, produced at Sherburn. This and the launch of traditional Wiltshire cured products into customers' ranges have all helped to generate sales growth of 14 per cent in the year with further growth expected. Recent weeks have seen volumes double those of a year ago.

Growth within cooked meats has been predominantly within the major grocery retailers and promotional programmes, including 'round pound' offers and the use of tertiary brands have contributed to a sales increase of 4 per cent. Capacity has been increased during the year and work is continuing at both the Valley Park and Deeside sites. During the year the lease ended at the Elland facility where historically cooked poultry products were produced. This has now been totally integrated into the Deeside operation. The freehold of the 7 acre (105,000 sq ft factory) Milton Keynes site was recently acquired, showing savings over previous lease costs.

Sausage sales were up 8 per cent in the year helped by increased customer penetration of both the premium

## Our Premier Deli range of continental products has been a great success



pre-pack and counter categories with leading retailers and discounters. 'Simply Sausage', which is a Cranswick brand, achieved listings with two leading grocery retailers and supply of 'Weight Watchers' sausage and 'The Black Farmer' under licence continues, with 'Weight Watchers' recently gaining additional listings.

The Sandwich Factory had a difficult year, but remained profitable. There was significant inflation in input costs and whilst there was some reduction in volumes during the second half, sales for the year were 11 per cent ahead of the previous year. The weakness of sterling had a negative impact on the cost of tuna, prawns, packaging and seasonally imported salads, putting pressure on margins. A more stable pricing environment is anticipated in the current year, new listings have been achieved and the focus on efficiency continues.

The product range at Continental Fine Foods is largely supplied from Europe and the continuing weakness of sterling meant the business had to deal with raw material inflation on an ongoing basis. This inevitably leads to pricing discussions with customers and it is pleasing to

report that in the main the situation was understood and most have been supportive. During the year a greater presence was developed in the cheese category with listings achieved for Italian cheeses. There has been strong growth in antipasti and olive ranges and our own branded Premier Deli range of continental packs has been a great success with its 'credit crunch' pricing. Large volumes of corned beef have also been sold with sole supply in certain areas. Given the trading environment during the year it is a credit to the Continental team that sales have continued to rise, in the last year by an encouraging 12 per cent, and the history of strong growth has continued.

In summary the teams have had to deal with a number of challenges, but despite this, record results have been achieved and all employees must be congratulated. Costs have been reviewed rigorously and all major expenditure from packaging to power continues to be monitored. I feel that with the completion of the Bowes acquisition, expanding product portfolios, industry leading facilities and the continued commitment and dedication of our excellent teams, the business can look forward to continuing its successful development.

# Group operating and financial review

## Nature, objectives and strategies

### The Group's business

Following the disposal of the pet activities as referred to below, the Group's operations are focused entirely on the production and supply of food products. The performance of the individual food operations in the year is discussed in the Review of activities on pages 7 to 8. The business operates entirely in the UK, although a small proportion of sales are exported. It 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, together with a range of pre-packed sandwiches predominantly for sale into food service outlets. 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.

### Environmental matters

The Directors believe that good environmental practices support the Board's strategy by enhancing the reputation of the Group, 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 Corporate Social Responsibility Statement on page 35 and 36.

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

### Business KPIs

The Board has assessed that the following KPIs are the most effective measures of progress towards achieving the Group's objectives. A report on performance against these KPIs is given on page 10.

- 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
- Maximising returns on investment

### Profit before tax

	2009 £m	2008 £m
Group operating profit from continuing operations before exceptional items	<b>38.4</b>	36.5
Net finance costs	(3.7)	(4.3)
Pre-tax profit from continuing operations before exceptional items	<b>34.7</b>	32.2
Exceptional items	-	0.8
Profit from continuing operations before tax	<b>34.7</b>	33.0

## 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 continuing strong cash generation from operating activities. The record of unbroken growth in profits now goes back more than 20 years. The trading environment in which we operate has remained challenging; in particular we experienced delays in passing on increases in raw material costs earlier in the year and sterling's devaluation against the euro impacted in the second half, particularly in respect of our Charcuterie products. 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 have made good progress in recovering cost price increases.

### Group revenue

	2009 £m	2008 £m
Total Group revenue	<b>653.3</b>	598.9
Less: Revenue from discontinued operations	(46.5)	(39.7)
Group revenue from continuing operations	<b>606.8</b>	559.2

The Group's revenue from continuing operations, which relates entirely to the Group's food activities has increased by 9 per cent. Sales of fresh pork have grown by 14 per cent, sausages by 8 per cent, bacon by 14 per cent, cooked meats by 4 per cent, charcuterie by 12 per cent and sandwiches by 11 per cent. Revenue in the income statement excludes the activities of the pet business, since under IFRS the results of discontinued operations are disclosed as a single line item at the foot of the income statement.

The increase in Group operating profit from continuing operations before exceptional items is entirely attributable to the growth in both sales and profits in the food activities. The reduction in net finance costs was as a result of the strong cash flow and the reduction in UK interest rates during the year.

### Discontinued operations

As reported within the Chairman's Statement on pages 3 to 5 and in note 9 on pages 59 and 60, during April 2009 the Board announced that the pet division activities had been sold, following a competitive process, to a management buyout (MBO) team. Accordingly the results of the pet division have been reported as discontinued at 31 March 2009. 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.

In the year ended 31 March 2009, the pet division generated a profit before tax and impairment of £2,038,000 (2008 - £2,357,000 after crediting an exceptional profit before tax of £792,000). Turnover was £46.5 million (2008 - £39.7 million).

The net assets of the pet business which have been classified as assets held for sale at the year-end were £15.8 million, stated after an impairment charge of £2.5 million and associated deferred tax credit of £2.0 million.

### Performance against KPIs

	2009	2008
Organic sales growth (continuing)	9.2%	20.4%
Gross return on sales (continuing)	14.1%	13.5%
Net return on sales (continuing)	6.3%	6.5%
Free cash flow	<b>£41.2m</b>	£25.9m

**The record of unbroken growth  
in profits now goes back more  
than 20 years...**



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 with further sales growth anticipated in the next twelve months. During the year the Group had some success in passing on the impact of rising raw material prices and devaluation of sterling against the euro and this is reflected in the gross return on sales. Principal cash flows are discussed on page 13.

### Future development

The decision has been made to focus entirely on the food activities. In April the Board announced the sale of the pet activities to a MBO team and that contracts had been exchanged for the acquisition of the Bowes of Norfolk pork processing business, subject to clearance by the competition authorities.

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 further 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 £92 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 its businesses and the exercise has recently been reviewed. The Corporate Governance Statement on pages 25 to 29 describes more about the Group's risk management processes.

The more significant risks and uncertainties faced by the Group, in line with the rest of the food manufacturing sector, are identified as customer retention, food scares, business continuity, environmental matters, raw material prices, margins and profitability, and competition. These are discussed in more detail below. The Group's financial and treasury risks are discussed on page 14 and in note 22 to the financial statements.

Competition and customer retention – the Company manages the risk of operating in a consolidated sector by maintaining strong customer relationships. This process is supported by delivering high levels of service and quality and by continued focus on product development and technical innovation.

Food scares – the risk of food scares is mitigated by ensuring that all raw materials are traceable to source and that manufacturing, storage and distribution systems are continually monitored. Further details on raw material procurement and traceability are set out in the Corporate Social Responsibility Statement on pages 35 and 36.

Business continuity – business continuity plans are in place across the Group's manufacturing facilities and appropriate insurance cover is in place to mitigate any financial loss.

Environmental matters – the Company's environmental policies are set out in the Corporate Social Responsibility Statement on pages 35 and 36.

Raw material prices – further details of the Group's exposure to and actions to mitigate raw material price fluctuations are set out on page 14 of this report.

Legislation in all the markets we serve changes on a regular basis, and interpretation of existing laws can also change to create ever tightening standards, often requiring additional human resources and the provision of new assets and systems. We are committed to respond positively to new regulations and ensure that our views are expressed during consultation exercises.

## Relationships

The Board encourages businesses to support local community organisations and charities in the locations in which they operate and this is set out in the Corporate Social Responsibility Statement on pages 35 and 36.

## Financial position and performance

### Exceptional items

The exceptional charge of £6.1 million in 2009 relates to a one-off exceptional deferred tax charge arising from a change in UK corporation tax legislation in the Finance Act 2008 to phase out Industrial Buildings Allowances and is referred to in more detail below. The exceptional item in 2008 relates to the profit on sale of the feed milling business of Cranswick Mill of £1.1 million, less £0.3 million provided against future rental and reinstatement costs for an unoccupied leasehold property in Thornaby, North Yorkshire, both stated before a tax credit of £0.4 million.

### Finance costs

Finance costs of £3.7 million (2008 - £4.3 million) were lower than the previous year reflecting the strong cash generation in the year and the reduction in UK interest rates, partially offset by higher margins on the new bank facilities.

### Taxation

An analysis of the tax charge is set out in note 8 to the financial statements. The tax charge as a percentage of profit before taxation was 28.7 per cent in the current year and 29.8 per cent in 2008. The exceptional charge for the year comprises a one-off exceptional deferred tax charge of £6.1 million arising from a change in UK corporation tax legislation in the Finance Act 2008 to phase out Industrial Buildings Allowances. This charge had no impact on the cash flow of the business during the year and represents the additional tax payable over the twenty five year period the allowances would have been available to the Group. The standard rate of UK Corporation Tax was 28 per cent for 2009 and 30 per cent in 2008. 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 exceptional items) from continuing operations increased by 9 per cent to 53.7 pence. The average number of shares in issue was 46,099,000 (2008 – 45,832,000).

## Cash flow

Cash generated from operating activities was ahead of the previous year at £44.8 million (2008 - £31.2 million) of cash and cash equivalents. The net cash outflow from investing activities of £20.7 million reflects capital additions of £20.9 million less fixed asset sales proceeds of £0.2 million. The previous year's outflow was £20.6 million and comprised capital additions of £25.3 million less fixed asset sales proceeds of £4.7 million. The £24.4 million of net cash used in financing activities in 2009 is largely due to interest paid of £3.6 million, dividends paid of £8.8 million, issue costs of long term borrowings of £1.3 million and net repayment of borrowings of £11.2 million. The prior year cash outflow from financing of £17.8 million was largely due to interest paid of £5.3 million, dividends paid of £7.7 million and repayment of borrowings of £5.4 million. The overall result is a net decrease in cash and cash equivalents of £0.3 million (2008 - £7.2 million). Net debt reduced by £11.8 million to £66.6 million (2008 - £78.4 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 ended 31 March 2009 and 31 March 2008.

The Group's capital structure is as follows:

	2009	2008
	£m	£m
Net debt (note 26)	66.6	78.4
Cranswick plc Shareholders' equity	166.5	155.3
Capital employed	233.1	233.7

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

### Distributions, capital raising and share repurchases

Details of dividends paid and proposed during the year are given in the Directors' Report on page 19. The proposed final dividend for 2009 together with the interim paid in January 2009 amount to 21.7 pence per share which is 9 per cent

higher than the previous year. The increase in the share capital of the Group comprises 125,168 of share options exercised during the year and 109,299 in respect of scrip dividends. There were no share repurchases during the year.

## Treasury policies

### Functional currency

The functional currency of all Group undertakings is sterling.

### Foreign currency risk

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

### Interest rate risk

The Main Board re-set the policy on interest rate risk following the renegotiation of the Group's credit facility in December 2008. 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 three UK banks on the amortising portion (£35 million) of the medium term loan drawn down when the Group replaced its existing credit facilities during the year. This is being repaid at the rate of £2.5 million every 3 months from March 2009 to September 2011, with the balance of £7.5 million repayable in December 2011. In addition the Group has an existing interest rate swap which was taken out against the Group's previous facilities and is due to expire in September 2009. The hedging 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 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 Group replaced its existing bank credit facilities during the year. The facilities currently available to the Group are a term loan of £35.0 million (£15.0 million of which has been drawn down to date) repayable in December 2011, an amortising loan facility of £35.0 million repayable in eleven quarterly instalments of £2.5 million, with a final repayment of £7.5 million in December 2011, a revolving credit facility of £30.0 million and an overdraft facility of £20.0 million. Unutilised facilities at 31 March 2009 were £48.6 million (2008 - £14.3 million).

### Price risk

The major exposure the Group has to raw material price fluctuations is pig meat, part of which is as a result of currency movements. The Group does not seek to hedge against pig price movements because of the downside risk.

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

## Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review of activities on pages 7 and 8. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described above, as are the Group's objectives, policies and processes for managing its capital; its financial risk management



objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. The Group has considerable financial resources together with strong trading relationships with its key customers and suppliers. As a consequence, the Directors believe that the Group is well placed to manage its business risk successfully despite the current uncertain economic outlook.

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,  
18 May 2009



# Directors

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## 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. Between 5 April 2004 and 5 December 2008 Martin was a Non-Executive Director of Thorntons plc, on which he spent one day per month. All fees receivable were 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. John will retire from the Company on 31 May 2009.

### **Bernard Hoggarth, Chief Executive**

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.

### **Adam Couch**

Adam joined Cranswick in 1991 as a management 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. John is currently Group Finance Director of Genus plc having previously worked for Uniq plc (formerly 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 is also a non executive director of Smiths News plc.

### **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. In April 2009 Patrick was elected as the High Sheriff of the East Riding of Yorkshire, an appointment that will last for twelve months.

\* Member of Remuneration Committee

† Member of Audit Committee

‡ Member of Nomination Committee



# Directors' report

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**The Directors submit their report and the audited accounts of the Group for the year ended 31 March 2009.**

## Principal activities, business review and future developments

The Group's activities during the year were 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 Chairman's Statement and Review of Activities on pages 3 to 8 and in the Group Operating and Financial Review on pages 9 to 15.

