

**CRANSWICK** *plc*

# Report & Accounts

Year Ended 31 March 2011



Cranswick was formed in the 1970's 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.

## financial highlights

£758.4<sub>m</sub>

*Turnover*

2011	758.4m
2010	740.3m
2009	606.8m

£47.1<sub>m</sub>

*Profit Before Tax*

2011	47.1m
2010	43.8m
2009	34.7m

74.5<sub>p</sub>

*Earnings Per Share*

2011	74.5p
2010	69.7p
2009	53.7p*

\* Before exceptional tax charge

27.5<sub>p</sub>

*Dividends Per Share*

2011	27.5p
2010	25.0p
2009	21.7p

- Turnover up 2 per cent to £758m
- Profit before tax up 8 per cent at £47.1m
- Increase of 7 per cent in earnings per share to 74.5p
- Dividend up 10 per cent to 27.5p per share



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# chairman's statement

*Martin Davey - Chairman*

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*Cranswick's performance in the past year was particularly pleasing and continued the Company's record of unbroken growth with increases in both sales and profitability. This generated the funds for further investment in the Company's asset base to improve efficiency and to provide the production capacity required to maintain growth in the years ahead.*

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## *Results*

Underlying sales rose 4 per cent in the year on volumes that were 6 per cent higher although sales in the final quarter of the year were flat reflecting the difficulties facing UK consumers. The Deeside cooked meat business was transferred into the Farmers Boy (Deeside) associate "FBD" in July 2010 and from this date onwards sales are excluded from Group total sales which for the full year were 2 per cent higher than last year at £758 million.

The operating margin was slightly ahead of last year and after a financing cost of £1.6 million and the Company's share of the FBD result, profit before taxation was 8 per cent higher than last year at £47.1 million. The financing cost was lower than a year ago which was attributable to the strong cash flow of the business notwithstanding the investment made in the asset base. Earnings per share at 74.5 pence were 7 per cent higher than the 69.7 pence per share achieved last year.

The outcome at FBD was after absorbing costs associated with the set-up, reorganisation and factory extension. Other capital projects undertaken in the Group over the past year include the abattoir development in fresh pork, the expansion of the air-dried bacon facility at Sherburn and investment in sausage production in Norfolk.

The borrowings of the business are conservatively structured and the Company has recently put in place a new four year bank facility which provides appropriate headroom going forward. Interest costs were covered 30 times compared to 21 times a year ago and at the year-end net debt was lower at £48.3 million.

There is further information on trading and finance in the reviews by the Chief Executive and Finance Director which follow.

## *Dividend*

The Board is proposing an increase in the final dividend of 10 per cent to 18.7 pence per ordinary share. Along with the interim dividend of 8.8 pence per ordinary share paid in January 2011 this makes a total for the year of 27.5 pence per ordinary share, an increase of 10 per cent on last year's 25 pence. The final dividend, if approved by Shareholders, will be paid on 2 September 2011 to Shareholders on the register at the close of business on 1 July 2011. Shares will go ex-dividend on 29 June 2011. Shareholders will again have the option to receive the dividend by way of scrip issue.

## *Board*

A number of executive appointments have been made in recognition of the important roles played in developing the business to where it is today and in acknowledging the roles to be played in continuing to drive the business forward over the years ahead.

Today it is being announced that Adam Couch has been appointed Chief Operating Officer. Adam joined the operational side of the fresh pork business in 1991 after leaving university in Hull. He was appointed to the Board in 2003 and is currently managing director of the fresh pork activity.

Jim Brisby was appointed to the Board as Sales and Marketing Director during the year. Jim joined Cranswick 16 years ago after graduating and was subsequently appointed sales and marketing director of Cranswick Country Foods in 2004 and has been an integral part of the team that has grown the business over the years.

In addition a number of internal appointments have been made to the boards of the product focused teams throughout the business.

## Staff

The successful development of the business over the years would not have been possible without the expertise and commitment of the management teams and their colleagues throughout the business and on behalf of the Board I express our sincere thanks and appreciation for their contribution.

## Compliance with the UK Corporate Governance Code

A statement relating to compliance with the Code is included in the Corporate Governance Statement on page 32.

## Outlook

This has been a very positive year for Cranswick. Record levels of sales and profitability have been achieved and substantial investment has been made in the asset base to improve efficiency and to provide the capacity for continued growth. That said, the difficulties facing the UK consumer, along with rising raw material prices and the dynamics of the competitive market in which the Company operates suggests that the year to 31 March 2012 may be more demanding than usual. However, the Board anticipates that with the Company's well invested asset base, strong range of products, experienced management team and robust financial position it is well positioned to continue the successful long-term development of the Company.

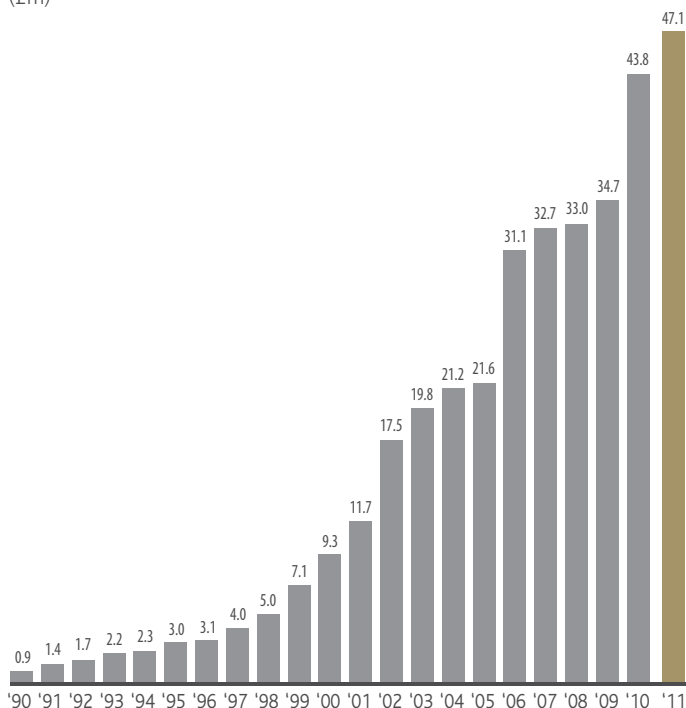
**Martin Davey**  
Chairman

16 May 2011

## Profit Before Tax

1990-2011

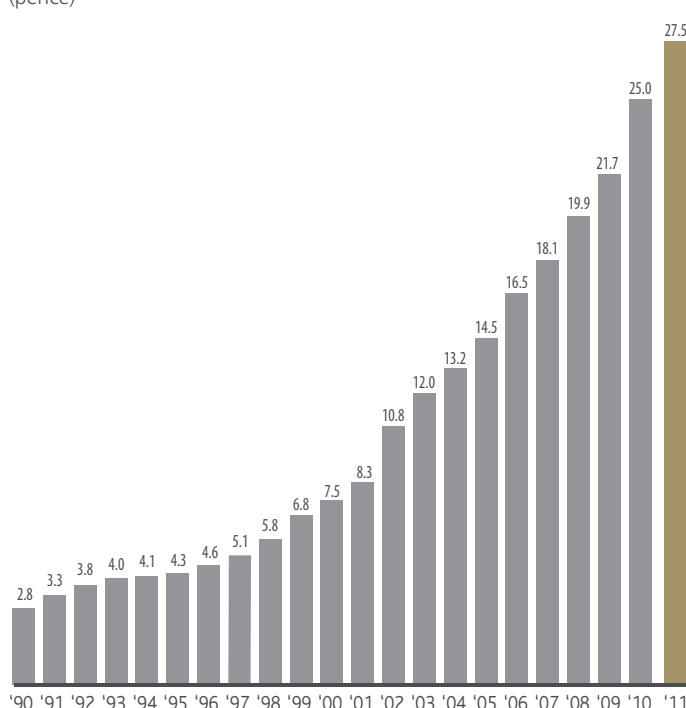
(£m)



## Dividend Per Share

1990-2011

(pence)











# review of activities

*Bernard Hoggarth - Chief Executive*

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*It is pleasing to report underlying sales growth of 4 per cent, given the slowdown in consumer food expenditure experienced by the majority of our multiple retailer customers, particularly in the post-Christmas trading period. Total external sales which were ahead 2 per cent at £758 million reflected the transfer of the Deeside cooked meats business to Farmers Boy (Deeside) Limited in July 2010. Internal sales, which include the supply of fresh pork to the further processing sites, for production of bacon, ham and sausages, increased strongly by 10 per cent.*

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There have been several major developments during the year. One of the most interesting is the Group's move into pastry and in particular sausage rolls. These gourmet style, hand crafted sausage rolls will be marketed as both private label products and under the 'Yorkshire Baker' brand. With the product already launched with one customer and a listing agreed with a second, Cranswick has again raised the bar in a new category into which it has entered. This initiative will inevitably lead to the development of a range of pastry based products.

Cranswick is well known as a major private label supplier to the multiple food retailers but during the year a brand marketing manager was appointed to drive the sales of branded products. This new role embraces all brands, whether produced under license, or Cranswick's own. The impact of taking 'Jamie Oliver' products to market, alongside those of 'Weight Watchers', 'Black Farmer', 'Red Lion' and now 'Yorkshire Baker' gives a real focus to this development. The 'Red Lion' brand, launched in October, generated sales of almost £12 million during the year. These sales generated a significant contribution to Red Lion Foods which donates 100 per cent of its post-tax profits to Forces charities and causes. Consumer interest in the 'Red Lion' brand, coupled with the high level of media attention, should drive continued sales growth.

Fresh pork sales from the Group's two primary processing facilities based in East Yorkshire and Norfolk grew strongly with the combined revenues rising by 17 per cent. The major capital project at the Preston site near Hull was completed during the year and capacity has been increased by over 50 per cent. In addition, the introduction of robotics, technology used for the first time in a UK fresh pork facility, has delivered significant efficiency benefits. As part of the plant's on-going development United States Department of Agriculture (USDA) accreditation has been achieved and will allow the export of specific product groups to the USA and enable

the business to take advantage of substantial price differentials compared to those available in Europe.

It is pleasing to report that a growing proportion of our livestock producers are now supplying Cranswick under the terms of 'Freedom Food Farm Accreditation'. This premier welfare standard which is operated and managed by the RSPCA is increasingly recognised by the consumer and now accounts for approximately 40 per cent of the Group's livestock purchases. An ever increasing volume of British pork produced to this standard is required by the UK food retailers to satisfy growing consumer demand. There has been financial pressure on the British pig farming sector, following a significant and sustained rise in the price of feed on the back of higher ingredient prices. Pig prices are currently rising and further increases cannot be ruled out. That said, pork still remains extremely price competitive and much more versatile when compared to other major proteins including beef and lamb.

Bacon sales grew by 17 per cent, maintaining the impressive growth record seen in recent years. The gourmet bacon facility near Leeds completed phase two of its development during the last quarter of the financial year. The site now boasts a totally unique factory for the production of dry-cured, air-dried bacon. The freehold facility now extends to almost 10,000 square metres. Even though the extension and development work continued over the peak Christmas trading period 99 per cent service levels were achieved. Further expenditure is planned in the coming financial year, including investment in additional packing equipment and a new fully automated lardon line. A new retail customer will be added to utilise some of the additional capacity and there are also real opportunities to develop existing customer ranges even further over the coming year.

Sausage sales increased by 7 per cent. The extension to the Lazenby's

production facility was completed in the autumn increasing capacity by 50 per cent and enabling the business to better manage the peak Christmas trading period. Weekly production during the barbecue season and at Christmas can now approach 700 tonnes. During the year investment of £2 million was made in a second sausage production facility at the Group's pork plant in Norfolk providing additional weekly capacity of 200 tonnes. This second facility allows the business to offer a wider range of premium products, target new customers and at the same time be extremely competitive, offering excellent value to the price conscious consumer.

There were several developments in the cooked meat business during the year, not least the transfer of assets of the Deeside facility in North Wales to Farmers Boy (Deeside) Limited, part of the manufacturing division of Wm Morrison Supermarkets PLC. Allowing for this, underlying sales of cooked meats increased by 8 per cent. The business recently entered into a licensing agreement with 'Weight Watchers' to produce cooked meats and other products and has already achieved four separate retail listings in what is an important growth category. There have also been other major business wins across the Group's product categories during the second half of the year, leading to some exceptional growth in the 'Standard Plus' category.

Sales of Continental products were 14 per cent lower following one customer's move to a direct sourcing policy. That said, the customer base for core continental products has been significantly widened during the year and it looks like the record of underlying organic growth is back on track with new customers for cooking ingredients and snacking foods and several new listings with the UK's largest retailer. The majority of the categories under the continental umbrella are in significant growth giving rise to some exciting opportunities as the business moves into the new financial year. A less glamorous, but still important, part of the continental portfolio is corned beef which is sliced and packed at Continental Fine Foods in Manchester. This category has performed extremely well despite being faced with severe raw material shortages during the year. These shortages led to substantial input cost inflation for this product which Cranswick successfully passed on in full to its retail customers. Following investment in olive packing equipment and the on-going development of this category, olive sales increased by a very healthy 28 per cent. Moving forward, the olive category continues to be an area of focus for the business, both into the retail and food service sectors.

Sandwich sales increased by 13 per cent in a competitive sector, where certain manufacturers were not chasing recovery of raw material price inflation. The sandwich business was also more affected by the fuel price increase during the year than other parts of the Group being focused on the food service sector, with direct daily deliveries to many customers.

The airline business continued to grow with both sandwiches and snack foods performing strongly and there was also further growth in the consolidation and picking of products for several airlines, not only for European destinations, but long haul to South America too. Supply to the convenience sector grew as did sandwich supply to the majority of train operators, with the emphasis being on the first class offering. Lower margin business, where price increases could not be achieved, has been exited and at the same time longer term supply agreements have been secured with key customers. The new product development teams are working hard creating specific products for the launch of a new range of 'Red Lion' sandwiches in the summer. The sandwich sector is a very competitive one, but the sandwich business' focus on food service will be the platform for the launch of several new products from other parts of the Group and is an ideal route to market.

In summary, the Group has had several issues to manage during the year; some specific to individual business units, and some of a more general nature. There is no sign that, in the short term, the general economic climate will change for the better, so the business remains focused on meeting the consumer's needs with best value offerings. Whether it is premium quality for dining at home, value meal solutions, or even ham for the sandwich box, Cranswick must remain competitive. There is no doubt that in the categories in which the business operates, it has industry leading facilities following a £100 million capital investment programme over the past 5 years. The Group's product development teams are 'best in class' as the Group's product portfolio clearly demonstrates. With the track record of its teams, the on-going development of and entry into new categories and continued organic growth, Cranswick is in a strong position to meet the challenges which lie ahead.

**Bernard Hoggarth**  
Chief Executive

*16 May 2011*

# bacon

*as it used to taste*

*Chris Battle's passion for traditional bacon being produced to his authentic recipe is as strong today as it was when his family introduced the original hand cured, air-dried method over 100 years ago for a mild taste.*







# group operating and financial review

*Mark Bottomley*  
*Finance Director*

## Nature, objectives and strategies

### *The Group's business*

The Group's operations are focused on the production and supply of food products. The business operates entirely in the UK, although a small proportion of sales are exported. It produces 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. The performance of the business in the year is discussed in the Review of Activities.

### *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 value to Shareholders and other stakeholders:

- 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 it operates, to establish meaningful and long-lasting relationships with its major customers by a combination of product development and high service levels and to invest in quality facilities and the latest equipment to enable it to operate as efficiently as possible. Operational management is given responsibility for developing 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.

## 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, record levels of capital investment and the continuing strong cash generation from operating activities. The trading environment in which the Group operates has remained challenging. The Group has experienced continuing competitor pressure although the efficiencies achieved through on-going capital investment and as extra volumes are put through its factories have mitigated to some extent against those pressures.

### *Revenue*

Reported sales were 2 per cent ahead of last year. The Deeside cooked meats business was transferred into Farmers Boy (Deeside) Limited (FBD) on 9 July 2010 and from this date onwards sales from FBD have been excluded from Group total sales. Adjusting for this and the benefit of a full year contribution from CCF Norfolk compared to nine months in the previous year, underlying like-for-like sales increased by 4 per cent. Sales of fresh pork, which benefited from the additional contribution from CCF Norfolk, increased by 17 per cent. Sausage sales grew by 7 per cent, bacon by 17 per cent and sandwiches by 13 per cent. Sales of charcuterie products

were 14 per cent lower, following the decision by one retail customer to move to a direct sourcing policy. Reported cooked meat sales were 8 per cent lower reflecting the transfer of the Deeside cooked meats business into FBD. Adjusting for this, cooked meats sales were 8 per cent ahead on a comparable basis.

### *Operating profit*

Operating profit at £48.7 million increased by 6 per cent and at 6.4 per cent of sales was 0.2 per cent ahead of the level achieved last year. The increase in operating profit is attributable to a combination of sales growth and improved operational efficiency, particularly at CCF Norfolk where significant improvements have been made in the period since acquisition.

### *Finance costs*

Finance costs of £1.6 million (2010: £2.1 million) were lower than the previous year reflecting the strong cash generation in the year. Interest cover improved from 21.3 times to 30.0 times.

### *Taxation*

The tax charge as a percentage of profit from continuing operations before taxation was 25.0 per cent in the current year and 25.8 per cent in 2010. The standard rate of UK Corporation Tax was 28 per cent for 2011 and 2010. The lower than standard rate of tax in the current year primarily relates to a deferred tax credit of £1.0 million on the transfer of assets from the Deeside cooked meats business to FBD and a further deferred tax credit of £0.7 million following the substantial enactment of the Finance Act 2011 which reduces the Corporation tax rate from 28 per cent to 26 per cent in the year to 31 March 2012.

### *Earnings per share*

Basic earnings per share increased by 7 per cent to 74.5 pence, reflecting the increase in profit before tax and slightly lower effective tax rate, offset by an increase in the average number of shares in issue during the year to 47,408,000 (2010: 46,534,000).

### *Cash flow and net debt*

The Group has continued to generate strong operational cash flows. Cash generated from operating activities was £51.6 million (2010: £32.2 million) reflecting higher Group profit, a reduction in working capital and lower tax payments. The net cash outflow from investing activities of £36.3 million reflects capital additions, net of fixed asset sale proceeds and grants received, of £33.9 million. The previous year's outflow was £11.8 million and comprised of capital additions, net of fixed asset sale proceeds, of £19.9 million together with the net inflow from acquisitions and disposals

of £8.1 million. The £21.9 million of net cash used in financing activities in 2011 is largely due to interest paid of £1.7 million, dividends paid of £10.5 million, loan repayments of £10.0 million and proceeds from issue of share capital of £0.6 million. The prior year cash outflow from financing of £8.4 million was largely due to interest paid of £2.7 million, dividends paid of £8.8 million and proceeds from issue of share capital of £2.9 million. The overall result is a net decrease in cash and cash equivalents of £6.6 million (2010: increase of £12.0 million). Net debt reduced by £6.4 million to £48.3 million (2010: £54.7 million) at the year end, and gearing reduced from 28 per cent to 22 per cent. The Company replaced its existing bank facilities during the year. The new facility runs to July 2015 and comprises a revolving credit facility of £100 million including a committed overdraft facility of £20 million. This unsecured facility provides the business with appropriate headroom going forward.

### *Pensions*

The Group operates a number of defined contribution schemes, whereby contributions are made to schemes operated by major insurance companies. Contributions to these schemes are determined as a percentage of employees' basic salary. CCF Norfolk operates a defined benefit scheme which has been closed to further accrual since 2004. Under International Accounting Standard (IAS) 19, the deficit at 31 March 2011 was £2.9 million (2010: £5.3 million). The present value of funded obligations was £16.5 million (2010: £17.1 million) and the fair value of plan assets was £13.6 million (2010: £11.8 million).

### *Investment in associate*

On 9 July 2010, the principal assets and trade of the Deeside cooked meats facility were transferred to Farmers Boy (Deeside) Limited, a company within the Wm Morrison Supermarkets PLC group, to provide them with a dedicated facility in return for a 49 per cent stake in that company. The transaction gave rise to a profit before tax in the period of £0.3 million, together with an associated deferred tax credit of £1.0 million. The Group's share of the post-tax results of the business in the period to 31 March 2011 was a loss of £0.4 million. Further details are set out in note 15.

### *Capital structure*

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

The Group regards its Shareholders' equity and net debt as its capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the



Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2011 and 31 March 2010.

The Groups capital structure is as follows:

	<b>2011</b>	2010
	<b>£m</b>	£m
Net Debt (note 27)	<b>48.3</b>	54.7
Cranswick plc Shareholders' equity	<b>220.9</b>	193.6
Capital Employed	<b>269.2</b>	248.3

### *Distributions, capital raising and share repurchases*

The proposed final dividend for 2011 together with the interim paid in January 2011 amount to 27.5 pence per share which is 10 per cent higher than the previous year. The increase in the share capital of the Group comprises 105,514 of shares issued relating to share options exercised during the year and 200,554 of shares issued in respect of scrip dividends. There were no share repurchases during the year.

