

**CRANSWICK** *plc*

# Report & Accounts

Year Ended 31 March 2013



# Financial Highlights

## Revenue

£875.2m

2013	875.2m
2012	820.8m
2011	758.4m

## Adjusted Profit Before Tax\*

£49.3m

2013	49.3m
2012	45.6m
2011	47.3m

## Adjusted Earnings Per Share\*

78.9p

2013	78.9p
2012	72.9p
2011	72.8p

## Dividends Per Share

30.0p

2013	30.0p
2012	28.5p
2011	27.5p

	2013	2012	Movement
Reported revenue	£875.2m	£820.8m	+7%
Underlying revenue †	£864.6m	£820.8m	+5%
Operating profit before impairment	£50.0m	£46.7m	+7%
Adjusted profit before tax *	£49.3m	£45.6m	+8%
Adjusted earnings per share *	78.9p	72.9p	+8%
Dividends per share	30.0p	28.5p	+5%

### Notes:

Comparative figures are for the 53 weeks to 31 March 2012

\* excluding impairment charges and the effects of associate

† excluding contribution from Kingston Foods acquired on 29 June 2012

## Company Profile

Cranswick was formed by farmers in the early 1970's to produce pig feed. In 1988 the Board embarked on a strategy to broaden the base of the Company's activities and to seek opportunities to develop into related areas offering greater scope to add value to the Company's processes. Activities have since been extended from this agricultural base into the food sector.

The business is focused predominantly on the supply of fresh and processed food to the UK food retail, food manufacturing and food service categories.

This development has been achieved through a combination of acquisitions and subsequent organic growth, with Cranswick now supplying a range of fresh pork, gourmet sausages, premium cooked meats, traditional air-dried bacon, charcuterie, pastry products and sandwiches to its customers from a number of production facilities in the UK.

The high quality of food supplied by the company is borne out by the awards which continue to be received across all product categories.

# Operational Highlights

- New £12m gourmet pastry facility
- £4m extension to Hull cooked meats operation
- £5m investment in additional fresh pork retail packing capacity
- Launch of new products including gourmet burgers, premium air-dried cooked meats and breaded pork ranges
- £31m of capital expenditure across the Group, with £125m invested in total over last 5 years
- Chinese export accreditation awarded to Hull and Norfolk fresh pork facilities
- Export sales volumes up 9%
- Acquisition of Kingston Foods and East Anglian Pigs

# Corporate Responsibility Highlights

- Total reportable accidents down by 6%
- Reportable accident incident ratio improved by 15%
- Tonnage of waste to landfill reduced by 47%, over 2,500 tonnes
- Awarded 69th consecutive Grade A rating for British Retail Consortium Global Standard for Food Safety



## Contents

### Business Review

Chairman's Statement	2
Review of Activities	4
Awards	6
Group Operating & Financial Review	8
Business Locations & Group Directors	18

### Corporate Responsibility

Corporate Social Responsibility	20
---------------------------------	----

### Governance

Directors	24
Directors' Report	25
Corporate Governance Statement	28
Audit Committee Report	32
Remuneration Committee Report	36
Statement of Directors' Responsibilities	46

### Financial Statements

Report of the Auditors	47
Group Income Statement	48
Group Statement of Comprehensive Income	49
Company Statement of Comprehensive Income	49
Group Balance Sheet	50
Company Balance Sheet	51
Group Statement of Cash Flows	52
Company Statement of Cash Flows	53
Group Statement of Changes in Equity	54
Company Statement of Changes in Equity	55
Notes to the Accounts	56

### Shareholder Information

Shareholder Information	95
Shareholder Analysis	96
Advisers	97

#### Visit us online

Our website contains a full investor section with the latest news and company information



[www.cranswick.plc.uk](http://www.cranswick.plc.uk)



# Chairman's Statement

Martin Davey - Chairman

This has been a positive year for Cranswick. Further progress was achieved in trading and investment was made for this progress to continue over the longer term. Pig meat consumption in the UK continues to grow. There was a 2 per cent increase in UK per capita consumption during 2012 compared to a fractional increase in poultry and reductions in beef/veal and lamb/mutton (source: BPEX). In food service pig meat performed well and accounted for 28 per cent of all protein servings, making it the most popular protein out of the home (source: BPEX).

The business is totally focused on working closely with both its customer base and supply chain to ensure that the consumer has competitively priced food that is nutritious, tasty and a wholesome constituent of a balanced diet.

## Results

The performance in the year was particularly pleasing considering the previous year was a 53 week period compared to the usual 52 week period this past year.

Underlying sales, which exclude the contribution from Kingston Foods, rose 5 per cent during the year and reflected growth across most product sectors. Particularly strong growth was seen in sales of bacon and sausage. Underlying sales were 7 per cent higher on an equivalent 52 week basis. Total revenue for the year was 7 per cent higher at £875 million and 9 per cent higher than previously after adjusting for the extra week.

With an unchanged operating margin before impairment, and after net finance costs of £0.8 million, adjusted profit before tax was £49.3 million compared to £45.6 million last year which included the benefit of the extra week, an increase of 8 per cent. Earnings per share on the same basis were 8 per cent higher at 78.9 pence. Reported profit before tax was £47.4 million and earnings per share were 75.1 pence compared to £48.4 million and 78.6 pence respectively a year ago.

Net finance costs were covered 63 times by profit before net finance costs and tax, compared to 49 times in the previous year. Operating cash flow in the year was strong and after significant investment in the asset base and the acquisition of cooked meats supplier Kingston Foods, year end net debt stood at £20.1 million compared to £21.7 million a year earlier. This amount is comfortably within the Company's borrowing facility and with a very small pension scheme exposure puts the balance sheet in good shape.

There are full reviews of trading and finances in the reviews by the Chief Executive and Finance Director which follow.

## Investments

During the year Kingston Foods was

acquired and integrated into the Company's cooked meats business. Kingston, which has broadened the Group's customer base, has performed well since acquisition and I welcome Tony Turner, managing director, and his colleagues to Cranswick.

Subsequent to the year end the Company acquired East Anglian Pigs. This is a successful business involved in the breeding, rearing and finishing of British pigs and a key supplier to the Group's Norfolk activities. It operates in the British premium outdoor pig-rearing sector and has accreditation under the RSPCA Freedom Foods and the Red Tractor schemes. This strategic acquisition enhances Cranswick's commitment to, and greater control over, a robust and integrated supply chain with a clear focus on premium British ingredients. I welcome Adrian Dowling, managing director, and his colleagues to Cranswick.

Significant organic developments included the purchase of and investment in the Riverside fresh pork facility in Hull and the construction of the pastry plant in Malton, North Yorkshire. These two sites, which have only recently been commissioned, will contribute to the long term growth of the Company.

Investment elsewhere in the business contributed additional capacity and operating efficiencies which in turn have enabled the Company to absorb some of the inflationary pressures within the supply chain. This, along with substantial new business from customers later in the year, were significant features of the year's trading.

Resources were committed to secure approval for fresh pork exports to China and authorisation has also been obtained to supply the Australian market. Along with the approval obtained previously for supplies to the USA this increases the potential international opportunities for the business.

## Dividend

The Board is proposing to increase the final dividend to 20.6 pence per share,

## At a glance

Revenue  
**£875.2m**  
**↑7%**

2012: £820.8m

Operating Margin  
Before Impairment  
**5.7%**



2012: 5.7%

Adjusted Profit Before Tax  
**£49.3m**

**↑8%**

2012: £45.6m

Adjusted Earnings Per Share  
**78.9p**

**↑8%**

2012: 72.9p

Dividends Per Share  
**30.0p**

**↑5%**

2012: 28.5p

Net Cash From  
Operating Activities

**£49.8m**

**↑9%**

2012: £45.5m

an increase of 5.6 per cent on last year. Together with the interim dividend, which was raised 4.4 per cent to 9.4 pence per share and paid in January 2013, this makes a total dividend for the year of 30.0 pence per share. This represents an increase of 5.3 per cent on the 28.5 pence per share paid last year. The final dividend, if approved by Shareholders, will be paid on 6 September 2013 to Shareholders on the register at the close of business on 5 July 2013. Shares will go ex-dividend on 3 July 2013. Shareholders will again have the option to receive the dividend by way of scrip issue.

## Board

Adam Couch was appointed Chief Executive in August 2012 in line with the prior notification to Shareholders. This followed the appointment of Jim Brisby as Sales and Marketing Director and Mark Bottomley as Finance Director within the previous three years as part of the Board's succession planning. Each of these were internal appointments and made after giving due consideration to potential candidates from outside the Company. It illustrates to our colleagues the opportunity for career development with Cranswick and maintains the culture, ethos and values of the business. With the executive team now well established I will be moving to a part time role as Chairman with effect from 1 September 2013.

Patrick Farnsworth will be standing down from the Board at the forthcoming Annual General Meeting. Patrick has served as a Non-Executive Director since 2004 and this year will have completed a term of nine years at which time, under corporate governance guidelines, he will no longer be deemed independent. I would like to thank Patrick for his contribution to the development of the business and wish him well for the years ahead.

Kate Allum, CEO of First Milk Limited and former head of European supply chain for McDonald's, joins the Board as a Non-Executive Director in July 2013. Kate brings operational experience of international food markets and broadens the expertise and experience within the Board.

## Hector Fraser

Hector, one of the 23 local farmers who founded Cranswick in the early 1970's and who served as a director until his retirement in 1989, sadly passed away last month. Hector contributed enormously to the early development of the business and the Directors join with all at Cranswick in offering condolences to Hector's wife Judy and all his family.

## Corporate Governance

The Board is mindful of the requirements of the UK Corporate Governance Code and embraces this as part of its culture. A statement relating to compliance with the Code is included within the Corporate Governance Statement on page 28. Developments since last year include the arrangements that have been put in place for external evaluation of the Board and its procedures as well as the improved gender diversity within the Board as referred to above.

## Staff

The achievements of the year would not have been possible without the expertise, determination and commitment of the management teams and their colleagues within the business. Once again they have proved themselves to be amongst the best in the sector and on behalf of the Board I express sincere thanks and appreciation.

## Outlook

Cranswick is very much focused on working closely with its customers in providing a range of products that continues to prove popular with the consumer. Encouragement is taken from the increase in pork consumption within the UK and this, coupled with new product development, positions the business favourably.

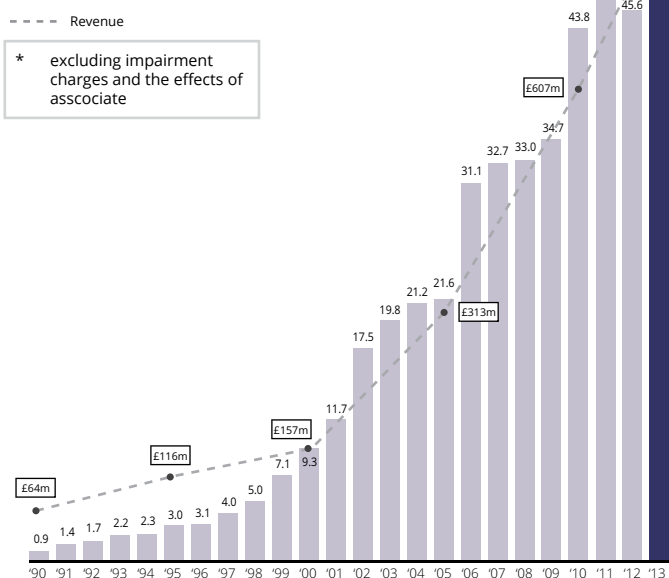
Recent issues in the integrity of the supply chain for meat products and the introduction in 2013 of higher welfare standards for pig production in the EU enhance the competitive position of UK based pork processors. The Company's well invested asset base, providing efficient means of production and headroom for future growth, along with an experienced management team and a robust balance sheet should enable it to capitalise on opportunities that arise.

The Board looks forward to the task that lies ahead as it pursues the continuation of Cranswick's successful long term development.