## Results and dividends

The profit on ordinary activities before taxation from continuing operations was £34.7 million (2008 - £33.0 million). After a taxation charge of £16.0 million (2008 - £9.2 million), the profit for the year is £19.0 million (2008 - £25.7 million). An interim dividend of 7.0 pence per ordinary share was paid on 23 January 2009. The Directors recommend the payment of a final dividend for the year, which is not reflected in these accounts, of 14.7 pence per ordinary share which, together with the interim dividend, represents 21.7 pence per ordinary share, totalling £10.0 million (2008 - 19.9 pence per ordinary share, totalling £9.2 million). Subject to approval at the Annual General Meeting, the final dividend will be paid in cash or scrip form on 4 September 2009 to members on the register at the close of business on 3 July 2009. The shares will go ex-dividend on 1 July 2009.

## Financial instruments

The Group's risk management objectives and policy are discussed in the Treasury Policies section of the Group Operating and Financial Review on page 14.

## 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 17. Each of the Directors served for the whole of the year under review together with Derek Black who resigned as a director on 24 April 2009 following the disposal of the Pet Division. Adam Couch and John Worby retire in accordance with the Articles of Association and, being eligible, each offers himself for re-election. John Lindop will retire as a director on 31 May 2009 and Mark Bottomley, the current group financial controller, has been appointed by the Board as his replacement with effect from 1 June 2009. Mark will stand for election at the Annual General Meeting.

Details of the Directors' beneficial interests in the ordinary share capital of the Company are included in the Directors' Remuneration Report on pages 31 to 34.

## Major Shareholders

The Company has been informed of the following interests at 8 May 2009 in the 46,464,612 ordinary shares of the Company:

	Number of Shares	% of issued share capital
AMVESCAP PLC	13,439,679	28.92
Legal & General Investment Management	2,849,953	6.13
Jupiter Asset Management	2,423,691	5.22
JP Morgan Asset Management	2,041,798	4.39



## 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 23. 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.

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

**Allot Shares** – this gives Directors the authority to allot authorised but unissued shares and it is to maintain the flexibility in respect of the Company's financing arrangements. The nominal value of ordinary shares which the Directors may allot in the period up to the next Annual General Meeting is limited to £1,540,934 which represents approximately 33 per cent of the issued share capital (excluding treasury shares) as at 23 May 2008. The Directors do not have any present intention of exercising this authority other than in connection with the issue of ordinary shares in respect of the dividend offer and the Company's share option plans. This authority will expire on the commencement of the Annual General Meeting to be held on 27 July 2009.

**Disapplication of rights of pre-emption** – this disapplies rights of pre-emption on the allotment of shares by the Company and the sale by the Company of treasury shares. The authority will allow the Directors to allot equity securities for cash, and to sell treasury shares for cash, on a pro rata basis to existing shareholders and otherwise on a pro rata basis up to an aggregate nominal amount of £231,163, representing 5 per cent of the Company's issued share capital as at 23 May 2008. Listed Companies that purchase their own shares are able to hold shares in treasury for subsequent sale, rather than to cancel them immediately. This authority will expire on the commencement of the Annual General Meeting to be held on 27 July 2009.

**To buy own shares** – the authority allows the Company to buy its own shares in the market, as permitted under Article 6 of the Articles of Association of the Company, up to a limit of 10 per cent of the Company's issued share capital. The price to be paid for any share must not be less than 10p, being the nominal value of a share, and must not exceed 105 per cent of the average middle market quotations for the ordinary shares of the Company as derived from the London Stock Exchange

Daily Official List for the 5 business days immediately preceding the day on which the ordinary shares are purchased. The Directors have no immediate plans to exercise the powers of the Company to purchase its own shares and undertake that the authority would only be exercised if the Directors were satisfied that a purchase would result in an increase in expected earnings per share and was in the best interests of the Company at the time. This authority will expire on the commencement of the Annual General Meeting to be held on 27 July 2009.

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

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

## Events since the balance sheet date

As notified to shareholders on 6 April 2009 Cranswick has exchanged contracts to acquire the whole of the issued share capital of Bowes of Norfolk Limited, a pork processing business based in Norfolk, for a cash consideration of £17.2 million. The completion of the transaction is conditional upon clearance from the UK Competition Authorities which at this moment in time is ongoing.

On 24 April 2009 the Pet Division was sold to the management team, headed up by Derek Black, for a consideration of £17.0 million. There is a mechanism in place to normalise working capital through a cash adjustment. Cranswick plc will retain a 5.5 per cent share in the business going forward. Derek Black resigned as a main Board Director on that day.

## Employment policies

The Group's policy on employee involvement is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Group'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 and the Company do not have a formal policy that they follow 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 continuing Group, based on the year-end trade creditors figure and a 365 day year, are 40 days. The average credit taken by our customers on a similar basis is 33 days.

## Auditors

Ernst & Young LLP, having been reappointed during the year, 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 17. 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.

## Change of control

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 other than the following:

- The Company is party to a number of banking agreements which upon a change of control of the Company are terminable by the bank upon the provision of 10 working days notice, and
- There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid other than as stated in the Directors Remuneration Report relating to Martin Davey, Derek Black, Bernard Hoggarth and John Lindop.

## 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:

- (a) 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
- (b) 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 Part 26 of the 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 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

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

## 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, and covers the Directors' authority to allot shares, the partial disapplication of pre-emption rights and the authority for the Company to buy its own shares.

By order of the Board

**Malcolm Windeatt**

Company Secretary,

18 May 2009



# Corporate governance statement

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## 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 31 to 34, 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"). A statement of compliance with the Combined Code can be found at the end of this report.

### The Board

During the year ended 31 March 2009 the Board consisted of an Executive Chairman, two Chief Executives, two other Executive Directors and two Non-Executives who are deemed to be independent. The Combined Code recommends that a group the size of Cranswick should have at least two independent Non-Executive Directors. However, on 22 December 2008 the Company entered the FTSE 250 index and as a result the code requires the Board to include more than two independent Non-Executive Directors. In line with the Code the Company has therefore been searching for a suitable candidate to increase the number of independent Non-Executive Directors. The Board is confident that it has met this requirement of the Combined Code in full during the year.

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. During the year responsibility for the Group's day-to-day operations was 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. 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 has completed a register relating to potential conflicts of interest with its Directors and confirms that no such conflicts exist. This register will be reviewed annually or at such other time as is necessary.

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 was 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 17. 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-Executive Directors, John Worby and Patrick Farnsworth. The Committee is chaired by John Worby, the Group's Senior Independent Director, who is a Chartered Accountant and has considerable recent relevant financial experience. Patrick Farnsworth has many years experience in the food industry where he was Joint Managing Director of William Jackson & Son Limited until his retirement in 2005. 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 Group complies with this requirement.

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. After a period of five years it was decided that the external audit function should be put out to tender and the Committee reviewed presentations from four of the major auditing firms. The Committee discussed the various proposals and it was decided that, based on their proposal and knowledge of the business, Ernst & Young should be retained as auditors. There were no contractual obligations in place in reaching this decision and there has been no time limit given with the auditors but their performance is to be assessed each year. The Committee 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 should not carry out 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 arrangements 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 comprises of Patrick Farnsworth (Chairman) and John Worby. It is a requirement of the Combined Code that the Remuneration Committee should, in the case of smaller companies, consist of at least two members who are considered by the Combined Code to be independent. It is a requirement of the Combined Code that the Remuneration Committee should comprise all independent Non-Executive Directors. The Board is confident that the Group complies with this requirement. 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. In addition from time to time the Committee undertakes a more detailed review using external consultants. The last such review was undertaken by Deloitte in 2008. Details of the Committee's current remuneration policies are given in the Directors' Remuneration Report on pages 31 to 34.

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

The Chairman of the Remuneration Committee will attend 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 Group and the stability of the Board the Chairman's time commitment to the Committee is not anticipated to be onerous.

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 Group and what skills and expertise are therefore needed on the Board and from senior management in the future. The Committee recommended the appointment of Mark Bottomley as Finance Director with effect from 1 June 2009 when John Lindop retires and it also continues to seek an additional independent Non-Executive Director. The current directors seeking re-election at the Annual General Meeting will be John Worby and Adam Couch. Their biographical details on page 17 demonstrate the range of experience and skills which each brings to the benefit of the Company.

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	6	2
D. Black	9	-	-	-
A. Couch	12	-	-	-
M. Davey	12	-	-	2
B. Hoggarth	12	-	-	-
J. Lindop	12	-	-	-
P. Farnsworth	12	3	6	2
J. Worby	12	3	6	2

### 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 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 Group meets its obligations for maintaining an 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. There is also an established policy for the work the external auditors can and cannot do so as not to compromise their independence and 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.

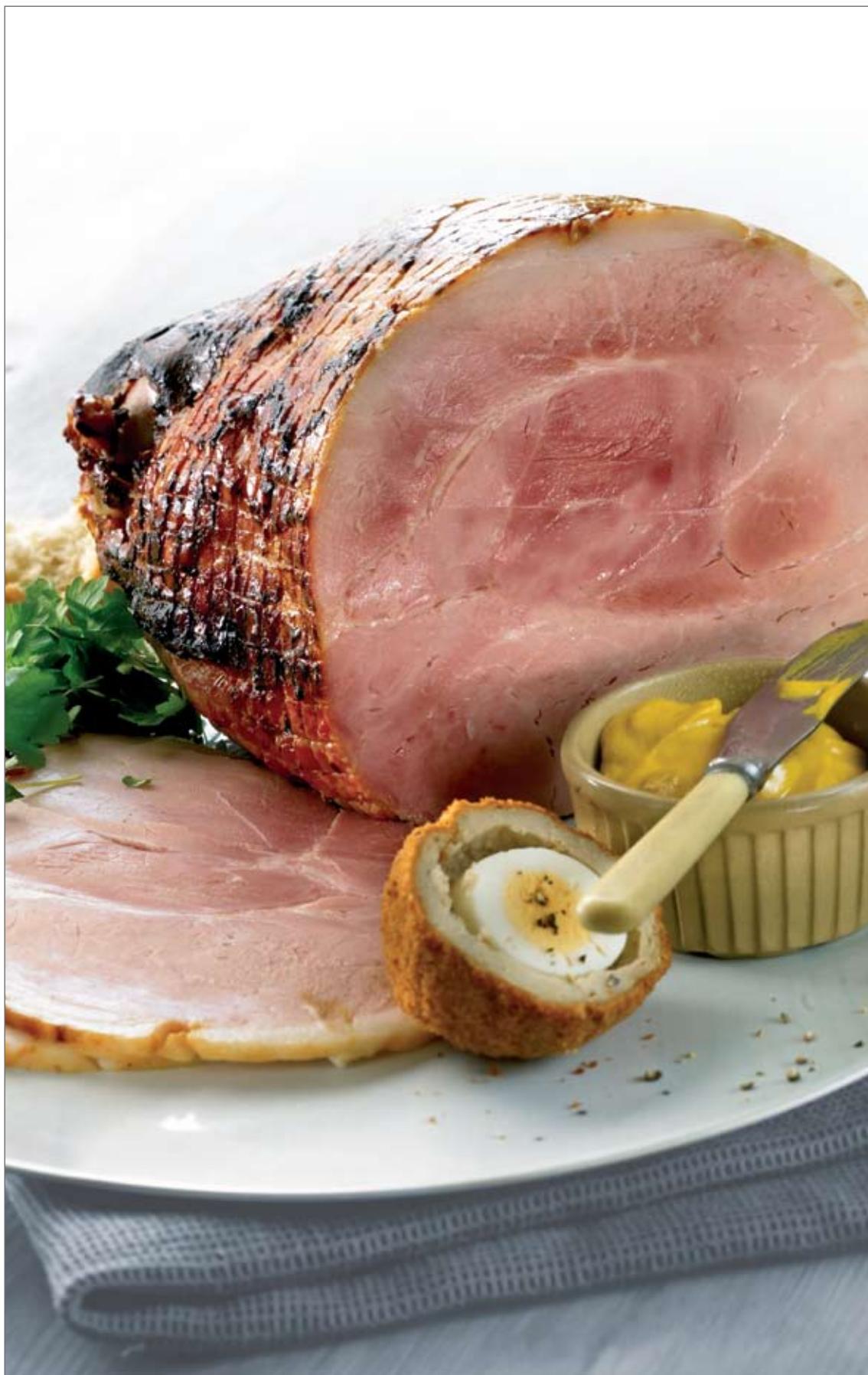
During the year the Audit Committee considered the following factors in assessing the objectivity and independence of Ernst & Young LLP:

- 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 Group, other than those in the normal course of business permitted by UK ethical guidance.
- The auditors' policies for the rotation of the lead partner and key audit personnel.
- Adherence by management and the auditor to the Group's policy for the procurement of non-audit services.

## Compliance with the Combined Code

The Directors consider that the Group has, during the year ended 31 March 2009, complied with the requirements of the Combined Code.

By order of the Board  
**Malcolm Windeatt**  
Company Secretary,  
18 May 2009



# Directors' remuneration report

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## Information not subject to audit

### Remuneration Committee

The Remuneration Committee comprises the Non-Executive Directors Patrick Farnsworth (Chairman of the Committee) and John Worby. The Executive Chairman attends the meetings in an advisory capacity as requested. The Committee determines the remuneration of the Company's Executive Directors and puts forward its recommendations for approval by the Board. During the previous year the Committee used the firm of Deloitte as remuneration consultants and the Committee has used their advice together with a review of the remuneration levels at quoted companies of comparable size when assessing the Executive Directors' remuneration level. The remuneration of the Non-Executive Directors is determined by the Executive Directors and reflects the time, commitment and responsibility of their roles.