### *Business KPIs*

The Board has assessed that the following KPIs are the most effective measures of progress towards achieving the Group's objectives:

- Underlying sales growth – year on year increase in sales revenue excluding the impact of acquisitions and disposals
- Gross margin – gross profit as a percentage of sales revenue
- Operating margin – operating profit as a percentage of sales revenue
- Free cash flow – cash generated from operations less tax and interest paid

### **Performance against KPI's**

	<b>2011</b>	2010
Underlying sales growth	<b>3.8%</b>	11.2%
Gross margin	<b>13.4%</b>	13.1%
Operating margin	<b>6.4%</b>	6.2%
Free cash flow	<b>£50.0m</b>	£29.6m

The Group has seen sales growth in the underlying business of 3.8 per cent 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. Gross margin was 13.4 per cent of sales compared to 13.1 per cent a year ago reflecting improved operational efficiency across the

business and in particular at CCF Norfolk. Operating margin at 6.4 per cent was 0.2 per cent higher as a result of the revenue growth and efficiency improvements. Principal cash flows are discussed on page 12.

### *Future development*

The Group will continue to seek to increase sales through a combination of product development with existing customers and business gains with new ones. The standard of the Group's 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 over £100 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, share options and a stimulating and challenging working environment. 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

There are a number of potential risks and uncertainties, which could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results. The Group annually carries out a formal exercise to identify and assess the impact of risks on its businesses. The principal risks and uncertainties facing Cranswick and the actions taken to mitigate their impact are set out below:

Risk area	Nature of risk and potential impact	Risk mitigation
<b>Industry risks</b>		
State of economy	A deterioration in the world and, in particular, UK economies may adversely affect the activity levels of consumers and the Group's immediate customers, leading to a fall in demand for the Group's products and ultimately lower profitability and cash flow.	Although Cranswick is unable to influence general economic conditions, the business offers a range of products across premium, standard and value tiers which it is able to flex in response to consumer and market trends.
Competition and customer retention	The Group trades in highly competitive markets which tend to operate without long term contracts. Product innovation and changing consumer trends provide a constant challenge to the future success of the Group and its ability to compete effectively.	The Group 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.
Raw material price fluctuations	The major exposure the Group has to raw material price fluctuations is pig meat, part of which is as a result of currency movements. An increase in raw material input costs may impact Group profitability.	Purchasing of pigs and pig meat is co-ordinated centrally and whilst the Group does not generally seek to hedge against pig price movements because of the downside risk, longer term contracts have been negotiated in certain instances with key pig suppliers.
Environmental matters	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.	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. Further details of these initiatives are set out in the Group's Corporate Social Responsibility report and on the Group's website under the 'Greenthinking' banner.
Food scares and product contamination	As a food producer, Cranswick is subject to industry related risks of contamination of products and/or raw materials. Such an incident may lead to product recall costs, reputational damage and regulatory penalties.	The risk of such events is mitigated by ensuring that all raw materials are traceable to source and that the manufacturing, storage and distribution systems of both Group sites and those of suppliers are continually audited and monitored by experienced and well qualified site based and Group technical teams.

Risk area	Nature of risk and potential impact	Risk mitigation
<b>Operational risks</b>		
Food safety	A breach of food safety legislation or the introduction of more stringent regulations may lead to reputational damage and regulatory penalties including restrictions on operations, damages or fines.	Cranswick conforms to all relevant food safety regulations and adopts best practice across its production facilities.
Business continuity	The Group faces the risk of incidents such as a major fire, which may result in significant and prolonged disruption to its operating facilities and ensuing loss of sales and reduced profitability.	Business continuity plans are in place across the Group's manufacturing facilities and appropriate insurance cover is in place to mitigate any financial loss. Business continuity has been further enhanced by the acquisition of a second pork processing site in Norfolk.
Legislation	Legislation in all the markets the Group serves 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. Failure to comply with existing or new legislation may adversely affect the Group's results.	Cranswick is committed to responding positively to new regulation and ensuring that the Group's views are expressed during consultation exercises.
<b>Human resource risks</b>		
Health & Safety	A breach of health & safety regulations would leave the Group exposed to reputational damage and regulatory penalties.	A dedicated Group health & safety team supported by site based co-ordinators proactively monitor, manage and improve performance. All team members receive continual training to industry approved standards. Quarterly reports on performance against KPIs are issued to site management and the Group Board.
Staff recruitment and retention	The success of the Group is dependent on attracting and retaining high quality senior management and staff.	The Group mitigates the risk associated with loss of key personnel through robust succession planning, strong recruitment processes, effective incentives and retention initiatives and on-going training and development.
<b>Financial risks</b>		
Interest rates, currency, liquidity and credit	The Group is exposed to interest rate risk on borrowings and foreign currency risk on purchases, particularly of charcuterie products. In addition the Group needs access to funding for current business and future growth.	Interest rate and foreign currency risks are managed using effective hedging policies, which are coordinated and controlled by the Group's treasury function. Each business has access to the Group's overdraft facility and bank positions are monitored on a daily basis. All term debt is arranged centrally and appropriate headroom is maintained. Treasury policies are discussed in more detail on page 16.



## 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 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 Group's current policy is to manage its cost of borrowing using a mix of fixed and variable rate debt. Whilst fixed rate interest bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate borrowing means that the Group is exposed to unplanned costs should debt be restructured or repaid early as part of the liquidity management process. In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risk as costs increase if market rates rise. The Group has reduced its borrowings significantly in recent years and at 31 March 2011 gearing had fallen to 22 per cent (2010: 28 per cent). Given this conservative debt structure the Group has not fixed the interest rate on its new facility. The Board will keep this situation under constant review and will fix the interest rate on a proportion of the Group's borrowing at such time as it becomes appropriate to do so. The Group has an existing interest rate swap with three UK banks relating to its previous facilities until December 2011. Whilst this swap is deemed to be an ineffective hedge, it still provides fixed interest cover against a proportion of the Group's current debt. 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. 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. Every attempt is made to resist advance payments to suppliers 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.

### *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 new facility is made up of a revolving credit facility of £100.0 million including a committed overdraft facility of £20.0 million. The Group manages the utilisation of the revolving credit facility through the monitoring of monthly consolidated cash flow projections and the daily borrowings position. The new facility extends the maturity of the Group's available financing to more than four years providing it with reduced liquidity risk and long term funding to meet its objectives. Unutilised facilities at 31 March 2011 were £47.4 million (2010: £54.0 million).

## Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review of Activities. The financial position of the Group, its cash flows, liquidity position and borrowing 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.

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

**Mark Bottomley**  
Finance Director

16 May 2011

# sausages *with bite*

Over the years **Martin Heap** has strived to create the perfect sausage recipe by combining fresh ingredients with choice cuts of fresh pork.

With a desire to offer sausages without compromise the result is quite simply the best sausages you are likely to taste!







# directors

## Executive Directors

### *Martin Davey, Chairman +*

Martin qualified as a chartered accountant with Pannell Kerr Forster. He joined Cranswick and became Finance Director in 1985. He was appointed Chief Executive in 1988 and became Chairman on 26 July 2004.

### *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 in 2004.

### *Adam Couch, Chief Operating Officer*

Adam joined the operational side of the fresh pork business of Cranswick in 1991 after graduating from university in Hull with a finance and accountancy degree. He was appointed a Director in 2003 and Chief Operating Officer on 16 May 2011. He remains Managing Director of the Fresh Pork operations. Adam is also a committee member of the British Pig Executive, a position he has held since 2005.

### *Mark Bottomley, Finance Director*

Mark is a chartered accountant, qualifying with Binder Hamlyn. He joined Cranswick as Group Financial Controller in January 2008 and was appointed Finance Director in June 2009. He has several years' experience in the food production sector where he has held a variety of senior finance roles.

### *Jim Brisby, Sales and Marketing Director*

Jim joined Cranswick 15 years ago from UMIST in Manchester, where he graduated with a degree in business management. In 2004 he was appointed Sales and Marketing Director of Cranswick Country Foods plc, a major subsidiary of Cranswick, and he has been an integral member of the team that has grown the business over the years. He was appointed Sales and Marketing Director on 26 July 2010.

## 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. He is currently Chairman of the Nomination Committee.

### *Steven Esom + ‡ \**

Steven joined Cranswick as a Non-Executive Director on 12 November 2009 and is currently Chairman of the Remuneration Committee. He has held a number of senior positions within the food sector including Executive Director of Food at Marks & Spencer plc which followed 12 years at Waitrose, the last 5 years of which he was Managing Director. Until June 2009 he was a Non-Executive Director of Carphone Warehouse plc. He is currently an Operating Partner of Langholm Capital, Non-Executive Chairman of Bart Spices and a Non-Executive Director of Tyrrells Investments Limited and of the British Retail Consortium.

- |   |                                  |
|---|----------------------------------|
| * | Member of Remuneration Committee |
| ‡ | Member of Audit Committee        |
| + | Member of Nomination Committee   |



# directors' report

*The Directors submit their report and the audited accounts of the Group for the year ended 31 March 2011.*

## *Principal activities, business review and future developments*

The Group's activities during the year were focused on the food sector. 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, Review of Activities and the Group Operating and Financial Review on pages 3 to 16.

## *Results and dividends*

The profit on ordinary activities before taxation was £47.1 million (2010: £43.8 million). After a taxation charge of £11.8 million (2010: £11.3 million), the profit for the year is £35.3 million (2010: £32.6 million). An interim dividend of 8.8 pence per ordinary share was paid on 21 January 2011. The Directors recommend the payment of a final dividend for the year, which is not reflected in these accounts, of 18.7 pence per ordinary share which, together with the interim dividend, represents 27.5 pence per ordinary share, totalling £13.1 million (2010: 25.0 pence per ordinary share, totalling £11.8 million). Subject to approval at the Annual General Meeting, the final dividend will be paid in cash or scrip form on 2 September 2011 to members on the register at the close of business on 1 July 2011. The shares will go ex-dividend on 29 June 2011.

## *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 16.

## *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 Company's Articles of Association provide that 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. The Directors of the Company currently in office are as stated on page 19. Martin Davey, Bernard Hoggarth, Adam Couch, Mark Bottomley, John Worby, Patrick Farnsworth and Steven Esom served for the whole of the year under review. Jim Brisby was appointed Sales and Marketing Director on 26 July 2010. Patrick Farnsworth and Adam Couch retire in accordance with the Articles of Association and, being eligible, each offers himself for re-election. Jim Brisby, who was appointed since the last Annual General Meeting, will stand for election.

Details of the Directors' beneficial interests in the ordinary share capital of the Company are included in the Directors' Remuneration Report on page 40.

## *Major Shareholders*

The Company has been informed of the following significant holdings of voting rights in the 47,636,891 ordinary shares of the Company at 4 May 2011:

	Number of Shares	% of issued share capital
AMVESCAP PLC	14,209,192	29.83
Legal & General Investment Management	2,611,443	5.48
Standard Life Investments	2,535,512	5.32
Jupiter Asset Management	2,351,309	4.94
JPMorgan Asset Management	1,937,148	4.07
Aviva Investors	1,476,271	3.10

## *Share capital structure*

The Company has one class of shares, being ordinary shares of 10 pence each. The authorised, allotted and fully paid up share capital is shown in

note 24. 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 be held on 1 August 2011 to renew these powers.

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

Allot Shares – this gives Directors the authority to allot authorised but unissued shares and maintains the flexibility in respect of the Company's financing arrangements. The nominal value of ordinary shares which the Directors may allot in the period up to the next Annual General Meeting, to be held on 1 August 2011, is limited to £1,579,457 which represented approximately 33 per cent of the issued share capital (excluding treasury shares) as at 28 May 2010. The Directors do not have any present intention of exercising this authority other than in connection with the issue of ordinary shares in respect of the scrip dividend offer and the Company's share option plans. This authority will expire at the end of the Annual General Meeting to be held on 1 August 2011.

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 pursuant to the authority to allot shares mentioned above, and to sell treasury shares for cash, on a pro rata basis to existing Shareholders (but subject to any exclusion or arrangements as the Directors consider necessary or expedient in relation to fractional entitlements, any legal, regulatory or practical problems or costs under the laws or regulations of any overseas territory or the requirements of any regulatory body or stock exchange) and otherwise on a pro rata basis up to an aggregate nominal amount of £236,918, representing 5 per cent of the Company's issued share capital as at 28 May 2010. This authority will expire at the end of the Annual General Meeting to be held on 1 August 2011.

Allot shares and disapply pre-emption rights in connection with a rights issue – this authorises the Directors to allot relevant securities and empowers the Directors to allot equity securities and to sell

treasury shares for cash in connection with a rights issue. This is in addition to the authority to allot shares and the disapplication of pre-emption rights contained in the authorities mentioned above. The nominal value of ordinary shares which the Directors may allot in the period up to the next Annual General Meeting, to be held on 1 August 2011, is limited to £1,579,457 which represented approximately 33 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 28 May 2010. The Directors do not have any present intention of exercising this authority and power. This authority will expire at the end of the Annual General Meeting to be held on 1 August 2011.

To buy own shares – this authority allows the Company to buy its own shares in the market, as permitted under the Articles of Association of the Company, up to a limit of 10 per cent of the Company's issued share capital. The price to be paid for any share must not be less than 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 at the end of the Annual General Meeting to be held on 1 August 2011. The Directors would consider holding any of its own shares that it purchases pursuant to this authority as treasury shares.

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

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

### *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 Group, based on the year-end trade creditors figure and a 365 day year, are 41 days. The average credit taken by our customers on a similar basis is 28 days.

### *Essential Contracts*

It is imperative that Cranswick is able to source its high quality raw materials at the most competitive prices and to this end the Company has numerous

contracts in place for these supplies. While these contracts are collectively essential to the business, no single contract or supplier is critical to the Company's business.

The Company also has strong relationships with certain major retailers to supply them with product.

### *Charitable Donations*

As part of the Group's commitment to the communities in which it operates, contributions totalling £37,000 were made during the year to local charities and community projects.

### *Auditors*

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



### *Directors' statement as to disclosure of information to auditors*

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 19. 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 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 and Bernard Hoggarth.

### *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:

- 1) 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

- 2) at any time within six 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 scope 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

16 May 2011

Company number: 1074383

# time honoured *traditions*

*Richard Woodall's pork, bacon and sausages are produced to time honoured recipes dating back to 1828.*

**Colin Woodall**, the 8th generation of the Woodall family, still has appetite for his top quality air dried hams, bacon and sausages.









# corporate governance statement

*Statement by the Directors on compliance with the provisions of the UK Corporate Governance 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 35 to 40, describes how the Board applies the principles of good governance and best practice as set out in the UK Corporate Governance Code (the 'Code') which can be found on the Financial Reporting Council's website [www.frc.org.uk](http://www.frc.org.uk). A statement of compliance with the Code can be found at the end of this report.

## *The Board*

During the year ended 31 March 2011, the Board consisted of an Executive Chairman, a Chief Executive, two other Executive Directors (until 26 July 2010 after which there were three) and three Non-Executive Directors. All the Non-Executive Directors are deemed to be independent. The Code states that at least half the board, excluding the chairman, should comprise Non-Executive Directors determined by the Board to be independent. The Board is confident that up to 26 July 2010 it had complied with the Code; however, since that date compliance with the Code would require the appointment of a further Non-Executive Director. After careful consideration, the Board has concluded it would be more beneficial at the present time to maintain a relatively small board rather than increase the number of directors. The Board will keep this under review in particular as to the needs and requirements of the business and with diversity in mind.

The Board meets each month 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 Executive who, supported by the Executive Directors and Executive management, implements the Board's strategy and manages 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 considers the Non-Executive Directors to be independent and have accepted the following definition of an independent director:

- Has not been an employee of the Company or Group within the last five years;
- Within the last three years has not had a material business relationship with the Company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Company;
- Has not received additional remuneration from the Company apart from a director's fee, and does not participate in the Company's share option or performance-related pay scheme, or as a member of the Company's pension scheme;
- Has no close family ties with any of the Company's advisors or senior employees;
- Holds no cross-directorships or has no significant links with other directors through involvement in other companies or bodies;
- Does not represent a significant shareholder; and
- Has not served on the board for more than nine years from the date of their first election.

The Board has completed a register relating to potential conflicts of interest with its Directors and confirm that no such conflicts exist. This register will be reviewed annually or at such other time as is deemed 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 evaluated the performance of individual Directors through one-to-one meetings. The Chairman meets with the Non-Executive Directors at least once a year to share his assessment of Executive Board member performance. In addition, the Non-Executive Directors, led by the Senior Independent Director, meet, without the Chairman present, in order to appraise his performance.

The Company's Articles of Association provide that 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. The Board is aware that the Code recommends the re-election of all directors every year which for the Company would be applicable in 2012. The Directors have decided this year to continue with the requirements as stated in the Articles of Association.

Directors' biographies and membership of the various Committees are shown on page 19. The formal terms of reference for the 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 comprised of the three independent Non-Executive Directors chaired by John Worby, the Group's Senior Independent Director, who is a chartered accountant, has considerable recent relevant financial experience and has spent many years in the food industry. It is a requirement of the Code that the Audit Committee should comprise of at least three independent Non-Executive Directors. The Company therefore complies with this requirement.

The Chairman, the Finance Director, who is ultimately responsible for assessing the Group's internal financial controls, and the Group Financial

Controller, together with the external auditors and, when requested, internal audit attend the meetings as appropriate. The Company Secretary also attends the meetings as secretary to the Committee. Both the external auditors and internal audit have the opportunity to access the Committee, without the Executive Directors being present, at any time, and the Committee formally meets with both the external auditors and internal audit independently at least once a year on this basis.

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 financial statements. 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.

### *Internal Control*

The Board of Directors has overall responsibility for the Group's system 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, evaluate and manage business risk (as detailed in the Group Operating and Financial Review on pages 11 to 16); a strong control environment; an information and communication process; a monitoring system and a regular Board review of effectiveness. The Group Finance Director is ultimately responsible for overseeing the Group's internal controls.

During the year the management team 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 the 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.

The Group's interest in its associate is not included in the internal control procedures disclosed above.

### *Financial Reporting*

The Group prepares annual budgets that are agreed by the Board. Operational management are required to report to the Board on a monthly basis on financial performance including trading results, balance sheet, cash flows and related key performance indicators. Forecasts are updated on a half yearly basis together with information on key risk areas. The use of a standard reporting pack by all Group entities ensures that the information is gathered and presented in a consistent way that facilitates the preparation of the consolidated financial statements.

### *Internal Audit*

The Audit Committee considers annually the extent and effectiveness of the work of the internal audit function. The Group's internal audit function comprises of Company employees supported by Grant Thornton, which provides specialist advice and resources where necessary. The role of internal audit is to advise management and to report to the Audit Committee on the extent to which systems of internal control are effective and to provide independent and objective assurance that the processes by which significant risks are identified, assessed and managed are appropriate and effectively applied.



The Audit Committee reviews and approves the annual internal audit plan and receives regular updates on progress in meeting the plan objectives. The internal audit approach is risk based and takes into account the overall Group risk framework, as well as risks specific to individual operations. The plan set out at the beginning of the current year was achieved. Internal audit findings together with responses from management are considered by the Audit Committee and where necessary challenged. Internal audit has direct access to the Chair of the Audit Committee and meets with him and other members of the Audit Committee without Company Executives being present at least once a year.

### *External auditors*

Ernst & Young LLP has been the Company's auditors since 1972 following the take-over of a local Hull based practice. The Audit Committee assesses annually the qualification, expertise, resources and independence of the auditor and the effectiveness of the audit process. The assessment as to the effectiveness is conducted through an external audit questionnaire with senior finance management.

The Audit Committee is also responsible for recommendations for the appointment, reappointment or removal of the external auditors. The Committee reviews the external audit function every four to five years, the last such review being in 2008. 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, executive or management roles or functions, and remuneration consultancy.

Following consideration of these matters at a meeting of the Audit Committee in May 2011, a unanimous recommendation was made to the Board for the reappointment of Ernst & Young LLP as the Company's external auditors to be proposed to Shareholders at the 2011 Annual General Meeting.

### *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 auditors also provided tax advice and were consulted on corporate transactions. Their auditor objectivity and independence was safeguarded through use of a separate tax partner and separate corporate transactions partner.

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

- i) The auditors' procedures for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the Group, other than those in the normal course of business permitted by UK ethical guidance.
- ii) The auditors' policies for the rotation of the lead partner and key audit personnel. The Audit partner changed in 2007 and the senior manager in 2008.
- iii) Adherence by management and the auditor to the Group's policy for the procurement of non-audit services.