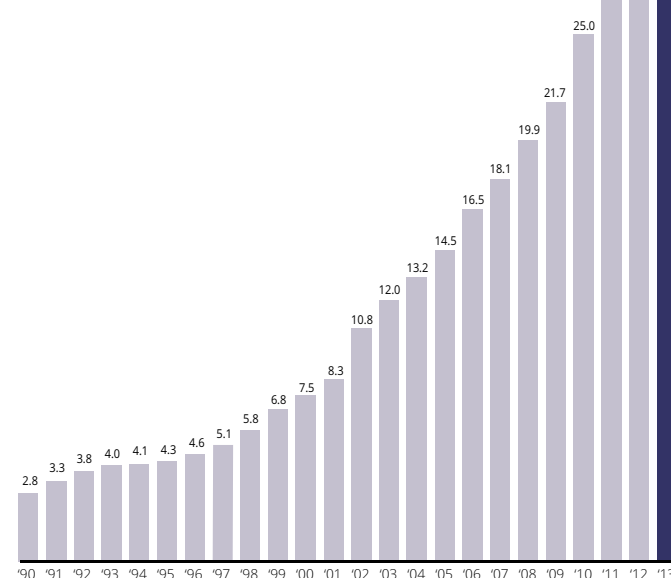
*M Davey*

Martin Davey  
Chairman  
20 May 2013

## Profit Before Tax\* 1990-2013 (£m)



## Dividend Per Share 1990-2013 (pence)



# Review of Activities

Adam Couch - Chief Executive

In my first annual report as Chief Executive it is pleasing to report significant growth across the business, driven by Cranswick's continued focus on premium quality food products, supplied from efficient, modern, well invested facilities. Reported sales increased by 7 per cent with sales, excluding the contribution from Kingston Foods, increasing by 5 per cent. This was particularly pleasing given the previous year benefited from the inclusion of an extra week.

The business has faced a number of challenges over the last twelve months, and none more so than the continuing inflationary pressures on pig producers driven by high feed prices. These pressures led to record pig prices, with the price peaking in December 2012 at 161 pence per kilogramme. These record input costs were met with positive action by the Group, its producers and retail customers. This action should lead to longer term, more strategic pricing arrangements which will allow the industry to better manage volatile cereal and soya costs, the major constituents of animal feed, that have been experienced in the last two years.

The business has managed the upward pressure on pig prices, partly through the support of the Group's customers, but also through the operational efficiencies which have developed following the significant investment in the business' infrastructure over the past 5 years. This expenditure, totalling £125 million, has been made on improving and expanding the primary processing, sausage, cooked meats and bacon facilities and most recently in developing a new pastry production unit on a green field site at Malton, North Yorkshire, which was commissioned in May this year. This investment has delivered first class operations with sufficient headroom to meet the demands of the Group's customers at peak times whilst improving operating efficiencies and maintaining the quality standards expected by the Company's stakeholders. The issues faced by the wider meat industry, which broke in January 2013, are a timely reminder of how fragile the supply chain in the food sector can become. Cranswick is immensely proud of the work done in conjunction with its suppliers and customers in this area which place the business in a strong position to further develop supplier and customer relationships. Integrated, tighter and more transparent supply chains are expected to be a feature going forward and Cranswick has taken positive action in this area through the acquisition of East Anglian Pigs Limited (EAP).

Fresh pork had a strong year with sales growing by 5 per cent. This growth was particularly marked in the last quarter

of the financial year, with new business from two of the Group's key retail customers added, which could only be accommodated by the addition of a new retail packing facility. An existing food grade facility, situated in Hull, East Yorkshire, in proximity to the Group's largest fresh pork processing plant, was acquired in January and commissioned only one month later. The Hull fresh pork site now has capacity to process 30,000 pigs each week and this facility is supported by the Group's second fresh pork site in Norfolk which is capable of processing 18,000 pigs each week. Both are of significant importance to the local farming communities in each region as the majority of pigs processed are sourced from within a 50 mile radius of the respective sites. The Hull and Norfolk operations have both benefited from gaining direct export approval to China and more recently to Australia. Export sales, which have increased by 9 per cent in volume terms over the last twelve months, now account for 5 per cent of the Group's revenues. Sixteen 25 tonne containers are shipped to the Far East each week and shipment of premium cuts to Australia is imminent.

Sausage sales increased by 10 per cent. This was a pleasing performance given the inclement summer weather experienced in 2012. Further investment in the Group's gourmet sausage facility in Hull ensured that excellent service levels were achieved in the peak production periods, particularly in the lead up to Christmas, which is Cranswick's busiest trading

period. Logistically this can be extremely challenging, but the Company continues to successfully meet its customers' demanding expectations. The Hull facility, which now has weekly capacity in excess of 700 tonnes and is capable of producing 11 million sausages each week, still very much embodies the Group's premium ethos. Producing high quality products to such a scale is achieved through an unstinting focus on quality and continual reference back to the artisan origins of these premium product ranges. This methodology, so successful in growing the premium gourmet sausage business, has been used to great effect in developing a range of premium beef burgers. These products incorporate whole cuts of prime traceable British beef with a homemade appearance and texture using only the finest ingredients. Sales of beef burgers grew strongly in the year and contributed to the increase in overall sales in this category.

Sales of premium hand-cured, air-dried bacon were ahead by 13 per cent. The unique nature of this process has gained wide acclaim and features in all but one of the major retailers top tier offerings. New products have also been developed in the gammon category which offers consumers further premium cuts which were previously unavailable. The bacon facility, at Sherburn-in-Elmet, near Leeds, has seen further investment this year through the latest laser slicing technology to further improve efficiencies, increase throughput speeds and provide additional capacity to accommodate peak production periods.

Cooked meat sales continue to perform strongly with sales ahead of the previous year by 11 per cent. Growth was supported by significant business wins during the final quarter. This additional business will have greater impact in the forthcoming year. The hand-cured, air-dried premium ham range, developed last year for one of the Group's key retail customers, in conjunction with the Hull fresh pork and Sherburn sites, has continued to gain market share. This range sets a new standard in terms

## Revenue growth by category

Fresh pork	↑5%	Cooked meats	↑11%
Sausage	↑10%	Continental products	↓7%
Bacon	↑13%	Sandwiches	↑7%



of visual appearance and taste utilising premium RSPCA Freedom Foods accredited material. There was further investment in production capacity during the year, with the addition of a 2,000 square metre extension to the Sutton Fields facility in Hull, which increased capacity by 50 per cent and was commissioned in advance of the peak Christmas trading period. Growth was further supported by the acquisition of Kingston Foods earlier in the financial year. Adjusting for the contribution to sales from Kingston Foods in the period since acquisition, underlying sales increased by 6 per cent.

Sales of continental products, which were 7 per cent lower than the previous year, held up extremely well considering the loss of business with a major retail customer over the last two years. New products have been introduced including a range of olives under the 'Bodega' brand and new listings of filled fresh pasta with one of the Group's major retail customers. New customers have also been added with sales to one of the retail discounters growing particularly strongly. Alongside these developments, sales of core products, including corned beef, have remained extremely resilient.

Sandwich sales increased by 7 per cent against the backdrop of a competitive market. New sandwich platter business secured with one of the major multiples will drive top line growth in the coming year and this follows a move into the convenience retail sector during the last 12 months. Sales were also boosted during

the year by supplying meal solutions to key sporting events over the summer period, including the Olympic opening and closing ceremonies. In addition, a number of operational changes have been made which will further improve the site performance by driving efficiencies through cost reduction and range simplification.

The gourmet pastry facility was completed in May this year and will offer an extended range of premium pastry products to complement the all butter pastry sausage roll and the Yorkish Pasty ranges which established Cranswick in this market. The new state of the art facility extends to 5,000 square metres and employs technology unrivalled in the sector. New products will include quiches and hot pies, with one of the Group's major high street retail customers as the anchor customer. Pastry sales grew strongly during the year. With the new Malton facility now commissioned and new customers and products being added, the business is well positioned to continue its positive development.

Cranswick's growth has been driven through a pursuit of excellence in quality food products allied to an unstinting focus on driving operational efficiencies throughout the Group's operations. Aligned to this, a more vertically integrated approach is now being developed, given the UK consumer's concern with food safety, provenance and traceability. This approach was evidenced by the Company's recently announced acquisition of EAP.

The successful development of the business has only been possible through the skill and determination of Cranswick's colleagues

and this is a common theme throughout all the Group's operations. I would like to express my thanks for their dedication, help and support in the last twelve months.

Pork's value proposition remains strong, particularly compared to both beef and lamb. This together with its health attributes and versatility allied to the Group's knowledge and understanding of both its customers and the UK consumer, leave Cranswick well positioned to continue its growth strategy.



**Adam Couch**  
Chief Executive  
20 May 2013



# Awards

## Grocer Own Label Excellence Awards

2013	Gold	Meat & Poultry Stuffed <i>Tesco Finest Extra Matured Norfolk Pork Guard of Honour Joint with Pork, Apricot &amp; Brandy Stuffing</i>
	Silver	Chilled Mediterranean <i>Tesco Finest Spinach &amp; Ricotta Pasta</i>
2012	Gold	Meat & Poultry Stuffed Category <i>Tesco Finest Extra Matured Norfolk Pork Crown Joint (also collecting the Chairman's Award)</i>
	Silver	Chilled Bacon Category <i>M&amp;S Juniper Smoked Dry Cure Bacon</i>
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>

## 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 Food and Drink Awards

2011	Silver	Chilled Savoury Category <i>Jamie Oliver - My Delicious British Pancetta</i>
------	--------	---

## Quality Food Awards

2012	Winner	Value Fresh Category <i>Sainsbury's Basic Value Pork Shoulder Joint</i>
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>

## BPEX Foodservice Pork Product of the Year Competition

2011	Bronze	Best Pork & Poultry Product <i>Original Pork Simply Seasoned Sausage Roll</i>
------	--------	--

## BPEX Bacon Connoisseurs' Week

2012	Winner	Supermarket Traditional Wet Cure Category <i>Sainsbury's Taste the Difference Wiltshire Cured Unsmoked Back Bacon</i>
2010	Winner	Overall Winner & Best Retailer 'Smoked' Category <i>M&amp;S Outdoor Bred British Smoked Dry Cured Streaky Bacon</i>
	Winner	Best New Flavour Category <i>M&amp;S Outdoor Bred British Demerara Sweet Cure Bacon</i>

## Q Awards

2011	Winner	Delicatessen <i>Asda Extra Special Spicy Sausage Handmade Pasta</i>
------	--------	--



## Cranswick win overall supermarket award at Bacon Connoisseurs' Week 2013

We are delighted to have won the Bacon revolution awards overall supermarket award at Bacon Connoisseurs' Week 2013 for Morrisons M Signature Old Fashioned cure back bacon. The award was presented to Cranswick by author and English actress Faye Ripley in London on Monday 18 March 2013.

The Bacon which contains juniper, cloves, black pepper and muscovado sugar, is produced using traditional methods, including hand-curing, air-drying and quality ingredients which set it apart from our competitors.



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

2013	Winner	Cooked Meats <i>Sainsbury's Taste the Difference Oak Smoked Air Dried Yorke Ham (1 Star)</i> <i>Sainsbury's Taste the Difference Bacon &amp; Stuffing Topped Ham (1 Star)</i>
	Winner	Fresh Pasta <i>Asda Extra Special Linguine (2 star)</i>
	Winner	Plain Olives <i>Mild Bodega Olives (2 Stars)</i>
2012	Winner	Fresh Filled Pasta <i>Asda Extra Special Spinach &amp; Ricotta Pasta (2 star)</i>
	Winner	Plain Olives <i>Asda Extra Special Nocellara Olives (2 star)</i>
	Winner	Continental Style Sausages <i>Asda Spanish Cooking Chorizo (1 star)</i>

## Pizza and Pasta Awards

2011	Winner	<i>Asda American Sizzler serve over pizza</i>
------	--------	---

## Sainsbury's Supplier Oscar - 2012

2012	Winner	Making big things bigger through innovation <i>Taste the Difference Air Dried Hams project</i>
------	--------	---

## British Turkey Awards

2010	Winner	Best Ready to Eat Product <i>Tesco Finest Hand Carved Butter Basted Turkey</i>
------	--------	---

## Meat and Poultry News Awards

2011	Winner	Corrina Firth <i>Young Processor of the Year Award</i>
2009	Winner	Producer of the Year Award <i>Cranswick plc supplier - Thomas Dent of Penrith in Cumbria</i>

## Super Meat Awards

2010	Winner	Best Sausage Category <i>The Co-operative Truly Irresistible Gluten Free Pork Sausage</i>
------	--------	--

## World Cheese Awards 2012

2012	Winner	Gold <i>Aldi Mozzarella</i>
------	--------	--------------------------------



# Group Operating & 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, but increasing 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. More recently the Group has launched a range of artisan pastry products to a number of its retail customers. The markets in which the food business operates are competitive both in terms of pricing from fellow suppliers and the retail environment in general. The UK food retail market is known to be amongst the most competitive in the world. Despite this, Cranswick has a long record of increasing sales and profits through a combination of investing in modern efficient factories, developing a range of quality products and making sound acquisitions. The business is 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 on pages 4 and 5.