### Remuneration policy

The Group's policy is that the overall remuneration package offered by the Group 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 Group whilst giving consideration to salary levels in similar sized quoted companies in the sector and in the region. The remuneration package is in two parts; a non performance part represented by the basic salary (including benefits) and 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 and earnings per share. The details of individual components of the remuneration package and service contracts are set out below:

#### Basic salary and benefits

The non performance basic salary, car allowance and benefits are reviewed annually and are effective from the 1 May. Benefits principally comprise medical insurance.

#### Bonus scheme

The bonus scheme in operation is based on the achievement of Group profit targets. The targets are set having regard to the Company's budget and market outlook for the year. For the year to March 2009, this took into account the challenging economic conditions at the start of the year. 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 per cent of basic salary. Non-Executive Directors do not participate in the Group'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 Group. Options can only be exercised if certain performance criteria are achieved by the Group. For executive options these criteria are based on total shareholder return over the 3 year performance period and require the Group to be in the top half of 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") 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 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 Group. Directors may also apply for SAYE options on the same terms as apply to all other employees.

#### Pensions

Executive Directors are members of the Group "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 Martin Davey, Derek Black and Bernard 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. John Lindop and Adam Couch have one year rolling contracts which commenced on 30 June 2004 and 1 May 2006 respectively. Patrick Farnsworth and John Worby have two year appointment letters from 1 January 2008. The contracts for Martin Davey, Derek Black, Bernard Hoggarth and John 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. As previously stated Derek Black left the Company on 24 April 2009.

#### Performance graph

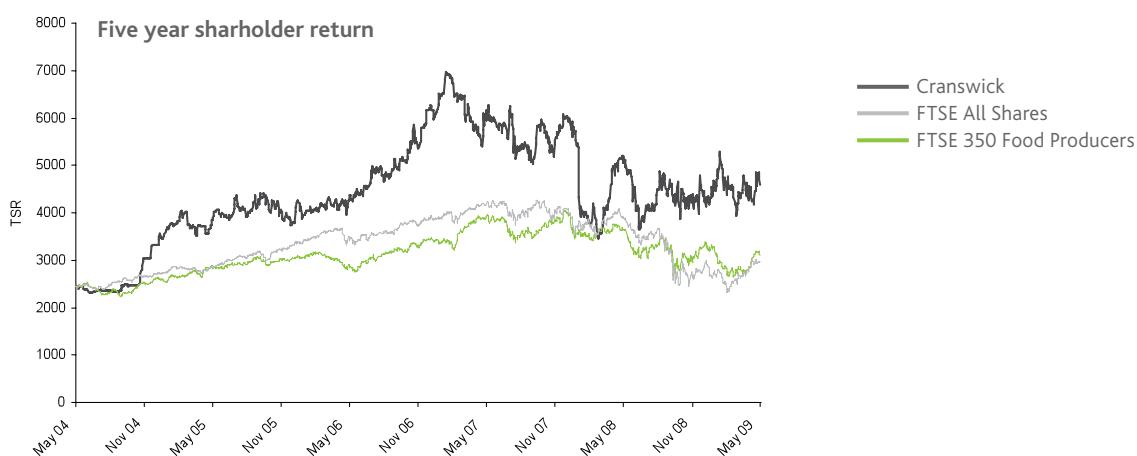
The graph below shows the percentage change (from a base of 100 in May 2005) in the total shareholder return (with dividends reinvested) for each of the last five years on a holding of the Company's shares against the corresponding change in a hypothetical holding in the shares in the FTSE 350 Food Producers 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 of the sector and the market as a whole for the business.

## Information subject to audit

#### Directors' remuneration

The remuneration of Directors for the year was as follows:

	2009 £'000	2008 £'000
Salary and fees	2,044	1,967
Bonuses	1,794	788
Benefits	9	6
Payment in lieu of pension contribution	77	249
	3,924	3,010
Pension contribution	509	448
	4,433	3,458
Aggregate notional gains made by Directors on exercise of options	18	9



## Individual Directors' remuneration, including pension contributions:

	Salary and fees £'000	Bonus £'000	Other £'000	Benefits £'000	Total 2009 £'000	Total 2008 £'000	Pension 2009 £'000	Pension 2008 £'000
<b>Non-Executive Directors:</b>								
PW Farnsworth	36	-	-	-	36	35	-	-
RN Taylor	-	-	-	-	-	53	-	11
JG Worby	41	-	-	-	41	38	-	-
<b>Executive Directors:</b>								
DJ Black	331	75	-	1	407	564	62	59
AH Couch	359	487	-	3	849	505	68	63
MTP Davey	586	487	77	2	1,152	789	114	105
B Hoggarth	457	487	-	2	946	684	95	81
JD Lindop	234	258	-	1	493	342	170	129

"Other" comprises payments in lieu of pension contribution. Benefits principally comprise medical insurance.

The number of Directors who were active members of the money purchase pension scheme during the year was 5 (2008 - 6).

Martin Davey was a Non-Executive Director of Thornton's plc until his resignation on 5 December 2008. His fees in this capacity were paid to the Company; amounts receivable for the year ended 31 March 2009 were £32,250 (2008 - £41,675). John 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 2009 were £11,383 (2008 - £10,980).

## Share options

The Group 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 2008 No	Granted in the year No	Exercised in the year No	Lapsed No	At 31 March 2009 No	Exercise price p	Range of exercise dates
					2009 No		
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
MTP Davey	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 of a basket of

food companies quoted on the London Stock Exchange. The performance criteria relating to these options have been achieved; however the options have not yet been exercised.

## Long term incentive plan

	At 1 April	Granted	Exercised	Lapsed	At 31 March	Exercise	Range of
	2008	in the year	in the year	No	2009	price	exercise dates
	No	No	No	No	No	p	
DJ Black	50,000	25,000	-	-	75,000	Nil	1 Sept 2009/1 June 2018
AH Couch	50,000	25,000	-	-	75,000	Nil	1 Sept 2009/1 June 2018
MTP Davey	50,000	25,000	-	-	75,000	Nil	1 Sept 2009/1 June 2018
B Hoggarth	50,000	25,000	-	-	75,000	Nil	1 Sept 2009/1 June 2018
JD Lindop	50,000	25,000	-	-	75,000	Nil	1 Sept 2009/1 June 2018

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 76.

The options granted in the year are exercisable between 1 June 2011 and 1 June 2018. The share price at the time of issue was 632p.

## Savings related share option scheme

	At 1 April	Granted	Exercised	Lapsed	At 31 March	Weighted	Range of
	2008	in the year	in the year	No	2009	average	exercise dates
	No	No	No	No	No	p	
DJ Black	2,655	3,067	-	822	4,900	436	1 Mar 2010/1 Sept 2016
AH Couch	7,474	2,484	4,412	1,785	3,761	472	1 Mar 2013/1 Sept 2016
MTP Davey	1,443	2,025	-	1,443	2,025	474	1 Mar 2012/1 Sept 2012
B Hoggarth	1,660	2,025	794	866	2,025	474	1 Mar 2012/1 Sept 2012
JD Lindop	2,367	-	-	-	2,367	442	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	Market	Notional
			Price	Price	Gain
			p	p	£'000s
AH Couch	4,412	27 Feb '09	264.0	644.0	17
B Hoggarth	794	27 Feb '09	471.0	644.0	1

## Market price of shares

The market price of the Company's shares at 31 March 2009 was 544.5 pence 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:

	Options in issue throughout the year	Highest		Lowest	
		- SAYE	657.0p	- Executive	731.5p
			544.5p		511.0p

## Directors' beneficial interests (unaudited)

	At 31 March 2009	At 31 March 2008
	Ordinary Shares	Ordinary Shares
DJ Black	88,758	88,758
AH Couch	61,921	55,644
MTP Davey	200,426	200,426
P Farnsworth	1,121	1,082
B Hoggarth	108,388	107,594
JD Lindop	109,232	106,513
J Worby	1,641	1,641

All the above interests are beneficial.

There have been no further changes to the above interests in the period from 1 April 2009 to 8 May 2009 except in the case of the holding of Derek Black, who resigned on 24 April 2009, and has pledged 73,749 shares as security as part of the financing of the deal to buy the Pet Division which was sold to the management team led by him on that date.

On behalf of the Board

**Patrick Farnsworth**

Chairman of the Remuneration Committee,  
18 May 2009

# Corporate social responsibility statement

Cranswick takes its responsibilities to employees, customers, Shareholders and the environment very seriously. We increasingly recognise that a balanced and committed approach to all the aspects of Corporate Social Responsibility will bring benefits to all of the Company's stakeholders and will strengthen our business position and credentials to facilitate future sustainable growth and development.

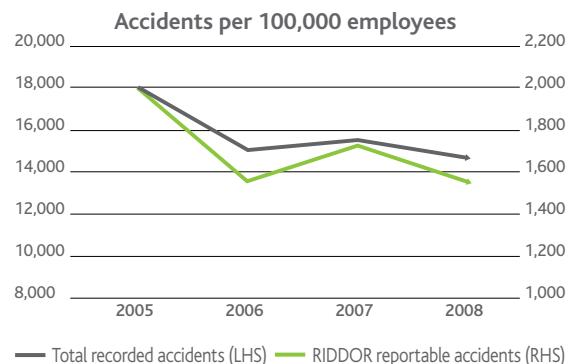
## Workplace

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 own strategies for retaining staff, including the provision of competitive terms, conditions and share options.

The Group employs 3,541 permanent members of staff compared with 3,428 the previous year. Permanent staff levels are supplemented to take account of promotional or seasonal activity by a further 1200 agency personnel. Careful auditing of the supplying agencies is carried out to ensure adherence to best practice, and for food handlers all supplying agencies are required to be registered under the Gangmasters (Licensing) Act 2004.

The business takes the health and safety of its employees very seriously and is committed to high levels of training to ensure that our factories and processes remain safe and fulfilling places to work. Health and safety is reviewed regularly at board level, and each site has NEBOSH trained managers to take local responsibility and carry out risk assessments, training, accident investigation and reduction activities. This information is centrally logged into a database which is managed, coordinated and reported on by the Group Health and Safety Manager. Sites are internally audited to ensure that standards are maintained and improved, and the Group has committed to accredit all operating sites to meet the British Standard 18001 (Occupational Health and Safety Management Systems) over the next three years.

Accident rates have shown a decrease over the past four years, and we remain focussed on further reduction in both reportable accidents (under RIDDOR) and total accident rates.



Employee training is an important factor in maintaining a safe and efficient workplace, and the Company encourages and supports appropriate development of all staff. The Group has entered a partnership with the East Riding College to help strengthen its training in Food Safety, Health and Safety and HACCP, and over 1000 employees are currently involved in NVQ training at various levels.

## Environment

Following the review of our environmental credentials in 2007, this year has been dedicated to identifying improvements and actioning them at a site level. Base year (2007) data has been reviewed and our carbon footprint recalculated for 2008. Process changes at key sites have resulted in a fall in the comparative carbon footprint by 15%, and we are confident that in the medium term we will deliver energy efficiency improvements and landfill reductions to help us meet our carbon reduction commitments.

Environmental progress at site and Group level is measured and reported to the Board against performance benchmarks for energy efficiency, water usage, and landfill, relative to production tonnages. As awareness of both the environmental and cost benefits of these improvements grows, so does the impetus for change. Operational directors are measured against the benchmarks and best practice information is centrally coordinated and communicated around the Group, and discussed at Board level.

We continue to work with the Carbon Trust and Envirowise to bring external expertise to the Group. Longer term

environmental initiatives and innovative solutions to waste and energy use are now being evaluated. One site has been identified which would support the development of wind energy and anaerobic digestion offers a further environmentally attractive route, either in-house or through partnership.

Our waste stream to landfill has now been significantly reduced through Waste to Energy Schemes – five sites have shown a double digit fall in landfill per tonne of production over the last year. One site in particular has reduced its landfill by over 90% by this route. As these and biocomposting schemes are further developed, other sites will have a low carbon option for disposing of an increased proportion of "conventional" landfill or rendering material. All sites are now recycling waste cardboard and plastic.

Reductions in packaging weights continue through a combination of reduced material thickness and a move away from cardboard sleeves towards printed films.

The Cranswick plc website [www.cranwick.co.uk](http://www.cranwick.co.uk) has been expanded to cover the environmental initiatives we are taking, entitled **Greenthinking**. We encourage an open approach to these issues, and a question and answer element and contact facilities are provided to help interested parties find the appropriate detail at the desired level.

Three sites are now certified under the international standard for environmental management, ISO14001, with a fourth preparing for accreditation. For the first time we will participate in the Carbon Disclosure Project for 2009 [www.cdproject.net](http://www.cdproject.net) in common with over 70% of the FTSE350 companies.

## Market place

As a business we recognise our responsibilities to create and produce food and other products which are safe, legal and wholesome. All our food production sites have been independently audited against the requirements of the BRC Global Standard for Food Safety and approved to a Grade A standard. Our customer base is heavily focussed on the major retailers and other suppliers into them, both of whom audit and monitor our performance to exacting standards. Food safety continues to be paramount and qualified technical personnel at site level are centrally coordinated to ensure that our products and processes meet the increasing demands of our customers.

We aim to offer our customers a range of products which are ethically acceptable and sustainable. We have actively reduced the level of salt in our products to comply with FSA targets and declare nutritional Guideline Daily Amounts (GDA) on our branded ranges and own-label products for our retail customers and we also make a number of products which are targeted as healthy eating options such as low and reduced fat, including a range for 'Weight Watchers'. Where allergens are present these are declared on pack and our range includes products which are gluten free.

Key to our food quality is ensuring that our raw materials (meat, ingredients and packaging) are traceable to source and where raw materials are identity preserved we will challenge the supplier to prove their traceability systems to our satisfaction. The approval of our raw material suppliers is centrally controlled and involves independent third party audit or approval by our own Group Technical Services team. We are committed to clear informative labelling which allows consumers to make informed purchasing decisions.