### *Remuneration Committee*

The Remuneration Committee comprises the three independent Non-Executive Directors chaired by Steven Esom. It is a requirement of the Code that the Remuneration Committee should consist of at least three independent Non-Executive Directors. The Company therefore complies with this requirement. Martin Davey 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, in consultation with the Chairman, monitors the total individual remuneration



package of senior executives including bonuses, incentive payments and share option and other share awards. 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. This year the review was carried out by AON Hewitt. Details of the Committee's current remuneration policies are given in the Directors' Remuneration Report on pages 35 and 40.

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 of Patrick Farnsworth, the Committee's Chairman since 26 July 2010, Martin Davey, Chairman of the Committee until 26 July 2010, John Worby and Steven Esom. It is a requirement of the Code that a majority of the members of the Nomination Committee should be independent Non-Executive Directors, and the Chairman should be either the Chairman of the Board or a Non-Executive Director. The Company complies with these requirements of the Code.

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, after reviewing the requirements of the Company, recommended the appointment of Jim Brisby as Sales and Marketing Director, as he has been an integral member of the sales team that has grown the business over the last 15 years, and the promotion of Adam Couch to Chief Operating Officer following eight years as an Executive Director and Managing Director of the Fresh Pork operations.

The current Directors seeking re-election at the Annual General Meeting will be Patrick Farnsworth and Adam Couch. Jim Brisby who was appointed since the last Annual General Meeting will stand for election. The Board has set out in the Notice of Annual General Meeting their reasons for supporting the election and re-election of these Directors at the forth coming Annual General Meeting. Their biographical details on page 19 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
<i>Number of meetings</i>	12	4	6	2
Mark Bottomley	12	-	-	-
Jim Brisby (maximum 8)	8	-	-	-
Adam Couch	12	-	-	-
Steven Esom	12	4	6	2
Martin Davey	12	-	-	2
Bernard Hoggarth	12	-	-	-
Patrick Farnsworth	12	3	6	2
John Worby	12	4	6	2

All who were Directors at the time attended the Annual General Meeting.

## *Shareholders*

The Board attaches great importance to maintaining good relationships with all Shareholders who are kept informed of significant Company developments. Presentations are made to analysts and institutional Shareholders on the half year and full year results and to discuss Company direction. Significant matters relating to the trading or development of the business are disseminated to the market by way of Stock Exchange announcements.

The views of Shareholders expressed during meetings with them are communicated by the Chairman to the Board as a whole, and through this process 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 from time to time. 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 from Shareholders at the Annual General Meeting which is also attended by the Chairmen of the Audit, Remuneration and Nominations Committees.

## *Information pursuant to the Takeovers Directive*

The Company has provided the information required under DTR 7.2.6 within the section headed "Change of control" in the Director's report on page 24.

## *Compliance with the UK Corporate Governance Code*

The Directors consider that the Company has, during the year ended 31 March 2011, complied with the requirements of the Code other than as set out below:

- The Company did not comply with Code provision B.1.2 since 26 July 2010 as the number of independent Non-Executive Directors was less than half the Board. This situation is still under review by the Board as stated above.

By order of the Board

**Malcolm Windeatt**  
Company Secretary

*16 May 2011*

# tastes of the continent

*Leonardo and Giuseppe's handmade authentic Italian recipes have been passed down from generation to generation producing new exciting flavour combinations in a time honoured tradition.*







# directors' remuneration report

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## Information not subject to audit

### *Remuneration Committee*

The Remuneration Committee comprises the three Non-Executive Directors chaired by Steven Esom, from 26 July 2010, and prior to that by Patrick Farnsworth. The Executive Chairman attends the meetings in an advisory capacity as requested. The Company Secretary attends the meetings as secretary to the Committee. The Committee determines the remuneration of the Company's Executive Directors and puts forward its recommendations for approval by the Board. It also monitors the remuneration of the Group's senior executives. The remuneration policy is reviewed and benchmarked by external consultants every two to three years and this year AON Hewitt were appointed by the Committee to carry out such a review. AON Hewitt were also retained to review the existing management incentive scheme, their recommendations were discussed by the Remuneration Committee and as a result the scheme was amended as set out in this report. In addition PricewaterhouseCoopers continue to give advice on share option awards. 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 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 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 related elements of remuneration which comprise basic salary, car allowance and benefits are reviewed annually and are effective from 1 May. Benefits principally comprise medical insurance and personal tax and pension advice.

### *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, historical performance and market outlook for the year. A small part of the bonus relates to the achievement of a target performance for the first half of the year where a fixed sum is paid with the remaining element based on a percentage of the results in excess of an annual target. The performance is based solely on the Group's profit before tax, with a sliding scale of targets set around budget performance. The total bonus is capped at 150 per cent of basic salary, however there is a clawback arrangement in place if the need arises. Non-Executive Directors do not participate in the Group's bonus scheme. Incentive payments, car allowance and benefits are not pensionable.

### *Share options and Long Term Incentive Plan*

The basic salary and the bonus scheme are intended as the most significant part of Directors' remuneration; in addition, executive share options (though no options under this scheme have been issued since 2005) and the Long Term Incentive Plan (LTIP) 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. Even though both option awards are seen as an important part of rewarding employees the Remuneration Committee is focusing on using the LTIP rather than the executive option scheme for Executive Directors and senior executives. Options can only be exercised if certain performance criteria are achieved by the Group. Under the LTIP half the shares granted 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 used prior to 2011 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. For future awards the comparator group will be expanded to 14 companies. 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. For the share awards issued prior to 2009, the TSR target allowed 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. For the LTIP share awards issued from 2009 onwards the TSR target was amended so that only 30 per cent of the shares subject to the target are 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. Under the terms of the scheme an award to an individual cannot exceed 100 per cent of that individual's annual salary except in exceptional circumstances when up to 200 per cent of the annual salary is permitted. The Remuneration Committee, which decides whether performance conditions have been met, considers EPS and TSR to be the most appropriate measures of the long term performance of the Group.

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

### *Pensions*

Executive Directors are members of the Group 'money-purchase' pension scheme. Employer contributions are determined by service contracts. In some cases there are payments of pension contributions in lieu of salary and in other cases there are payments of salary in lieu of pension contributions, both at the option of the individual.

### *Service contracts*

The service contracts for Martin Davey 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. These conditions were incorporated into new contracts several years ago, when the Directors changed from contracts which had notice periods of up to three years. The Remuneration Committee's current

policy is not to enter into employment contracts with any element of notice period in excess of one year. Accordingly the other Executive Directors have a one year rolling contract, Adam Couch commencing 1 May 2006, Mark Bottomley from 1 June 2009 and Jim Brisby from 26 July 2010. Two year appointment letters have been issued to Patrick Farnsworth and John Worby from 1 January 2010 and Steven Esom from 12 November 2009. The contracts for Martin Davey and Bernard Hoggarth 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.

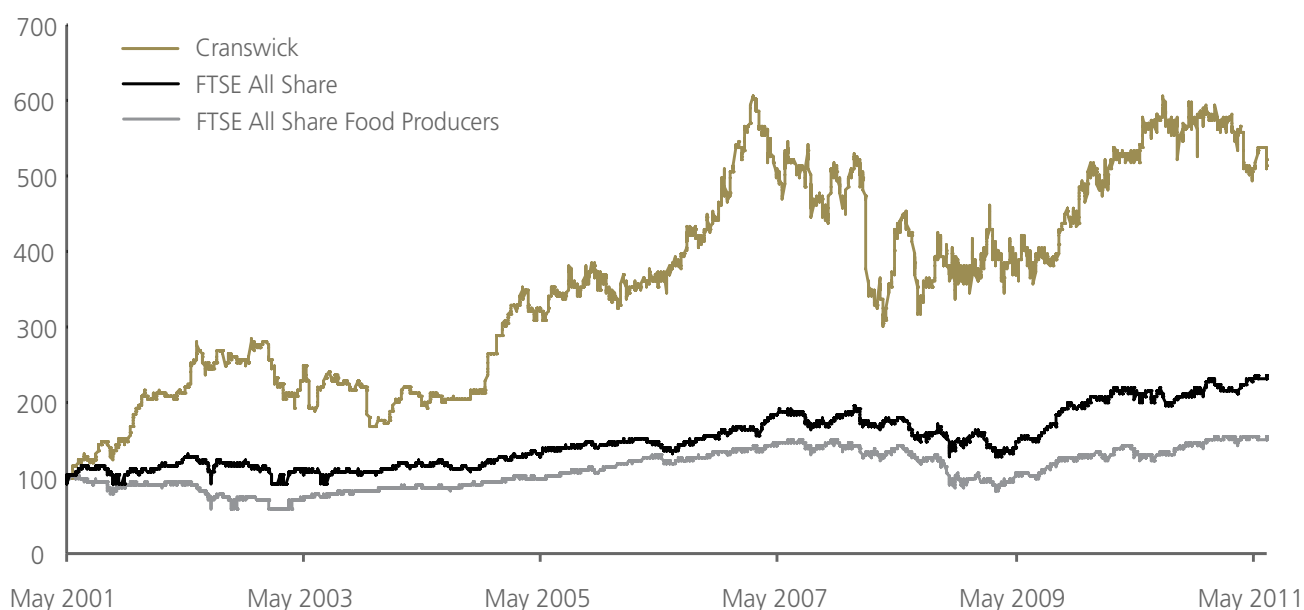
### *Pay and conditions across the Group*

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

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

### Performance graph - Total shareholder return

The graph below shows the percentage change (from a base of 100 in May 2001) in the total shareholder return (with dividends reinvested) for each of the last ten years on a holding of the Company's shares against the corresponding change in a hypothetical holding in the shares of the FTSE 350 Food Producers and Processors Price Index ("FTSE FPP") and the FTSE All Share Index ("FTSE All Share"). The FTSE FPP and the FTSE All Share were chosen as representative benchmarks of the sector and the market as a whole for the business.



Source: Investec

## Information subject to audit

### Directors' remuneration

The remuneration of Directors for the year, which includes recent Board appointments, was as follows:

	2011	2010
	£'000	£'000
Salary and fees	2,122	1,817
Bonuses	390	2,258
Benefits	16	20
Payment in lieu of pension contribution	-	77
	<b>2,528</b>	4,172
Pension contribution	386	345
	<b>2,914</b>	4,517
Aggregate notional gains made by Directors on exercise of options	544	562

*Individual Directors' remuneration, including pension contributions:*

	Salary and fees £'000	Bonus £'000	Benefits £'000	<b>Total 2011 £'000</b>	Total 2010 £'000	<b>Pension 2011 £'000</b>	Pension 2010 £'000
<b>Non-Executive Directors:</b>							
Steven Esom (2010 from appointment)	37	-	-	<b>37</b>	12	-	-
Patrick Farnsworth	39	-	-	<b>39</b>	37	-	-
John Worby	44	-	-	<b>44</b>	42	-	-
<b>Executive Directors:</b>							
Derek Black (2010 to resignation)	-	-	-	-	28	-	5
Mark Bottomley (2010 from appointment)	278	72	4	<b>354</b>	341	<b>65</b>	40
Jim Brisby (from appointment)	175	-	1	<b>176</b>	-	<b>24</b>	-
Adam Couch	396	107	3	<b>506</b>	932	<b>75</b>	72
Martin Davey	646	107	4	<b>757</b>	1,529	<b>125</b>	120
Bernard Hoggarth	504	107	4	<b>615</b>	1,193	<b>97</b>	93
John Lindop (2010 to resignation)	-	-	-	-	58	-	15

Benefits principally comprise medical insurance and personal tax and pension advice.

The number of Directors who were active members of the money purchase pension scheme during the year was 5 (2010: 6).





## Share options

The Group operates an executive share option scheme (no options currently in issue) and a long term incentive plan for senior executives, including Executive Directors, and a savings related share option scheme which is available to all employees with at least 2 years service. The interests of the Executive Directors in these schemes were as follows:

### Long term incentive plan

	Year of award	At 1 April 2010 or on appointment No.	Granted in the year No.	Exercised in the year No.	Lapsed in the year No.	At 31 March 2011 No.	Exercise price p	Market price at grant p
Mark Bottomley	2009	13,200	-	-	-	<b>13,200</b>	Nil	592
	2010	-	25,000	-	-	<b>25,000</b>	Nil	860
Jim Brisby	2008	5,000	-	-	-	<b>5,000</b>	Nil	632
	2009	6,600	-	-	-	<b>6,600</b>	Nil	592
	2010	-	13,200	-	-	<b>13,200</b>	Nil	860
Adam Couch	2007	25,000	-	21,250	3,750	-	Nil	847
	2008	25,000	-	-	-	<b>25,000</b>	Nil	632
	2009	32,500	-	-	-	<b>32,500</b>	Nil	592
	2010	-	36,000	-	-	<b>36,000</b>	Nil	860
Martin Davey	2007	25,000	-	21,250	3,750	-	Nil	847
	2008	25,000	-	-	-	<b>25,000</b>	Nil	632
	2009	32,500	-	-	-	<b>32,500</b>	Nil	592
	2010	-	36,000	-	-	<b>36,000</b>	Nil	860
Bernard Hoggarth	2007	25,000	-	21,250	3,750	-	Nil	847
	2008	25,000	-	-	-	<b>25,000</b>	Nil	632
	2009	32,500	-	-	-	<b>32,500</b>	Nil	592
	2010	-	36,000	-	-	<b>36,000</b>	Nil	860

The performance periods commence on 1 April in each year and conclude on 31 March three years later and are exercisable on the attainment of certain performance criteria detailed on pages 35 and 36. The range of exercise dates are 1 June 2011 to 23 June 2020.

The options granted in the year are exercisable between 1 June 2013 and 23 June 2020. The share price at the time of issue was 860p.

The following Directors exercised LTIP share options during the year:

	Number	Date exercised	Exercise price p	Market price p	Notional gain £'000
Adam Couch	21,250	28 June 2010	Nil	854	<b>181</b>
Martin Davey	21,250	28 June 2010	Nil	854	<b>181</b>
Bernard Hoggarth	21,250	28 June 2010	Nil	854	<b>181</b>

### *Savings related share option scheme*

	At 1 April 2010 or on appointment No.	Granted in the year No.	Exercised in the year No.	Lapsed in the year No.	<b>At 31 March 2011 No.</b>	Weighted average exercise price p	Range of exercise dates
Mark Bottomley	-	2,200	-	-	<b>2,200</b>	692	1 Mar 2016 / 1 Sept 2016
Jim Brisby	3,533	-	-	-	<b>3,533</b>	474	1 Mar 2014 / 1 Sept 2014
Adam Couch	3,761	-	-	-	<b>3,761</b>	473	1 Mar 2013 / 1 Sept 2016
Martin Davey	2,025	-	-	-	<b>2,025</b>	474	1 Mar 2012 / 1 Sept 2012
Bernard Hoggarth	2,025	-	-	-	<b>2,025</b>	474	1 Mar 2012 / 1 Sept 2012

The Executive Directors are eligible, as are other employees of the Group, to participate in the SAYE scheme, which by its nature does not have performance conditions. No savings related share options were exercised by Executive Directors during the year.

### *Market price of shares*

The market price of the Company's shares at 31 March 2011 was 830 pence per share. The highest and lowest market prices during the year for each share option that was unexpired at the end of the year are as follows:

	Highest (pence)	Lowest (pence)
Options in issue throughout the year	907	784
Options issued during the year		
- SAYE	882	792
- LTIP	907	784

### *Director's Beneficial Interests (unaudited)*

	<b>At 31 March 2011</b>	At 31 March 2010 (or on appointment)
	<b>Ordinary Shares</b>	Ordinary Shares
Jim Brisby	<b>27,860</b>	27,169
Adam Couch	<b>66,079</b>	64,136
Martin Davey	<b>200,426</b>	200,426
Patrick Farnsworth	<b>1,196</b>	1,161
Bernard Hoggarth	<b>112,388</b>	112,388
John Worby	<b>1,641</b>	1,641

All the above interests are beneficial.

There have been no further changes to the above interests in the period from 1 April 2011 to 6 May 2011.

On behalf of the Board

**Steven Esom**

Chairman of the Remuneration Committee

16 May 2011

# *a real taste of* **Yorkshire**

Great food, handmade  
in Yorkshire to produce  
mouthwatering sausage rolls  
and pastries, handcrafted by  
**Gill Ridgard**, the Yorkshire  
Baker.

Utilising all butter puff pastry  
filled with prime cuts of  
fresh meat, fresh herbs and  
vegetables.

Good wholesome Yorkshire  
cooking, baked to perfection.







# corporate social responsibility statement

*Cranswick takes its ethical responsibilities to employees, customers, shareholders, suppliers, producers and the environment very seriously. The Company recognises that a balanced and committed approach to all aspects of Corporate Social Responsibility ('CSR') will bring benefits to each of the Company stakeholders and will strengthen its business position and credentials to facilitate future sustainable growth and development.*

## People

The Company is committed to the highest standards of responsible behaviour, dignity and integrity in its relationships with fellow employees, customers, business partners and authorities and in so doing endorse the principals of the Ethical Trading Initiative ('ETI').

The Company will respect the rights and dignity of every employee and treat them fairly and without discrimination regardless of their employment status and in line with the Group's Equal Opportunities policies.

The Company recognises that the people that are employed either on a temporary or permanent basis are the biggest asset to the Group. The Company will therefore strive to ensure that the standards detailed above are implemented throughout the business and at all levels.

The Company believes in team working and the sharing of knowledge throughout the organisation, communication is key to the development and progression of the business.

To every extent possible work performed on behalf of the Company shall be based on a recognised employment relationship established in accordance with national law and recognised business practice.

Cranswick is committed to high Health & Safety standards which are endorsed by the Board of Directors. It is committed to yearly improvements and to work in partnership with staff and insurers to improve safety standards through training and effective management.

The team is led by the Group Health & Safety Manager, with the assistance

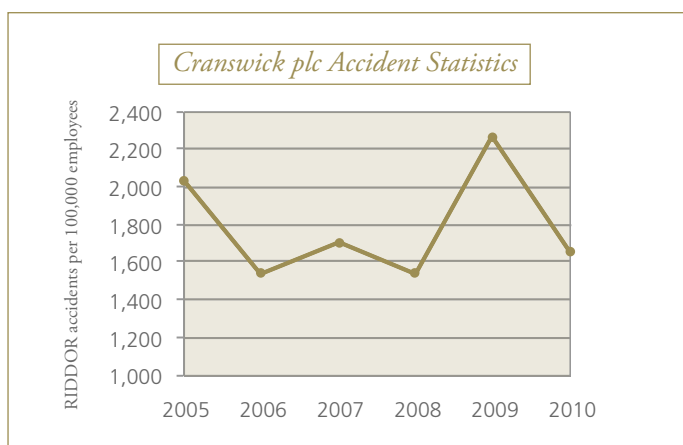
of two Group Co-ordinators. These are supported at every site by a dedicated Site Co-ordinator, to monitor, manage and improve Health & Safety performance in a pro-active fashion. All these individuals are trained to 'NEBOSHH' (National Examination Board in Occupational Safety and Health) standards.

Monthly accident statistics are reported and monitored using the Company's insurer's web based recording system which has been expanded this year to provide full Health & Safety management, including risk assessments, claims management and audits. A tracker is included which prompts the introduction of appropriate control measures to reduce the likelihood of recurrence. Quarterly reports are made to the Board detailing accident and claims statistics and trends. The figures are compiled monthly and reported on for the 2010 calendar year for the purpose of this report.

All sites carry out accident investigations using the web based system allowing easy visibility and monitoring. Compared to the previous year:

- The total number of recorded accidents in the Group was 14 per cent\* lower.
- The Accident Incident Ratio (accident against number of employees) reduced by 19 per cent\*.
- The total number of 'RIDDOR' (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) accidents was 23 per cent\* lower.
- The Accident Incident Ratio (RIDDOR's against number of employees) was 27 per cent\* lower.

These reductions can be attributed to improved working environments, investment in training and effective site Health & Safety team management.



Reported statistics this year include the Norfolk site for the first time. This was acquired in 2009, and the peak in the figures above reflects the additional accident numbers attributed to this large site. The subsequent reduction shown in the 2010 figures reflects the benefit of the Cranswick standards introduced to the site and levels are falling to those reported for the Group before the acquisition. Accident levels have fallen across the Group reflecting the reduction in incident levels, particularly those of reportable accidents under RIDDOR.

Total reportable accidents, at 1,645 per 100,000 employees (a Health & Safety Executive standard measure) are above the average for the Food and Drinks Industry (1,404 in 2010) reflecting the additional cut hazards inherent in butchery operations.

The Company is committed to accredit all operating sites to meet the British Standard 18001 (Occupational Health & Safety Management Systems) and in year two of the three year project, this is progressing to plan, with five of the nine sites accredited to date. Yearly internal Health & Safety audits are carried out to measure the standards at each site and to produce an action plan for the following 12 months. All sites have continued to improve their audit percentage score in 2010 from the previous year. The Group's insurers carry out annual external Health & Safety audits in which Cranswick has achieved results comparable to the industry leaders.