## Business Objectives

It is the Board's view that meeting the following business objectives is fundamental to achieving the financial and non-financial measures that increase value to Shareholders and other stakeholders:

Business Objective	Progress against objectives in 2012-13
Delivering innovative, quality products to its customers	<ul style="list-style-type: none"><li>• Launch of premium burger range</li><li>• New breaded pork range</li><li>• Hand cured, air dried ham products launched</li><li>• Expansion of range of new pastry products</li><li>• On-going new product development and re-development of existing ranges</li></ul> <p>Further information on the Group's progress in meeting this objective is set out in the Review of Activities on pages 4 and 5.</p>
Maintaining the highest level of service to its customers	<ul style="list-style-type: none"><li>• Industry leading service levels were maintained throughout the year</li><li>• Further investment in capacity ensured that peak demand periods could be accommodated. Projects included:<ul style="list-style-type: none"><li>• Cooked meats (Hull) - Sutton Fields extension</li><li>• Fresh pork (Hull) - butchery reorganisation</li><li>• Fresh pork (Hull) - new retail packing facility</li></ul></li></ul> <p>Further information on the Group's progress in meeting this objective is set out in the Review of Activities on pages 4 and 5.</p>
Improving operational efficiency	<ul style="list-style-type: none"><li>• Substantial capital investment was made across the business to drive operational efficiency improvements. Key projects delivered the following:<ul style="list-style-type: none"><li>• Fresh pork (Hull) – increased throughput speeds and yield improvements</li><li>• Bacon (Sherburn) - increased throughput speeds and yield improvements</li><li>• Cooked meats (Hull) – increased throughput speeds and yield improvements</li></ul></li></ul> <p>Further information on the Group's progress in meeting this objective is set out in the Review of Activities on pages 4 and 5.</p>

Business Objective	Progress against objectives in 2012-13
Securing employee health and safety	<ul style="list-style-type: none"> <li>The total number of RIDDOR accidents (reportable accidents to the HSE) fell by 6 per cent</li> <li>The RIDDOR Accident Incident Ratio fell by 15 per cent</li> </ul> <p>Further information on the Group's progress in meeting this objective is set out in the Corporate Social Responsibility statement on pages 20 to 23.</p>
Maximising returns on investment	<ul style="list-style-type: none"> <li>Investment has been made across the business to deliver efficiency improvements and to provide additional capacity for future growth. All projects are measured against strict investment criteria using the Group's weighted average cost of capital as a hurdle rate. However, in certain circumstances, either due to legislative or customer requirements, other criteria may be applied.</li> </ul>

## 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 is to oversee and support initiatives aimed at achieving Group objectives, including appraisal of capital projects and identification and approval of acquisitions that will: take the Group into new and growing areas of the market; open up new customer relationships to the Group; or consolidate existing market positions.

## Current and future development and performance

### Business development and performance

The key features of the year have been the record sales and underlying operating profit for the Group, continued capital investment and strong cash generation. The Group delivered record production and sales volumes across the Christmas trading period. The trading environment in which the Group operates has remained challenging. During the third quarter of the year, the business faced rapid raw material price inflation, which it managed through the support of the Group's customers and also through operational efficiency improvements. 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 these pressures.

### Revenue

Reported sales were 7 per cent ahead of last year reflecting growth across most product sectors. After adjusting for the revenue

contributed by Kingston Foods, which was acquired on 29 June 2012, sales were 5 per cent higher than the prior year which included the benefit of a 53<sup>rd</sup> week. Sales of fresh pork, cooked meats, bacon, sausages and sandwiches all grew strongly. Sales of continental products were lower following the decision of one retail customer to move to a direct sourcing policy, although new products and new customers together with increased sales to existing customers helped, to some extent, to mitigate this. Pastry sales grew particularly strongly, albeit from a modest base, and there was a growing contribution to revenues from the Group's export markets.

### Operating profit

Group operating profit of £48.2 million is stated after a property impairment charge of £1.8 million. This was a non-cash item which followed a reassessment of the carrying value of a mothballed production facility in East Lancashire. Group operating profit before impairment at £50.0 million increased by 7 per cent and at 5.7 per cent of sales, operating margin was in line with the level achieved last year.

### Share of results of associate

The Group's share of the post-tax result of its associate, Farmers Boy (Deeside) Limited (FBD), in the prior year was a loss of £0.7 million. On 30 March 2012 the Group sold its 49 per cent holding in FBD to Wm Morrison Supermarkets PLC for a cash consideration of £14.5 million. The transaction gave rise to a profit on sale in the year to 31 March 2012 of £8.3 million. Further details of the disposal are disclosed in note 15.

### Finance costs

Net finance costs of £0.8 million (2012: £1.0 million) were lower than the previous year reflecting the strong cash generation in the year which resulted in lower average borrowings. Interest cover strengthened from 49.2 times to 62.9 times.

### Profit before tax

Profit before tax at £47.4 million (2012: £48.4 million) was 2 per cent lower, but after adjusting for the effects of the associate and goodwill impairment in the prior year and the property impairment charge in the

current year referred to above, adjusted profit before tax was 8 per cent higher at £49.3 million (2012: £45.6 million). This was notwithstanding the fact that the prior year benefited from the inclusion of a 53<sup>rd</sup> week.

### Taxation

The tax charge as a percentage of profit before taxation was 23.6 per cent (2012: 22.5 per cent). The standard rate of UK Corporation Tax was 24 per cent for 2013 and 26 per cent for 2012. The lower than standard rate of tax in the current year relates to a deferred tax credit of £0.3 million following the substantial enactment of the Finance Act 2013 which reduces the corporation tax rate from 24 per cent to 23 per cent in the year to 31 March 2014. The lower than standard rate in the previous year related to the gain on sale of the Group's 49 per cent stake in FBD which did not attract a tax charge, together with a further credit of £0.7 million in relation to the planned reduction in the Corporation tax rate from 26 per cent to 24 per cent in the current year.

### Earnings per share

Adjusted earnings per share, which exclude the effect of the property impairment charge this year and the effects of FBD and goodwill impairment from the prior year, increased by 6.0 pence from 72.9 pence to 78.9 pence. Basic earnings per share fell by 4.5 per cent to 75.1 pence, reflecting a strong increase in underlying profitability in the current year, offset by the impairment charge and, in the prior year, the profit on sale of the Group's 49 per cent stake in FBD. The weighted average number of shares in issue during the year was 48,257,000 (2012: 47,709,000). Again, the prior year earnings per share figure benefited from the inclusion of a 53<sup>rd</sup> week.

### Cash flow and net debt

The Group continues to deliver strong operational cash flows. Cash generated from operating activities was £49.8 million (2012: £45.5 million), with the increase compared to the previous year reflecting increased Group operating profits partly offset by an increase in working capital reflecting growth of the business overall. The net cash outflow from investing activities of £35.5 million is principally accounted for by capital additions, net of



fixed asset sale proceeds, of £30.5 million and the cash spent of the acquisition of Kingston Foods of £6.0 million, less loan repayments received of £0.7 million. The previous year's outflow was £3.3 million. The £26.0 million of net cash used in financing activities in 2013 is largely due to interest paid of £0.9 million, dividends paid of £11.4 million and loan repayments of £14.0 million net of proceeds from issue of share capital of £0.5 million. The prior year cash outflow from financing was £20.8 million. The overall result is a net decrease in cash and cash equivalents of £11.7 million (2012: increase of £21.4 million). Net debt reduced by £1.6 million to £20.1 million (2012: £21.7 million) at the year end, and gearing fell from 9 per cent to 7 per cent.

## 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. Cranswick Country Foods plc 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 2013 was £3.4 million (2012: £5.3 million). The present value of funded obligations was £21.5 million (2012: £21.2 million) and the fair value of plan assets was £18.2 million

(2012: £15.8 million).

## Post balance sheet events

On 29 April 2013, the Group acquired the whole of the issued share capital of East Anglian Pigs Limited, a company involved in the breeding, rearing and finishing of British pigs, for a net cash consideration of £10.7 million.

➔ Further details of the acquisition are set out in the Chairman's Statement on page 2 and in note 30.

## Capital structure

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

The Group regards its Shareholders' equity and net debt as its capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ended 31 March 2013 and 31 March 2012.

The Group's capital structure is as follows:

	2013 £m	2012 £m
Net Debt (note 26)	20.1	21.7
Cranswick plc Shareholders' equity	273.7	245.9
Capital Employed	293.8	267.6

## Distributions, capital raising and share repurchases

The proposed final dividend for 2013 together with the interim paid in January 2013 amount to 30.0 pence per share which is 5 per cent higher than the previous year. Share capital increased by 492,741 shares. The increase comprised 182,958 of shares issued relating to share options exercised during the year and 309,783 of shares issued in respect of scrip dividends.

## Business KPIs

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

### Financial

- 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
- Group operating margin – Group operating profit as a percentage of sales revenue
- Free cash flow – cash generated from operations less tax and net interest paid

### Non-financial

- RIDDOR accidents – total number of accidents reportable to the Health & Safety Executive (HSE) per 1,000 employees
- RIDDOR accident ratio – ratio of RIDDOR accidents to total accidents

## Performance against KPIs

	2013	2012
<i>Financial</i>		
Underlying sales growth*	5.3%	10.3%
Gross Margin	12.2%	12.4%
Group operating margin**	5.7%	5.7%
Free cash flow	£49.0m	£44.4m
<i>Non Financial</i>		
Total RIDDOR accidents per 1,000 employees	16.1	18.9
RIDDOR accident ratio	12.3%	15.4%

2012 was a 53 week year

\* Excludes the revenue contribution from business acquired during the year

\*\* Before a property impairment charge of £1.8 million in the current year and a goodwill impairment charge of £4.9 million in the prior year

The Group reported underlying sales growth, which excluded the impact of acquisitions, of 5.3 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. After adjusting for the benefit of the 53<sup>rd</sup> week in the previous year, underlying, like-for-like sales were 7.3 per cent higher. Gross margin was 12.2 per cent of sales compared to 12.4 per cent a year ago reflecting the on-going challenge of dealing with input cost inflation. Operating margin before impairment at 5.7 per cent of sales was in line with the prior year as improved operating efficiencies offset gross margin pressure.



Principal cash flows are discussed on pages 9 and 10.

## 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 £125 million over the past five years, and it intends to continue investing to ensure that it maintains its competitive edge and has sufficient capacity to meet its growth aspirations.

## 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 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.

## Principle 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 cause actual results to differ materially from expected and historical results.

Effective risk management underpins the delivery of the Group's strategy and objectives. The Board is ultimately responsible for Cranswick's system of risk management and internal control and sets the Group's overall appetite for risk. This overarching risk appetite is cascaded down through the business to operational management. Risk management processes are embedded throughout the Group at all levels.

## Roles and responsibilities

<b>Board</b>	Responsible for the Group's system of risk management and internal control and for setting the Group's overall appetite for risk.
<b>Audit Committee</b>	Review the systems of internal control which are in place and provide assurance to the Board that the process of risk management and internal control is operating effectively.
<b>Risk Committee</b>	Provide oversight and advice to the Board and Audit Committee in relation to current and future risk exposures and future risk strategy including advice on determination of risk appetite and tolerance.
<b>Site management</b>	Operate the risk management process within the approved risk management framework and ensure that it is implemented effectively and efficiently.  Identify and assess all key risks, properly allocate management responsibility and ensure that risks remain adequately identified, analysed and controlled.

The principal risks and uncertainties facing Cranswick and the actions taken to reduce their impact are set out below:





Risk area	Nature of risk and potential impact	Risk mitigation
<b>Industry risks</b>		
<b>State of the economy</b>  Change in 2012/13  No change	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. Pork remains an extremely competitively priced protein.
<b>Competition, customer retention and reliance on key customers</b>  Change in 2012/13  No change	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. A significant proportion of the Group's revenues are generated from a small number of major grocery retail customers, loss of all or part of the Group's business with one or more of these customers would adversely impact the Group's results.	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. The commercial teams continually look for opportunities to expand the customer base across all product categories and work closely with key customers to ensure service, quality and new product development are of the highest standard. Significant supply side consolidation seen in recent years further mitigates this risk.
<b>Raw material price fluctuations</b>  Change in 2012/13  Increased volatility in animal feed prices and impact of new 2013 EU welfare regulations	The major exposure the Group has to raw material price fluctuations is pig meat. An increase in raw material input costs may impact Group profitability.	Purchasing of pigs and pig meat is coordinated 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.  The Group further mitigates the risk of raw material price inflation through on-going pricing discussions with its customers and continued focus on improving operating efficiencies across all its production facilities.
<b>Environmental matters</b>  Change in 2012/13  No change	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 statement and on the Group's website under the 'Greenthinking' banner.
<b>Food scares and product contamination</b>  Change in 2012/13  Recent meat industry food scares	As a food producer, Cranswick is subject to industry related risks of contamination of products and/or raw materials and potential health related issues. 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.
<b>Supplier standards</b>  Change in 2012/13  Recent meat industry food scares	Cranswick is reliant upon its suppliers meeting the Group's high quality and welfare standards. Failure on their part could lead to customer complaints and reputational damage.	The Group ensures all suppliers of key raw materials have independent third party accreditations. Detailed technical specifications are in place for all products, and all sites have trained product inspection and Quality Assurance teams.
<b>Operational Risks</b>		
<b>Food safety</b>  Change in 2012/13  No change	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. All of its production sites are subject to audits to ensure Group standards are maintained.