Cranswick's success has been built on the strength and health of the British pig market and the Group has always been a staunch supporter of the British farmer. Producer groups and development initiatives with retailers, farmers and agricultural colleges are all aimed at improving the business relationships throughout the pig production chain to bolster the market against increasing worldwide competition.

The Group does not have a formal policy with regard to payment of suppliers, but it does agree individual payment terms appropriate to their market sector and makes every endeavour to meet those agreements. Sites are separately managed and encouraged to source locally where it serves the Company's best interests. For instance, approximately 70% of our contracted pigs are sourced within 50 miles of our pork processing unit near Hull. Central purchasing agreements for major purchases of raw materials and consumables are increasingly being implemented to take best advantage of the prevailing markets.

We register all our production sites on the SEDEX scheme website to enable our customers and suppliers to share ethical data and assist in continuous performance improvement.

## Community

We encourage our sites to involve themselves in charitable activities and participation includes sponsored marathons, cycle rides and other fund raising activities. Overall some 75% of our employees live within 10 miles of their place of work, so local involvement particularly in rural locations can be very beneficial.

Cranswick are significant employers in many areas of the country, and we recognise that as well as being a benefit to the community, we can also be an imposition on our immediate neighbours. Through consultation we aim to be sensitive to their needs and take positive steps to limit vehicle movement, noise, odour and other nuisance to co-exist with and benefit the local economy. For example, as part of the redevelopment of our pork processing site, we have put in new roads to relieve traffic flow into the outskirts of the village and planted acres of trees to reduce the visual impact of the site.

By order of the Board

**Malcolm Windeatt**

Company Secretary,

18 May 2009

# Statement of Directors' responsibilities in relation to the financial statements

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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.

On behalf of the Board

**M Davey**  
Chairman  
18 May 2009

**J Lindop**  
Finance Director

# Report of the auditors to the members of Cranswick plc

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## 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 2009 which comprise the Group Income Statement, the Group and Parent Company Statements of Recognised Income and Expense, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

### Respective responsibilities of directors and auditors

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 statements, 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 Principal Activities, Business Review and Future Developments 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

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of the Directors' Remuneration Report, the Chairman's Statement, the Review of Activities, the Operating and Financial Review, the Corporate Social Responsibility Statement, the Corporate Governance Statement, 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 2009 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 2009;
- 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, 18 May 2009

# Group income statement

for the year ended 31 March 2009

	Notes	2009			2008		
		Before exceptionals	Exceptionals	Total	Before exceptionals	Exceptionals	Total
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>	3	606,774	-	606,774	559,229	-	559,229
Cost of sales		(521,402)	-	(521,402)	(483,589)	-	(483,589)
<b>Gross profit</b>		85,372	-	85,372	75,640	-	75,640
Operating expenses		(46,984)	-	(46,984)	(39,157)	-	(39,157)
<b>Operating profit from continuing operations</b>	4	38,388	-	38,388	36,483	-	36,483
Profit on disposal of property, plant and equipment	5	-	-	-	-	830	830
<b>Profit from continuing operations before finance and taxation</b>	3	38,388	-	38,388	36,483	830	37,313
Finance revenue	7	3	-	3	4	-	4
Finance costs	7	(3,703)	-	(3,703)	(4,330)	-	(4,330)
<b>Profit from continuing operations before tax</b>		34,688	-	34,688	32,157	830	32,987
Taxation	8,5	(9,951)	(6,063)	(16,014)	(9,587)	425	(9,162)
<b>Profit for the year from continuing operations</b>		24,737	(6,063)	18,674	22,570	1,255	23,825
<b>Discontinued operations:</b>							
Profit for the year from discontinued operations	9			314			1,832
<b>Profit for the year</b>	25			18,988			25,657
<b>Profit for the year attributable to:</b>							
Equity holders of the parent				18,988			25,605
Minority interest				-			52
				18,988			25,657
<b>Earnings per share (pence)</b>							
<b>From continuing operations:</b>							
Basic	12	53.7p		40.5p	49.1p		51.9p
Diluted	12	53.5p		40.4p	48.8p		51.5p
<b>On profit for the year:</b>							
Basic	12	55.5p		41.2p	51.9p		55.9p
Diluted	12	55.4p		41.1p	51.6p		55.5p

## Group statement of recognised income and expense

for the year ended 31 March 2009

	2009 £'000	2008 £'000
Income and expense recognised directly in equity		
Movement on hedging items:		
Amount recognised in equity during the period	263	504
Amount removed from equity and included in the income statement	(1,029)	196
Exchange differences on retranslation of foreign operations	(29)	(17)
Deferred tax recognised directly in equity	303	(725)
Corporation tax recognised directly in equity	39	88
Net (expense)/income recognised directly in equity	(453)	46
Profit for the year	18,988	25,657
Total recognised income and expense for the year	<u>18,535</u>	<u>25,703</u>
Attributable to:		
Equity holders of the parent	18,535	25,651
Minority interest	<u>-</u>	<u>52</u>
	<u>18,535</u>	<u>25,703</u>

## Company statement of recognised income and expense

for the year ended 31 March 2009

	2009 £'000	2008 £'000
Income and expense recognised directly in equity		
Movement on hedging items:		
Amount recognised in equity during the period	124	(432)
Amount removed from equity and included in the income statement	(70)	196
Deferred tax recognised directly in equity	15	20
Net income/(expense) recognised directly in equity	69	(216)
Profit for the year	9,385	11,011
Total recognised income and expense for the year	<u>9,454</u>	<u>10,795</u>

# Group balance sheet

31 March 2009

	Notes	2009 £'000	2008 £'000
<b>Non-current assets</b>			
Goodwill	13	117,756	117,756
Property, plant and equipment	14	91,688	92,721
<b>Total non-current assets</b>		<b>209,444</b>	<b>210,477</b>
<b>Current assets</b>			
Inventories	16	28,464	30,638
Trade and other receivables	17	73,655	77,348
Other financial assets	18	263	1,029
Cash and cash equivalents	26	4,399	3,770
<b>Total current assets</b>		<b>106,781</b>	<b>112,785</b>
Assets held for sale	9	20,387	-
<b>Total assets</b>		<b>336,612</b>	<b>323,262</b>
<b>Current liabilities</b>			
Trade and other payables	19	(75,273)	(73,025)
Other financial liabilities	20	(34,872)	(31,811)
Income tax payable		(5,955)	(3,798)
Provisions	21	(334)	(153)
<b>Total current liabilities</b>		<b>(116,434)</b>	<b>(108,787)</b>
<b>Non-current liabilities</b>			
Other payables	19	-	(8)
Other financial liabilities	20	(36,382)	(50,414)
Deferred tax liabilities	8	(11,557)	(7,463)
Provisions	21	(1,166)	(1,336)
<b>Total non-current liabilities</b>		<b>(49,105)</b>	<b>(59,221)</b>
Liabilities held for sale	9	(4,591)	-
<b>Total liabilities</b>		<b>(170,130)</b>	<b>(168,008)</b>
<b>Net assets</b>		<b>166,482</b>	<b>155,254</b>
<b>Equity</b>			
Called-up share capital	23	4,646	4,623
Share premium account	25	49,760	48,693
Share-based payments	25	2,939	1,939
Hedging and translation reserves	25	239	1,034
Retained earnings	25	108,898	98,965
<b>Equity attributable to members of the parent company</b>		<b>166,482</b>	<b>155,254</b>

**M Davey**  
Chairman  
18 May 2009

**J Lindop**  
Finance Director

# Company balance sheet

31 March 2009

	Notes	2009 £'000	2008 £'000
<b>Non-current assets</b>			
Property, plant and equipment	14	1,959	2,348
Investments in subsidiary undertakings	15	155,426	155,426
Deferred tax assets	8	23	-
<b>Total non-current assets</b>		<b>157,408</b>	<b>157,774</b>
<b>Current assets</b>			
Trade and other receivables	17	22,167	44,239
Other financial assets	18	124	70
<b>Total current assets</b>		<b>22,291</b>	<b>44,309</b>
Non-current assets held for sale	9	343	-
<b>Total assets</b>		<b>180,042</b>	<b>202,083</b>
<b>Current liabilities</b>			
Trade and other payables	19	(46,048)	(54,994)
Other financial liabilities	20	(28,290)	(28,518)
Income tax payable		(216)	(90)
<b>Total current liabilities</b>		<b>(74,554)</b>	<b>(83,602)</b>
<b>Non-current liabilities</b>			
Other financial liabilities	20	(36,382)	(50,414)
Deferred tax liabilities	8	-	(359)
<b>Total non-current liabilities</b>		<b>(36,382)</b>	<b>(50,773)</b>
<b>Total liabilities</b>		<b>(110,936)</b>	<b>(134,375)</b>
<b>Net assets</b>		<b>69,106</b>	<b>67,708</b>
<b>Equity</b>			
Called-up share capital	23	4,646	4,623
Share premium account	25	49,760	48,693
General reserve	25	4,000	4,000
Merger reserve	25	1,806	1,806
Share-based payments	25	568	317
Hedging reserve	25	124	70
Retained earnings	25	8,202	8,199
<b>Equity attributable to members of the parent company</b>		<b>69,106</b>	<b>67,708</b>

**M Davey**  
Chairman  
18 May 2009

**J Lindop**  
Finance Director

## Group cash flow statement

for the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
<b>Operating activities</b>			
Profit for the year		<b>18,988</b>	25,657
<i>Adjustments to reconcile Group profit for the year to net cash inflows from operating activities</i>			
Tax on discontinued operations		(820)	525
Tax on continuing operations		<b>16,014</b>	9,162
Net finance costs		<b>3,971</b>	4,646
Depreciation and impairment of property, plant and equipment		<b>13,859</b>	10,090
Share based payments		<b>1,000</b>	921
Release of government grants		(7)	(29)
Profit on sale of property, plant and equipment		(87)	(2,170)
Increase in inventories and biological assets		(3,966)	(6,077)
Increase in trade and other receivables		(1,971)	(10,209)
Increase in trade and other payables		<b>6,381</b>	7,732
Cash generated from operations		<b>53,362</b>	40,248
Tax paid		(8,602)	(9,046)
<b>Net cash from operating activities</b>		<b>44,760</b>	31,202
<b>Cash flows from investing activities</b>			
Interest received		<b>3</b>	4
Acquisition of subsidiaries		-	(54)
Purchase of property, plant and equipment		(20,948)	(25,295)
Proceeds from sale of property, plant and equipment		<b>258</b>	4,228
Proceeds from sale of subsidiary		-	500
<b>Net cash used in investing activities</b>		<b>(20,687)</b>	(20,617)
<b>Cash flows from financing activities</b>			
Interest paid		(3,591)	(5,332)
Proceeds from issue of share capital		<b>462</b>	683
Proceeds from borrowings		<b>59,000</b>	-
Issue costs of long-term borrowings		(1,280)	-
Repayment of borrowings		(70,206)	(5,420)
Dividends paid		(8,769)	(7,734)
<b>Net cash used in financing activities</b>		<b>(24,384)</b>	(17,803)
Net decrease in cash and cash equivalents		(311)	(7,218)
Cash and cash equivalents at beginning of period	26	(7,698)	(494)
Effect of foreign exchange rates		(29)	14
<b>Cash and cash equivalents at end of period</b>	26	<b>(8,038)</b>	(7,698)

## Company cash flow statement

for the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
<b>Operating activities</b>			
Profit for the year		<b>9,385</b>	11,011
<i>Adjustments to reconcile profit for the year to net cash inflows from operating activities</i>			
Dividends received		(8,769)	(9,772)
Taxation		108	163
Net finance costs		8,064	10,743
Depreciation and impairment of property, plant and equipment		171	33
Share based payments		251	107
Decrease in trade and other receivables		22,445	25,597
Decrease in trade and other payables		(9,245)	(30,811)
Cash generated from operations		<b>22,410</b>	7,071
Tax paid		(349)	(151)
<b>Net cash from operating activities</b>		<b>22,061</b>	6,920
<b>Cash flows from investing activities</b>			
Dividends received		<b>8,769</b>	9,772
Purchase of property, plant and equipment		(125)	(42)
Payments to acquire investments in subsidiaries		-	(16)
Proceeds from sale of investments in subsidiaries		-	500
<b>Net cash from investing activities</b>		<b>8,644</b>	10,214
<b>Cash flows from financing activities</b>			
Interest paid		(7,592)	(11,073)
Dividends paid to equity Shareholders		(8,769)	(7,734)
Proceeds from issue of share capital		462	683
Proceeds from borrowings		59,000	-
Issue costs of long-term borrowings		(1,280)	-
Repayment of borrowings		(70,171)	(5,420)
<b>Net cash used in financing activities</b>		<b>(28,350)</b>	(23,544)
Net increase/(decrease) in cash and cash equivalents		<b>2,355</b>	(6,410)
Cash and cash equivalents at beginning of period	26	(8,512)	(2,102)
<b>Cash and cash equivalents at end of period</b>	26	<b>(6,157)</b>	(8,512)

# Notes to the accounts

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## 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 2009 were authorised for issue by the Board of Directors on 18 May 2009 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 2006. The principal accounting policies adopted by the Group and by the Company are set out in note 2.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

## 2. Accounting policies

### Basis of preparation

The financial statements of Cranswick plc, both consolidated and company, have been prepared under IFRS as adopted by the European Union. 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 24 – measurement of share based payments
- **Goodwill** Note 13 – measurement of the recoverable amount of cash generating units containing goodwill
- **Provisions** Note 21 – 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 despatch and represents the value of sales to customers net of discounts, similar allowances and estimates of returns and excludes value added tax.

### **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. Borrowing costs are calculated using the Group's weighted average cost of borrowing during the period of capitalisation. All other borrowing costs are expensed as incurred.