Training is provided to all full time employees and any temporary or agency workers. All undertake a full Health & Safety induction course, together with training in Manual Handling, Fire and First Aid regulations. The Company provides in-house courses including Accident Investigation, Risk Assessment, and Manual Handling and source other training requirements externally. Staff training has been enhanced by the commissioning and production of a Cranswick Health & Safety DVD. This has been a major project, but it will benefit the pro-active approach to Health & Safety

throughout the Group and demonstrate the Directors' commitment to increasing high standards of Safety.

The Group companies each have their own strategies for the recruitment and training of staff, including the provision of competitive terms and conditions within a challenging and stimulating working environment. Over the last year a working forum has been established to look at CSR across the Group to facilitate the recognition of best practice and shared learning leading to the development of a Group Corporate Responsibility Policy which clearly defines Cranswick's core values and aspirations. A Group Policy on Equal Opportunities confirms the Company's commitment to being an employer that will take all reasonable steps to employ, train and promote employees on the basis of their experience, abilities and qualifications without regard to race, colour, ethnic origin, nationality, religion, sex, sexual orientation, marital status, age or disability. The Company will ensure that all of its employees are treated with respect and dignity, and that harassment, in any form, will not be condoned.

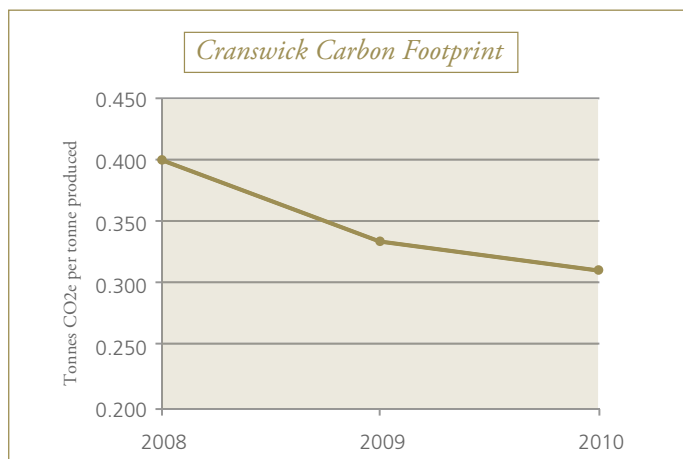
By the end of 2011 all Group companies will have undertaken an ethical audit carried out by an independent third party service provider. Those sites which have already gone through this process have demonstrated a high level of compliance with the ETI base code, where non-conformance has been highlighted these issues have been addressed. The Company has also implemented its own programme of internal ethical audits so that it can proactively deal with any non-conformance that may arise.

All labour supplying agencies are audited before use and re-audited on a scheduled basis to assess ongoing compliance with the Gangmasters (Licensing) Act 2004, and details of the Companies ethical standards are communicated to its stakeholders via 'SEDEX' (Supplier Ethical Data Exchange), a facility designed to link the full supply chain in an open and transparent manner. The Company is actively reviewing Group companies' terms and conditions of employment to ensure that they are fully compliant with the Agency Workers Directive which comes onto the statute book in October 2011.

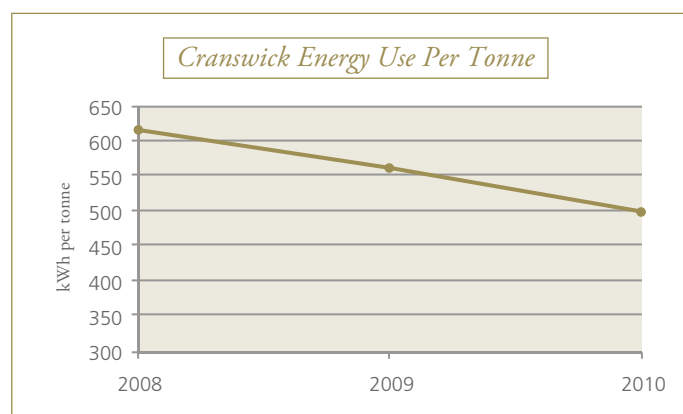
### *Impact on the Environment*

In 2008 the Group committed to a programme of steps to reduce its relative carbon footprint by 20 per cent by the end of the 2011 financial year. The Group Carbon footprint envelope includes all factory activities (energy, f-gas, travel and waste) and all Group owned transport activities. Statistics are collated monthly and the footprint calculated using Carbon Trust software, reported at the half and full calendar year to the Board.

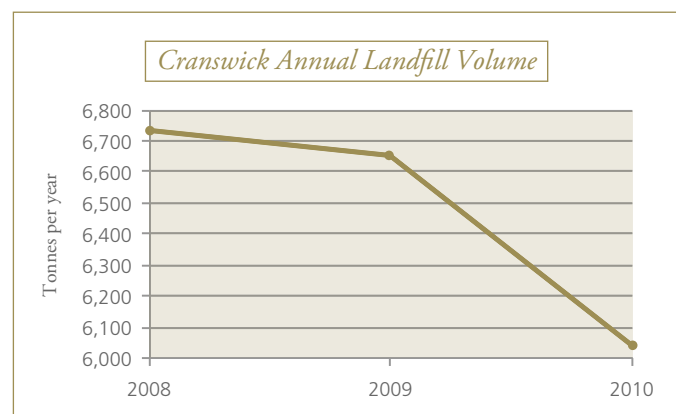
Improved production efficiencies, better plant utilisation and energy management have all contributed to meeting this target – the reduction from 0.4 tonnes CO<sub>2</sub>e per tonne of production in 2008 to 0.32 last year is a 20 per cent\* reduction.



Energy contributes significantly to the overall carbon footprint, and whilst overall usage has increased with the size of the business, the energy used per tonne of production has fallen by 19 per cent\* on the 2008 base year. Options to improve this performance are being actively investigated, with potential for the use of Combined Heat and Power ('CHP') on several of the larger sites. The Group is registered for the Carbon Reduction Commitment ('CRC'), but since all the bigger sites operate under Climate Control Agreements, the impact of the CRC will be confined to an additional bureaucratic burden. Reduction in the Group's energy footprint is a commercial necessity as well as an environmental one.



Waste to landfill has also started to reduce over the period. The ratio of landfill tonnage compared to production volume has fallen by 37 per cent despite production volumes increasing by over 40 per cent\*. Increased recycling, waste to energy and anaerobic digestion have all contributed to this with cardboard recycling up by 85 per cent over the three years to 1,520 tonnes, and plastic recycling from virtually nil in 2008 to 150 tonnes this year. Contamination with meat waste is a barrier to increasing these figures, but alternatives are being sought.



Water usage continues to be monitored and reported under the FHC2020 agreement. Along with energy use and carbon footprint, this will become an operational KPI as the Group enters the next phase of its environmental commitment. Process water usage per tonne of production has fallen by around 10 per cent over the last three years.

Customer focus on the environment and sustainability has grown and the Group's environmental aspirations are being realigned to meet the common goals which it shares with them. The environmental section 'Greenthinking' of the Group website [www.cranswick.co.uk](http://www.cranswick.co.uk), will be updated to reflect these targets and report on them.

The Group continues to participate in the Carbon Disclosure Project and the Forest Footprint Project.

### *Products and Raw Materials*

Cranswick is committed to ensuring that the raw materials used (meat, ingredients and packaging) are traceable to source and where raw materials are identity preserved; the supplier will be challenged to prove their traceability systems to the Company's satisfaction. The approval of raw material suppliers is centrally controlled and involves independent third party audit or approval by the Group Technical Services team.

Cranswick's development has been focussed on the British pig market and the Group has always been a staunch supporter of British farming. The acquisition of CCF Norfolk strengthened the Company's position in the British pig market. 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 bulk of the Group's contracted pigs are sourced from within Yorkshire, Lincolnshire and East Anglia which are recognised as being some of the best pig breeding areas in the UK. Proximity to the Group's two abattoirs is important in good animal welfare and the reduction of food miles – 39 per cent\* of the supplying farms lie within 25 miles of Cranswick's pork processing units in Hull and Norfolk, and 77 per cent\* within 50 miles. All hauliers are members of independently audited and certified welfare assurance schemes.

### *Suppliers and Producers*

The Company believes that integrity and trust in its dealings with suppliers and producers is essential in building long term supply relationships which will ultimately benefit its products, and will always articulate expectations and requirements prior to supply.

Cranswick will work with its business partners to establish and maintain social and environmental compliance standards throughout the supply chain. 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.

### *Customers and Consumers*

Cranswick is committed to a policy of working with its retail customers to ensure clear informative labelling of product so that consumers can make an informed purchase decision based on the origin, authenticity, provenance and nutritional values of the foods the Group produces.

Food safety will always be of paramount importance and well qualified and experienced technical teams are in place at site level which are centrally co-ordinated across the Group to share best practice and ensure that all products and processes meet the increasing demands of customers.

As a food company Cranswick recognises its responsibilities to create and produce products which are safe, legal and wholesome. The food production sites are of modern design and well invested and operate to a high standard of food safety, process control, hygiene and housekeeping. All the sites are independently audited annually against the British Retail Consortium ('BRC') Global Standard for Food Safety and have just achieved the 50th consecutive Grade A compliance against this exacting standard which is recognised as a performance benchmark for the industry. The





customer base is heavily focused on the major UK Retailers, Restaurant Groups and Food Service Companies. In addition raw materials are supplied to other food producers. The sites and their food safety and quality management systems are constantly assessed by customers for compliance with their own specific policies.

The Company also has in place a robust system of internal audits to ensure that sites continue to operate in compliance with the standards expected by customers, third party auditing bodies and enforcement authorities. This system is a key driver in maintaining the excellent record of compliance.

Business continuity depends on the effective management of crisis situations. Each of the sites has a crisis management team in place which is centrally coordinated and guided by the Group's crisis management procedures. To ensure that these procedures remain robust, a simulated crisis event is staged annually utilising the expertise of a specialist crisis management company, with all outcomes and learning shared across the Group.

## *Community*

All sites are encouraged to participate in charitable activities including sponsored marathons, cycle rides and other fund raising activities. Overall, some 74 per cent\* of employees live within 10 miles of their place of work, so local involvement particularly in rural locations can be very beneficial.

As part of the Group's commitment to the communities in which it operates, contributions totalling £37,000 were made during the year to local charities and community projects.

When sites undergo development and expansion there is always a consideration of environmental and community impact. The redevelopment of the Hull pork processing facility has been designed to reduce odour and noise and incorporates systems for additional heat recovery and reduced water usage. New roads have been put in to relieve traffic flow into the outskirts of the village and acres of trees have been planted to reduce the visual impact of the site. Improvements to the drainage systems at the Norfolk site have been made to reduce the danger of contamination to local water courses.

## *Summary*

The Group continued to make real progress towards all targets during the year. The 'Greenthinking' programme and other Group wide initiatives are delivering tangible reductions in energy, water and waste usage which will

benefit the environment and the local communities in which the Group operates. The Company will continue to focus on employee welfare through training programmes, Health and Safety initiatives and by ensuring that the facilities in which they operate are maintained to the highest standards.

By order of the Board

**Malcolm Windeatt**  
Company Secretary

*16 May 2011*

\*These figures have been subject to review by internal audit.



# statement of directors' responsibilities in relation to the financial statements

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

The Directors confirm to the best of their knowledge:

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

Under Company Law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position and the cash flows of the Company and of the Group and the financial performance of the Group for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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 Group's financial position and financial performance;
- state that the Company and the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and

- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

**Martin Davey**  
Chairman

**Mark Bottomley**  
Finance Director

*16 May 2011*

# report of the auditors

*to the members of Cranswick plc*

## *Independent auditor's report to the members of Cranswick plc*

We have audited the financial statements of Cranswick plc for the year ended 31 March 2011 which comprise the Group Income Statement, the Group and Company Statements of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Cash Flows, the Group and Company Statements of Changes in Equity and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor*

As explained more fully in the Directors' Responsibilities Statement set out on page 49, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## *Scope of the audit of the financial statements*

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## *Opinion on financial statements*

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.



### *Opinion on other matters prescribed by the Companies Act 2006*

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 27 to 32 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

### *Matters on which we are required to report by exception*

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain Disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

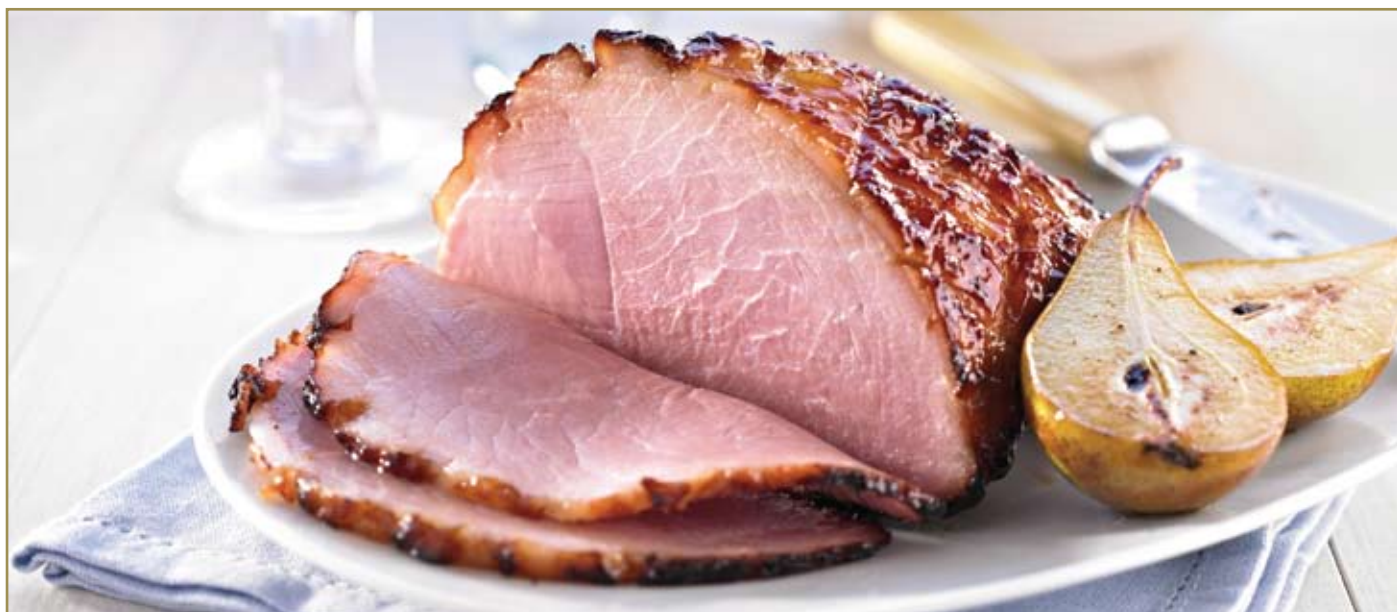
Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 16, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to Shareholders by the Board on Directors' remuneration.

**Stuart Watson**  
Senior Statutory Auditor

for and on behalf of Ernst & Young LLP, Statutory Auditor

*Hull, 16 May 2011*



## Group income statement

for the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
<b>Revenue</b>	3	<b>758,442</b>	740,338
Cost of sales		( 657,166 )	( 643,535 )
<b>Gross profit</b>		<b>101,276</b>	96,803
Operating expenses	4	( 52,125 )	( 50,895 )
Share of results of associate	15	( 434 )	-
<b>Operating profit from continuing operations</b>	3, 4	<b>48,717</b>	45,908
Finance revenue	6	106	48
Finance costs	6	( 1,729 )	( 2,204 )
<b>Profit from continuing operations before tax</b>		<b>47,094</b>	43,752
Taxation	7	( 11,768 )	( 11,295 )
<b>Profit for the year from continuing operations</b>		<b>35,326</b>	32,457
<b>Discontinued operations:</b>			
Profit for the year from discontinued operations	8	-	125
<b>Profit for the year attributable to owners of the parent</b>		<b>35,326</b>	32,582
<b>Earnings per share (pence)</b>			
<b>From continuing operations:</b>			
Basic	11	74.5p	69.7p
Diluted	11	74.3p	69.6p
<b>On profit for the year:</b>			
Basic	11	74.5p	70.0p
Diluted	11	74.3p	69.8p

### *Group statement of comprehensive income*

for the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
<b>Profit for the year</b>		<b>35,326</b>	32,582
<b>Other comprehensive income</b>			
Movement on hedging items:			
Gains arising in the year	19	22	186
Reclassification adjustment for losses/ (gains) included in the income statement	19	248	( 573 )
Exchange differences on retranslation of foreign operations		-	24
Actuarial gains/ (losses) on defined benefit pension scheme	26	624	( 87 )
Deferred tax relating to components of other comprehensive income		( 234 )	132
<b>Other comprehensive income for the year, net of tax</b>		<b>660</b>	( 318 )
<b>Total comprehensive income for the year attributable to owners of the parent</b>		<b>35,986</b>	32,264

### *Company statement of comprehensive income*

for the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
<b>Profit for the year</b>		<b>15,924</b>	13,705
<b>Other comprehensive income</b>			
Movement on hedging items:			
Losses arising in the year	19	( 124 )	( 77 )
Reclassification adjustment for losses/ (gains) included in the income statement	19	511	( 434 )
Deferred tax relating to components of other comprehensive income		( 108 )	143
<b>Other comprehensive income for the year, net of tax</b>		<b>279</b>	( 368 )
<b>Total comprehensive income for the year attributable to owners of the parent</b>		<b>16,203</b>	13,337

## Group balance sheet

at 31 March 2011

	Notes	2011 £'000	2010 £'000
<b>Non-current assets</b>			
Goodwill	12	127,763	128,739
Property, plant and equipment	13	123,262	106,137
Investment in associate	15	5,791	-
Financial assets	19	4,722	1,500
<b>Total non-current assets</b>		<b>261,538</b>	<b>236,376</b>
<b>Current assets</b>			
Inventories	17	35,694	35,960
Trade and other receivables	18	78,665	84,066
Financial assets	19	496	263
Cash and short-term deposits	27	1,302	5,922
<b>Total current assets</b>		<b>116,157</b>	<b>126,211</b>
<b>Total assets</b>		<b>377,695</b>	<b>362,587</b>
<b>Current liabilities</b>			
Trade and other payables	20	( 84,941 )	( 86,745 )
Financial liabilities	21	( 4,356 )	( 12,487 )
Income tax payable		( 5,954 )	( 3,509 )
Provisions	22	( 59 )	( 149 )
<b>Total current liabilities</b>		<b>( 95,310 )</b>	<b>( 102,890 )</b>
<b>Non-current liabilities</b>			
Other payables	20	( 354 )	( 82 )
Financial liabilities	21	( 49,286 )	( 49,866 )
Deferred tax liabilities	7	( 8,490 )	( 9,829 )
Provisions	22	( 409 )	( 982 )
Defined benefit pension scheme deficit	26	( 2,914 )	( 5,353 )
<b>Total non-current liabilities</b>		<b>( 61,453 )</b>	<b>( 66,112 )</b>
<b>Total liabilities</b>		<b>( 156,763 )</b>	<b>( 169,002 )</b>
<b>Net assets</b>		<b>220,932</b>	<b>193,585</b>
<b>Equity</b>			
Called-up share capital	24	4,764	4,733
Share premium account		56,609	54,322
Share-based payments		4,102	3,449
Hedging and translation reserves		146	( 124 )
Retained earnings		155,311	131,205
<b>Equity attributable to owners of the parent</b>		<b>220,932</b>	<b>193,585</b>

On behalf of the Board

Martin Davey  
Chairman

16 May 2011

Mark Bottomley  
Finance Director



## Company balance sheet

at 31 March 2011

	Notes	2011 £'000	2010 (Restated) £'000
<b>Non-current assets</b>			
Property, plant and equipment	13	607	1,953
Investments in subsidiary undertakings	14	157,217	156,790
Investment in associate	14	5,911	-
Financial assets	19	1,072	-
Deferred tax assets	7	281	220
<b>Total non-current assets</b>		<b>165,088</b>	<b>158,963</b>
<b>Current assets</b>			
Trade and other receivables	18	11,018	15,423
Cash and short-term deposits	27	1	4,004
<b>Total current assets</b>		<b>11,019</b>	<b>19,427</b>
<b>Total assets</b>		<b>176,107</b>	<b>178,390</b>
<b>Current liabilities</b>			
Trade and other payables	20	( 36,947 )	( 38,084 )
Financial liabilities	21	( 2,902 )	( 10,387 )
Income tax payable		( 844 )	( 902 )
<b>Total current liabilities</b>		<b>( 40,693 )</b>	<b>( 49,373 )</b>
<b>Non-current liabilities</b>			
Financial liabilities	21	( 48,987 )	( 49,530 )
<b>Total liabilities</b>		<b>( 89,680 )</b>	<b>( 98,903 )</b>
<b>Net assets</b>		<b>86,427</b>	<b>79,487</b>
<b>Equity</b>			
Called-up share capital	24	4,764	4,733
Share premium account		56,609	54,322
General reserve		4,000	4,000
Merger reserve		1,806	1,806
Share-based payments		4,102	3,449
Hedging reserve		-	( 387 )
Retained earnings		15,146	11,564
		<b>86,427</b>	<b>79,487</b>