Risk area	Nature of risk and potential impact	Risk mitigation
<b>Operational Risks (continued)</b>		
<b>Business continuity</b> Change in 2012/13 ➔ No change	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. Potential business disruption is limited due to multi-site operations across the majority of the Group's product lines.
<b>Legislation</b> Change in 2012/13 ➔ No change	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>Overseas markets</b> Change in 2012/13 ⬆ Recent meat industry food scares	Cranswick trades in a growing number of overseas markets, and may not be familiar with local practices and regulations. Failure to comply could lead to prosecution and loss of raw material supply or customer.	<p>Extensive research is carried out into new markets ahead of commencement of trade.</p> <p>The Group uses reputable local contacts to ensure that local laws are complied with.</p>
<b>Technology</b> Change in 2012/13 ➔ No change	The Group is increasingly reliant on both IT and operational technology and operations could be significantly impacted if these systems are not well maintained and updated on a regular basis.	<p>The Group has well trained, operational engineers at each site who carry out regular checks, calibration and maintenance on all key machinery. It also has central and site based IT teams to maintain computer systems.</p> <p>Robust back-up procedures are in place, as are disaster recovery plans, both of which are tested regularly.</p>
<b>Business integration</b> Change in 2012/13 ➔ No change	The Group has grown by acquisition as well as organically, and faces the challenge of integrating new businesses into the Cranswick Group and achieving operational targets.	<p>The Group ensures suitable incentives are in place to retain key management, who work closely with existing Group management to help smooth the transition. There is also rigorous review of operations and results by the Group Board.</p> <p>A rigorous due diligence approach is adopted for all potential acquisitions which encompasses all legal, commercial, financial, technical and environmental matters.</p>
<b>Human Resource Risks</b>		
<b>Health &amp; Safety</b> Change in 2012/13 ➔ No change	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 coordinators, proactively monitors, manages and improves 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.
<b>Ethical management</b> Change in 2012/13 ➔ No change	Good employee working conditions are core to Cranswick's values however poor practice in this area could lead to prosecution, industrial action and adverse media attention.	<p>The Group is a member of SEDEX and ALP, and has agreed to comply with the ETI base code. Additionally, all sites will undergo SMETA ethical audits at least once every two years and carry out labour provider audits each year.</p> <p>The Group also has an independent whistleblowing hotline in place so that employees can raise any concerns they might have (anonymously if they so choose).</p>
<b>Staff recruitment and retention</b> Change in 2012/13 ➔ No change	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.



Risk area	Nature of risk and potential impact	Risk mitigation
<b>Human Resource Risks (continued)</b>		
<b>Access to workforce</b> Change in 2012/13  No change	The Group experiences periods of heightened demand, and has the potential to experience mass absence due to sickness. Without flexibility in the workforce, customer orders may not be fulfilled.	All Group sites have access to multiple approved agencies for the supply of temporary, skilled and unskilled labour. Strict hygiene rules and return to work procedures are in operation at all sites.
<b>Financial Risks</b>		
<b>Interest rates, currency, liquidity and credit risk</b> Change in 2012/13  No change	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 operation 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 below.
<b>Granting of credit and recoverability of debt</b> Change in 2012/13  No change	The majority of sales are made to major UK retailers and practically all sales, to these and other customers, are made on credit terms. Granting of credit to inappropriate parties or failure to collect debts on a timely basis could leave the Group exposed to losses.	Control procedures over acceptance of new customers and review of the level of credit granted with reference to external credit agencies take place at all sites. Debts are recovered on a pro-active basis and management teams aim to ensure customers trade within the agreed terms. Credit risks are also discussed in more detail below.
<b>Business acquisitions</b> Change in 2012/13  No change	Businesses may be acquired based on inaccurate information, unachievable forecasts or without appropriate consideration being given to the terms of purchase.	Rigorous due diligence is carried out in advance of any new business acquisition, using internal and external specialists where required.

## Treasury risk management policies

### Functional currency

The functional currency of all Group undertakings is sterling.

### Foreign currency risk

The foreign exchange risk facing the Group is in the purchasing of charcuterie products. The 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. The Group Finance Director is consulted about the key decisions on currency cover.

### Interest rate risk

The Group's current policy is to manage its cost of borrowing using a mix of fixed and variable rate debt. Whilst fixed rate interest bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate borrowing means that the Group is exposed to unplanned costs should debt be restructured or repaid early as part

of the liquidity management process. In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risk as costs increase if market rates rise. The Group has reduced its borrowings significantly in recent years and at 31 March 2013 gearing had fallen to 7 per cent (2012: 9 per cent). Given this conservative debt structure the Group has not fixed the interest rate on any part of its current facility. The Board will keep this situation under constant review and will fix the interest rate on a proportion of the Group's borrowing at such time as it becomes appropriate to do so. The monitoring of interest rate risk is handled entirely at head office, based on the monthly consolidation of cash flow projections and the daily borrowings position.

### Credit risk

Practically all sales are made on credit terms, the majority of which are to the major UK food retailers. Overdue accounts are reviewed at monthly management meetings. The incidence of bad debts is low. For all major customers, credit terms are agreed by negotiation and for all other customers, credit terms are set by reference to external credit agencies and/or commercial awareness. Every attempt

is made to resist advance payments to suppliers for goods and services; where this proves commercially unworkable, arrangements are put in place, where practical, to guarantee the repayment of the monies in the event of default.

### Liquidity risk

The Group has historically been very cash generative. The bank position for each site is monitored on a daily basis and capital expenditure is approved at local management meetings at which 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 part of the Group has access to the Group's overdraft facility and all term debt is arranged centrally. The Group renewed its bank credit facilities in March 2011. The 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 current facility extends the maturity of the Group's available financing to more than two years, providing it with reduced liquidity risk and



medium term funding to meet its objectives. Unutilised facilities at 31 March 2013 were £78.1 million (2012: £75.8 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  
20 May 2013





Mouth-watering Outdoor  
Reared British dry-cured  
back bacon on a thick cut  
white farmhouse loaf.





# Business Locations & Group Directors

## Group Directors

### Cooked Meats

Alan Chapman  
Ian Fisher  
Paul Gartside  
Andy Jenkins  
Clive Stephens  
Nick Tranfield  
Tony Turner  
Paul Williams

### Bacon & Sausage

Daniel Nolan  
Linda Watkin  
Drew Weir  
Steve Westhead

### Fresh Pork

Chris Aldersley  
John Fletcher  
Stuart Kelman  
James Pontone  
Neil Willis

### Sandwiches

Nick Anderson  
Paul Nicholson  
Simon Ravenscroft

### Charcuterie & Pastry

Rollo Thompson

### Pig Rearing

Ian Barnes  
Charles Bowes

### Food Central

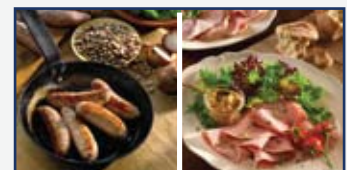
Andrew Caines  
Marcus Hoggarth  
Graeme Watson  
Chris White  
Malcolm Windeatt



Sherburn-in-Elmet



Malton



Hull



Preston, Hull



Barnsley



Little Melton



Manchester



Denbigh



Atherstone



Milton Keynes



Watton





# Corporate Social Responsibility

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.

The Company continues to look at CSR across the business to facilitate the recognition of best practice and shared learning leading to the development of a Group Corporate Responsibility Policy which clearly defines its core values and aspirations.

## People

**Cranswick is committed to introducing, developing and maintaining the key systems and processes required to underpin the effective delivery of its employment strategy across the business.**

The Company seeks to integrate the benefits of people management into its culture and the Group Human Resources (HR) Manager ensures that these are consistently applied across all the sites.

Through representation on the Equality and Human Rights Commission taskforce, Cranswick takes the lead in ensuring ethical business practices are developed at the highest level. All of the Company's ethical processes are regularly audited internally and externally by third parties. Cranswick has been at the forefront of best practice in conducting annual ethical audits both at its own sites and those of its labour providers. Performance is judged against the Gangmasters (Licensing) Act 2004, the Ethical Trading Initiative and retailer expectations.

Encouraging the principles of equality and diversity are key to the successful and inclusive culture that lies at the heart of Cranswick. Regular training is provided for all employees, reiterating the importance of equal opportunities and best practice behaviours. This year, the site HR managers have been trained in Equality and Diversity principles to roll these out to all middle and senior management teams.

**All employment decisions, including recruitment and internal promotions, are based on merit, qualification and abilities and will not be influenced or affected by an employee's race, colour, nationality, religion, sex, marital status, family status, sexual orientation, disability or age.**

The business uses one employment law provider which provides the opportunity for HR teams and managers to refer to a single point of contact without any concerns relating to cost or legitimacy of information provided. This ensures consistent advice is given across the Group and centralises

recording of data and training needs.

Advancing and nurturing Cranswick's cultural values are key commitments the Group has made to its employees. The Company aims to provide a working environment that is consistent and fair, which aids the development and skills of its staff. This enhances their job satisfaction and ensures they have the skills to carry out their role safely and efficiently. A Group Handbook has been introduced which delivers the same policies and procedures to all employees across the business regardless of geographical location, employment status or ethnicity.

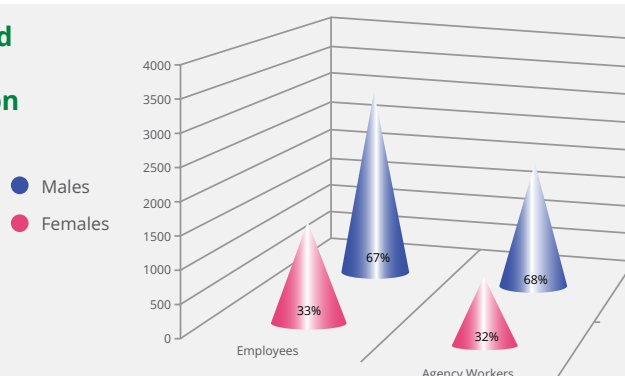
Cranswick understands the value in training and educating its employees in order to support employee engagement and retention. A structured training programme is being undertaken to ensure that all new recruits within the business undergo an informative, comprehensive and developmental induction programme when first joining Cranswick. This will aid their knowledge of business practices and integrate them into the Group's friendly and innovative cultural environment. A staff survey has also been rolled out across the sites to help identify key strengths and

development needs.

A succession programme is in place to identify and nurture talent throughout the Group. Nominated employees undergo a development plan to enhance their current competencies and develop new skills to assist in continuing Cranswick's success. A graduate recruitment programme is structured such that candidates are taken through a rigorous assessment and site visit to ensure they have the right qualities before being recruited. The programme involves graduates spending a year within the production environment to develop a comprehensive knowledge of the Group's operations before joining their targeted function within the business.

Staff Numbers (Average Full Time Equivalents)	Total Number	Male		Female	
		Number	%	Number	%
Employees	4,402	2,931	66.6%	1,471	33.4%
Agency Workers	2,839	1,926	67.8%	913	32.2%
<b>Total</b>	<b>7,241</b>	<b>4,857</b>	<b>67.1%</b>	<b>2,384</b>	<b>32.9%</b>

## Gender and Employee Information





## Health & Safety

Cranswick's commitment to achieving high standards of Health & Safety continues with the commitment of the Board through the efforts of a dedicated and coordinated team.

The site commitment to Health & Safety has been further enhanced this year by a director from each site achieving the "Safety for Senior Executives" qualification from the Institute of Occupational Safety & Health. Performance is reported monthly and discussed quarterly at Board level.

The factory based Health & Safety Co-ordinators all hold the appropriate National Examination Board in Occupational Safety and Health (NEBOSH) qualification to help deliver the appropriate standards at site level. Consistency across the Group is centrally directed and coordinated. With the increasing complexity of equipment and the legislation surrounding its design and use, the team has been strengthened by the addition of a Group Machinery Safety Coordinator. As well as assessing the safety compliance of all new and current machinery within the business the role involves delivering the appropriate training to the site based engineering staff.