#### **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 cash flow statement, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts.

## **Financial instruments**

### i) *Debt instruments, including bank borrowings*

Debt instruments are initially recognised at the fair value of net proceeds received after the deduction of issue costs. Subsequently debt instruments are recognised at amortised cost using the effective interest method. Issue costs are charged to the income statement over the term of the debt at a constant rate on the balance sheet carrying amount under the effective interest method.

### ii) *Derivative financial instruments*

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its cash flow risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward contracts is calculated by reference to current forward exchange rates for contracts with a similar maturity profile. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

Where derivatives meet the hedging criteria under IAS 39 for cash flow hedges the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement. 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 or loss.

For derivatives that do not qualify for hedge accounting under IAS 39, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

## **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 Group operates a savings related share option scheme under which options have been granted to Group employees ('SAYE scheme'). The Group 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 had 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 Group operates an Executive share option scheme and a Long Term Incentive Plan ('LTIP') for Senior Executives. Share options issued are exercisable subject to the attainment of certain market based and non-market based performance criteria. The fair value of options granted after 7 November 2002 which had 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**

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement for the reporting period, and for the comparable period of the previous year, income and expenses from discontinued operations are reported separately from continuing income and expenses down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment once classified as held for sale are not depreciated.

#### **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 IFRIC interpretations during the year. Adoption of these interpretations did not have any effect on the financial performance or position of the Group.

##### ***International Financial Reporting Interpretations Committee (IFRIC)***

IFRIC 12	Service Concession Arrangements
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction

#### **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:

<i>International Accounting Standards (IAS/IFRS)</i>		<i>Effective date</i>
IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IFRS 2	Share-based Payments – Vesting Conditions and Cancellations	1 January 2009
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 7	Financial Instruments - Disclosures (amended)	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23	Borrowing Costs (revised March 2007)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (amended)	1 July 2009
IAS 32 and IAS 1	Financial Instruments Puttable at Fair Value and Obligations arising on Liquidation	1 January 2009
IAS 39	Eligible Hedged Items	1 July 2009
	Improvements to IFRS	Various effective dates

<i>International Financial Reporting Interpretations Committee (IFRIC)</i>		<i>Effective date</i>
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17	Distributions of Non-cash Assets	1 July 2009

Upon adoption of IFRS8, the Group will have to disclose additional information about its operating segments, although it is anticipated there will be no effect on reported income and net assets.

### 3. Revenue and segmental analysis

The Group's primary business segments during the year were Food and Pet 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

	2009			2008		
	Food Continuing £'000	Pet Discontinued £'000	Total £'000	Food Continuing £'000	Pet Discontinued £'000	Total £'000
<b>Revenue</b>	<b>606,774</b>	<b>46,491</b>	<b>653,265</b>	559,228	39,665	598,893
<b>Segment results before exceptionals</b>	<b>43,481</b>	<b>2,309</b>	<b>45,790</b>	39,275	1,885	41,160
Exceptional items	-	-	-	830	792	1,622
<b>Segment results</b>	<b>43,481</b>	<b>2,309</b>	<b>45,790</b>	40,105	2,677	42,782
Central costs	(5,093)	-	(5,093)	(2,792)	-	(2,792)
<b>Profit before finance and tax</b>	<b>38,388</b>	<b>2,309</b>	<b>40,697</b>	37,313	2,677	39,990
Net finance costs	(3,700)	(271)	(3,971)	(4,326)	(320)	(4,646)
Fair value remeasurement loss	-	(2,544)	(2,544)	-	-	-
<b>Profit before tax</b>	<b>34,688</b>	<b>(506)</b>	<b>34,182</b>	32,987	2,357	35,344
Income taxes	(16,014)	820	(15,194)	(9,162)	(525)	(9,687)
<b>Profit for the year</b>	<b>18,674</b>	<b>314</b>	<b>18,988</b>	23,825	1,832	25,657

#### Assets and liabilities

Assets (excluding goodwill)	193,492	20,387	213,879	177,855	22,790	200,645
Goodwill	117,756	-	117,756	117,756	-	117,756
Assets (including goodwill)	311,248	20,387	331,635	295,611	22,790	318,401
Unallocated assets			4,977			4,861
<b>Total assets</b>			<b>336,612</b>			<b>323,262</b>
Segment liabilities	70,970	4,591	75,561	67,912	4,184	72,096
Unallocated liabilities			94,569			95,912
<b>Total liabilities</b>			<b>170,130</b>			<b>168,008</b>

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	20,136	1,069	21,205	24,420	1,330	25,750
Depreciation	10,930	718	11,648	9,545	545	10,090

### Geographical segments

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

#### Sales revenue by geographical market

	2009 Continuing £'000	2009 Discontinued £'000	2009 Total £'000	2008 Continuing £'000	2008 Discontinued £'000	2008 Total £'000
UK	599,639	43,640	643,279	551,405	37,087	588,492
Continental Europe	7,135	2,443	9,578	7,823	2,092	9,915
Rest of World	-	408	408	-	486	486
	<b>606,774</b>	<b>46,491</b>	<b>653,265</b>		<b>559,228</b>	<b>39,665</b>
						<b>598,893</b>

The following tables set 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

	2009 Continuing £'000	2009 Discontinued £'000	2009 Total £'000	2008 Continuing £'000	2008 Discontinued £'000	2008 Total £'000
UK	311,248	19,115	330,363	295,611	22,790	318,401
Continental Europe	-	1,272	1,272	-	-	-
Unallocated assets	4,977	-	4,977	4,861	-	4,861
	<b>316,225</b>	<b>20,387</b>	<b>336,612</b>		<b>300,472</b>	<b>22,790</b>
						<b>323,262</b>

#### Additions to property, plant and equipment and intangible assets

	2009 Continuing £'000	2009 Discontinued £'000	2009 Total £'000	2008 Continuing £'000	2008 Discontinued £'000	2008 Total £'000
UK	20,136	444	20,580	24,420	1,330	25,750
Continental Europe	-	625	625	-	-	-
	<b>20,136</b>	<b>1,069</b>	<b>21,205</b>		<b>24,420</b>	<b>1,330</b>
						<b>25,750</b>

## 4. Group operating profit

This is stated after charging/(crediting):

	2009 Continuing £'000	2009 Discontinued £'000	2009 Total £'000	2008 Continuing £'000	2008 Discontinued £'000	2008 Total £'000
Operating costs:						
Selling and distribution	25,979	2,700	28,679	21,259	1,724	22,983
Administration	21,005	5,981	26,986	17,898	5,943	23,841
	46,984	8,681	55,665	39,157	7,667	46,824
Depreciation of property, plant and equipment						
	10,930	718	11,648	9,545	545	10,090
Impairment of property plant and equipment	119	2,092	2,211	-	-	-
Release of government grants	(7)	-	(7)	(29)	-	(29)
Operating lease payments – minimum lease payments	4,717	190	4,907	4,962	53	5,015
Net foreign currency differences	521	402	923	(16)	(25)	(41)
Cost of inventories recognised as an expense	475,070	31,391	506,461	411,785	26,974	438,759
Increase in provision for inventories	177	62	239	129	-	129
Audit of these financial statements*	128	17	145	146	19	165

\* £25,000 relates to the Company (2008 - £28,000) and £120,000 (2008 - £137,000) relates to audit of the financial statements of subsidiaries.

In addition, payments to Ernst & Young LLP for non-audit services amounted to £85,000 (2008 - £117,000) of which £4,000 related to an audit related service (2008 - £4,000), £15,000 (2008 - £44,000) related to due diligence services and £66,000 (2008 - £69,000) to taxation.

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

## 5. Exceptional items

Non-recurring (expense)/ income during the year was as follows:

	2009 Continuing £'000	2009 Discontinued £'000	2009 Total £'000	2008 Continuing £'000	2008 Discontinued £'000	2008 Total £'000
<i>Recognised below operating profit</i>						
Profit on disposal of property plant and equipment	-	-	-	830	792	1,622
Deferred tax on abolition of Industrial Buildings Allowances	(6,063)	(541)	(6,604)	-	-	-
	<u>(6,063)</u>	<u>(541)</u>	<u>(6,604)</u>	<u>830</u>	<u>792</u>	<u>1,622</u>
Corporation tax credit on exceptionals	-	-	-	90	-	90
Deferred tax credit/(charge) on exceptionals	-	-	-	335	(238)	97
Cash flow impact of exceptionals	-	-	-	2,304	1,522	3,826

## 6. Employees

Group	2009 Continuing £'000	2009 Discontinued £'000	2009 Total £'000	2008 Continuing £'000	2008 Discontinued £'000	2008 Total £'000
Staff costs:						
Wages and salaries	69,199	4,769	73,968	68,439	4,388	72,827
Social security costs	6,370	447	6,817	5,686	417	6,103
Other pension costs	1,364	70	1,434	1,316	62	1,378
	<u>76,933</u>	<u>5,286</u>	<u>82,219</u>	<u>75,441</u>	<u>4,867</u>	<u>80,308</u>

Included within wages and salaries is a total expense for share based payments of £1,000,000, of which £143,000 related to discontinued operations (2008 - £921,000, of which £105,000 related to discontinued operations) all of which arises from transactions accounted for as equity-settled share based payment transactions.

Company	2009 £'000	2008 £'000
Staff costs:		
Wages and salaries	2,661	1,376
Social security costs	295	163
Other pension costs	403	534
	<u>3,359</u>	<u>2,073</u>

Included within wages and salaries is a total expense for share based payments of £251,000 (2008 - £107,000) 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:

Group	2009 Continuing Number	2009 Discontinued Number	2009 Total Number	2008 Continuing Number	2008 Discontinued Number	2008 Total Number
Production	2,988	114	3,102	2,815	118	2,933
Selling and distribution	193	43	236	207	28	235
Administration	168	35	203	218	42	260
	<b>3,349</b>	<b>192</b>	<b>3,541</b>		<b>3,240</b>	<b>188</b>
						<b>3,428</b>

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 Directors' Remuneration Report on pages 31 to 34. The employee costs shown above include the following emoluments in respect of Directors of the Company:

Group and Company	2009 Continuing £'000	2009 Discontinued £'000	2009 Total £'000	2008 Continuing £'000	2008 Discontinued £'000	2008 Total £'000
Directors' remuneration (excluding IFRS 2 share option charge)	<b>3,964</b>	469	<b>4,433</b>	2,835	623	3,458
Aggregate gains made by Directors on exercise of share options	18	-	18	8	1	9

## 7. Finance revenue and costs

	2009 Continuing £'000	2009 Discontinued £'000	2009 Total £'000	2008 Continuing £'000	2008 Discontinued £'000	2008 Total £'000
<b>Finance revenue</b>						
Bank interest received	(3)	-	(3)	(4)	-	(4)
<b>Finance costs</b>						
Loan note interest paid	27	-	27	54	-	54
Bank interest paid and similar charges	3,642	271	3,913	4,233	320	4,553
Total interest expense for financial liabilities not at fair value through profit or loss	3,669	271	3,940	4,287	320	4,607
Movement in discount on provisions	34	-	34	43	-	43
<b>Total finance costs</b>	<b>3,703</b>	<b>271</b>	<b>3,974</b>	<b>4,330</b>	<b>320</b>	<b>4,650</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

	2009 £'000	2008 £'000
Tax charge based on the profit for the year:		
UK corporation tax:		
UK corporation tax on profits of the year	11,112	9,038
Adjustments in respect of previous years	(314)	6
	<u>10,798</u>	<u>9,044</u>
Overseas tax:		
Overseas tax on profits of the year	-	-
Adjustments in respect of previous years	-	54
	<u>10,798</u>	<u>9,098</u>
UK deferred tax:		
Origination and reversal of temporary differences	3,956	599
Adjustments in respect of previous years	440	(10)
	<u>4,396</u>	<u>589</u>
<b>Tax on profit on ordinary activities</b>	<b>15,194</b>	<b>9,687</b>

The tax charge in the income statement is disclosed as follows:

	2009 £'000	2008 £'000
Income tax expense on continuing operations	16,014	9,162
Income tax (credit)/expense on discontinued operations	(820)	525
	<u>15,194</u>	<u>9,687</u>

	2009 £'000	2008 £'000
Tax relating to items charged or credited directly to equity:		
<b>Group</b>		
Deferred tax (credit)/charge on share based payments	(90)	535
Deferred tax (credit)/charge on revaluation of cash flow hedges	(213)	190
Corporation tax credit on share options exercised	(39)	(88)
<b>Tax (credit)/charge in the statement of recognised income and expense</b>	<b>(342)</b>	<b>637</b>

	2009 £'000	2008 £'000
<b>Company</b>		
Deferred tax charge/(credit) on revaluation of cash flow hedges	15	(72)
Deferred tax (credit)/charge on share options exercised	(30)	52
<b>Tax credit in the statement of recognised income and expense</b>	<b>(15)</b>	<b>(20)</b>

### b) Factors affecting tax charge for the period

The tax assessed for the year is higher (2008: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	<u>34,182</u>	35,344
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28 per cent (2008 - 30 per cent)	9,571	10,603
Effect of:		
Disallowable expenses	145	69
Impairment of assets held for resale	619	-
Release of deferred tax on discontinued operations	(872)	-
Release of deferred tax on change of tax base	(456)	-
Industrial buildings allowances	6,004	-
Rollover and indexation	-	(741)
Deferred tax rate difference	-	(535)
Other	57	241
Adjustments in respect of prior years	126	50
<b>Total tax charge for the year</b>	<u>15,194</u>	9,687

### c) Deferred tax

Group	2009 £'000	2008 £'000
The deferred tax included in the balance sheet is as follows:		
<b>Deferred tax liability in the balance sheet</b>		
Accelerated capital allowances	10,883	5,814
Rollover and holdover relief	811	933
Other temporary differences	326	974
Share based payments	(463)	(258)
<b>Deferred tax liability</b>	<u>11,557</u>	7,463

	2009 £'000	2008 £'000
The deferred tax included in the income statement is as follows:		
<b>Deferred tax in the income statement</b>		
Accelerated capital allowances	(935)	390
Share based payments	(114)	10
Rollover relief	(122)	(5)
Industrial buildings allowances	6,004	-
Other temporary differences	(437)	194
<b>Deferred income tax expense</b>	<u>4,396</u>	589

Company	2009	2008
	£'000	£'000
The deferred tax included in the balance sheet is as follows:		
<b>Deferred tax (asset)/liability in the balance sheet</b>		
Accelerated capital allowances	32	165
Rollover relief	56	39
Other temporary differences	36	208
Share based payments	(147)	(53)
Deferred tax (asset)/liability	<u>(23)</u>	<u>359</u>

#### d) Temporary differences associated with Group investments

At 31 March 2009 no deferred tax liability has been recognised (2008 - £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. Discontinued operations

On 17 April 2009, the Board announced its decision to dispose of the trade and certain assets and liabilities of the Group's Pet Division for an initial consideration of £17.0 million. There is a mechanism in place to normalise working capital through a cash adjustment. Cranswick plc will retain a 5.5 per cent share in the business going forward. The Pet Division manufactures and sells bird food and also imports and sells tropical marine fish and related products. The disposal was completed on 24 April 2009 and the final gain or loss on disposal will be recognised in the income statement in 2010. As at 31 March 2009 the assets of the Pet Division that are being disposed of were classified as held for resale and the assets and liabilities of the division are carried at their fair value. The loss on reclassification to held for resale has been recognised in the income statement in the current year.