On behalf of the Board

**Martin Davey**  
Chairman

16 May 2011

**Mark Bottomley**  
Finance Director

## Group statement of cash flows

for the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
<b>Operating activities</b>			
Profit for the year		35,326	32,582
<i>Adjustments to reconcile Group profit for the year to net cash inflows from operating activities</i>			
Tax on discontinued operations	7	-	( 95 )
Tax on continuing operations	7	11,768	11,295
Net finance costs		1,623	2,166
Non-cash items on transfer of business to associate	15	( 465 )	-
Fair value adjustment to put option in relation to associate		55	-
Share of result of associate	15	434	-
Gain on sale of property, plant and equipment		( 96 )	( 189 )
Depreciation of property, plant and equipment	13	12,440	11,852
Share-based payments		1,013	510
Difference between pension contributions paid and amounts recognised in the income statement		( 1,815 )	( 512 )
Release of government grants		( 12 )	( 6 )
Decrease/ (increase) in inventories		266	( 5,817 )
Decrease/ (increase) in trade and other receivables		4,858	( 1,954 )
Increase in assets held for sale		-	( 2,589 )
Decrease in trade and other payables		( 3,172 )	( 1,356 )
Cash generated from operations		62,223	45,887
Tax paid		( 10,639 )	( 13,683 )
<b>Net cash from operating activities</b>		<b>51,584</b>	<b>32,204</b>
<b>Cash flows from investing activities</b>			
Interest received		90	48
Reimbursement of consideration paid in prior years	12	-	1,248
Acquisition of subsidiaries	16	-	( 11,233 )
New loans advanced		( 2,500 )	-
Purchase of property, plant and equipment		( 34,759 )	( 20,294 )
Receipt of government grants		350	-
Proceeds from sale of property, plant and equipment		498	376
Proceeds from sale of discontinued operations	8	-	18,067
<b>Net cash used in investing activities</b>		<b>( 36,321 )</b>	<b>( 11,788 )</b>
<b>Cash flows from financing activities</b>			
Interest paid		( 1,683 )	( 2,670 )
Proceeds from issue of share capital		599	2,924
Proceeds from borrowings		50,000	20,000
Repayment of borrowings		( 60,000 )	( 19,762 )
Dividends paid		( 10,508 )	( 8,808 )
Repayment of capital element of finance leases and hire purchase contracts		( 260 )	( 120 )
<b>Net cash used in financing activities</b>		<b>( 21,852 )</b>	<b>( 8,436 )</b>
Net (decrease)/ increase in cash and cash equivalents		( 6,589 )	11,980
Cash and cash equivalents at beginning of year	27	3,966	( 8,038 )
Effect of foreign exchange rates		-	24
<b>Cash and cash equivalents at end of year</b>	27	<b>( 2,623 )</b>	<b>3,966</b>

## Company statement of cash flows

for the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
<b>Operating activities</b>			
Profit for the year		15,924	13,705
<i>Adjustments to reconcile Company profit for the year to net cash inflows from operating activities</i>			
Dividends received		( 10,508 )	( 8,808 )
Taxation		1,596	1,791
Net finance cost		4,303	4,338
Non-cash items on transfer of business to associate	15	( 1,127 )	-
Fair value adjustment to put option in relation to associate		55	-
Depreciation of property, plant and equipment	13	88	105
Share-based payments		226	70
Loss on disposal of investments		-	199
Decrease in trade and other receivables		3,862	7,392
Decrease in trade and other payables		( 6,780 )	( 7,676 )
Cash generated from operations		7,639	11,116
Tax paid		( 2,068 )	( 1,112 )
<b>Net cash from operating activities</b>		<b>5,571</b>	<b>10,004</b>
<b>Cash flows from investing activities</b>			
Reimbursement of consideration paid in prior years	12	-	1,248
Dividends received		10,508	8,808
Purchase of property, plant and equipment		( 23 )	( 97 )
Proceeds from sale of property, plant and equipment		1,280	343
<b>Net cash from investing activities</b>		<b>11,765</b>	<b>10,302</b>
<b>Cash flows from financing activities</b>			
Interest paid		( 4,172 )	( 4,801 )
Proceeds from issue of share capital		599	2,924
Proceeds from borrowings		50,000	20,000
Repayment of borrowings		( 60,000 )	( 19,460 )
Dividends paid		( 10,508 )	( 8,808 )
<b>Net cash used in financing activities</b>		<b>( 24,081 )</b>	<b>( 10,145 )</b>
Net (decrease)/ increase in cash and cash equivalents		( 6,745 )	10,161
Cash and cash equivalents at beginning of year	27	4,004	( 6,157 )
<b>Cash and cash equivalents at end of year</b>	27	<b>( 2,741 )</b>	<b>4,004</b>

## Group statement of changes in equity

for the year ended 31 March 2011

	Share capital	Share premium	Share- based payments	Hedging reserve	Translation reserve	Retained earnings	Total equity
	Note (a)	Note (b)	Note (e)	Note (f)	Note (g)		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	4,646	49,760	2,939	263	( 24 )	108,898	166,482
Profit for the year	-	-	-	-	-	32,582	32,582
Other comprehensive income	-	-	-	( 387 )	24	45	( 318 )
Total comprehensive income	-	-	-	( 387 )	24	32,627	32,264
Share-based payments	-	-	510	-	-	-	510
Scrip dividend	27	1,698	-	-	-	-	1,725
Share options exercised	60	2,864	-	-	-	-	2,924
Dividends	-	-	-	-	-	( 10,533 )	( 10,533 )
Deferred tax related to changes in equity	-	-	-	-	-	78	78
Corporation tax related to changes in equity	-	-	-	-	-	135	135
At 31 March 2010	4,733	54,322	3,449	( 124 )	-	131,205	193,585
Profit for the year	-	-	-	-	-	35,326	35,326
Other comprehensive income	-	-	-	270	-	390	660
Total comprehensive income	-	-	-	270	-	35,716	35,986
Share-based payments	-	-	1,013	-	-	-	1,013
Scrip dividend	20	1,699	-	-	-	-	1,719
Share options exercised	11	588	-	-	-	-	599
Dividends	-	-	-	-	-	( 12,227 )	( 12,227 )
Transfers between categories	-	-	( 360 )	-	-	360	-
Deferred tax related to changes in equity	-	-	-	-	-	180	180
Corporation tax related to changes in equity	-	-	-	-	-	77	77
<b>At 31 March 2011</b>	<b>4,764</b>	<b>56,609</b>	<b>4,102</b>	<b>146</b>	<b>-</b>	<b>155,311</b>	<b>220,932</b>

### Notes:

#### a) Share capital

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

#### b) Share premium

The balance classified as share premium includes the net proceeds in excess of nominal value on issue of the Company's equity share capital, comprising 10p ordinary shares.

#### c) General reserve

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

#### d) Merger reserve

Where shares have been issued as consideration for acquisitions, the value of shares issued in excess of nominal value has been credited to the merger reserve rather than to the share premium account.



## Company statement of changes in equity

for the year ended 31 March 2011

	Share capital	Share premium	General reserve	Merger reserve	Share- based payments (restated)	Hedging reserve	Retained earnings	Total equity
	Note (a)	Note (b)	Note (c)	Note (d)	Note (e)	Note (f)		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	4,646	49,760	4,000	1,806	568	124	8,202	69,106
Prior year adjustment (Note 2)	-	-	-	-	2,371	-	-	2,371
At 1 April 2009 (as restated)	4,646	49,760	4,000	1,806	2,939	124	8,202	71,477
Profit for the year	-	-	-	-	-	-	13,705	13,705
Other comprehensive income	-	-	-	-	-	( 511 )	143	( 368 )
Total comprehensive income	-	-	-	-	-	( 511 )	13,848	13,337
Share-based payments	-	-	-	-	510	-	-	510
Scrip dividend	27	1,698	-	-	-	-	-	1,725
Share options exercised	60	2,864	-	-	-	-	-	2,924
Dividends	-	-	-	-	-	-	( 10,533 )	( 10,533 )
Deferred tax related to changes in equity	-	-	-	-	-	-	47	47
At 31 March 2010	4,733	54,322	4,000	1,806	3,449	( 387 )	11,564	79,487
Profit for the year	-	-	-	-	-	-	15,924	15,924
Other comprehensive income	-	-	-	-	-	387	( 108 )	279
Total comprehensive income	-	-	-	-	-	387	15,816	16,203
Share-based payments	-	-	-	-	653	-	-	653
Scrip dividend	20	1,699	-	-	-	-	-	1,719
Share options exercised	11	588	-	-	-	-	-	599
Dividends	-	-	-	-	-	-	( 12,227 )	( 12,227 )
Deferred tax related to changes in equity	-	-	-	-	-	-	( 7 )	( 7 )
<b>At 31 March 2011</b>	<b>4,764</b>	<b>56,609</b>	<b>4,000</b>	<b>1,806</b>	<b>4,102</b>	<b>-</b>	<b>15,146</b>	<b>86,427</b>

### e) Share-based payments reserve

This reserve records the fair value of share-based payments expensed in the income statement, and in the case of the Company in relation to share-based payments to employees of subsidiary companies, capital contributions to cost of Investments (note 14).

### f) Hedging reserve

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

### g) Translation reserve

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

Following the liquidation of Cranswick ApS (note 14), the Group no-longer has any foreign subsidiaries.

## *Notes to the accounts*

### **1. Authorisation of financial statements and statement of compliance with IFRSs**

The Group and Company financial statements of Cranswick plc (the "Company") for the year ended 31 March 2011 were authorised for issue by the Board of Directors on 16 May 2011 and the balance sheets were signed on the Board's behalf by M Davey and JM Bottomley. 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 and in accordance with the Companies Act 2006. A summary of the principal accounting policies, which have been consistently applied throughout the year and the preceding year, is 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 25 – measurement of share-based payments  |
| • Goodwill             | Note 12 – measurement of the recoverable amount of cash generating units containing goodwill |
| • Provisions           | Note 22 – judgements in relation to amounts provided   |
| • Pensions             | Note 26 – Pension scheme actuarial assumptions   |
| • Acquisitions         | Note 15 and 16 – fair values on acquisition and investment in associates                     |
| • Put option           | Note 19 and 23 – valuation of put option in relation to associate                            |

#### **Interest in associate**

The Group's investment in its associate is accounted for using the equity method, initially recognised at fair value. An associate is an entity in which the Group has significant influence. Under the equity method, the investment in the associate is carried in the Group balance sheet at deemed cost (being its fair value on initial recognition) plus post-acquisition changes in the Group's share of net assets of the associate. Under the equity method, the investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in value of individual investments. Any goodwill arising on the acquisition of an associate is included within the carrying amount of the associate and is neither amortised nor tested for impairment.

The share of profit or loss of the associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the Group Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate were prepared for the period to 30 January 2011 and have been updated to 31 March 2011 with reference to management accounts. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

### **Foreign currencies**

In the accounts of each entity in the Group, individual transactions denominated in foreign currencies are translated into functional currency at the actual exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rates ruling at the balance sheet date. Profits and losses on settlement of individual foreign currency transactions and movements on monetary assets and liabilities are dealt with in the income statement.

### **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.

There have been no business combinations giving rise to goodwill or other intangible assets subsequent to 1 April 2010.

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 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.

### 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 other comprehensive income and the ineffective portion is recognised in the income statement. Gains or losses recognised in comprehensive income are transferred to the income statement in the same period in which the hedged item affects the net profit or loss. If a forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the income statement.

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

### Financial assets – loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### Employee benefits

#### i) *Pensions*

A subsidiary of the Group operates a defined benefit pension scheme for certain employees which requires contributions to be made to a separate trustee administered fund. The scheme was closed to new members on 30 June 2004.

The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate

bonds that are denominated in sterling, and that have terms to maturity approximating to the terms of the related pension liability.

The amounts charged to operating profit are any gains and losses on settlements and curtailments, and these are included as part of staff costs.

Past-service costs are recognised immediately in income, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The difference between the interest cost on plan liabilities and the expected return on plan assets is recognised in the income statement as other finance revenue or costs.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise.

The Group also operates 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'). In addition, the Group operates an Executive share option scheme and a Long Term Incentive Plan ('LTIP') for senior Executives. Share options awarded are exercisable subject to the attainment of certain market based and non-market based performance criteria.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using the Black-Scholes option pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated; representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

On transition to IFRS, the Group did not apply the measurement rules of IFRS 2 to equity settled awards granted before 7 November 2002 or granted after that date and vested before 1 January 2005. However later modifications of such equity instruments are measured under IFRS 2.

### 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 following accounting standards and interpretations became effective for the current reporting period:

<b>International Accounting Standards (IAS / IFRSs)</b>		<b>Effective date</b>
IFRS 2	Group Cash-settled Share-based Payment Transactions (Amendment)	1 January 2010
IFRS 3	Business Combinations (Revised January 2008)	1 July 2009
IAS 27	Consolidated and Separate Financial Statements (Revised January 2008)	1 July 2009
IAS 32	Classification of Rights Issues (Amendment)	1 February 2010
IAS 39	Eligible Hedged Items	1 July 2009
	Improvements to International Financial Reporting Standards (April 2009)	Various

### International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
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The application of IFRS 2 'Group Cash-settled Share-based Payment Transactions (Amendment)' has resulted in the Company recognising in its own balance sheet, share based payments awarded to employees of subsidiaries that are settled in the Company's own shares. The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings is recognised by the Company in its own financial statements as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 charge recognised by subsidiary undertakings. This treatment has been applied for the first time in these financial statements for the year ended 31 March 2011. Comparative information has been restated so that it is also in conformity with the revised standard. This has resulted in the net assets of the Company for the year ended 31 March 2010 being restated from £76,676,000 to £79,487,000. There was no impact on the Group balance sheet.

The application of the other standards and interpretations has not had a material effect on the net assets, results and disclosures of the Group.

### 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 anticipate 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:

<b>International Accounting Standards (IAS / IFRSs)</b>		<b>Effective date*</b>
IFRS 7	Financial Instruments: Disclosures (Amendment)	1 July 2011
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013
IAS 12	Income Taxes (Amendment) – Deferred Taxes: Recovery of underlying assets	1 January 2012
IAS 24 (revised)	Related Party Disclosures	1 January 2011
Improvements to IFRS (issued May 2010)		Various dates

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

IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

\*The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards. The Group has not early adopted any of the above standards.

### **3. Business and geographical segments**

IFRS 8 requires operating segments to be identified on the basis of the internal financial information reported to the Chief Operating Decision Maker ('CODM'). The Group's CODM is deemed to be the Board, which is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The CODM assesses profit performance using profit before taxation measured on a basis consistent with the disclosure in the Group accounts.

The Group continues to report on two reportable segments:

- Food – Manufacture and supply of food products to UK grocery retailers, the food service sector and other food producers.
  - Pet – Sales into the pet and aquatic sector through the supply of bird and small animal food, marine fish and aquatic products.
- This segment was discontinued during the year ended 31 March 2009.

All Group revenues are received for the provision of goods; no revenues are received in relation to the provision of services.

Segment revenues and results	2011	2010		
	Food	Food	Pet	
	Total	Continuing	Discontinued	Total
	£'000	£'000	£'000	£'000
Revenue	758,442	740,338	3,620	743,958
Operating profit	48,717	45,908	40	45,948
Net finance costs	( 1,623 )	( 2,156 )	( 10 )	( 2,166 )
Profit before tax (Segment results)	47,094	43,752	30	43,782
Income taxes	( 11,768 )	( 11,295 )	95	( 11,200 )
Profit for the year	35,326	32,457	125	32,582

All revenue and profit for 2011 was derived from the Food segment. The Food segment includes the operating profits of the Group's associate.

The revenue and profit of the Pet segment for 2010 reflected its trading for the period prior to sale.

There was no inter-segment turnover in either year.

Subsequent to the sale of the Pet business all assets and liabilities of the Group were allocated to the Food segment.



## Geographical segments

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

### Sales revenue by geographical market

	2011		2010	
	Food	Food	Pet	
	Total	Continuing	Discontinued	Total
	£'000	£'000	£'000	£'000
UK	737,717	723,901	3,620	727,521
Continental Europe	19,459	15,804	-	15,804
Rest of World	1,266	633	-	633
	<b>758,442</b>	<b>740,338</b>	<b>3,620</b>	<b>743,958</b>

The Group's non-current assets were all located within the UK for both 2011 and 2010.

### Customer concentration

The Group has 2 customers which individually account for more than 10 per cent of the Group's total net revenue. These customers account for 27 per cent and 24 per cent respectively. In the prior year these same two customers, plus one other customer, accounted for 31 per cent, 20 per cent and 11 per cent respectively.

## 4. Group operating profit

This is stated after charging/(crediting):

	2011		2010	
	Total	Continuing	Discontinued	Total
	£'000	£'000	£'000	£'000
Operating costs:				
Selling and distribution	31,293	29,000	162	29,162
Administration	20,832	21,895	452	22,347
	<b>52,125</b>	<b>50,895</b>	<b>614</b>	<b>51,509</b>
Depreciation of property, plant and equipment	12,440	11,852	-	11,852
Profit arising on transfer of business to associate	297	-	-	-
Release of government grants	( 12 )	( 6 )	-	( 6 )
Operating lease payments – minimum lease payments	4,401	4,876	16	4,892
Net foreign currency differences	9	( 203 )	-	( 203 )
Cost of inventories recognised as an expense	510,882	494,507	2,752	497,259
Increase in provision for inventories	337	384	-	384
Auditors' remuneration				
Audit of these financial statements	25	25	-	25
Other fees:				
- Local statutory audits of subsidiaries	122	127	-	127
- Tax services	74	74	-	74
- Other services	44	376	-	376

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. Employees

Group	2011	2010	
	Total	Continuing	Discontinued
	£'000	£'000	£'000
Staff costs:			
Wages and salaries	84,277	89,899	446
Social security costs	7,943	8,272	45
Other pension costs	1,435	1,427	10
	<b>93,655</b>	<b>99,598</b>	<b>501</b>
			<b>100,099</b>

Included within wages and salaries is a total expense for share-based payments of £1,013,000 (2010: £510,000, of which a charge of £13,000 related to discontinued operations) 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	2011	2010	
	Total	Continuing	Discontinued
	No.	No.	No.
Production	3,655	3,787	10
Selling and distribution	258	179	4
Administration	239	172	3
	<b>4,152</b>	<b>4,138</b>	<b>17</b>
			<b>4,155</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 35 to 40. The employee costs shown above include the following remuneration in respect of Directors of the Company:

Group and Company	2011	2010	
	Total	Continuing	Discontinued
	£'000	£'000	£'000
Directors' remuneration	2,528	4,144	28
Pension contribution	386	340	5
	<b>2,914</b>	<b>4,484</b>	<b>33</b>
			<b>4,517</b>
Aggregate gains made by Directors on exercise of share options	544	562	-
			<b>562</b>
Numbers of Directors receiving pension contributions under money purchase schemes	5	5	1
			<b>6</b>

## 6. Finance revenue and costs

Group	2011	2010	
	Total	Continuing	Discontinued
	£'000	£'000	£'000
<b>Finance revenue</b>			
Bank interest receivable	-	3	-
Finance revenue from loans receivable	<b>106</b>	45	-
<b>Total finance revenue</b>	<b>106</b>	48	-
<b>Finance costs</b>			
Loan note interest paid	-	1	-
Bank interest paid and similar charges	<b>1,681</b>	1,933	10
Total interest expense for financial liabilities			
not at fair value through profit or loss	<b>1,681</b>	1,934	10
Net finance cost on defined benefit pension deficit (note 26)	<b>9</b>	218	-
Finance charge payable under finance leases and hire purchase contracts	<b>26</b>	28	-
Movement in discount on provisions (note 22)	<b>13</b>	24	-
<b>Total finance costs</b>	<b>1,729</b>	2,204	10

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

## 7. Taxation

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

	2011 £'000	2010 £'000
Tax charge based on the profit for the year:		
Current income tax:		
UK corporation tax on profits for the year	13,436	11,391
Adjustments in respect of prior years	( 275 )	( 19 )
Total current tax	13,161	11,372
Deferred tax:		
Origination and reversal of temporary differences	( 1,092 )	739
Deferred tax rate change	( 668 )	-
Adjustments in respect of prior years	367	( 911 )
Total deferred tax	( 1,393 )	( 172 )
<b>Tax on profit on ordinary activities</b>	<b>11,768</b>	<b>11,200</b>