**Any new machinery introduced to the business will not be used unless compliance with the latest Certificate of Conformity (CEE) regulations has been checked.**

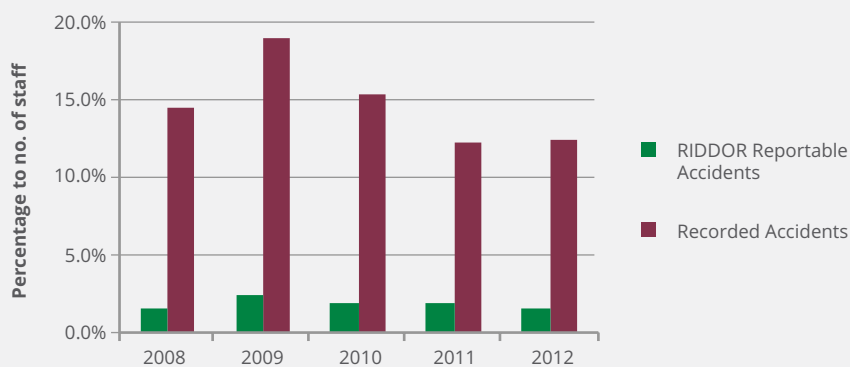
## Responsible procurement

The Group operates from some of the best invested food production sites in the UK including the most modern pig abattoir in the country. These undergo exacting external and internal audits carried out by independent auditing bodies, customers, government authorities, and by the Group's technical compliance team. In the current year the business has hosted 225 separate external compliance audits, many of which are unannounced.

**Cranswick also recently celebrated its 69th consecutive Grade A rating against the British Retail Consortium (BRC) Global Standard for Food Safety, a track record that is believed to be industry leading within the sector, resulting in the Company being a nominated finalist for Food Company of the Year at the 2012 Society of Food Hygiene & Technology Awards.**

In addition to BRC compliance of sites and systems of manufacture, many of the Company's pork products are in full compliance with the Red Tractor Assurance Scheme (Red Tractor), and the British Meat Processors Association (BMPA) pork and pork product standards. This provides the consumer with confidence that these are produced within an assured supply chain, to specified standards, that is traceable all the way back to the farm, the integrity of which is challenged by third party announced and unannounced audits. Cranswick also produces organic products that are subject to a mass balance exercise carried out by independent auditors working for The Soil Association.

## Cranswick plc accident statistics



All sites within the Group have achieved British Standard 18001, the Occupational Health & Safety Management Systems. Systems at new sites acquired during the year are being aligned with Group standards and will follow the same path. Monthly accident statistics are monitored, using an industry leading web based accident recording system, which allows management to analyse each accident, establish root cause, and introduce control measures, where required, to prevent re-occurrence.

**Six of the sites had inspection visits from a Health and Safety Executive (HSE) Inspector following the HSE's introduction of Fee for Intervention Scheme without incurring any charges for failings of material breach of the law.**

The Company is committed to excellent Health & Safety training of both its own employees and agency workers. All receive a full Health & Safety induction course including fire safety, manual handling, task and machinery training in their working environment in order to operate in a safe manner.

### Compared to the prior year:

- The total number of RIDDOR (reportable accidents to the HSE) reduced by 6 per cent
- The RIDDOR Accident Incident Ratio reduced by 15 per cent

The engine room which drives technical compliance across the Group is the exacting internal technical audit programme which saw over 600 separate audits carried out in the last 12 months. The programme is not there just to identify non-compliance but is also a means for highlighting best practice and shared learning across the Group.

Cranswick is committed to ensuring the integrity and traceability of the raw materials (meat, ingredients and packaging) used in its products. The approval of raw material suppliers and their products and raw material specifications are controlled centrally by the Group Technical Service Team which collectively has responsibility for 576 active suppliers and over 1600 raw materials. Suppliers are approved by either independent third party audit, such as the BRC Global Standard for Food Safety, or by Cranswick's approval audit carried out by the Group's technical team. Cranswick's expectations of its suppliers are clearly laid out within Technical Conditions of Supply.

Cranswick has a team of talented and industry proven technical personnel who are responsible for this long standing track record of compliance. However to more effectively manage the increasing number of manufacturing sites, customers and audits taking place within the Group the technical structure has been changed during the year by establishing a higher tier of Divisional Technical Controllers, who collectively report into the Group Technical Director, this has resulted in clearer areas of technical responsibility as well as creating a structure for long term succession planning.

In recent months meat related food scares have undermined consumer confidence in the meat industry. Like many other food companies, Cranswick has revisited its supplier approval and traceability monitoring systems and modified them where appropriate. The Group is also looking at the wider challenges associated with preventing DNA cross contamination during the manufacture of single species products in multi-species factories and has been proactive in supporting the BMPA and the Food Standards Agency (FSA) in their work with industry stakeholders.

**It is pleasing to be able to report that Cranswick has screened for the presence of horse meat DNA in 85 finished product/raw material samples and all reported negative.**

Whilst none of the Group's raw material or finished products have been found to contain horsemeat, Cranswick remains vigilant and in the year under review it spent £1.4 million on laboratory screening of products and raw materials for compliance to specification.

At a time when the food industry is frequently held to account by the media this level of audit, commitment to resource, clear informative labelling, and the resulting high level of compliance should be a re-assurance to customers, investors and consumers that the Group is equipped to deal with these and future challenges.



## Suppliers & Producers

**Pork meat is the single most important raw material supplied to the Group.**

The Cranswick sites at Preston, near Hull, and Norfolk collectively process in excess of 37,000 pigs per week and are a key supplier to the Group's further processing sites and others outside the Group. Both sites are strategically well placed within two of the largest pig breeding and rearing areas within the country. This close proximity with the supply chain ensures that travel times from farm to abattoir are minimised with resulting animal welfare and food mile benefits – the map opposite provides a summary of distances from the processing site.

Many of the pigs supplied to Cranswick are reared to higher welfare standards associated with Outdoor Bred or Outdoor Reared standards. Approximately 50 per cent of those processed by Preston, and 70 per cent by Norfolk being to the exacting requirements of the RSPCA Freedom Foods welfare standard, the balance of those processed are reared indoors in full compliance with the Red Tractor/British Quality Assured Pork (BQAP) welfare standards.

New European Union (EU) Welfare regulations came into force on the 1 January 2013 which significantly limit the use of stalls for sows and gilts during gestation in Europe. The UK has been

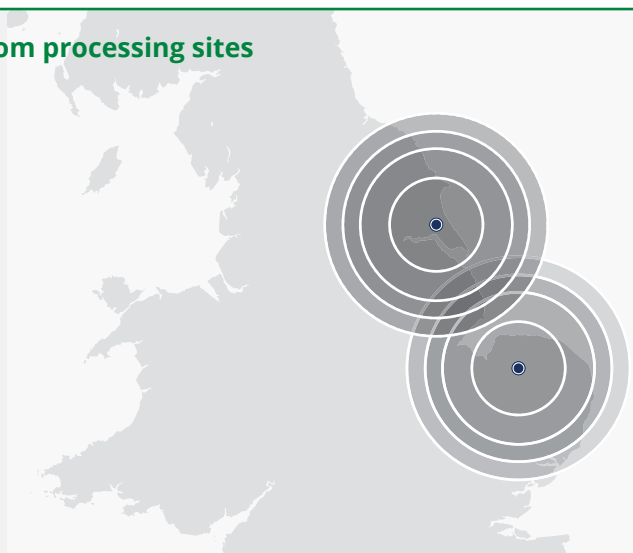
### Distance of pigs from processing sites

#### Preston, Near Hull

40% within 25 miles  
60% within 40 miles  
75% within 50 miles  
80% within 60 miles

#### Norfolk

50% within 25 miles  
80% within 40 miles  
90% within 50 miles  
95% within 60 miles



operating to these standards since 2003 but elsewhere within the EU the picture is less clear. Cranswick's EU suppliers are required to provide written declarations that pork meat supplied to the Group is sourced from pigs reared on compliant farms and the business is currently carrying out compliance audits in France, Germany and other parts of Europe. The Group also monitors compliance within its supply chain by a programme of traceability audits back to the farm.

**Cranswick is also working with several retailer specific pig producer groups**

**and is an active member of the working group which is looking into the development of free farrowing systems and the development of sustainable farming initiatives.**

In the year under review Red Tractor has reviewed and developed its welfare standard so that this is now more focused on outcome measures which put pig welfare at the centre of the audit process. Cranswick participated in this working group and fully supports the changes.

## Customers and consumers

**Cranswick's commitment to the production of safe, legal, wholesome foods that are in full compliance with the specification agreed with its customers are at the heart of everything it does.**

Cranswick supplies finished products to the major UK retailers, restaurant groups, and food service customers as well as supplying raw material to other manufacturers. Many of the Group's customers consider

Cranswick to be their key supplier or category champion and a preferred partner on key technical initiative projects.

Cranswick is committed to working with its retail customers to ensure clear informative labelling of the products it manufactures so that consumers can make an informed purchase choice based on clearly stated origin, authenticity, provenance, nutrition and allergen declarations.

**The Group is well placed to meet the requirements of the Food Information**

**Regulations by the December 2014 deadline which will see the most significant change to food labelling in the last 10 years.**

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

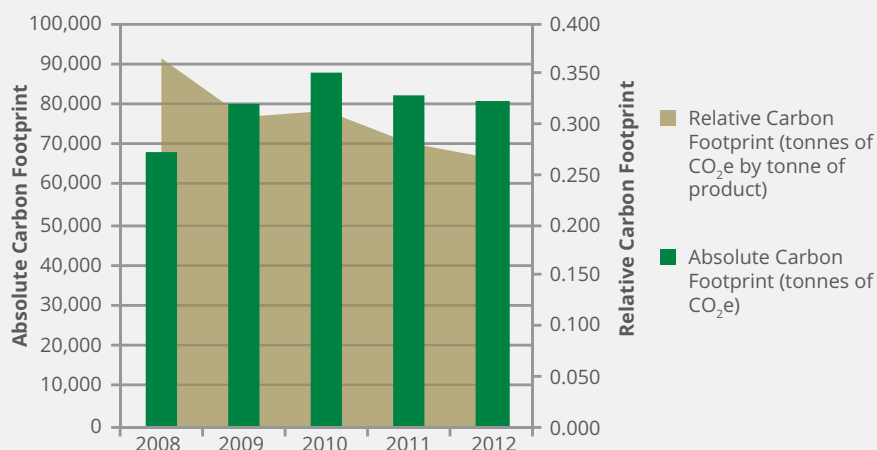
## Sustainability

**Progress against Cranswick's 2020 targets to reduce its carbon footprint remain on track.**

### Carbon footprint

The Group's absolute carbon footprint fell by a further 1.5 per cent despite a 4 per cent rise in production volume with a corresponding fall in the carbon emissions per tonne of production of 5.5 per cent. The Group continues to participate in the Carbon Disclosure Project which now encompasses the Forest Footprint Disclosure to make this data more freely available to interested parties.

### Absolute and Relative Carbon Footprint



## Waste disposal

Better segregation and classification of the waste streams at site level coupled with enhanced separation capabilities at the recycling centres have reduced the tonnage of waste to landfill by 47 per cent, over 2,500 tonnes. The Group's approach to waste disposal underwent significant change in 2012, resulting in a renegotiated Group contract to realise the benefits from the more progressive approach to waste management. Roll out across all sites will be completed in the calendar year 2013, and the changes to existing disposal routes only affected the latter part of the calendar year. Much of the diverted waste goes to waste to energy, in part due to the contamination from meat which limits recycling options. Food waste going to anaerobic digestion has increased by 20 per cent, and cardboard and plastic recycling by 6.5 per cent. The Group is targeting zero waste to landfill within the next two years.

**Opportunities to generate revenue from the conversion of waste fats to biodiesel or use within the Group's own fleet are being investigated.**

## Water

Water usage around the Group has gone up significantly this year, in part due to changing practices in the washing of livestock vehicles on site and additional export hygiene requirements. Coupled with the increasing concern over water availability, this has led to closer investigation of options to reduce consumption or reuse water where conditions and technologies allow. By their nature, these tend to be significant projects which take both time and capital to deliver the longer term benefits. Nevertheless, the Group is still tracking well on its commitment to a 20 per cent reduction in process water usage by 2020 under the Federation House Commitment.