The results of the Pet Division for 2009 and 2008 are presented below:

	2009	2008
	£'000	£'000
<b>Revenue</b>	<b>46,491</b>	39,665
Expenses	(44,182)	(37,780)
<b>Operating profit</b>	<b>2,309</b>	1,885
Exceptional gain on sale of property, plant and equipment	-	792
Finance cost	(271)	(320)
Loss recognised on remeasurement to fair value	(2,544)	-
<b>(Loss)/profit before tax from discontinued operations</b>	<b>(506)</b>	2,357
Tax credit/(expense)	820	(525)
<b>Profit for the year from discontinued operations</b>	<b>314</b>	1,832

The tax credit/(expense) is analysed as follows:

On profit on ordinary activities for the year	(607)	(287)
Exceptional charge on abolition of IBAs	(541)	-
On exceptional gain on sale of property, plant and equipment	-	(238)
On reclassification to assets held for resale	1,968	-
	<u>820</u>	<u>(525)</u>

The cash flow impact of exceptional items is £nil (2008 - £1,522,000 received in relation to asset disposals after associated costs).

The major classes of assets and liabilities of the Pet Division being disposed of, as at 31 March 2009 were as follows:

	2009	2008
	£'000	£'000
<b>Assets</b>		
Property, plant and equipment	8,210	
Trade and other receivables	6,037	
Inventories	6,140	
<b>Assets classified as held for resale</b>	<b>20,387</b>	
<b>Liabilities</b>		
Trade and other payables	4,591	
<b>Liabilities classified as held for resale</b>	<b>4,591</b>	
<b>Net assets held for resale</b>	<b>15,796</b>	

Of the property, plant and equipment held for resale, £343,000 (after impairment charge of £119,000) was held by the Company.

The net cash flows attributable to the discontinued Pet Division are as follows:

	2009	2008
	£'000	£'000
<b>Operating cash flows</b>		
Investing cash flows	2,576	845
Financing cash flows	(1,068)	(1,300)
<b>Net inflow/(outflow)</b>	<b>(562)</b>	<b>(629)</b>
	<b>946</b>	<b>(1,084)</b>
<b>Profit per share from discontinued operations:</b>		
Basic	0.7p	4.0p
Diluted	0.7p	4.0p

## 10. Profit attributable to members

Of the profit attributable to members, the sum of £9,385,000 (2008 - £11,011,000) has been dealt with in the accounts of Cranswick plc.

## 11. Equity dividends

	2009	2008
	£'000	£'000
<b>Declared and paid during the year:</b>		
Final dividend for 2008 - 13.4p per share (2007 - 12.2p)	6,169	5,587
Interim dividend for 2009 - 7.0p per share (2008 - 6.5p)	3,228	2,980
<b>Dividends paid</b>	<b>9,397</b>	<b>8,567</b>
Proposed for approval of Shareholders at the Annual General Meeting on 27 July 2009:		
Final dividend for 2009 - 14.7p (2008 - 13.4p)	6,801	6,195

## 12. 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 £18,988,000 (2008 - £25,605,000) 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:

	2009	2008
	Thousands	Thousands
Basic weighted average number of shares	46,099	45,832
Dilutive potential ordinary shares – share options	127	286
	<hr/>	<hr/>
	46,226	46,118

Basic weighted average number of shares for 2009 excludes 195,000 shares (2008 – 195,000 shares) held during the year by the Cranswick plc Employee Benefit Trust.

## 13. Intangible fixed assets

Group	Goodwill £'000
<b>Cost</b>	
At 31 March 2007	117,520
Acquisition of subsidiary undertakings	<hr/> 236
<b>At 31 March 2008 and 31 March 2009</b>	<b><hr/>117,756</b>
<b>Impairments as at 31 March 2007, 2008 and 2009</b>	<b><hr/>-</b>
<b>Net book amounts at 31 March 2008 and 31 March 2009</b>	<b><hr/>117,756</b>

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

The Group has no other intangible assets.

Goodwill is subject to annual impairment testing. Goodwill acquired through business combinations has been allocated for impairment testing purposes to the following principal cash-generating units:

Cash generating unit	2009	2008
	£'000	£'000
Cooked meats	86,903	86,903
Sandwiches	16,526	16,526
Continental Fine Foods	10,968	10,968
Other	3,359	3,359
	<hr/>	<hr/>
	117,756	117,756

### **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 is assumed to represent 100 per cent of depreciation.

Subsequent cash flows are forecast to grow in line with an assumed long-term industry growth rate of between 4 and 5 per cent derived from third party market information.

A discount rate of 9.3 per cent has been used (2008 - 9.1 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.

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 would reduce value in use below the value of the recoverable amount. Assumptions and projections are updated on an annual basis.

## 14. Property, plant and equipment

Group	Freehold land and buildings £'000	Leasehold improvements £'000	Plant, equipment and vehicles £'000	Assets in the course of construction £'000	Total £'000
<b>Cost</b>					
At 31 March 2007	27,803	16,805	94,163	-	138,771
Additions	8,218	55	15,779	1,698	25,750
Disposals	(1,556)	-	(7,540)	-	(9,096)
At 31 March 2008	34,465	16,860	102,402	1,698	155,425
Additions	8,347	95	7,491	5,272	21,205
Transfers between categories	-	-	1,698	(1,698)	-
Transfers to assets held for resale	(5,632)	(535)	(8,108)	-	(14,275)
Disposals	-	-	(1,103)	-	(1,103)
<b>At 31 March 2009</b>	<b>37,180</b>	<b>16,420</b>	<b>102,380</b>	<b>5,272</b>	<b>161,252</b>
<b>Depreciation</b>					
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)
At 31 March 2008	2,361	7,809	52,534	-	62,704
Charge for the year	472	864	10,312	-	11,648
Transfers to assets held for resale	(2,047)	(535)	(3,483)	-	(6,065)
Impairment loss	1,567	477	167	-	2,211
Relating to disposals	-	-	(934)	-	(934)
<b>At 31 March 2009</b>	<b>2,353</b>	<b>8,615</b>	<b>58,596</b>	<b>-</b>	<b>69,564</b>
<b>Net book amounts</b>					
At 31 March 2007	25,255	9,907	45,115	-	80,277
At 31 March 2008	32,104	9,051	49,868	1,698	92,721
<b>At 31 March 2009</b>	<b>34,827</b>	<b>7,805</b>	<b>43,784</b>	<b>5,272</b>	<b>91,688</b>

Included in freehold land and buildings is land with a cost of £3,198,000 (2008 - £3,853,000) which is not depreciated relating to the Group and £795,000 (2008 - £1,210,000) relating to the Company. The cost of freehold land and buildings includes £935,000 (2008 - £935,000) in respect of capitalised interest. £nil of interest, which was the whole amount eligible, was capitalised during the year (2008 - £397,000).

Company	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
<b>Cost</b>			
At 31 March 2007	2,431	72	2,503
Additions	-	43	43
Disposals	-	(5)	(5)
At 31 March 2008	2,431	110	2,541
Additions	-	125	125
Transfers to assets held for resale	(475)	-	(475)
<b>At 31 March 2009</b>	<b>1,956</b>	<b>235</b>	<b>2,191</b>
<b>Depreciation</b>			
At 31 March 2007	131	33	164
Charge for the year	21	12	33
Relating to disposals	-	(4)	(4)
At 31 March 2008	152	41	193
Charge for the year	21	31	52
Transfers to assets held for resale	(132)	-	(132)
Impairment loss	119	-	119
<b>At 31 March 2009</b>	<b>160</b>	<b>72</b>	<b>232</b>
<b>Net book amounts</b>			
At 31 March 2007	2,300	39	2,339
At 31 March 2008	2,279	69	2,348
<b>At 31 March 2009</b>	<b>1,796</b>	<b>163</b>	<b>1,959</b>

## 15. Investment in subsidiary undertakings

Company	£'000
Shares at cost:	
At 31 March 2007	155,430
Disposals	(4)
<b>At 31 March 2008 and 31 March 2009</b>	<b>155,426</b>

During the prior 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 was included as part of the exceptional item in that year.

The principal subsidiary undertakings during the year were:

<b>Food</b>
Cranswick Country Foods plc
Studleigh-Royd Limited
Brookfield Foods Limited
The Sandwich Factory Group Limited (registered in Scotland)
Delico Limited
<b>Pet</b>
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. On 17 April 2009, the trade and certain assets and liabilities of Cranswick Pet & Aquatics plc were disposed of by the Group (Note 9).

## 16. Inventories

Group	2009 £'000	2008 £'000
Raw materials	24,944	24,218
Finished goods and goods for resale	3,520	6,278
Biological assets (see below)	-	142
	<b>28,464</b>	<b>30,638</b>

The Group breeds and imports tropical marine fish and other invertebrates for supply to specialist aquatic retailers. At 31 March 2009 marine stock was held within assets held for resale at fair value. There are no inventories held by the Company.

## 17. Trade and other receivables

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Financial Assets:</b>				
Trade receivables	64,438	68,504	-	-
Amounts owed by Group undertakings	-	-	21,852	44,177
Other receivables	2,810	3,474	253	20
	<b>67,248</b>	<b>71,978</b>	<b>22,105</b>	<b>44,197</b>
<b>Non-financial assets:</b>				
Prepayments and accrued income	6,407	5,370	62	42
	<b>73,655</b>	<b>77,348</b>	<b>22,167</b>	<b>44,239</b>
Trade receivables continuing operations	64,438	68,504	-	-
Trade receivables held for resale	5,614	-	-	-
	<b>70,052</b>	<b>68,504</b>	<b>-</b>	<b>-</b>

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 £'000	Of which: Not due £'000	Past due date in the following periods:		
			Less than 30 days £'000	Between 30 and 60 days £'000	More than 60 days £'000
2009	64,438	56,425	6,572	1,006	435
2008	68,504	57,683	7,718	2,061	1,042

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 2009, trade receivables at nominal value of £352,000 (2008 - £634,000) 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 2007	591
Provided in year	167
Written off	<u>(124)</u>
At 31 March 2008	634
Provided in year	998
Transferred to assets held for resale	(782)
Written off	<u>(498)</u>
<b>At 31 March 2009</b>	<b>352</b>

There are no bad debt provisions against other receivables.

## 18. Other financial assets (current)

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Forward currency contracts	139	959	-	-
Interest rate swap (1)	-	70	-	70
Interest rate swap (2)	124	-	124	-
	<b>263</b>	<b>1,029</b>	<b>124</b>	<b>70</b>

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Movement on hedged items:				
Amounts recognised in equity	263	504	124	(432)
Amounts removed from equity and included in the income statement	(1,029)	196	(70)	196
	<b>(766)</b>	<b>700</b>	<b>54</b>	<b>(236)</b>

Movements on hedged foreign currency contracts are recycled through cost of sales. Interest rate movements on hedged bank borrowings are recycled through finance costs. All 'Other' financial assets, are used for hedging.

#### **Forward currency contracts**

Forward currency contracts are used to hedge a proportion of anticipated purchases denominated in foreign currencies and are held at fair value in the balance sheet. To the extent that these forward contracts represent effective hedges, movements in fair value are taken directly to equity and are then recycled through the income statement in the period during which the hedged item impacts the income statement. A description of amounts and maturities is contained in note 22.

#### **Interest rate swap (1)**

Under the terms of this interest rate swap (relating to the Group's previous bank facilities, which have now been repaid) the Group receives LIBOR interest and pays fixed interest of 4.98 per cent. The notional principal amount of the swap stood at £9,000,000 as at 31 March 2009 and reduces in equal semi-annual instalments of £4,500,000 to £nil by January 2010.

#### **Interest rate swap (2)**

Under the terms of this interest rate swap (relating to the Group's new bank facilities) the Group receives LIBOR interest and pays fixed interest of 2.04 per cent. The notional principal amount of the swap stood at £33,750,000 as at 31 March 2009 and reduces in equal quarterly instalments of £1,750,000 with a final notional payment of principal of £16,250,000 in December 2011.