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

	2011 £'000	2010 £'000
Income tax expense on continuing operations	11,768	11,295
Income tax credit on discontinued operations	-	( 95 )
	11,768	11,200
Tax relating to items charged or credited directly to equity:		
<b>Group</b>	<b>£'000</b>	<b>£'000</b>
<i>Recognised in Group statement of comprehensive income</i>		
Deferred tax on revaluation of cash flow hedges	72	( 108 )
Deferred tax on actuarial gain/ (loss) on defined benefit pension scheme	162	( 24 )
	234	( 132 )
<i>Recognised in Group statement of changes in equity</i>		
Deferred tax on share-based payments	( 180 )	( 78 )
Corporation tax credit on share options exercised	( 77 )	( 135 )
	( 257 )	( 213 )
<b>Total tax credit recognised directly in equity</b>	<b>( 23 )</b>	<b>( 345 )</b>
<b>Company</b>	<b>£'000</b>	<b>£'000</b>
<i>Recognised in Company statement of comprehensive income</i>		
Deferred tax on revaluation of cash flow hedges	108	( 143 )
<i>Recognised in Company statement of changes in equity</i>		
Deferred tax charge/ (credit) on share-based payments	7	( 47 )
<b>Total tax charge/ (credit) recognised directly in equity</b>	<b>115</b>	<b>( 190 )</b>



## b) Factors affecting tax charge for the year

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

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	47,094	43,782
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28 per cent (2010: 28 per cent)	13,186	12,259
Effect of:		
Disallowed expenses	244	550
Deferred tax rate change	( 668 )	-
Share-based payment deduction	( 67 )	( 679 )
Deferred tax on disposal of assets to associate	( 1,019 )	-
Adjustments in respect of prior years	92	( 930 )
<b>Total tax charge for the year</b>	<b>11,768</b>	<b>11,200</b>

## c) Deferred tax

### Group

The deferred tax included in the balance sheet is as follows:

#### Deferred tax liability in the balance sheet

	2011 £'000	2010 £'000
Accelerated capital allowances	9,762	11,804
Rollover and holdover relief	120	129
Other temporary differences	135	( 219 )
Share-based payments	( 769 )	( 386 )
Deferred tax on defined benefit pension scheme	( 758 )	( 1,499 )
<b>Deferred tax liability</b>	<b>8,490</b>	<b>9,829</b>

The deferred tax included in the income statement is as follows:

#### Deferred tax in the income statement

	2011 £'000	2010 £'000
Accelerated capital allowances	( 2,042 )	284
Share-based payments	( 203 )	155
Rollover relief	( 9 )	( 682 )
Deferred tax on defined benefit pension scheme	579	143
Other temporary differences	282	( 72 )
<b>Deferred tax credit</b>	<b>( 1,393 )</b>	<b>( 172 )</b>

### Company

The deferred tax included in the balance sheet is as follows:

#### Deferred tax asset in the balance sheet

	2011 £'000	2010 £'000
Accelerated capital allowances	23	182
Rollover relief	-	56
Other temporary differences	( 139 )	( 281 )
Share-based payments	( 165 )	( 177 )
<b>Deferred tax asset</b>	<b>( 281 )</b>	<b>( 220 )</b>

## 7. Taxation (continued)

### d) Temporary differences associated with Group investments

At 31 March 2011 a £nil tax liability has been recognised (2010: £nil) in respect of any taxes that would be payable on the unremitted earnings of certain subsidiaries, as receipt by the Group of any dividends would be exempt from UK corporation tax. There are no income tax consequences to the Group in relation to dividends paid to Shareholders.

### e) Change in Corporation Tax rate

The March 2011 Budget announced that the UK Corporation tax rate will reduce from 28 per cent to 23 per cent over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28 per cent to 26 per cent was substantively enacted on 29 March 2011 and will be effective from 1 April 2011. This will reduce the Company's future current tax charge accordingly. As a consequence, deferred tax has been provided at 26 per cent in the year to 31 March 2011.

The aggregate impact of the proposed reductions from 26 per cent to 23 per cent would reduce the deferred tax liability of the Group by approximately £980,000 and reduce the deferred tax asset of the Company by £32,000.

## 8. Sale of a business (discontinued operations)

In the prior year, on 24 April 2009, the Group sold the trade and certain assets and liabilities of the Group's Pet Division to a management buyout team. Cranswick plc retained a 5.5 per cent share in the business. The Pet Division manufactured and sold bird food and also imported and sold tropical marine fish and related products. In accordance with IFRS 5 the results of the Pet Division to the date of sale were treated as discontinued and shown as a single line item at the foot of the income statement.

The results of the pet division for the prior year are presented below:

	2011 £'000	2010 £'000
<b>Revenue</b>	-	3,620
Expenses	-	( 3,580 )
<b>Operating profit</b>	-	40
Finance costs	-	( 10 )
<b>Profit before tax from discontinued operations</b>	-	30
Tax credit	-	95
<b>Profit for the period from discontinued operations</b>	-	125

The tax credit is analysed as follows:

On profit on ordinary activities for the period	-	95
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The net assets of the Pet Division which were disposed were as follows:

	£'000
Net assets disposed of:	
Property, plant and equipment	8,210
Inventories	6,447
Trade and other receivables	6,524
Trade and other payables	( 2,796 )
	<u>18,385</u>
Total consideration satisfied by cash	18,385
Costs associated with disposal, settled in cash	( 318 )
Net cash inflow arising on disposal	<u>18,067</u>

The net cash flows attributable to the discontinued Pet Division, excluding disposal cash flows were as follows:

	2011 £'000	2010 £'000
Operating cash flows	-	( 448 )
Financing cash flows	-	( 10 )
<b>Net outflow</b>	<b>-</b>	<b>( 458 )</b>

Profit per share from discontinued operations was as follows:

Basic	-	0.3p
Diluted	-	0.2p

## 9. Profit attributable to members

Of the profit attributable to members, the sum of £15,924,000 (2010: £13,705,000) has been dealt with in the accounts of Cranswick plc.

## 10. Equity dividends

	2011 £'000	2010 £'000
Declared and paid during the year:		
Final dividend for 2010 – 17.0p per share (2009: 14.7p)	<b>8,047</b>	6,802
Interim dividend for 2011 – 8.8p per share (2010: 8.0p)	<b>4,180</b>	3,731
<b>Dividends paid</b>	<b>12,227</b>	10,533
<b>Proposed for approval of Shareholders at the Annual General Meeting on 1 August 2011:</b>		
Final dividend for 2011 – 18.7p (2010: 17.0p)	<b>8,901</b>	8,016

## 11. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to members of the parent company of £35,326,000 (2010: £32,582,000) 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 weighted average number of ordinary shares for both basic and diluted amounts was as per the table below:

	2011 Thousands	2010 Thousands
Basic weighted average number of shares	<b>47,408</b>	46,534
Dilutive potential ordinary shares – share options	<b>162</b>	112
	<b>47,570</b>	46,646

Basic weighted average number of shares for 2011 excludes a weighted average of 69,431 shares (2010: 140,515 shares) held during the year by the Cranswick plc Employee Benefit Trust. At 31 March 2011 39,363 shares were held by the Cranswick plc Employee Benefit Trust, the original cost of these shares was £4,000, and the market value of the shares at the year end was £327,000.

## 12. Intangible fixed assets

Group	Goodwill £'000
<b>Cost</b>	
At 31 March 2009	117,756
Acquisition of subsidiary undertakings	12,231
Reimbursement of consideration paid in prior years	( 1,248 )
At 31 March 2010	128,739
On transfer of business to associate (note 15)	( 976 )
At 31 March 2011	127,763
<b>Impairments</b>	
At 31 March 2009, 2010 and 2011	-
<b>Net book value</b>	
At 31 March 2009	117,756
At 31 March 2010	128,739
<b>At 31 March 2011</b>	<b>127,763</b>

On 9 July 2010, the principal assets and trade of the Group's Deeside cooked meats facility were transferred to Farmers Boy (Deeside) Limited, with 49 per cent of the shares in Farmer's Boy (Deeside) Limited being received as consideration (note 15). As a result of the Deeside cooked meats facility leaving the Group goodwill relating to the cooked meats cash generating unit was reduced proportionately, based on assessment of the relative value of the portion of the cash generating unit disposed of compared to the relative value of the portion of the cash generating unit retained.

During the prior year, the Group acquired 100 per cent of the issued share capital of Bowes of Norfolk Limited (now renamed Cranswick Country Foods (Norfolk) Limited). Goodwill on acquisition amounted to £12,231,000. Further details of the acquisition are disclosed in note 16.

Also during the prior year, the Company received a reimbursement of consideration of £1,248,000 from the vendor in relation to an acquisition in a prior year. The reimbursement was an agreed adjustment in respect of the total amount payable.

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	2011 £'000	2010 £'000
Fresh pork	12,231	12,231
Cooked meats	84,679	85,655
Sandwiches	16,526	16,526
Continental Fine Foods	10,968	10,968
Other	3,359	3,359
	<b>127,763</b>	<b>128,739</b>



**Assumptions used**

The recoverable amount for each cash generating unit has been determined based on value in use calculations using annual budgets for each business for the following year, approved by the Board of Directors, and cash flow projections for the next four years. Forecast replacement capital expenditure is included from budgets and thereafter capital is assumed to represent 100 per cent of depreciation.

Subsequent cash flows are forecast to grow in line with an assumed long-term industry growth rate of between 3 and 5 per cent derived from third party market information, including K World Panel data.

A discount rate of 8.8 per cent has been used (2010: 9.9 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**

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**

Gross margin depends upon average selling prices, the cost of raw materials and changes in the cost of production overheads. Historical margins are used as the base, adjusted for management's expectations derived from experience and with reference to budget forecasts.

**Discount rates**

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

With the exception of the growth rates applied to the Sandwiches cash generating unit, as detailed below, 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.

**Sensitivity**

The Sandwiches cash generating unit is the most sensitive to a change in the growth of operating cash flows. The growth rate applied to Sandwiches is 3 per cent. A 0.3 per cent reduction in this growth rate to 2.7 per cent would reduce the recoverable amount to a level equal to its carrying value.

### 13. 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 2009	37,180	16,420	102,380	5,272	161,252
Additions	697	335	12,422	7,003	20,457
On acquisition	4,120	-	1,911	-	6,031
Disposals	( 37 )	( 1,073 )	( 4,450 )	-	( 5,560 )
At 31 March 2010	41,960	15,682	112,263	12,275	182,180
Additions	11,515	621	14,900	8,859	35,895
Disposals	( 15 )	-	( 3,160 )	-	( 3,175 )
Disposal of assets to associate	( 273 )	( 7,887 )	( 11,769 )	-	( 19,929 )
Transfers between categories	6,038	-	7,256	( 13,294 )	-
At 31 March 2011	59,225	8,416	119,490	7,840	194,971
<b>Depreciation</b>					
At 31 March 2009	2,353	8,615	58,596	-	69,564
Charge for the year	779	870	10,203	-	11,852
Relating to disposals	-	( 1,073 )	( 4,300 )	-	( 5,373 )
At 31 March 2010	3,132	8,412	64,499	-	76,043
Charge for the year	949	551	10,940	-	12,440
Relating to disposals	( 1 )	-	( 2,755 )	-	( 2,756 )
Relating to disposal of assets to associate	-	( 4,507 )	( 9,511 )	-	( 14,018 )
At 31 March 2011	4,080	4,456	63,173	-	71,709
<b>Net book amounts</b>					
At 31 March 2009	34,827	7,805	43,784	5,272	91,688
At 31 March 2010	38,828	7,270	47,764	12,275	106,137
<b>At 31 March 2011</b>	<b>55,145</b>	<b>3,960</b>	<b>56,317</b>	<b>7,840</b>	<b>123,262</b>

Included in freehold land and buildings is land with a cost of £5,145,000 (2010: £5,418,000) which is not depreciated relating to the Group and £509,000 (2010: £795,000) relating to the Company. Cost includes £1,001,000 (2010: £935,000) in respect of capitalised interest. The depreciation charge for the year for plant, equipment and vehicles includes £42,000 (2010: £154,000) in respect of assets held under finance leases and hire purchase contracts.

<b>Company</b>	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
<b>Cost</b>			
At 31 March 2009	1,956	235	2,191
Additions	-	64	64
Transfers from other Group companies	-	42	42
At 31 March 2010	1,956	341	2,297
Additions	-	22	22
Transfers to other Group companies	( 1,447 )	( 22 )	( 1,469 )
At 31 March 2011	509	341	850
<b>Depreciation</b>			
At 31 March 2009	160	72	232
Charge for the year	21	84	105
Transfers from other Group companies	-	7	7
At 31 March 2010	181	163	344
Charge for the year	-	88	88
Transfers to other Group companies	( 181 )	( 8 )	( 189 )
At 31 March 2011	-	243	243
<b>Net book amounts</b>			
At 31 March 2009	1,796	163	1,959
At 31 March 2010	1,775	178	1,953
<b>At 31 March 2011</b>	<b>509</b>	<b>98</b>	<b>607</b>

## 14. Investments

### Company

	Subsidiary undertakings (Restated) £'000	Associates  £'000
Shares at cost:		
At 31 March 2009	155,426	-
Prior year adjustment – Capital contribution relating to share options (Note 2)	2,371	-
At 31 March 2009 – As restated	157,797	-
Reimbursement of consideration paid in prior years	( 1,248 )	-
Disposals	( 199 )	-
Capital contribution relating to share options	440	-
At 31 March 2010	156,790	-
Capital contribution relating to share options	427	-
Additions (note 15)	-	5,911
<b>At 31 March 2011</b>	<b>157,217</b>	<b>5,911</b>

On 9 July 2010 the Company acquired a 49 per cent shareholding in Farmer's Boy (Deeside) Limited (note 15). The Company has treated its shareholding in Farmer's Boy (Deeside) Limited, over which it has significant influence, as an associate, recognising the associate at its cost of £5,911,000.

During the prior year the Company received a reimbursement of consideration of £1,248,000 from the vendor in relation to an acquisition in a prior year. The reimbursement was an agreed adjustment in respect of the total amount payable.

Also during the prior year the Company liquidated its 100 per cent owned dormant subsidiary Cranswick ApS. The loss on disposal recognised in the income statement of the Company was £199,000. There was no overall loss to the Group.

The principal subsidiary undertakings during the year were:

- Cranswick Country Foods plc
- Cranswick Country Foods (Norfolk) Limited (Held by Cranswick Country Foods plc)
- Cranswick Convenience Foods Limited (formerly Studleigh-Royd Limited)
- Brookfield Foods Limited
- The Sandwich Factory Group Limited (registered in Scotland)

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

## 15. Investment in associate

### Group

On 9 July 2010, the principal assets and trade of the Group's Deeside cooked meats facility were transferred to Farmers Boy (Deeside) Limited, a company within the Wm Morrison Supermarkets PLC group, with 49 per cent of the shares in Farmer's Boy (Deeside) Limited being received as consideration. The Group has treated its 49 per cent shareholding in Farmer's Boy (Deeside) Limited, over which it has significant influence, as an associate and has accounted for it using the equity method, initially recognising the associate at its fair value. As a result of the Deeside cooked meats facility leaving the Group a proportionate amount of goodwill relating to the cooked meats cash generating unit was disposed of (note 12). The transaction also included a put and call option over the Group's 49 per cent shareholding exercisable during a six month period commencing three years from the date of the transaction. The Group's put option has been recognised at its fair value at the balance sheet date (note 19).

The transaction gave rise to the following (expenses)/ income during the year:

	2011 £'000
Book value of assets disposed	( 5,911 )
Fair value of 49 per cent shareholding acquired	6,225
Difference between acquisition fair value and cost of associate	<u>314</u>
Goodwill impairment loss (note 12)	( 976 )
Recognition of put option at fair value	1,127
Non-cash total	<u>465</u>
Legal expenses	( 168 )
Total within profit before tax	<u>297</u>
Related deferred tax credit	<u>1,019</u>
Cash flow impact	<u>( 168 )</u>

The results of the Deeside cooked meats facility for the period prior to the transfer are presented below:

	2011 £'000
Revenue	16,466
Expenses	( 15,952 )
Operating profit	<u>514</u>
Finance revenue	<u>41</u>
Profit before tax	555
Taxation	( 155 )
Profit for the period	<u>400</u>

The following table illustrates the summarised financial information of the Group's investment in Farmer's Boy (Deeside) Limited:

	2011 £'000
Share of the associate's balance sheet:	
Non-current assets	15,070
Current assets	6,573
Current liabilities	( 6,427 )
Non-current liabilities	( 9,425 )
<b>Share of net assets</b>	<u>5,791</u>
Share of the associate's results:	
<b>Revenue</b>	<u>17,684</u>
<b>Loss for the year</b>	<u>( 434 )</u>



## 16. Acquisition

During the prior year, on 24 June 2009, the Group acquired 100 per cent of the issued share capital of Cranswick Country Foods (Norfolk) Limited (formerly Bowes of Norfolk Limited) for a cash consideration of £17.2 million.

The principal activity of Cranswick Country Foods Norfolk Limited is that of pork processing.

Book and fair values of the net assets at the date of acquisition were as follows:

	Acquiree's book value before combination £'000	Fair value £'000
Net assets acquired:		
Property, plant and equipment	8,489	6,031
Financial assets	1,500	1,500
Deferred tax asset	656	1,344
Inventories	1,679	1,679
Trade receivables	7,809	7,809
Bank and cash balances	6,658	6,658
Retirement benefit obligations	( 5,778 )	( 5,778 )
Trade payables	( 12,883 )	( 12,883 )
Government grants	( 100 )	( 100 )
Finance lease obligations	( 600 )	( 600 )
	<u>7,430</u>	<u>5,660</u>
Goodwill arising on acquisition		12,231
Total consideration		<u>17,891</u>
Satisfied by:		
Cash		17,157
Costs associated with acquisition, settled in cash		<u>734</u>
		<u>17,891</u>
Net cash outflow arising on acquisition:		
Cash consideration paid		17,157
Costs associated with acquisition, settled in cash		734
Cash and cash equivalents acquired		( 6,658 )
		<u>11,233</u>

From the date of acquisition to 31 March 2010, the acquired business contributed a net profit after tax of £0.5 million to the Group.

If the combination had taken place at the beginning of the financial year ended 31 March 2010, the Group's profit after tax from continuing operations for that year would have been £32.6 million and revenue from continuing operations would have been £762.2 million.

Included in the £12,231,000 of goodwill recognised above, are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies, business continuity planning through access to a further pork processing facility and an assembled workforce.

## 17. Inventories

	2011	2010
Group	£'000	£'000
Raw materials	29,929	30,017
Finished goods and goods for resale	5,765	5,943
	<b>35,694</b>	<b>35,960</b>

## 18. Trade and other receivables

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Financial assets:				
Trade receivables	69,398	75,466	-	-
Amounts owed by Group undertakings	-	-	10,581	15,118
Other receivables	5,119	3,918	73	62
	<b>74,517</b>	<b>79,384</b>	<b>10,654</b>	<b>15,180</b>
Non-financial assets:				
Prepayments and accrued income	4,148	4,682	364	243
	<b>78,665</b>	<b>84,066</b>	<b>11,018</b>	<b>15,423</b>

Financial assets are carried at amortised cost. As at 31 March, the analysis of trade receivables that were past due but not impaired was as follows:

Group	Trade receivables	Of which: Not due	Past due date in the following periods:		
			Less than 30 days	Between 30 and 60 days	More than 60 days
	£'000	£'000	£'000	£'000	£'000
2011	69,398	60,771	5,937	1,411	1,279
2010	75,466	63,989	8,334	2,072	1,071

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 2011, trade receivables at nominal value of £558,000 (2010: £639,000) 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 2009	352
Provided in year	372
Written off	( 85 )
At 31 March 2010	639
Provided in year	47
Written off	( 128 )
<b>At 31 March 2011</b>	<b>558</b>

There are no bad debt provisions against other receivables.

## 19. Financial assets

### Current

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Forward currency contracts	146	263	-	-
Loans receivable	350	-	-	-
	<u>496</u>	<u>263</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Movement on hedged items:				
Gains/ (losses) arising in the year	22	186	( 124 )	( 77 )
Reclassification adjustment for losses/ (gains) included in the income statement	248	( 573 )	511	( 434 )
	<u>270</u>	<u>( 387 )</u>	<u>387</u>	<u>( 511 )</u>

Movements on hedged foreign currency contracts are reclassified through cost of sales. Interest rate movements on hedged bank borrowings are reclassified through finance costs.