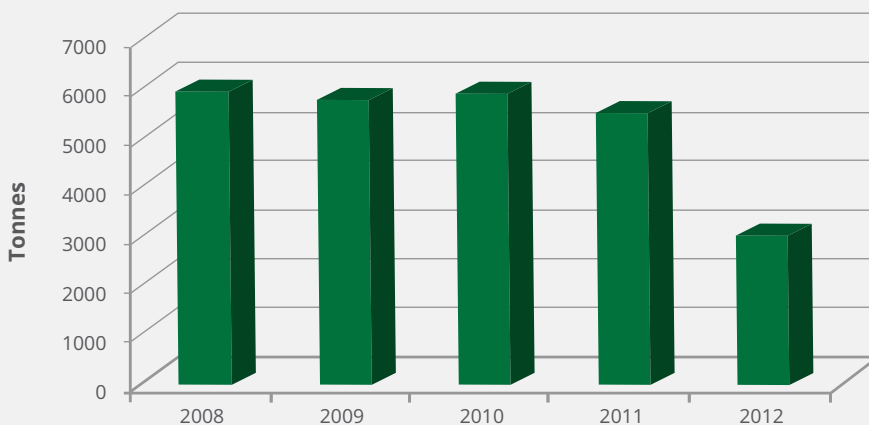
**Cranswick's commitment to have all its existing sites accredited to the Environmental Management Standard ISO14001 has been achieved, and the newly acquired sites will follow as part of their integration into the Group.**

## Energy

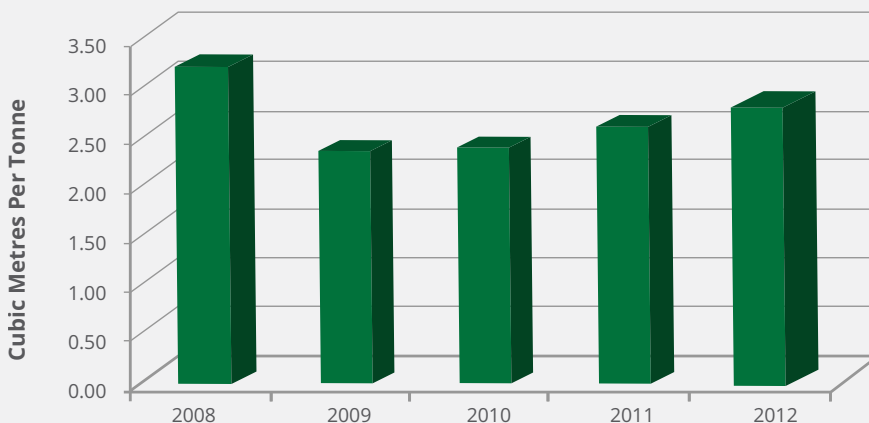
Energy usage per tonne of production has increased slightly, influenced by product mix, up 2 per cent year on year. The rising cost of energy (around 10 per cent in cost per tonne of production) will influence decisions on investment in energy efficient equipment and buildings. Solar panels, induction lighting and heat recovery are all being employed on site extensions and new builds.

Climate Change Agreements are now being established for the two existing sites in the Group which missed out on the first scheme, together with the two new sites acquired during the year. As a consequence, the Group's involvement with the Carbon Reduction Commitment (CRC) will be phased out in the next CRC reporting year.

## Waste To Landfill



## Water use per tonne of product



## Community

**Supporting local communities is important to the Group**

Over 80 per cent of Cranswick's work force lives within 10 miles of their place of work. The Group recognises its responsibilities, as a member of the communities in which it operates and encourages the businesses to engage with their local communities.

Charitable Giving

- **At site level** - charitable fund raising activities continue, including an annual golf day which raised over £30,000 for the KIDS Charity.
- **At a Group level** - involvement with Help for Heroes through the Red Lion Brand helps that business contribute all of its post-tax profits to Forces charities.
- **Other charitable donations** made by the business during the year totalled £40,000.

The environmental and community impact of any site development or redevelopment is always important to the Company and over the years many initiatives have been progressed including the planting of over 4,000 trees at the Preston site.

## Summary

Cranswick will continue to review and monitor the performance of its target areas set out in this report and through this process the Group's stakeholders will have a clearer picture of what corporate responsibility means to the Company and that it is an integral part of its development.

By order of the Board

**Malcolm Windeatt**  
Company Secretary

20 May 2013

# Directors

## Executive Directors

### Martin Davey, Chairman +

Martin has been with Cranswick for the past 28 years, joining the Company and appointed Finance Director in 1985. He led Cranswick's entry onto the Stock Exchange in 1985 and was appointed Chief Executive in 1988. He became Chairman in 2004 and will continue in this role on a part-time basis from 1 September 2013. He is a chartered accountant and for a period of time was a non-executive director of Thorntons plc.

### Adam Couch, Chief Executive

Adam has over 20 years' experience in the food industry joining the operational side of the fresh pork business of Cranswick in 1991. He was appointed to the Board as managing director of the fresh pork business in 2003 and then became Chief Operating Officer in 2011. He was appointed to the role of Chief Executive in August 2012. Adam was also a committee member of the British Pig Executive between 2005 and 2013.

### Mark Bottomley, Finance Director

Mark joined Cranswick as Group Financial Controller in 2008 and was appointed Finance Director in 2009. He is a chartered accountant and 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 some 17 years ago as a sales and marketing executive. 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 in 2010.

### Bernard Hoggarth, Commercial Director

Bernard 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 was Chief Executive between 2004 and 2012. With effect from August 2012 Bernard remained on the Board as Commercial Director, though on a part time basis.

## Non-Executive Directors

### John Worby +† \*

John joined Cranswick as a Non-Executive Director in 2005 and is Senior Independent Director and Chairman of the Audit Committee. He is a chartered accountant with many years' experience in the food industry. John recently retired as 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 is also a Non-Executive Director of Smiths News plc and is a member of the Financial Reporting Review Panel.

### Patrick Farnsworth +† \*

Patrick was appointed a Non-Executive Director of Cranswick in 2004. He is currently Chairman of the Nomination Committee. He has many years' experience in the food industry, having worked for William Jackson & Son Limited, a Hull based food company, since 1965, where he was Joint Group Managing Director from 1995 until his retirement in 2005. This year Patrick will have completed 9 years as an independent Non-Executive Director and therefore will stand down after the Annual General Meeting.

### Steven Esom +† \*

Steven joined Cranswick as a Non-Executive Director in 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. For the last 4 years he has been an Operating Partner of Langholm Capital. He is currently the Non-Executive Chairman for the British Retail Consortium (trading), the Ice Organisation and a Non-Executive Director of Tyrrells Investments Limited.

- \* 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 2013.

## 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 2 to 16.

## Results and dividends

	2013 £'000	2012 £'000
Profit before tax	47,439	48,351
Taxation	(11,198)	(10,871)
Profit for the year	36,241	37,480
Interim dividend per share paid on 25 January 2013	9.4p	9.0p
Final dividend per share proposed	20.6p	19.5p
Total dividend	£14.5m	£13.7m

Subject to approval at the Annual General Meeting, the final dividend will be paid in cash or scrip form on 6 September 2013 to members on the register at the close of business on 5 July 2013. The shares will go ex-dividend on 3 July 2013.

## Events after the balance sheet date

On 29 April 2013, the Group acquired 100 per cent of the issued share capital of East Anglian Pigs Limited (now renamed Wayland Farms Limited) for a net cash consideration of £10.7 million. The principal activities of East Anglian Pigs Limited are pig breeding, rearing and finishing. The acquisition gives the Group greater control over its supply chain. Further details are provided in note 30.

## Financial instruments

The Group's risk management objectives and policy are discussed in the Group Operating and Financial Review on pages 8 to 16.

## Directors and their interests

Details of the Directors' beneficial interests in the ordinary shares of the Company and in share options over the ordinary share capital of the Company are included in the Remuneration Committee Report on pages 42 and 43.

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

## Major Shareholders

The Company has been informed of the following significant holdings of voting rights in the ordinary shares of the Company:

	At 31 March 2013	
	Number of shares	% of issued share capital
Invesco Perpetual	14,172,969	29.21
Legal & General Investment Management	2,388,220	4.92
Aberforth Partners	2,079,164	4.28
Jupiter Asset Management	1,794,035	3.70
Ruffer	1,752,272	3.61

There have been no notifications of any significant changes to these shareholdings as at 20 May 2013.

## Share capital structure

The Company has one class of shares, being ordinary shares of 10 pence each. The allotted and fully paid up share capital is shown in note 23. There are no special rights pertaining to any of the shares in issue.

The Directors of Cranswick plc have received limited authority to disapply Shareholders' pre-emption rights in certain circumstances, to authorise the Company to buy back a proportion of the Company's share capital and to allow the Directors to allot shares. Further resolutions will be placed before the Annual General Meeting to be held on 29 July 2013 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 29 July 2013, is limited to £1,601,457 which represented approximately 33 per cent of the issued share capital (excluding treasury shares) as at 31 May 2012. 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 29 July 2013.

### 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 £240,219, representing 5 per cent of the Company's issued share capital as 31 May 2012. This authority will expire at the end of the Annual General Meeting to be held on 29 July 2013.

### 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 29 July 2013, is limited to £1,601,457 which represented approximately 33 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 31 May 2012. 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 29 July 2013.

### To buy own shares

This authority allows the Company to buy its own shares in the market, as permitted under the Articles of Association of the Company, up to a limit of 10 per cent of the Company's issued share capital. The price to be paid for any share must not be less than 10 pence, being the nominal value of a share, and must not exceed 105 per cent of the average middle market quotations for the ordinary shares of the Company as derived from the London Stock Exchange Daily Official List for the 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 29 July 2013. The Directors would consider holding any of its own shares that it purchases pursuant to this authority as treasury shares.

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

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

There are no restrictions on the transfer of ordinary shares in the Company other than where certain restrictions may apply from time to time, on the Board of Directors and other senior executive staff, which 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 does not have a formal policy that it follows with regard to payments 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 39 days. The average credit taken by our customers on a similar basis is 29 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 various products.

### Charitable Donations

As part of the Group's commitment to the communities in which it operates, contributions totalling £40,000 were made during the year to local charities and community projects.

### Auditors

A resolution to reappoint Ernst & Young LLP as independent external auditors will be proposed 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 24. 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 Remuneration Committee 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 proportion of the awards which are capable of exercise depends on the extent to which the performance targets (as adjusted or amended) have been satisfied.

## Articles of Association

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

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

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

Details of the Special Business to be transacted at the Annual General Meeting are contained in the separate letter from the Chairman which also accompanies

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

## Directors' Responsibility Statement

Each of the Directors listed on page 24 confirms that to the best of their knowledge:

- the Financial Statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair review of the assets, liabilities, financial position and results of Cranswick and its subsidiaries included in the consolidation taken as a whole; and
- the Directors' Report and the Business Review include a fair review of the development and performance of the business and the position of Cranswick and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board



**Malcolm Windeatt**  
Company Secretary

20 May 2013

Company number: 1074383



# Corporate Governance Statement

The Board is committed to high standards of Corporate Governance and takes its role very seriously in adopting and maintaining good governance.

## Principles of good governance

The adoption and maintenance of good governance is the responsibility of the Board as a whole. This report, together with the Audit Committee Report, on pages 32 to 34 and the Remuneration Committee Report, on pages 36 to 34, describes how the Board applies the principles of good governance and best practice as set out in the 2010 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).

## Statement of Compliance

The Directors consider that the Company has, during the year ended 31 March 2013, complied with the requirements of the Code other than with Code provisions:

- B.1.2 as the number of independent Non-Executive Directors was less than half the Board, excluding the Chairman. It is the Board's belief that the current

composition of the Board includes the appropriate skills balance, experience, independence and knowledge of the business and that the appointment of a Non-Executive Director should reflect a need to add complementary skills and experience to the Board and not be driven by a requirement to match the number of Executive Directors. The Board will continue to keep this under review, also with diversity in mind, and assess the needs and requirements of the business as it develops.

- B.6 requires the Company to undertake a rigorous annual evaluation of its Board, committees and individual directors. In the current year The Board decided that an external evaluation should be undertaken. Whilst this process was commenced prior to the year end, the actual results will not be known until around July 2013 and will be reported on in the Company's 2014 Annual Report.

## The Board

During the year ended 31 March 2013, the Board consisted of an Executive Chairman, a Chief Executive, two other full time Executive Directors, one part time Executive Director and three Non-Executive Directors. All the Non-Executive Directors are deemed to be independent.

The Board during the year met 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 and the Board has held meetings at various operating sites so that the Directors can review the operations of those particular sites. All Directors have allocated sufficient time to the Company to discharge their responsibilities effectively.

### The Board covers key decision areas of the Group's affairs including:

- *acquisition and divestment policy;*
- *strategy;*
- *internal control and risk management policies;*
- *approval of budgets;*
- *major capital expenditure projects;*
- *monitoring of the Group's profit and cash flow performance; and*
- *general treasury policy.*

The UK Corporate Governance Code stipulates there should be a clear division of responsibility at the head of the company between the running of the Board and the executive responsible for running the company business.