## **19. Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b> £'000	<b>2008</b> £'000	<b>2009</b> £'000	<b>2008</b> £'000
<b>Current</b>				
Trade payables	<b>50,236</b>	52,763	<b>201</b>	154
Amounts owed to Group undertakings	-	-	<b>41,745</b>	54,057
Other payables	<b>25,036</b>	20,262	<b>4,102</b>	783
Deferred income	<b>1</b>	-	-	-
	<b>75,273</b>	73,025	<b>46,048</b>	54,994
<b>Non-current</b>				
Deferred income	-	8	-	-

## **20. Other financial liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b> £'000	<b>2008</b> £'000	<b>2009</b> £'000	<b>2008</b> £'000
<b>Current</b>				
Bank overdrafts	<b>12,437</b>	11,468	<b>6,157</b>	8,512
Amounts outstanding under revolving credit facility	<b>9,000</b>	8,000	<b>9,000</b>	8,000
Current instalments due on bank loan	<b>12,500</b>	11,250	<b>12,500</b>	11,250
Loan notes	<b>762</b>	1,093	<b>460</b>	756
Interest rate swap (1) – (note 18)	<b>173</b>	-	<b>173</b>	-
	<b>34,872</b>	31,811	<b>28,290</b>	28,518
<b>Non-current</b>				
Non-current instalments due on bank loan	<b>36,382</b>	50,414	<b>36,382</b>	50,414

All financial liabilities are amortised at cost.

A bank overdraft facility of £20 million (2008 - £20 million) is in place until December 2011, of which £12,437,000 (2008 - £11,468,000) was utilised at 31 March 2009. Interest is payable at a margin over base rate.

A revolving credit facility of £30 million is in place of which £9 million was utilised as at 31 March 2009 (2008 - facility of £10 million of which £8 million was utilised). This facility expires in December 2011. Interest is payable on the loan at a margin of 1.75 per cent above LIBOR.

The maturity profile of bank loans is as follows:

	Group	Company	
	2009 £'000	2008 £'000	2009 £'000
In one year or less	12,500	11,250	12,500
Between one year and two years	10,000	50,625	10,000
Between two and five years	27,500	-	27,500
	50,000	61,875	50,000
Unamortised issue costs	(1,118)	(211)	(1,118)
	<b>48,882</b>	<b>61,664</b>	<b>48,882</b>
			61,664

The balance outstanding on the term loan of £50.0 million is repayable in 11 quarterly instalments of £2.5 million from April 2009, followed by a single payment of £22.5 million in December 2011. Interest is payable on the loan at a margin of 1.75 per cent above LIBOR. The loan is unsecured. The loan is subject to normal bank covenant arrangements. Under the terms of the interest rate swap relating to the facilities the Group receives LIBOR interest and pays fixed interest of 2.04 per cent.

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

## 21. Provisions

Group	Lease provisions £'000
At 1 April 2008	1,489
Provided in the year	87
Utilisation in the year	(110)
Unwinding of discount	34
<b>At 31 March 2009</b>	<b>1,500</b>

Analysed as:

Group	2009 £'000	2008 £'000
Current liabilities	334	153
Non-current liabilities	1,166	1,336
	<b>1,500</b>	<b>1,489</b>

Lease provisions are held against dilapidation 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 five years. There are no provisions held by the Company.

## 22. Financial instruments

An explanation of the Company and Group's financial instruments risk management strategy is set out on pages 9 to 15 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 2009 and their weighted average interest rates is set out below:

Group	As at 31 March 2009	Weighted average effective interest rate %	Fixed interest				
			Total £'000	At floating interest rates £'000	1 year or less £'000	1-2 years £'000	2-3 years £'000
<b>Financial liabilities:</b>							
Bank overdrafts	5.11%	(12,437)	(12,437)	-	-	-	-
Revolving credit facility	3.48%	(9,000)	(9,000)	-	-	-	-
Bank loan (including the effect of interest rate swaps)	3.67%	(50,000)	(7,250)	(16,000)	(7,000)	(19,750)	
Loan notes	2.40%	(762)	(762)	-	-	-	-
		(72,199)	(29,449)	(16,000)	(7,000)	(19,750)	
Less: effect of interest rate swaps		-	(42,750)	16,000	7,000	19,750	
Total financial liabilities excluding the effect of interest rate swaps		(72,199)	(72,199)	-	-	-	-
Financial assets: Cash at bank	2.86%	4,399	4,399	-	-	-	-
		(67,800)	(67,800)	-	-	-	-

As at 31 March 2008	Weighted average effective interest rate %	Fixed interest				
		Total £'000	At floating interest rates £'000	1 year or less £'000	1-2 years £'000	2-3 years £'000
<b>Financial liabilities:</b>						
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)	-	-	-

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

The interest rate profile of the interest earning financial assets and interest bearing liabilities of the Company as at 31 March 2009 and their weighted average interest rates is set out below:

Company	As at 31 March 2009	Weighted average effective interest rate %	Fixed interest			
			Total £'000	At floating interest rates £'000	1 year or less £'000	1-2 years £'000
<b>Financial liabilities:</b>						
Bank overdrafts		5.11%	(6,157)	(6,157)	-	-
Revolving credit facility		3.48%	(9,000)	(9,000)	-	-
Bank loan (including the effect of interest rate swaps)		3.67%	(50,000)	(7,250)	(16,000)	(7,000)
Loan notes		2.40%	(460)	(460)	-	-
			(65,617)	(22,867)	(16,000)	(7,000)
Less: effect of interest rate swaps			-	(42,750)	16,000	7,000
Total financial liabilities excluding the effect of interest rate swaps			(65,617)	(65,617)	-	-
Financial assets: Cash at bank		2.86%	-	-	-	-
			(65,617)	(65,617)	-	-

As at 31 March 2008	Weighted average effective interest rate %	Fixed interest			
		Total £'000	At floating interest rates £'000	1 year or less £'000	1-2 years £'000
<b>Financial liabilities:</b>					
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	4.54%	-	-	-	-
		(79,143)	(79,143)	-	-

#### Currency profile

The Group's financial assets at 31 March 2009 include sterling denominated cash balances of £2,853,000 (2008 - £1,648,000), Danish krona £8,000 (2008 - £99,000), euro £1,378,000 (2008 - £611,000) and US dollar £160,000 (2008 - £1,412,000), all of which are held in the UK with the exception of Danish krona £nil (2008 - £98,000) and euro £297,000 (2008 - £nil).

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

The Group'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, with the exception of £297,000 held in euros with a Portuguese bank. 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	2009		2008	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
<b>Financial assets</b>				
Cash	4,399	4,399	3,770	3,770
Forward currency contracts	139	139	959	959
Interest rate swap (2) – (note 18)	124	124	70	70
	<b>4,662</b>	<b>4,662</b>	<b>4,799</b>	<b>4,799</b>
<b>Financial liabilities</b>				
Bank overdraft	(12,437)	(12,437)	(11,468)	(11,468)
Amounts outstanding under revolving credit facility	(9,000)	(9,000)	(8,000)	(8,000)
Bank loan, gross of issue costs	(50,000)	(50,000)	(61,875)	(61,875)
Loan notes	(762)	(762)	(1,093)	(1,093)
Interest rate swap (1) – (note 18)	(173)	(173)	-	-
	<b>(72,372)</b>	<b>(72,372)</b>	<b>(82,436)</b>	<b>(82,436)</b>
<b>At 31 March</b>	<b>(67,710)</b>	<b>(67,710)</b>	<b>(77,637)</b>	<b>(77,637)</b>
Company				
Company	2009		2008	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
<b>Financial asset</b>				
Interest rate swap (2) – (note 18)	124	124	70	70
<b>Financial liabilities</b>				
Bank overdraft	(6,157)	(6,157)	(8,512)	(8,512)
Amounts outstanding under revolving credit facility	(9,000)	(9,000)	(8,000)	(8,000)
Bank loan, gross of issue costs	(50,000)	(50,000)	(61,875)	(61,875)
Loan notes	(460)	(460)	(756)	(756)
Interest rate swap (1) – (note 18)	(173)	(173)	-	-
	<b>(65,790)</b>	<b>(65,790)</b>	<b>(79,143)</b>	<b>(79,143)</b>
<b>At 31 March</b>	<b>(65,666)</b>	<b>(65,666)</b>	<b>(79,073)</b>	<b>(79,073)</b>

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 17 and 19.

### Hedges

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

i) *Forward contracts to hedge expected future purchases*

The Group hedges a proportion of its near-term expected purchases denominated in overseas currencies. Where these hedges meet the hedge criteria of IAS 39 changes in fair value are posted directly to equity and subsequently recycled through the income statement at the time that the hedged item affects profit or loss.

Group	Amount	Maturities	Exchange rates	Fair value £'000
euros	€6,500,000	1 April 2009 to 15 July 2009	€1.22 – €1.47	139

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

The Company does not hold any forward contracts.

ii) *Interest rate swaps*

The Group hedges a proportion of the interest cash flows payable in respect of bank loans.

- *Interest rate swap (1) – (note 18)*

Under the terms of this interest rate swap (relating to the Group's previous bank facilities, which have now been repaid) the Group receives LIBOR interest and pays fixed interest of 4.98 per cent. The notional principal amount of the swap stood at £9,000,000 as at 31 March 2009 and reduces in equal semi-annual instalments of £4,500,000 to £nil by January 2010.

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

- *Interest rate swap (2) – (note 18)*

Under the terms of this interest rate swap (relating to the Group's new bank facilities) the Group receives LIBOR interest and pays fixed interest of 2.04 per cent. The notional principal amount of the swap stood at £33,750,000 as at 31 March 2009 and reduces in equal quarterly instalments of £1,750,000 with a final notional payment of principal of £16,250,000 in December 2011.

The swap was an effective cash flow hedge under the criteria set out in IAS 39 and therefore movements in fair value have been posted directly to equity and are recycled through the income statement at the time the hedged item affects the income statement.

### Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no material impact on the Group's equity.

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

	Increase / decrease in basis points	Effect on profit before tax
		£'000
<b>2009</b>		
sterling	+100	(565)
	-100	565
<b>2008</b>		
sterling	+100	(576)
	-100	576

### Liquidity risk

The tables below summarise the maturity profile of the Group's financial liabilities at 31 March 2009 and 2008 based on contractual undiscounted payments.

Year ended 31 March 2009	Less than 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
Bank overdraft	12,437	-	-	12,437
Revolving credit facility	9,000	-	-	9,000
Bank loan	12,715	10,558	30,032	53,305
Loan notes	762	-	-	762
Trade and other payables	75,273	-	-	75,273
Interest rate swap (1) - (note 18)	173	-	-	173
	<hr/> 110,360	<hr/> 10,558	<hr/> 30,032	<hr/> 150,950

Year ended 31 March 2008	Less than 1 year £'000	1 to 2 years £'000	2 to 5 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
	<hr/> 105,301	<hr/> 54,599	<hr/> -	<hr/> 159,900

## 23. Called-up share capital

### Group and Company

Authorised	2009 Number	2008 Number	2009 £'000	2008 £'000
Ordinary shares of 10p each	<u>63,600,000</u>	<u>63,600,000</u>	<u>6,360</u>	<u>6,360</u>
Allotted, called-up and fully paid	2009 Number	2008 Number	2009 £'000	2008 £'000
Ordinary shares of 10p each				
At 1 April	<u>46,225,491</u>	<u>45,954,326</u>	<u>4,623</u>	<u>4,595</u>
On exercise of share options	<u>125,168</u>	<u>167,554</u>	<u>12</u>	<u>17</u>
Scrip dividends	<u>109,299</u>	<u>103,611</u>	<u>11</u>	<u>11</u>
<b>At 31 March</b>	<b><u>46,459,958</u></b>	<b><u>46,225,491</u></b>	<b><u>4,646</u></b>	<b><u>4,623</u></b>

On 5 September 2008, 77,905 ordinary shares were issued at 567.7 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2008 final dividend.

On 23 January 2009, 31,394 ordinary shares were issued at 593.1 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2009 interim dividend.

During the course of the year, 125,168 ordinary shares were issued to employees exercising SAYE options at prices between 255.0 pence and 471.0 pence.

Of the unissued ordinary share capital £100,385 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	6,396	264p	March 2005 to October 2009
Savings related	5,816	415p	March 2006 to October 2010
Savings related	6,511	255p	March 2007 to October 2011
Savings related	59,300	375p	March 2008 to October 2012
Savings related	52,258	471p	March 2009 to October 2013
Savings related	66,474	679p	March 2010 to October 2014
Savings related	47,284	665p	March 2011 to October 2015
Savings related	284,808	474p	March 2012 to October 2016
Executive	475,000	601p	July 2008 to July 2015

On 7 September 2007, 27,239 ordinary shares were issued at 844.1 pence 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 790.0 pence 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 prior year, 137,554 ordinary shares were issued to employees exercising SAYE options at prices between 255.0 pence and 679.0 pence, and 30,000 ordinary shares were issued to Directors and employees exercising Executive share options at a price of 601.0 pence per ordinary share.

## 24. Share based payments

The Group operates three share option schemes, a Revenue approved scheme (SAYE), an unapproved scheme (Executive Share Option) and a Long Term Incentive Plan (LTIP), all of which are equity settled.

### Executive Share Option Scheme

Share options are granted periodically to promote the involvement of senior management in the longer term success of the Group. Options can only be exercised if certain performance conditions are met by the Group. These conditions are based on total Shareholder return over the performance period and require the Group 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, Executive share options during the year:

Group	2009 Number	2009 WAEP £	2008 Number	2008 WAEP £
Outstanding as at 1 April	490,000	6.01	535,000	6.01
Forfeited during the year	(15,000)	6.01	(15,000)	6.01
Exercised during the year	-	-	(30,000)	6.01
Expired during the year	-	-	-	-
Outstanding as at 31 March	<u>475,000</u>	<u>6.01</u>	<u>490,000</u>	<u>6.01</u>
Exercisable at 31 March	<u>475,000</u>	<u>6.01</u>	-	-
Company	2009 Number	2009 WAEP £	2008 Number	2008 WAEP £
Outstanding as at 1 April	265,000	6.01	265,000	6.01
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
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>265,000</u>	<u>6.01</u>	-	-

For the share options outstanding as at 31 March 2009, the weighted average remaining contractual life is 6.25 years. (2008 - 7.25 years).