### Non-current

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Loans receivable	3,650	1,500	-	-
Put option in relation to associate	1,072	-	1,072	-
	<u>4,722</u>	<u>1,500</u>	<u>1,072</u>	<u>-</u>

#### Financial assets relate to the following:

- Forward currency contracts used to hedge a proportion of anticipated purchases denominated in foreign currencies and held at fair value in the balance sheet. To the extent that these forward contracts represent effective hedges, movements in fair value are taken directly to other comprehensive income and are then reclassified through the income statement in the period during which the hedged item impacts the income statement. A description of amounts and maturities is contained in note 23.
- £1,500,000 (2010: £1,500,000) receivable from East Anglian Pigs Limited, the management buyout team which acquired the pig rearing division of Bowes of Norfolk Limited concurrently with Cranswick plc's acquisition of the company. Repayment of the loan is receivable in a single instalment of £500,000 on 23 June 2012 with the balance due in 24 equal monthly instalments with the final payment on 23 June 2014. Interest is receivable on the loan at Bank of England base rate plus 3 per cent.
- £2,500,000 (2010: £nil) receivable from Thomas Dent Limited, a supplier to the Group. Repayment of the loan is receivable in 43 equal monthly instalments commencing on 30 September 2011. Interest is receivable on the loan at bank of England base rate plus 3 per cent.
- The transaction described in note 15 included a put and call option over the Group's 49 per cent shareholding in Farmers Boy (Deeside) Limited exercisable during a six month period commencing three years from the date of the transaction. The exercise price of the option is based on an agreed pricing structure. The fair value of the option on initial recognition was £1,127,000. The option was revalued at the year end when its fair value had reduced to £1,072,000 (note 23).

## 20. Trade and other payables

Current	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade payables	57,497	55,269	80	448
Amounts owed to Group undertakings	-	-	33,340	32,482
Other payables	27,366	31,464	3,527	5,154
Deferred income – Government grants	78	12	-	-
	<u>84,941</u>	<u>86,745</u>	<u>36,947</u>	<u>38,084</u>
<b>Non-current</b>				
Deferred income – Government grants	354	82	-	-

## 21. Financial liabilities

Current	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Bank overdrafts	3,925	1,956	2,742	-
Current instalments due on bank loan	-	10,000	-	10,000
Finance leases and hire purchase contracts	271	144	-	-
Interest rate swap	160	387	160	387
	<u>4,356</u>	<u>12,487</u>	<u>2,902</u>	<u>10,387</u>
<b>Non-current</b>				
Non-current instalments due on bank loan	-	49,530	-	49,530
Amounts outstanding under revolving credit facility	48,987	-	48,987	-
Finance leases and hire purchase contracts	299	336	-	-
	<u>49,286</u>	<u>49,866</u>	<u>48,987</u>	<u>49,530</u>

None of the finance leases and hire purchase contracts has amounts due after greater than 5 years.

### Interest rate swap

Under the terms of the 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 2.04 per cent. The notional principal amount of the swap stands at £19,750,000 as at 31 March 2011 (2010: £26,750,000) and reduces in equal quarterly instalments of £1,750,000 with a final notional payment of principal of £16,250,000 in December 2011.

All financial liabilities are amortised at cost, except for interest rate swaps.

### Bank facilities

The Group renegotiated its banking facilities during the year, as the previous agreement was due to expire in December 2011. The new facilities were agreed on 24 March 2011 with arrangement fees of £1.0 million being paid subsequent to the year end. The arrangement fees will be amortised over the period of the facilities.

A committed bank overdraft facility of £20 million (2010: £20 million) is in place until July 2015, of which £3,925,000 (2010: £1,956,000) was utilised at 31 March 2011. Interest is payable at a margin over base rate.

A revolving credit facility of £100 million (including the £20 million committed overdraft facility) is in place of which £50 million was utilised as at 31 March 2011 (2010: term loans of £60 million and a revolving credit facility of £30 million of which £nil was utilised). This facility expires in July 2015. Interest is payable on the revolving credit facility at a margin over LIBOR.

## 21. Financial liabilities (continued)

The maturity profile of bank loans is as follows:

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
In one year or less	-	10,000	-	10,000
Between one year and two years	-	50,000	-	50,000
Between two and five years	<b>50,000</b>	-	<b>50,000</b>	-
	<b>50,000</b>	60,000	<b>50,000</b>	60,000
Unamortised issue costs	<b>( 1,013 )</b>	( 470 )	<b>( 1,013 )</b>	( 470 )
	<b>48,987</b>	59,530	<b>48,987</b>	59,530

The bank facilities for both years are unsecured and subject to normal bank covenant arrangements.

## 22. Provisions

Group	Lease provisions
	£'000
At 1 April 2010	1,131
Credited in the year	( 172 )
Utilisation in the year	( 504 )
Unwinding of discount	13
<b>At 31 March 2011</b>	<b>468</b>

Analysed as:

	Group	
	2011	2010
	£'000	£'000
Current liabilities	<b>59</b>	149
Non-current liabilities	<b>409</b>	982
	<b>468</b>	1,131

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 three years. There are no provisions held by the Company.



## 23. Financial instruments

An explanation of the Company and Group's financial instruments risk management strategy is set out on page 16 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 2011 and their weighted average interest rates is set out below:

Group As at 31 March 2011	Weighted average effective interest rate %	Total £'000	At floating interest rates £'000	Fixed interest		
				1 year or less £'000	1-2 years £'000	2-3 years £'000
Financial liabilities:						
Bank overdrafts	1.50%	( 3,925 )	( 3,925 )	-	-	-
Revolving credit facility (including the effect of interest rate swaps)	2.18%	( 50,000 )	( 30,250 )	( 19,750 )	-	-
Finance leases and hire purchase contracts	4.37%	( 570 )	-	( 271 )	( 244 )	( 55 )
		( 54,495 )	( 34,175 )	( 20,021 )	( 244 )	( 55 )
Less: effect of interest rate swaps		-	( 19,750 )	19,750	-	-
Total financial liabilities excluding the effect of interest rate swaps		( 54,495 )	( 53,925 )	( 271 )	( 244 )	( 55 )
Financial assets:						
Cash at bank	0.00%	1,302	1,302	-	-	-
Loans receivable	3.50%	4,000	4,000	-	-	-
		( 49,193 )	( 48,623 )	( 271 )	( 244 )	( 55 )

As at 31 March 2010	Weighted average effective interest rate %	Total £'000	At floating interest rates £'000	Fixed interest		
				1 year or less £'000	1-2 years £'000	2-3 years £'000
Financial liabilities:						
Bank overdrafts	2.25%	( 1,956 )	( 1,956 )	-	-	-
Bank loan (including the effect of interest rate swaps)	3.09%	( 60,000 )	( 33,250 )	( 7,000 )	( 19,750 )	-
Finance leases and hire purchase contracts	5.75%	( 480 )	-	( 144 )	( 154 )	( 182 )
		( 62,436 )	( 35,206 )	( 7,144 )	( 19,904 )	( 182 )
Less: effect of interest rate swaps		-	( 26,750 )	7,000	19,750	-
Total financial liabilities excluding the effect of interest rate swaps		( 62,436 )	( 61,956 )	( 144 )	( 154 )	( 182 )
Financial assets:						
Cash at bank	0.00%	5,922	5,922	-	-	-
Loans receivable	3.50%	1,500	1,500	-	-	-
		( 55,014 )	( 54,534 )	( 144 )	( 154 )	( 182 )

The maturity profile of bank loans is set out in note 21.

### 23. Financial instruments (continued)

The interest rate profile of the interest earning financial assets and interest bearing liabilities of the Company as at 31 March 2011 and their weighted average interest rates is set out below:

Company As at 31 March 2011	Weighted average effective interest rate %	Total £'000	At floating interest rates £'000	Fixed interest		
				1 year or less £'000	1-2 years £'000	2-3 years £'000
Financial liabilities:						
Bank overdrafts	1.50%	( 2,742 )	( 2,742 )	-	-	-
Bank loan (including the effect of interest rate swaps)	2.18%	( 50,000 )	( 30,250 )	( 19,750 )	-	-
		( 52,742 )	( 32,992 )	( 19,750 )	-	-
Less: effect of interest rate swaps		-	( 19,750 )	19,750	-	-
Total financial liabilities excluding the effect of interest rate swaps		( 52,742 )	( 52,742 )	-	-	-
Financial assets: Cash at bank	0.00%	1	1	-	-	-
		( 52,741 )	( 52,741 )	-	-	-
As at 31 March 2010	Weighted average effective interest rate %	Total £'000	At floating interest rates £'000	Fixed interest		
				1 year or less £'000	1-2 years £'000	2-3 years £'000
Financial liabilities:						
Bank loan (including the effect of interest rate swaps)	3.09%	( 60,000 )	( 33,250 )	( 7,000 )	(19,750 )	-
Less: effect of interest rate swaps		-	( 26,750 )	7,000	19,750	-
Total financial liabilities excluding the effect of interest rate swaps		( 60,000 )	( 60,000 )	-	-	-
Financial assets: Cash at bank	0.0%	4,004	4,004	-	-	-
		( 55,996 )	( 55,996 )	-	-	-

### Currency profile

The Group's financial assets at 31 March 2011 include sterling denominated cash balances of £792,000 (2010: £4,349,000), euro £506,000 (2010: £1,573,000) and US dollar £4,000 (2010: £nil), all of which are held in the UK. The Group's financial liabilities include sterling denominated overdraft balances of £3,718,000 (2010: £1,429,000) and euro £207,000 (2010: £527,000), all of which are held in the UK.

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

The Group's other financial assets and liabilities are denominated in sterling.

### Credit risk

The Group makes a significant proportion of its sales to the major UK supermarket groups, which correspondingly represent a significant proportion of the Group's trade receivables at any one time. Based on the financial strength of these customers, the Directors do not consider that the Group faces a significant credit risk in this regard.

All cash financial assets are held by UK financial institutions. The maximum credit exposure relating to financial assets is represented by their carrying values as at the balance sheet date.

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group's interest rate swap and forward currency contracts, are measured using Level 2 of the fair value hierarchy.

The Group's put option in relation to its 49 per cent shareholding in Farmers Boy (Deeside) Limited (note 19) is measured using level 3 of the fair value hierarchy. The fair value of the option is based on discounted cash flows derived from the associate's budgets and business plan. The Directors believe that the most sensitive assumption used within the calculation of the option fair value is the discount rate. A one per cent movement in the discount rate would give rise to a £0.4 million adjustment in the value of the option if all other assumptions remained unchanged.

The Group's 5.5 per cent retained shareholding in Cranswick Pet & Aquatics Limited (described in note 8) would also have been classified as level 3, however as the investment is an unquoted entity and cannot be reliably measured the Directors consider that its value is immaterial and no fair value has been applied.

## 23. Financial instruments (continued)

### Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties on an arm's length basis. The fair value of floating rate assets and liabilities is estimated to be equivalent to book value. All derivative financial instruments are shown in the balance sheet at fair value.

Group	2011		2010	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
<b>Financial assets</b>				
Cash	1,302	1,302	5,922	5,922
Loans receivable	4,000	4,000	1,500	1,500
Put option in relation to associate	1,072	1,072	-	-
Forward currency contracts	146	146	263	263
	<u>6,520</u>	<u>6,520</u>	<u>7,685</u>	<u>7,685</u>
<b>Financial liabilities</b>				
Bank overdraft	( 3,925 )	( 3,925 )	( 1,956 )	( 1,956 )
Amounts outstanding under revolving credit facility	( 50,000 )	( 50,000 )	-	-
Bank loan	-	-	( 60,000 )	( 60,000 )
Finance leases and hire purchase contracts	( 570 )	( 570 )	( 480 )	( 480 )
Interest rate swap – (note 21)	( 160 )	( 160 )	( 387 )	( 387 )
	<u>( 54,655 )</u>	<u>( 54,655 )</u>	<u>( 62,823 )</u>	<u>( 62,823 )</u>
<b>At 31 March</b>	<u>( 48,135 )</u>	<u>( 48,135 )</u>	<u>( 55,138 )</u>	<u>( 55,138 )</u>
<b>Company</b>				
	2011		2010	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
<b>Financial asset</b>				
Cash	1	1	4,004	4,004
Put option in relation to associate	1,072	1,072	-	-
	<u>1,073</u>	<u>1,073</u>	<u>4,004</u>	<u>4,004</u>
<b>Financial liabilities</b>				
Bank overdraft	( 2,742 )	( 2,742 )	-	-
Amounts outstanding under revolving credit facility	( 50,000 )	( 50,000 )	-	-
Bank loan	-	-	( 60,000 )	( 60,000 )
Interest rate swap – (note 21)	( 160 )	( 160 )	( 387 )	( 387 )
	<u>( 52,902 )</u>	<u>( 52,902 )</u>	<u>( 60,387 )</u>	<u>( 60,387 )</u>
<b>At 31 March</b>	<u>( 51,829 )</u>	<u>( 51,829 )</u>	<u>( 56,383 )</u>	<u>( 56,383 )</u>

The book value of trade and other receivables and trade and other payables equates to fair value for the Group and Company. Details of these financial assets and liabilities are included in notes 18 and 20.

## 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 other comprehensive income and subsequently reclassified through the income statement at the time that the hedged item affects profit or loss.

Group Currency	Amount	Maturities	Exchange rates	Fair value £'000
euros	4,500,000	15 April 2011 to 29 June 2011	1.16 – 1.19 euros	146

These contracts were effective cash flow hedges under the criteria set out in IAS 39 and therefore fair value gains and losses related to the contracts were recognised directly in other comprehensive income.

The Company does not hold any forward contracts.

ii) *Interest rate swaps*

The Group hedges a proportion of the interest cash flows payable in respect of bank loans. Under the terms of the 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 2.04 per cent. The notional principal amount of the swap stands at £19,750,000 as at 31 March 2011 (2010: £26,750,000) 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 ineffective cash flow hedge under the criteria set out in IAS 39 and accordingly hedge accounting has ceased. Therefore movements in fair value have been posted directly to the income statement, and amounts previously taken to other comprehensive income have been reclassified to 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>2011</b>		
<b>sterling</b>	<b>+100</b>	<b>( 293 )</b>
	<b>-100</b>	<b>293</b>
 2010	 +100	 ( 271 )
sterling	-100	271

## 23. Financial instruments (continued)

### Liquidity risk

The tables below summarise the maturity profile of the Group's financial liabilities at 31 March 2011 and 2010 based on contractual undiscounted payments:

#### Group

Year ended 31 March 2011	Less than 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
Bank overdraft	3,925	-	-	3,925
Revolving credit facility	821	810	51,883	53,514
Interest rate swap	186	-	-	186
Finance leases and hire purchase contracts	287	251	56	594
Trade and other payables	84,863	-	-	84,863
	<u>90,082</u>	<u>1,061</u>	<u>51,939</u>	<u>143,082</u>

Year ended 31 March 2010	Less than 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
Bank overdraft	1,956	-	-	1,956
Bank loan	11,225	50,757	-	61,982
Interest rate swap	357	197	-	554
Finance leases and hire purchase contracts	170	171	191	532
Trade and other payables	86,733	-	-	86,733
	<u>100,441</u>	<u>51,125</u>	<u>191</u>	<u>151,757</u>

#### Company

Year ended 31 March 2011	Less than 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
Bank overdraft	2,742	-	-	2,742
Revolving credit facility	821	810	51,883	53,514
Interest rate swap	186	-	-	186
Trade and other payables	36,947	-	-	36,947
Cross guarantees	1,183	-	-	1,183
	<u>41,879</u>	<u>810</u>	<u>51,883</u>	<u>94,572</u>

Year ended 31 March 2010	Less than 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
Bank loan	11,225	50,757	-	61,982
Interest rate swap	357	197	-	554
Trade and other payables	38,084	-	-	38,084
Cross guarantees	1,956	-	-	1,956
	<u>51,622</u>	<u>50,954</u>	<u>-</u>	<u>102,576</u>

The interest rate swaps disclosed in the above tables are the net undiscounted cash flows as these amounts are settled net.

The renegotiation of the Group's banking facilities during the year has extended the maturity of a significant proportion of the Group's debt. The impact of liquidity risk on the Group is discussed in detail in the Group Operating and Financial Review on page 16.



## 24. Called-up share capital

### Group and Company

<i>Authorised</i>	<b>2011</b>	2010	<b>2011</b>	2010
	<b>Number</b>	Number	<b>£'000</b>	£'000
Ordinary shares of 10p each	<b>100,000,000</b>	100,000,000	<b>10,000</b>	10,000
<i>Allotted, called-up and fully paid</i>	<b>2011</b>	2010	<b>2011</b>	2010
	<b>Number</b>	Number	<b>£'000</b>	£'000
Ordinary shares of 10p each				
At 1 April	<b>47,330,067</b>	46,459,958	<b>4,733</b>	4,646
On exercise of share options	<b>105,514</b>	504,196	<b>11</b>	50
Scrip dividends	<b>200,554</b>	265,913	<b>20</b>	27
Allotted to Cranswick plc Employee Benefit Trust	-	100,000	-	10
<b>At 31 March</b>	<b>47,636,135</b>	47,330,067	<b>4,764</b>	4,733

On 3 September 2010, 150,976 ordinary shares were issued at 856.5 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2010 final dividend.

On 21 January 2011, 49,578 ordinary shares were issued at 858.9 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2011 interim dividend.

During the course of the year, 105,514 ordinary shares were issued to employees exercising SAYE and Executive options at prices between 255.0 pence and 679.0 pence.

Of the unissued ordinary share capital £97,969 is reserved for allotment under the Savings Related Share Option Schemes, Executive Share Option Schemes and Long Term Incentive Plans (LTIP). The options are exercisable as follows:

	<b>Number</b>	<b>Exercise price</b>	<b>Exercise period</b>
Savings related	18,700	375p	March 2008 to October 2012
Savings related	8,057	471p	March 2009 to October 2013
Savings related	26,936	679p	March 2010 to October 2014
Savings related	13,691	665p	March 2011 to October 2015
Savings related	185,900	474p	March 2012 to October 2016
Savings related	134,994	594p	March 2013 to October 2017
Savings related	91,284	692p	March 2014 to October 2018
Executive	4,991	601p	July 2008 to July 2015
LTIP	534,500	Nil	June 2011 to June 2020

Of the LTIP options, 39,363 of the shares required were held by the Cranswick plc Employee Benefit Trust at the year end.

On 4 September 2009, 168,701 ordinary shares were issued at 594.0 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2009 final dividend.

On 22 January 2010, 97,212 ordinary shares were issued at 744.6 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2010 interim dividend.

During the course of the prior year, 504,196 ordinary shares were issued to employees exercising SAYE and Executive options at prices between 255.0 pence and 679.0 pence.

## 25. 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. The total expense charged to the income statement during the year in relation to share-based payments was £1,013,000 (2010: £510,000).

### 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, being the maximum term.

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	2011 Number	2011 WAEP £	2010 Number	2010 WAEP £
Outstanding as at 1 April	50,000	6.01	475,000	6.01
Exercised during the year (i)	( 45,009 )	6.01	( 425,000 )	6.01
Outstanding as at 31 March (ii)	4,991	6.01	50,000	6.01
Exercisable at 31 March	4,991	6.01	50,000	6.01
Company	2011 Number	2011 WAEP £	2010 Number	2010 WAEP £
Outstanding as at 1 April	45,009	6.01	265,000	6.01
Exercised during the year (i)	( 45,009 )	6.01	( 219,991 )	6.01
Outstanding as at 31 March (ii)	-	-	45,009	6.01
Exercisable at 31 March	-	-	45,009	6.01

- i) The weighted average share price at the date of exercise for the options exercised was £8.01 (2010: £7.67).
- ii) For the share options outstanding as at 31 March 2011, the weighted average remaining contractual life is 4.25 years. (2010: 5.25 years). The exercise price for all options outstanding at the end of the year was £6.01.

There were no options granted during the year.

### Long Term Incentive Plan (LTIP)

During the course of the year 229,300 options at nil cost were granted to Directors and senior executives, the share price at that time was 860.0 pence. Details of the performance criteria relating to the LTIP scheme can be found in the Directors' Remuneration report on pages 35 and 36. The maximum term of LTIP options is 10 years.

Group	2011 Number	2011 WAEP £	2010 Number	2010 WAEP £
Outstanding as at 1 April	460,043	-	532,500	-
Granted during the year (i)	229,300	-	182,700	-
Lapsed during the year	( 17,625 )	-	( 136,738 )	-
Exercised during the year (ii)	( 137,218 )	-	( 118,419 )	-
Outstanding as at 31 March (iii)	534,500	-	460,043	-
Exercisable at 31 March	-	-	37,343	-

Company	2011 Number	2011 WAEP £	2010 Number	2010 WAEP £
Outstanding as at 1 April	309,643	-	385,000	-
Granted during the year (i)	153,500	-	117,300	-
Lapsed during the year	( 11,250 )	-	( 109,938 )	-
Exercised during the year (ii)	( 101,093 )	-	( 82,719 )	-
Outstanding as at 31 March (iii)	350,800	-	309,643	-
Exercisable at 31 March	-	-	37,343	-

- i) The weighted average fair value of options granted during the year was £5.78 (2010: £3.89). The share options granted during the year were at £nil. The share price at the date of grant was £8.60. (2010: £5.92).
- ii) The weighted average share price at the date of exercise for the options exercised was £8.60 (2010: £6.62).
- iii) For the share options outstanding as at 31 March 2011, the weighted average remaining contractual life is 8.50 years. (2010: 8.37 years).