### The Chairman was responsible for:

- *the leadership of the Board and ensuring its effectiveness on all aspects of its' role;*
- *ensuring all directors were able to maximise their contributions to the Board;*
- *providing strategic insight from his long business experience in the industry and with the Company;*
- *providing a sounding board for the Chief Executive on key business decisions and challenging proposals where appropriate; and*
- *meeting with major shareholders on governance matters and being an alternate point of contact for shareholders on other matters.*

### The Chief Executive was responsible for:

- *leading the business and the rest of the management team, on a day to day basis, in accordance with the strategy agreed by the Board;*
- *leading the development of the Group's strategy with input from the rest of the Board;*
- *leading the management team in the implementation of the Group's strategy including new build decisions; and*
- *bringing matters of particular significance or risk to the Chairman for discussion and consideration by the Board if appropriate.*

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.

An Executive Committee, consisting of the Executive Directors and senior executives of

the business, continues to operate meeting around six times a year to discuss issues affecting the trading side of the business including the development of various projects and approving non-strategic capital expenditure. The Executive Committee reports back to the Board.

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

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.

## Non-Executive Directors

The Non-Executive Directors bring experience and complementary skills to the Board, aid constructive debate and challenge during Board discussions and help develop strategy with an independent outlook.

**The Board considers the Non-Executive Directors to be independent and has 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 UK Governance Code requires listed companies to undertake a rigorous annual evaluation of the performance of their Board, committees and of individual directors.**

The Code implies that an evaluation of the Board should be externally facilitated at least every three years and therefore after carrying out a review of external advisors the Board has appointed EquityCommunication Limited, an independent business that has no other relationship with the Company, to perform an external evaluation of the Cranswick Board and its committees. This process has commenced prior to the year end, and the results are expected to be finalised around July 2013. The findings of the review will be reported in the 2014 Annual Report.

The Chairman has evaluated the performance of individual Directors. In addition, the Non-Executive Directors, led by the Senior Independent Director, meet, without the Chairman present, in order to appraise his performance.

Directors' biographies and membership of the various Committees are shown on page 24. 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
Number Of Board Meetings	10
<b>Martin Davey</b> - Chairman	10
<b>Adam Couch</b> - Chief Executive	10
<b>Mark Bottomley</b> - Finance Director	10
<b>Jim Brisby</b> - Sales and Marketing Director	10
<b>Bernard Hoggarth</b> - Commercial Director	10
<b>John Worby</b> - Senior Independent Director & Chairman Of the Remuneration Committee	10
<b>Steven Esom</b> - Independent Director and Chairman of the Remuneration Committee	10
<b>Patrick Farnsworth</b> - Independent Director and Chairman of the Nomination Committee	10

All Directors attended the Annual General Meeting

→ Directors' biographies and membership of the various Committees are shown on **page 24**





## Board Committees

### Audit Committee

The Audit Committee comprises 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.

The Audit Committee has overall responsibility for monitoring the integrity of financial statements and related announcements and all aspects of internal control. The Audit Committee meets at least three times a year; two of these meetings involve a review of the Group's interim and full year financial statements.

	Audit Committee
Total Number of Meetings	3
John Worby	3
Steven Esom	3
Patrick Farnsworth	3

The work, responsibilities and governance of the Audit Committee are set out on pages 32 to 34.

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

### Remuneration Committee

The Remuneration Committee comprises the three independent Non-Executive Directors chaired by Steven Esom. 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 from external advisors who provide detailed analysis of executive remuneration in comparable companies.



Remuneration Committee	
Total Number of Meetings	4
<b>Steven Esom</b>	4
<b>John Worby</b>	4
<b>Patrick Farnsworth</b>	4

Details of the Committee's current remuneration policies are given in the Remuneration Committee Report on pages 36 to 44.

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 is chaired by Patrick Farnsworth and includes John Worby, Steven Esom and Martin Davey.

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.

Nomination Committee	
Total Number of Meetings	3
<b>Patrick Farnsworth</b>	3
<b>John Worby</b>	3
<b>Steven Esom</b>	3
<b>Martin Davey</b>	3

All appointments are made on individual merit regardless of gender, ethnicity or religious beliefs; the principle concern of the Group is to ensure all candidates are of appropriate experience, ability and fit for the role.

## Appointment to the Board

During the year the Committee acknowledged that Patrick Farnsworth will complete 9 years as an Independent Non-Executive Director on 1 August 2013 and therefore arranged for an independent advisor, Norman Broadbent, to short list a number of candidates for interview. After carrying out the exercise the Board has selected Kate Allum as an Independent Non-Executive Director for Cranswick plc and she is expected to join the Board on 1 July 2013.

## Re-election

**All directors will be standing for re-election at the Annual General Meeting**

**apart from Patrick Farnsworth who will have completed 9 years on 1 August 2013 as an Independent Non-Executive Director.**

The Board has set out in the Notice of Annual General Meeting their reasons for supporting the re-election of the Directors at the forthcoming Annual General Meeting. Their biographical details on page 24 demonstrate the range of experience and skills which each brings to the benefit of the Company.

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.

## Risk Management and 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.

As noted in the Audit Committee Report on pages 32 to 34, the Audit Committee has reviewed the effectiveness of the internal control and risk management systems and reported to the Board that it was not aware of any significant deficiency, or material weakness, in the system of internal control and that the business maintains a sound risk management control system.

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

## 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 information is gathered and presented in a consistent way which facilitates the preparation of the consolidated financial statements.

## Shareholders

The Board attaches great importance to maintaining good relationships with all Shareholders who are kept informed of significant Company developments. Presentations are made by the Chief Executive, the Finance Director and the Sales and Marketing Director, to analysts and institutional Shareholders on the half year and full year results and to discuss Company direction. A similar presentation is made to shareholders attending the Annual General Meeting. Significant matters relating to the trading or development of the business are disseminated to the market by way of Stock Exchange announcements.

The views of Shareholders expressed during meetings with them are communicated by the Chairman or the Chief Executive, as appropriate, 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, Chief Executive or the Finance Director 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 Nomination Committees.

By order of the Board



**Malcolm Windeatt**  
Company Secretary  
20 May 2013

# Audit Committee Report

John Worby - Chairman of the Audit Committee

The Audit Committee has overall responsibility for monitoring the integrity of the financial statements, and related announcements, the effectiveness of the risk control procedures and internal control systems which are important to both management and to the shareholders.

## The Audit Committee

Members of the Audit Committee consist of the three independent Non-Executive Directors, John Worby, Steven Esom and Patrick Farnsworth. The Committee is chaired by John Worby, who has considerable recent relevant financial experience.

The Audit Committee is required to meet at least three times a year and has an agenda linked to the Group financial calendar.

The Audit Committee invites the Chairman, the Group Finance Director and the Group Financial Controller, together with the external auditors and internal audit to attend its meetings. 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.

### Summary of the Audit Committee's principal responsibilities:

- *Reviewing and monitoring the integrity of the Group's interim and full year financial statements.*
- *Reviewing the Group's accounting policies.*
- *Keeping under review the effectiveness of the Group's internal controls and risk management systems.*
- *Monitoring and reviewing the effectiveness of the internal audit function.*
- *Reviewing the internal audit plan and internal audit reports on accounting, internal financial and other control matters.*
- *Overseeing the relationship with the external auditors including the effectiveness, scope, cost and objectivity of the external audit.*
- *Recommending the appointment, reappointment or removal of the external auditors.*
- *Reviewing the independence of the external auditors, including considering the level of non-audit work carried out by them.*
- *Reviewing and monitoring the Company's procedures in relation to the Company's Whistle Blowing and Anti-Bribery policies.*

The Committee annually reviews its terms of reference and makes recommendations to the Board for any appropriate changes. The current Terms of Reference include all the relevant aspects set out in the UK Corporate Governance Code and will be available for inspection at the Company's Registered Office and at the Annual General Meeting.

The work of the Committee in the last year and up to the date of this report is set out below and elsewhere in this report.

## Risk Management and Internal Control

The Audit Committee is responsible for keeping under review the effectiveness of the Company's internal control and risk management systems. The Chairman of the Audit Committee reports to the Board, following each Audit Committee meeting, on issues relating to internal controls and risk management.

The Group has a whistle blowing policy in place, including an independent help line, which includes arrangements by which staff can, in confidence, raise concerns about possible improprieties in financial reporting and other matters. The policy, and any whistle blowing incidents, are reviewed regularly by the Audit Committee.

### Key on-going processes include:

- *a system to identify, evaluate and manage business risk (as detailed below and in the Group Operating and Financial Review on page 11;*
- *maintaining a strong control environment;*
- *formulating and reviewing policies and procedures in relation to whistle blowing and compliance with the Bribery Act*
- *an information and communication process; and*
- *a monitoring system and a regular review of effectiveness by the Audit Committee.*

A Group Risk Committee monitors the risk areas within the Group and reports directly to the Audit Committee. The Risk Committee is chaired by the Group Finance Director and includes other senior executives covering the commercial, operational, technical, information technology, engineering, health and safety and financial functions of the business. Internal audit and the Company Secretary also attend these meetings. The team identified the key business risks within their functions, considered the financial and operational implications and assessed the effectiveness of the control processes in place to mitigate these risks. A summary of the findings has been reported to and reviewed by the Audit Committee and the Board and this, along with the Board's direct involvement in the strategies of the businesses, investment appraisal and the budgeting process, enabled the Audit Committee to review and report to the Board on the effectiveness of internal control.

Following its review the Audit Committee reported to the Board that it was not aware of any significant deficiency, or material weakness, in the system of internal control and that the business maintains a sound risk management control system.

## Financial Reporting

The Audit Committee is responsible for reviewing and monitoring the integrity of the Company's financial statements. During the year the Audit Committee reviewed reports from the Group Finance Director and the external auditors on matters of significance in relation to the financial statements, including key estimates and judgements made in preparing the statements. They also reviewed the content of the 2013 Report and Accounts, and the 2012 Interim Report, to ensure that shareholders are provided with the necessary information needed to assess the Company's performance, business model and strategy.

### Significant issues considered during the year included:

- *the fair value of acquisitions during the year, particularly in relation to the Kingston Foods acquisition;*
- *the carrying value of goodwill and whether there has been any impairment. This included reviewing the position in relation to the Group's sandwich business following the impairment of goodwill made last year;*
- *assessing whether there was sufficient banking head room to support a going concern concept;*
- *the valuation of the closed defined benefit pension scheme;*
- *the impairment of the value of any assets held; and*
- *the review of accruals and provisions in respect of liabilities not settled at the year end date.*

The Audit Committee, after discussions with the external auditors, accepted that these issues had been correctly treated in the financial statements which taken as a whole are fair, balanced and understandable and provide the information for shareholders to assess the Company's performance, business model and strategy.

## Internal Audit

The Audit Committee is responsible for monitoring the performance and effectiveness of the Company's internal audit activities. The Group's internal audit function includes Company employees supported by Grant Thornton, which provides specialist advice and resource 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 reviewed and approved the annual internal audit plan and received regular updates on progress in meeting the plan objectives at each of its meetings during the year. 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 were considered by the Audit Committee and where necessary challenged. The Audit Committee also reviewed progress by management in addressing the issues identified on a timely basis. The Audit Committee undertook its annual review of the extent and effectiveness of the work of the internal audit function.

## External auditors

Ernst & Young LLP has been the Company's auditor 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 was conducted during the year through an external audit questionnaire with senior finance management, the results of which were reviewed and discussed by the Audit Committee.

The Audit Committee is also responsible for recommendations for the appointment, reappointment or removal of the external auditors. The Committee periodically reviews the tendering of the external audit function, the last such tender being in 2008. The Committee also approves the terms of engagement and remuneration of the external auditors, and monitors their independence.

## Auditor independence

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 an established policy in place concerning the types of non-audit services the external auditors should not carry out to avoid compromising their independence and these include internal

accounting or other financial services, executive or management roles or functions, and remuneration consultancy. 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.

Ernst & Young LLP have confirmed that they have adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained.

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

- The auditors' procedures for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the Group, other than those in the normal course of business permitted by UK ethical guidance.
- The auditors' policies for the rotation of the lead partner and key audit personnel. A new Senior Statutory Audit Partner was selected by Ernst & Young in 2012 due to the previous senior audit partner having held office for 5 years. The current senior manager has been in place since 2009.
- The nature of non-audit work undertaken during the year and its approval in accordance with the Audit Committee's guidelines for ensuring independence.



Details of the non-audit work and fees paid during the year are set out in note 4 to the financial statements. The work undertaken during the year and the safeguards considered by the Committee to ensure independence included the following:

- i. Ernst & Young LLP provide tax advice. Their audit objectivity and independence was safeguarded through the use of a separate tax partner.
- ii. Ernst & Young LLP were engaged to advise the Company on a number of corporate transactions. Following a tender, for this type of work, carried out in the previous year, and given the nature of the work required in 2012/13 it was, after careful consideration, assessed that Ernst & Young LLP were best placed to carry out this work. Their audit objectivity and independence was safeguarded through the use of a separate corporate transactions partner and prior approval by the Chairman of the Audit Committee on a case by case basis.