There were no options granted during the year.

The range of exercise prices for options outstanding at the end of the year was £6.01.

### Long Term Incentive Plan (LTIP)

During the course of the year 177,500 options at nil cost were granted to Directors and senior executives, the share price at that time was 632.0 pence. There is a three year performance period at the end of which half the options will be measured against earnings per share (EPS) targets and the other half measured against total shareholder return (TSR) 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 50<sup>th</sup> 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 plc, Northern Foods plc, Robert Wiseman Dairies plc, Premier Foods plc and Uniq plc. The options have a contractual life of ten years. 15,000 options were forfeited during the year leaving 542,500 outstanding.

Group	2009 Number	2009 WAEP £	2008 Number	2008 WAEP £
Outstanding as at 1 April	380,000	-	190,000	-
Granted during the year	177,500	-	190,000	-
Forfeited during the year	(15,000)	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding as at 31 March	<u>542,500</u>	<u>-</u>	<u>380,000</u>	<u>-</u>
Exercisable at 31 March	-	-	-	-
Company	2009 Number	2009 WAEP £	2008 Number	2008 WAEP £
Outstanding as at 1 April	250,000	-	125,000	-
Granted during the year	125,000	-	125,000	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding as at 31 March	<u>375,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
Exercisable at 31 March	-	-	-	-

The weighted average fair value of options granted during the year was £5.63 (2008 - £7.83). The range of exercise prices for options outstanding at the end of the year was £nil.

### All Employee Share Option Scheme (SAYE)

All employees are entitled to a grant of options once they have been in service for 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, SAYE share options during the year.

Group	2009 Number	2009 WAEP £	2008 Number	2008 WAEP £
Outstanding as at 1 April	504,672	5.16	605,870	4.42
Granted during the year (note i)	284,808	4.74	102,204	6.65
Forfeited during the year	(135,068)	6.28	(66,208)	5.14
Exercised during the year (note ii)	(125,168)	3.69	(137,194)	3.66
Expired during the year	-	-	-	-
Outstanding as at 31 March (note iii)	<u>529,244</u>	<u>5.00</u>	<u>504,672</u>	<u>5.16</u>
Exercisable at 31 March	<u>17,461</u>	<u>3.20</u>	<u>11,978</u>	<u>3.91</u>
Company	2009 Number	2009 WAEP £	2008 Number	2008 WAEP £
Outstanding as at 1 April	10,599	5.28	16,387	4.20
Granted during the year (note i)	9,371	4.74	3,793	6.65
Forfeited during the year	(5,339)	6.71	-	-
Exercised during the year (note ii)	(2,580)	4.71	(9,581)	3.98
Expired during the year	-	-	-	-
Outstanding as at 31 March	<u>12,051</u>	<u>5.08</u>	<u>10,599</u>	<u>5.28</u>
Exercisable at 31 March	-	-	-	-

i) The share options granted during the year were at £4.74, 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 was £6.37 (2008 - £6.58).

iii) Included within this balance are options over 6,396 shares (2008 – 18,756 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 2009 the weighted average remaining contractual life is 3.58 years. (2008 - 2.56 years).

The weighted average fair value of options granted during the year was £1.54 (2008 - £2.96). The range of exercise prices for options outstanding at the end of the year was £2.55 - £6.79 (2008 - £2.55 - £6.79).

The fair value of the Executive, SAYE and LTIP equity settled options granted is estimated as at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 March 2009 and 31 March 2008.

Group and Company	2009	2008
Dividend yield	1.9% - 4.3%	1.9% - 4.1%
Expected share price volatility	24.5% - 31.0%	24.5% - 31.0%
Risk free interest rate	3.00% - 5.80%	4.29% - 5.80%
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.

## 25. 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	Total		
	(Note 1) £'000	(Note 2) £'000	(Note 5) £'000	(Note 6) £'000	(Note 7) £'000	£'000	£'000		
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 1 April 2008	4,623	48,693	1,939	1,029	5	98,965	155,254	-	155,254
Cash flow hedges	-	-	-	(766)	-	213	(553)	-	(553)
Exchange differences	-	-	-	-	(29)	-	(29)	-	(29)
Profit for the year	-	-	-	-	-	18,988	18,988	-	18,988
Exercise of options	12	450	-	-	-	-	462	-	462
Scrip dividends	11	617	-	-	-	-	628	-	628
Share based payments	-	-	1,000	-	-	-	1,000	-	1,000
Deferred tax recognised directly in equity	-	-	-	-	-	90	90	-	90
Corporation tax recognised directly in equity	-	-	-	-	-	39	39	-	39
Dividends	-	-	-	-	-	(9,397)	(9,397)	-	(9,397)
At 31 March 2009	4,646	49,760	2,939	263	(24)	108,898	166,482	-	166,482

Company	Share capital (Note 1) £'000	Share premium (Note 2) £'000	General reserve (Note 3) £'000	Merger reserve (Note 4) £'000	Share based payments (Note 5) £'000	Hedging reserve (Note 6) £'000	Retained earnings £'000	Total £'000
At 1 April 2007	4,595	47,204	4,000	1,806	210	306	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 1 April 2008	4,623	48,693	4,000	1,806	317	70	8,199	67,708
Cash flow hedges	-	-	-	-	-	54	(15)	39
Profit for the year	-	-	-	-	-	-	9,385	9,385
Exercise of options	12	450	-	-	-	-	-	462
Scrip dividends	11	617	-	-	-	-	-	628
Share based payments	-	-	-	-	251	-	-	251
Deferred tax recognised directly in equity	-	-	-	-	-	-	30	30
Dividends	-	-	-	-	-	-	(9,397)	(9,397)
<b>At 31 March 2009</b>	<b>4,646</b>	<b>49,760</b>	<b>4,000</b>	<b>1,806</b>	<b>568</b>	<b>124</b>	<b>8,202</b>	<b>69,106</b>

**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. 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.

**4. 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.

**5. Share based payments reserve**

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

**6. Hedging reserve**

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

**7. Translation reserve**

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

## 26. Additional cash flow information

### Analysis of Group net debt

	At 31 March 2008	Cash flow	Other non cash changes	At 31 March 2009
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,770	658	(29)	4,399
Overdrafts	(11,468)	(969)	-	(12,437)
	(7,698)	(311)	(29)	(8,038)
Other financial assets	70	-	193	263
	(7,628)	(311)	164	(7,775)
Other financial liabilities	-	-	(173)	(173)
Revolving credit	(8,000)	(1,000)	-	(9,000)
Bank loans	(61,664)	13,155	(373)	(48,882)
Loan notes	(1,093)	331	-	(762)
Net debt	(78,385)	12,175	(382)	(66,592)

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

	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)

#### Analysis of Company net debt

	At 31 March 2008	Cash flow	Other non cash changes	At 31 March 2009
	£'000	£'000	£'000	£'000
Overdrafts	(8,512)	2,355	-	(6,157)
Other financial assets	70	-	54	124
	(8,442)	2,355	54	(6,033)
Other financial liabilities	-	-	(173)	(173)
Revolving credit	(8,000)	(1,000)	-	(9,000)
Bank loans	(61,664)	13,155	(373)	(48,882)
Loan notes	(756)	296	-	(460)
Net debt	(78,862)	14,806	(492)	(64,548)

	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
	(1,796)	(6,410)	(236)	(8,442)
Revolving credit	(2,000)	(6,000)	-	(8,000)
Bank loans	(72,794)	11,250	(120)	(61,664)
Loan notes	(927)	171	-	(756)
Net debt	(77,517)	(989)	(356)	(78,862)

## 27. Contingent liabilities

The Company, together with its subsidiary undertakings, has entered into a cross guarantee with Lloyds TSB Bank plc, The Royal Bank of Scotland plc and Clydesdale Bank plc in respect of the Group's facilities with those banks. Drawn down amounts totalled £71,437,000 as at 31 March 2009 (2008 - £81,343,000).

For the Company, the amounts drawn down by other group companies which were guaranteed by the Company at the year end totalled £6,280,000 (2008 - £2,956,000).

## 28. Commitments

- a) The Directors have contracted for future capital expenditure for property, plant and equipment totalling £3,083,000 (2008 - £7,347,000).
- b) The Group's future minimum rentals payable under non-cancellable operating leases are as follows:

Group	2009 £'000	2008 £'000
Not later than one year	2,718	3,737
After one year but not more than five years	7,481	9,890
After five years	14,007	24,067
	<u>24,206</u>	<u>37,694</u>

The Company has no non-cancellable operating leases.

## 29. Pension commitments

The Group operates a number of defined contribution pension schemes whereby contributions are made to schemes operated by major insurance companies. Contributions to these schemes are determined as a percentage of employees' earnings and the amount charged to the income statement is disclosed in note 6. Contributions owing to the insurance companies at the year-end, included in trade and other payables, amounted to £55,000 (2008 - £nil).

## 30. Related party transactions

During the year the Group and Company entered into transactions, in the ordinary course of business, with related parties, including transactions between the Company and its subsidiary undertakings. In the Group accounts transactions between the Company and its subsidiaries are eliminated on consolidation but these transactions are reported for the Company below:

### Company only

Related party	Services rendered to the related party £'000	Dividends received from related party £'000
Subsidiaries		
2009	15,660	8,769
2008	15,015	9,772

Amounts owed by or to subsidiary undertakings are disclosed in the Company balance sheet on page 43. Any such amounts are unsecured and repayable on demand.

### Remuneration of key management personnel

	2009 £'000	2008 £'000
Short-term employee benefits	3,924	3,010
Post-employment benefits	509	448
Share-based payment	579	451
	<u>5,012</u>	<u>3,909</u>

## 31. Post balance sheet events

As notified to shareholders on 6 April 2009 Cranswick has exchanged contracts to acquire the whole of the issued share capital of Bowes of Norfolk Limited, a pork processing business based in Norfolk, for a cash consideration of £17.2 million. The completion of the transaction is conditional upon clearance from the UK Competition Authorities which at this moment in time is ongoing.

On 24 April 2009 the Pet Division was sold to the management team, headed up by Derek Black, for a consideration of £17.0 million. There is a mechanism in place to normalise working capital through a cash adjustment. Cranswick plc will retain a 5.5 per cent share in the business going forward. Derek Black resigned as a main board director on that day. Derek Black will be a shareholder and director of the new company.

## 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 Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA
<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 Clydesdale Bank plc
<b>Merchant Bankers</b>	N M Rothschild & Sons – Leeds

## Shareholder information

### Five year statement

	2009 £'m	2008 £'m	2007 £'m	2006 £'m	2005 £'m
Turnover *	<b>606.8</b>	559.2	479.8	401.6	282.8
Profit before tax *	<b>34.7</b>	33.0	32.1	30.6	20.6
Earnings per share *	<b>40.5p</b>	51.9p	49.3p	50.3p	37.2p
Dividends per share	<b>21.7p</b>	19.9p	18.1p	16.5p	14.5p
Capital expenditure	<b>21.2</b>	25.8	11.8	14.3	19.1
Net debt	<b>(66.6)</b>	(78.4)	(75.9)	(77.1)	(92.4)
Net assets	<b>166.5</b>	155.3	135.8	112.4	92.8

\*: excludes discontinued Pet Division operations for all years presented.

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

Net debt is defined as per note 26 to the accounts.

### Financial calendar

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

## Shareholder analysis

at 8 May 2009

	Number of holdings	Number of shares
<b>Classification</b>		
Private Shareholders	1,158	6,289,870
Corporate bodies and nominees	591	40,174,742
	<u>1,749</u>	<u>46,464,612</u>
<b>Size of holding (shares)</b>		
1 – 1,000	816	331,758
1,001 – 5,000	558	1,254,224
5,001 – 10,000	118	840,234
10,001 – 50,000	138	3,165,142
50,001 – 100,000	48	3,392,412
Above 100,000	71	37,480,842
	<u>1,749</u>	<u>46,464,612</u>

### Share price

Share price at 31 March 2008	515p
Share price at 31 March 2009	544p
High in the year	745p
Low in the year	506p

### Share price movement

Cranswick's share price movement over the five year period to May 2009 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 2004, is shown below:



## Professional awards

# Some of the awards in recent years to Cranswick businesses

### Meat Management Awards 2009

2009 Winner Manufacturer of the Year

### Grocer Own Label Excellence Award

2009 Winner Delicatessen Meat Category – Sainsbury Taste The Difference Traditional Spiced Ham  
Winner Bacon & Sausage Category – Morrisons The Best Lightly Oak Smoked Sweetcure Rindless Back Bacon  
2008 Winner Meat & Poultry Grocer Own Label Category – 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

### 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

### Meat and Poultry News Awards

2009 Winner Producer of the Year Award – Cranswick plc supplier – Thomas Dent of Penrith in Cumbria  
2005 Winner Manufacturer of the Year

### 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

### Meat Industry Awards

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

### Guild of Fine Food Retailers 'Great Taste' Awards

2008 Gold Taste The Difference Ultimate Oak Smoked Bacon  
2005 Gold Smoked Streaky Bacon  
Silver Unsmoked Streaky Bacon  
Silver Chilli and Coriander Sausage  
Bronze Pork Sausage

### British Sandwich Association Awards

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

outstanding  
silver  
winner  
Gold  
outstanding

## Production facilities



Fresh pork



Sausages



Bacon



Cooked meats



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