The exercise price for all options outstanding at the end of the year was £nil.

### All Employee Share Option Scheme (SAYE)

All employees are entitled to a grant of options once they have been in service for 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 maximum term of SAYE options is 3.5, 5.5 or 7.5 years.

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

Group	2011 Number	2011 WAEP £	2010 Number	2010 WAEP £
Outstanding as at 1 April	493,950	5.35	529,244	5.00
Granted during the year (note i)	91,284	6.92	156,161	5.94
Lapsed during the year	( 45,167 )	5.55	( 112,259 )	5.14
Exercised during the year (note ii)	( 60,505 )	5.42	( 79,196 )	4.55
Outstanding as at 31 March (note iii)	479,562	5.62	493,950	5.35
Exercisable at 31 March	923	6.65	14,723	5.70

## 25. Share-based payments (continued)

Company	2011 Number	2011 WAEP £	2010 Number	2010 WAEP £
Outstanding as at 1 April	10,139	5.14	12,051	5.08
Granted during the year (note i)	9,620	6.92	1,984	5.94
Exercised during the year (note ii)	( 865 )	6.65	( 3,896 )	5.36
Outstanding as at 31 March (note iii)	18,894	5.88	10,139	5.14
Exercisable at 31 March	-	-	-	-

- i) The share options granted during the year were at £6.92, representing a 20 per cent discount on the price at the relevant date. The share price at the date of grant was £8.60 (2010: £7.85).
- ii) The weighted average share price at the date of exercise for the options exercised was £8.49 (2010: £7.45).
- iii) For the share options outstanding as at 31 March 2011 the weighted average remaining contractual life is 2.94 years (2010: 3.39 years).

The weighted average fair value of options granted during the year was £1.77 (2010: £1.87). The range of exercise prices for options outstanding at the end of the year was £3.75 - £6.92 (2010: £2.55 - £6.79).

The fair value of the SAYE and LTIP equity settled options granted is estimated as at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 March 2011 and 31 March 2010:

Group and Company	2011 LTIP	2011 SAYE	2010 LTIP	2010 SAYE
Dividend yield	3.63%	3.71%	4.48%	3.39%
Expected share price volatility	31.0%	31.0%	31.0%	31.0%
Risk free interest rate	1.25%	1.58% - 2.88%	2.74%	2.09% - 3.33%
Expected life of option	3 years	3,5,7 years	3 years	3,5,7 years
Exercise prices	£nil	£6.92	£nil	£5.94

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The initial fair value of LTIP options is adjusted to take into account market-based performance conditions.

## 26. Pension schemes

### Defined benefit pension scheme

The Group acquired a defined benefit final salary pension scheme during the prior year, which is funded by the payment of contributions to separately administered trust funds. The scheme was closed to new members and future accrual on 30 June 2004.

Pension costs are determined with the advice of an independent qualified actuary on the basis of a triennial valuation using the projected unit credit method. The latest available formal actuarial valuation of the scheme was carried out as at 1 January 2010. This valuation was updated to the year end. Plan assets are stated at fair value at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

	2011 £'000	2010 £'000
<b>a) Change in benefit obligation</b>		
Benefit obligation at the beginning of the year	17,141	-
Benefit obligation acquired	-	14,869
Interest cost	935	692
Actuarial (gains)/ losses	( 694 )	2,042
Benefits paid from plan	( 881 )	( 462 )
Benefit obligation at the end of the year	16,501	17,141
	2011 £'000	2010 £'000
<b>b) Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	11,788	-
Fair value of plan assets acquired	-	9,091
Expected return on plan assets	926	474
Actuarial (loss)/ gain on plan assets	( 70 )	1,955
Employer contributions	1,824	730
Benefits paid from plan	( 881 )	( 462 )
Fair value of plan assets at the end of the year	13,587	11,788
	2011 £'000	2010 £'000
<b>c) Amounts recognised in the balance sheet</b>		
Present value of funded obligations	( 16,501 )	( 17,141 )
Fair value of plan assets	13,587	11,788
Net liability recorded in the balance sheet	( 2,914 )	( 5,353 )
	2011 £'000	2010 £'000
<b>d) Components of pension cost</b>		
Amounts recognised in the income statement		
Interest cost	935	692
Expected return on plan assets	( 926 )	( 474 )
Total pension cost recognised in the income statement	9	218
	2011 £'000	2010 £'000
Actual return on assets		
Actual return on plan assets	856	2,429
Amounts recognised in the Group statement of comprehensive income		
Actuarial (gains)/ losses immediately recognised	( 624 )	87
Cumulative amount of actuarial (gains)/ losses recognised	( 537 )	87
<b>e) Principal actuarial assumptions</b>		
The weighted average actuarial assumptions used in the valuation of the scheme were as follows:		
	2011	2010
Discount rate	5.55%	5.60%
Rate of price inflation	3.20%	3.45%
Expected long term rate of return on plan assets during financial year	6.10%	7.55%
Rate of compensation increase	3.20%	3.45%

## 26. Pension schemes (continued)

Future expected lifetime of pensioner at age 65:	<b>2011</b>	2010
<i>Current pensioners</i>		
Male	<b>24.0</b>	23.8
Female	<b>26.4</b>	26.3
<i>Future pensioners</i>		
Male	<b>26.0</b>	25.9
Female	<b>28.3</b>	28.2

The mortality rates used have been taken from Base tables PCMA00 and PCFA00.

A 0.1 per cent decrease in the discount rate would give rise to a £16,000 decrease in the amounts charged to the income statement during the year, and a £271,000 increase in the deficit at 31 March 2011.

The scheme rules require the pension benefits to be uplifted by Retail Price Index (RPI), so there was no financial effect from the statutory requirement to uplift pension benefits by Consumer Price index (CPI) rather than RPI.

<i>f) Plan assets</i>	<b>2011</b>	<b>2011</b>	2010	2010
<b>Asset category</b>	<b>Expected long-term</b>	<b>Fair value</b>	Expected long-term	Fair value
	<b>rate of return</b>	<b>of plan assets</b>	rate of return	of plan assets
		<b>£'000</b>		<b>£'000</b>
Equity securities	<b>7.10%</b>	<b>8,139</b>	8.50%	8,540
Bonds	<b>4.60%</b>	<b>5,407</b>	5.60%	1,750
Cash	<b>4.10%</b>	<b>41</b>	4.50%	1,498
Total		<b>13,587</b>		11,788

The expected rates of return on cash and bonds are determined by reference to relevant gilt yield and corporate bond indices respectively. The long term rate of return on equities is calculated at a premium of 4 per cent above gilt yields.

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The plan has not invested in any of the Group's own financial instruments nor in any properties or other assets used by the Group.

<i>g) History of experience gains and losses</i>	<b>2011</b>	2010
	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets	<b>13,587</b>	11,788
Present value of defined benefit obligation	<b>( 16,501 )</b>	( 17,141 )
Deficit in the scheme	<b>( 2,914 )</b>	( 5,353 )
Experience adjustments on plan liabilities	-	-
Experience adjustments on plan assets	<b>( 70 )</b>	1,955

Experience gains and losses are presented from 24 June 2009 when the scheme was acquired by the Group.

The Group expects to contribute approximately £1,128,000 to the scheme during the year to 31 March 2012 in respect of regular contributions.



### Defined contribution pension schemes

The Group also 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. Contributions owing to the insurance companies at the year-end, included in trade and other payables, amounted to £140,000 (2010: £104,000). Contributions during the year totalled £1,435,000 (2010: £1,427,000).

### 27. Additional cash flow information

#### Analysis of Group net debt

	At 31 March 2010 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2011 £'000
Cash and cash equivalents	5,922	( 4,620 )	-	1,302
Overdrafts	( 1,956 )	( 1,969 )	-	( 3,925 )
	3,966	( 6,589 )	-	( 2,623 )
Other financial assets	1,763	2,500	( 263 )	4,000
	5,729	( 4,089 )	( 263 )	1,377
Other financial liabilities	( 387 )	-	227	( 160 )
Revolving credit	-	( 50,000 )	1,013	( 48,987 )
Bank loans	( 59,530 )	60,000	( 470 )	-
Finance leases and hire purchase contracts	( 480 )	260	( 350 )	( 570 )
Net debt	( 54,668 )	6,171	157	( 48,340 )

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

	At 31 March 2009 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2010 £'000
Cash and cash equivalents	4,399	1,499	24	5,922
Overdrafts	( 12,437 )	10,481	-	( 1,956 )
	( 8,038 )	11,980	24	3,966
Other financial assets	263	-	1,500	1,763
	( 7,775 )	11,980	1,524	5,729
Other financial liabilities	( 173 )	-	( 214 )	( 387 )
Revolving credit	( 9,000 )	9,000	-	-
Bank loans	( 48,882 )	( 10,000 )	( 648 )	( 59,530 )
Loan notes	( 762 )	762	-	-
Finance leases and hire purchase contracts	-	120	( 600 )	( 480 )
Net debt	( 66,592 )	11,862	62	( 54,668 )

## 27. Additional cash flow information (continued)

Analysis of Company net debt	At 31 March 2010 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2011 £'000
Cash and cash equivalents	4,004	( 4,003 )	-	1
Overdrafts	-	( 2,742 )	-	( 2,742 )
	<u>4,004</u>	<u>( 6,745 )</u>	<u>-</u>	<u>( 2,741 )</u>
Other financial liabilities	( 387 )	-	227	( 160 )
Revolving credit	-	( 50,000 )	1,013	( 48,987 )
Bank loans	( 59,530 )	60,000	( 470 )	-
Net debt	<u>( 55,913 )</u>	<u>3,255</u>	<u>770</u>	<u>( 51,888 )</u>
	At 31 March 2009 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2010 £'000
Cash and cash equivalents	-	4,004	-	4,004
Overdrafts	( 6,157 )	6,157	-	-
	<u>( 6,157 )</u>	<u>10,161</u>	<u>-</u>	<u>4,004</u>
Other financial assets	124	-	( 124 )	-
	<u>( 6,033 )</u>	<u>10,161</u>	<u>( 124 )</u>	<u>4,004</u>
Other financial liabilities	( 173 )	-	( 214 )	( 387 )
Revolving credit	( 9,000 )	9,000	-	-
Bank loans	( 48,882 )	( 10,000 )	( 648 )	( 59,530 )
Loan notes	( 460 )	460	-	-
Net debt	<u>( 64,548 )</u>	<u>9,621</u>	<u>( 986 )</u>	<u>( 55,913 )</u>

## 28. 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, Clydesdale Bank PLC (trading as Yorkshire Bank) and Coöperatieve Centrale Raiffeisen-Boerleenbank B.A. (trading as Rabobank International) in respect of the Group's facilities with those banks. Drawn down amounts totalled £53,925,000 as at 31 March 2011 (2010: £61,956,000).

For the Company, the amounts drawn down by other Group companies which were guaranteed by the Company at the year end totalled £1,183,000 (2010: £1,956,000).

## 29. Commitments

(a) The Directors have contracted for future capital expenditure for property, plant and equipment totalling £584,000 (2010: £14,917,000).

(b) The Group's future minimum rentals payable under non-cancellable operating leases are as follows:

Group	2011 £'000	2010 £'000
Not later than one year	2,718	3,348
After one year but not more than five years	6,666	8,032
After five years	2,670	12,207
	<b>12,054</b>	<b>23,587</b>

The Company has no non-cancellable operating leases.

## 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:

Group			
Related party	Sales to related party £'000	Service rendered to related party £'000	Amounts owed by related party £'000
Associate – Farmers Boy (Deeside) Limited			
<b>2011</b>	<b>13,521</b>	<b>289</b>	<b>1,583</b>
2010	-	-	-

Company			
Related party	Services rendered to related party £'000	Interest paid to related party £'000	Dividends received from related party £'000
Subsidiaries			
<b>2011</b>	<b>14,830</b>	<b>2,565</b>	<b>10,508</b>
2010	18,200	2,415	8,808

Amounts owed by or to subsidiary undertakings are disclosed in notes 18 and 20. Any such amounts are unsecured and repayable on demand.

## Remuneration of key management personnel

	2011 £'000	2010 £'000
Short-term employee benefits	2,921	4,775
Post-employment benefits	386	345
Share-based payment	515	139
	<b>3,822</b>	<b>5,259</b>

# shareholder information

## *Five year statement*

	2011 £'m	2010 £'m	2009 £'m	2008 £'m	2007 £'m
Turnover *	<b>758.4</b>	740.3	606.8	559.2	479.8
Profit before tax *	<b>47.1</b>	43.8	34.7	33.0	32.1
Earnings per share *	<b>74.5p</b>	69.7p	40.5p	51.9p	49.3p
Dividends per share	<b>27.5p</b>	25.0p	21.7p	19.9p	18.1p
Capital expenditure	<b>35.9</b>	20.5	21.2	25.8	11.8
Net debt	<b>( 48.3 )</b>	( 54.7 )	( 66.6 )	( 78.4 )	( 75.9 )
Net assets	<b>220.9</b>	193.6	166.5	155.3	135.8

\*: 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 27 to the accounts.

## *Financial calendar*

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

## Shareholder analysis

at 4 May 2011

### Classification

Private Shareholders  
Corporate bodies and nominees

Number of holdings	Number of shares
1,175	5,774,964
678	41,861,927
<u>1,853</u>	<u>47,636,891</u>

### Size of holding (shares)

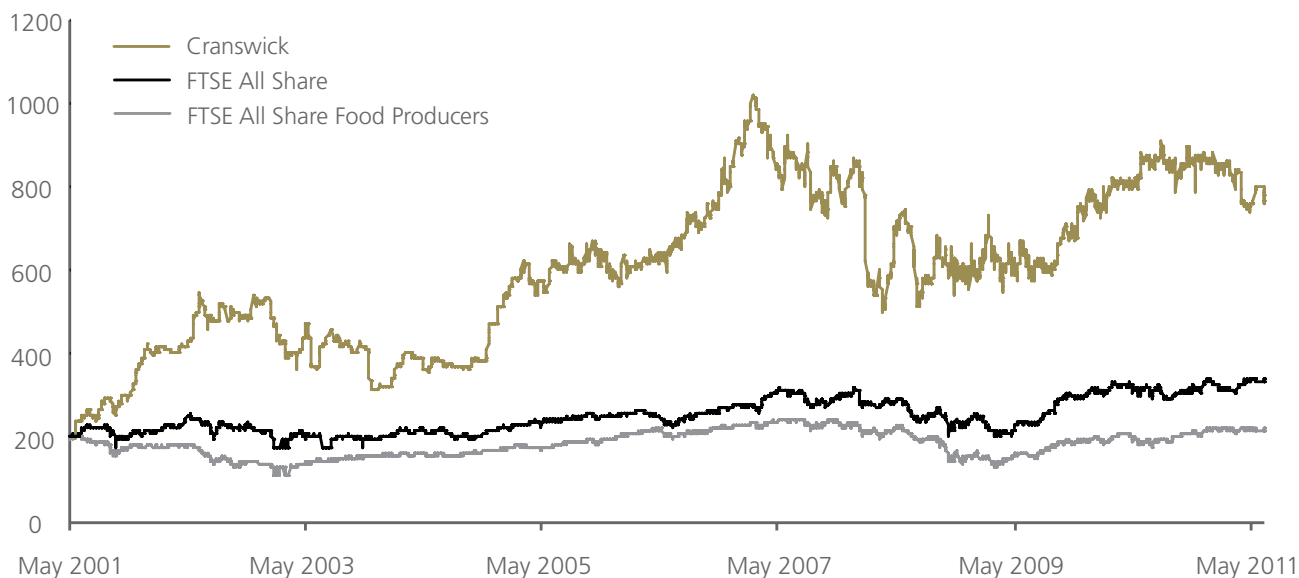
1 – 1,000	940	385,915
1,001 – 5,000	540	1,225,937
5,001 – 10,000	109	771,501
10,001 – 50,000	155	3,413,715
50,001 – 100,000	38	2,906,445
Above 100,000	71	38,933,378
	<u>1,853</u>	<u>47,636,891</u>

### Share price

Share price at 31 March 2010	808p
Share price at 31 March 2011	830p
High in the year	907p
Low in the year	784p

### Share price movement

Cranswick's share price movement over the ten year period to May 2011 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 2001, is shown below:



Source: Investec

# awards

## *Meat Management Awards*

2010	Winner	Best Pork Product and Best Red Meat Product <i>Richard Woodall Dry Cured Bacon</i>
2009	Winner	Manufacturer of the Year

## *Grocer Own Label Excellence Awards*

2011	Gold	Best Sausage or Bacon Category <i>Sainsbury's Taste The Difference 6 Outdoor Bred Cumberland Pork Sausages</i>
	Gold	Best Deli Meat Category <i>Sainsbury's Delicatessen Hand Carved Roast Ham</i>
	Silver	Best Beef, Lamb & Pork product <i>Tesco Finest Extra Matured Norfolk Outdoor Reared Pork Shoulder Joint with Pork &amp; Apricot Stuffing</i>
	Silver	Best Deli Meat <i>Tesco Finest British Outdoor Reared Yorkshire Crumbed Ham</i>
2010	Gold	Meat Joints Category <i>Sainsbury's Taste the Difference British Ultimate Outdoor Reared Dry Cured Unsmoked Gammon Joint</i>

	Silver	Chilled Savoury Category <i>Sainsbury's Taste the Difference British Pork Cocktail Sausages Wrapped in a Butter Puff Pastry</i>
2009	Winner	Delicatessen Meat Category <i>Sainsbury's Taste the Difference Traditional Spiced Ham</i>
	Winner	Bacon & Sausage Category <i>Morrisons' The Best Lightly Oak Smoked Sweetcure Rindless Back Bacon</i>
2008	Winner	Meat & Poultry Category <i>Applewood Smoked Bacon</i>

## *Grocer Food and Drink Awards*

2011	Silver	Chilled Savoury Category <i>Jamie Oliver - My Delicious British Pancetta</i>
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## *Quality Food Awards*

2010	Winner	Best 'Free From' Category <i>Co-operative Truly Irresistible Gluten Free Pork Sausage</i>
2009	Winner	Fresh Meat Game and Poultry Award <i>Sainsbury's Taste the Difference 12 British Ultimate Chipolatas</i>



## *Award Highlights*

Cranswick were pleased to collect an award at the British Turkey Awards 2010, held at London's Claridge's on 23rd September. Tesco Finest Hand Carved Butter Basted Turkey won the Best Ready To Eat Category.

Pictured L-R opposite is Matthew Pullen (Chairman of the British Turkey Publicity and Marketing Committee), Richard Ellett (Cranswick's Tesco National Account Manager), Lisa Bean (from event sponsor Sierra Space Heating) and Sir Geoff Hurst MBE.



### *BPEX Foodservice Pork Product of the Year Competiton*

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

### *BPEX Bacon Connoisseurs Week*

2010	Winner	Overall Winner & Best Retailer 'Smoked' Category <i>M&amp;S Outdoor Bred British Smoked Dry Cured Streaky Bacon</i>
2010	Winner	Best New Flavour Category <i>M&amp;S Outdoor Bred British Demerara Sweet Cure Bacon</i>

### *Yorkshire Company of the Year 2007*

2007	Winner	Yorkshire Business Enterprise Award
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### *Food Awards 2007*

2007	Winner	Best Packaging for a Product <i>Sainsbury's Taste the Difference Dry Cured Sweet Cure Back Bacon</i>
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### *British Turkey Awards*

2010	Winner	Best Ready to Eat Product <i>Tesco Finest Hand Carved Butter Basted Turkey</i>
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### *Meat and Poultry News Awards*

2009	Winner	Producer of the Year Award <i>Cranswick plc supplier - Thomas Dent of Penrith in Cumbria</i>
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### *Super Meat Awards*

2010	Winner	Best Sausage Category <i>The Co-operative Truly Irresistible Gluten Free Pork Sausage</i>
2007	Winner	Best Pork or Bacon Product <i>Truly Irresistible Oak Smoked Dry Cured Bacon</i>

### *Guild of Fine Foods Retailers 'Great Taste Awards'*

2008	Gold	<i>Sainsbury's Taste the Difference Ultimate Oak Smoked Bacon</i>
	Gold	<i>Smoked Streaky Bacon</i>



# advisers

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<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 Shore Capital Stockbrokers - Liverpool
<b>Registrars</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU  Tel: 0871 664 0300 (Calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday - Friday). If calling from overseas please call +44 208 639 3399  email: <a href="mailto:shareholder.services@capitaregistrars.com">shareholder.services@capitaregistrars.com</a> <b><a href="http://www.capitaregistrars.com">www.capitaregistrars.com</a></b>
<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 (trading as Yorkshire Bank) Coöperatieve Centrale Raiffeisen-Boerleenbank B.A. (trading as Rabobank International)
<b>Merchant Bankers</b>	N M Rothschild & Sons – Leeds



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