Following consideration of the above matters relating to the performance and independence of the external auditors at a meeting of the Audit Committee in May 2013, 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 2013 Annual General Meeting.

The Audit Committee acknowledges the "Guidance on Audit Committees" issued by the FRC in September 2012 and, in particular, the requirement to put the audit services contract out to tender at least once every ten years. This guidance is effective for accounting periods beginning on or after 1 October 2012. As noted above, the last audit tender was 5 years ago in 2008. The Audit Committee is also aware of, and sensitive to, Investor body guidelines on non-audit fees and intends to further review, in the year ahead, its policy of awarding non-audit services to ensure that the correct balance is maintained between ensuring that the Group benefits cost-effectively from the accumulated knowledge and experience of Ernst & Young whilst also making sure that their audit independence and objectivity is maintained.

This report was approved by the Audit Committee and signed on its behalf by:



**John Worby**  
**Chairman of the Audit Committee**  
20 May 2013





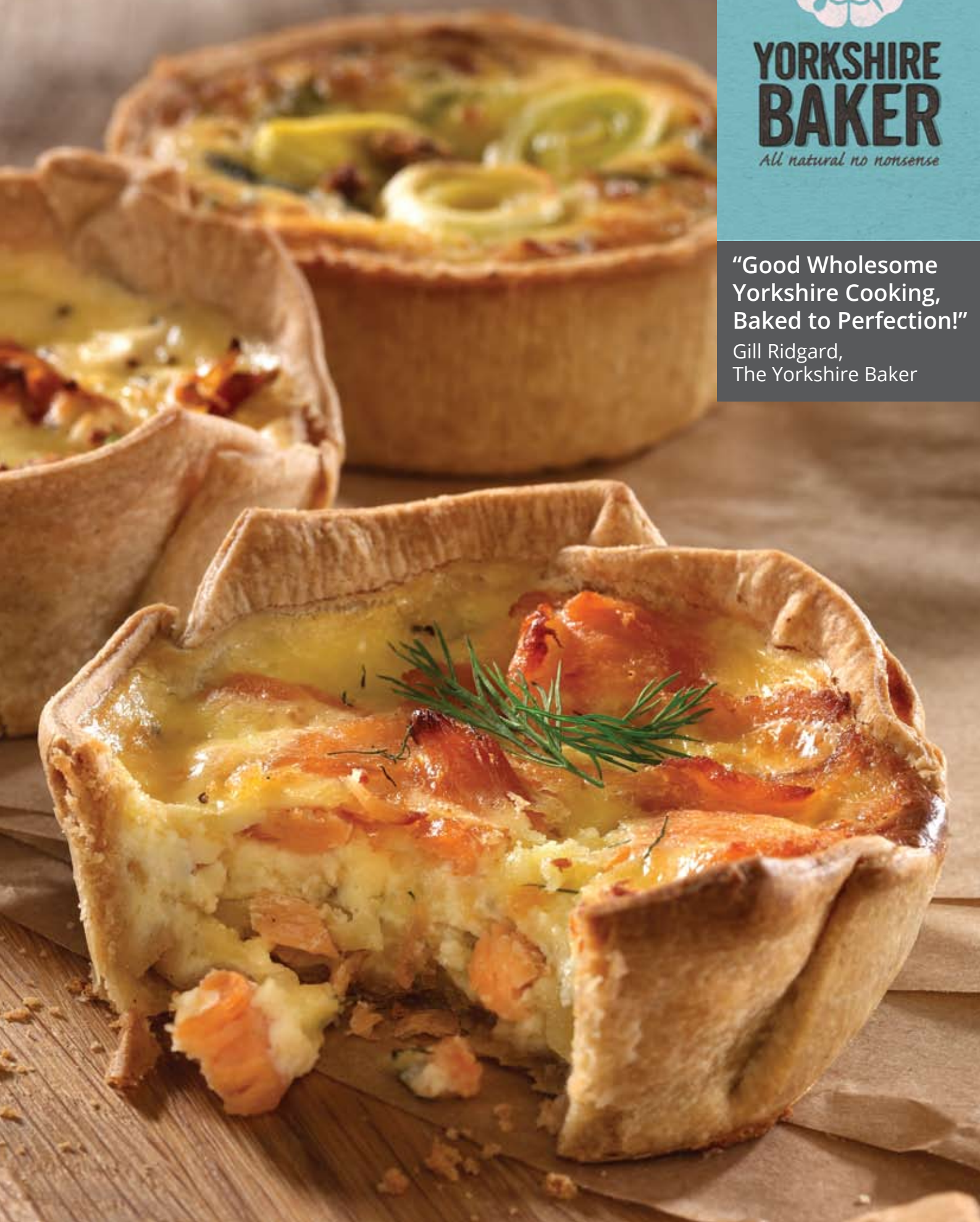


**YORKSHIRE  
BAKER**

*All natural no nonsense*

**"Good Wholesome  
Yorkshire Cooking,  
Baked to Perfection!"**

Gill Ridgard,  
The Yorkshire Baker



# Remuneration Committee Report

Steven Esom - Chairman of the Remuneration Committee

## Letter from the Chairman of the Remuneration Committee

Dear Shareholder,

### Introduction

I am pleased to present the Remuneration Committee's annual report on Directors' remuneration. The report sets out the Group's remuneration policy and gives details of the remuneration paid to Executive and Non-Executive Directors for their services to the Company during the year.

The UK Government has proposed new legislation to reform the way in which directors' remuneration is reported and voted upon. The new legislative requirements will not come into effect until October 2013 and so, whilst not being mandatory for this report, the Remuneration Committee has incorporated a number of the proposed changes in this report to give greater clarity and transparency.

The report is split into two sections. Firstly, a **policy report** which:

- sets out the different elements which make up the Executive Directors' remuneration;
- explains how each component operates; and
- details the performance metrics which underpin each element of remuneration.

The second section contains an **implementation report** which discloses how the policy for Executive remuneration has been applied during the year.

### Overview of the last financial year

As highlighted in the Chairman's Statement on pages 2 and 3, Cranswick performed strongly, with adjusted operating profit and earnings per share substantially ahead of last year. The targets set by the Remuneration Committee, which had been based on the Group Budget for the year, anticipated the challenging trading environment with strong inflationary pressures within the supply chain and a highly competitive retail environment. It was necessary for the management to step change performance in order to meet these targets with emphasis on growing sales through innovation, high operational efficiency, growing volumes in the critical Christmas period and mitigate the rapid increase in raw material price inflation. The performance was well above the targets set. Accordingly bonus payments were made at 150 per cent of salary which is the maximum payable under the scheme.

Also, Adam Couch was appointed as Chief Executive on 1 August 2012 and his salary reflects a first step increase from that date, owing to the additional responsibilities following his promotion from Chief Operating Officer. A second and final step increase was made on 1 May 2013 to align with market rates. Further details of Adam's salary review are set out on page 41.

### Highlights for the current financial year

No changes are being proposed to the Group's current policy on Executive remuneration. In accordance with current policy, the Executive Directors, other than the Chief Executive for the reasons set out above and on page 41, were awarded an increase of 3.3 per cent in line with the annualised increase in the Retail Prices Index (RPI) for the twelve months ending 31 March 2013. This award is consistent with the benchmark for the review of other senior executives. The level of pay award across the Group takes into account local practices and regional variations in pay and conditions.

### Summary

Executive remuneration policy will continue to be monitored to ensure it is correctly aligned with the Group's business strategy. The Remuneration Committee considers the policy, set out in this report, to be an appropriate one which aims to properly reward performance in line with the Company's business objectives and growth and delivery of shareholder value.



Steven Esom  
Chairman of the Remuneration Committee  
20 May 2013







## The Remuneration Committee

The Remuneration Committee is responsible to the Board and comprises the three Non-Executive Directors chaired by Steven Esom. The Executive Chairman attends the meetings in an advisory capacity as and when requested and the Company Secretary attends the meetings as secretary to the Committee. No individual is involved in decisions relating to their own remuneration.

### Role of the Committee

The role of the Committee is to:

- review the on-going relevance and effectiveness of the Group remuneration policy;
- determine the remuneration of the Company's Executive Directors;
- monitor the remuneration of the Group's senior executives;
- approve the design of the Executive Directors' and the Group's senior executives' annual bonus arrangement; and
- approve the level and appropriateness of the long term incentive plan (LTIP) for the Executive Directors and senior executives.

## Advisers to the Committee

The Committee keeps itself fully informed on the developments within the industry and in the field of remuneration and seeks advice from external advisors where appropriate. The Committee reviews and benchmarks its remuneration policy through external consultants every two to three years; the last such review being carried out by AON Hewitt in 2011. AON Hewitt has been retained by the Remuneration Committee for advice throughout the year. AON Hewitt provides no other services to the Company though it is now part of the AON Corporation group of companies which also provide insurance broking services to the Group. The Committee is satisfied that the provision of such services does not create any conflicts of interest. In addition PricewaterhouseCoopers continue to give advice to the Remuneration Committee on share option awards and other benefit schemes. PricewaterhouseCoopers has provided no other services to the Group during the year. The Committee believes the advice given during the year from both AON Hewitt and PricewaterhouseCoopers has been independent, relevant and objective.

## 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 pension and benefits); and
- a significant performance related element in the form of a profit related bonus and share-based awards.

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

Element of Pay	Purpose and link to strategy	Operation	Performance Metrics	Changes To Policy
<b>Base salary</b>	To provide a market competitive base salary to attract and retain executives	Set competitively to reflect the individual's skills, experience and responsibilities  Periodic reviews of market rates  Base salaries are reviewed annually and take into account inflation and performance and any changes take effect from 1 May. Every three years a review is carried out, with external advisors, to benchmark the salaries and to ensure they remain competitive	Any increase is based on individual performance, change in role and the Company pay award	There are no planned changes to the current approach in 2013
<b>Pension</b>	To provide a framework to save for retirement	Executive Directors are entitled to non-contributory membership of the Group's defined contribution pension scheme with the employer's contribution set at 20 per cent of each Executive Director's base salary  Alternatively, at their option, Executive Directors may have contributions of the same amount paid to them in cash, in lieu of pension, subject to the normal statutory deductions  In some cases there are payments of pension contributions in lieu of salary	N/A	There are no planned changes to the current approach in 2013

Element of Pay	Purpose and link to strategy	Operation	Performance Metrics	Changes To Policy
<b>Annual Bonus</b>	To incentivise executive directors and senior executives linked to the performance of the business, on an annual basis, based on key financial metrics	<p>The bonus scheme in operation is based on the achievement of Group profit targets which are set having regard to the Company's budget, historical performance and market outlook for the year</p> <p>A small part of the bonus relates to the achievement of a target profit performance for the first half of the year, where a fixed sum is paid, with the remaining element based on an annual profits target</p> <p>The bonus targets are reviewed every year and changes take effect from 1 April</p> <p>The total bonus is capped at 150 per cent of basic salary and is non-pensionable</p> <p>There is a claw back arrangement in place should the need arise, for example, if the profit on which any bonus is paid is subsequently found to be overstated</p>	The performance is based solely on the Group's profit before tax, with a sliding scale of targets set around budget performance	There are no planned changes to the current approach in 2013
<b>Benefits</b>	To provide market competitive benefits as part of the remuneration package.	<p>Market competitive benefits include private medical insurance, life assurance, personal tax advice, and pension advice</p> <p>Benefits are not pensionable</p>	N/A	There are no planned changes to the current approach in 2013
<b>Share based awards</b>	<p>A Save As You Earn (SAYE) share scheme is available to all eligible employees</p> <p>Long term incentive (LTIP) awards are available to ensure that executives and senior management are involved in the longer term success of the Group</p>	<p>SAYE options are made available to eligible staff, including Executive Directors, with the full 20 per cent discount being given to the relevant share price at the time. Employees can save up to £250 per month in this scheme</p> <p>The LTIP awards are granted by the Remuneration Committee and only vest after three years on the achievement of demanding targets aligned to Total Shareholder Return (TSR) and earnings per share (EPS)</p>	<p>N/A</p> <p>The LTIP maturing in 2013 will not have achieved the EPS target but has achieved 86 per cent of the TSR measure giving a share award of 43 per cent which will be available to vest in June</p>	<p>There are no planned changes to the current approach in 2013</p> <p>There are no planned changes to the current approach in 2013</p>

## Long Term Incentive Plan

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

- 50 per cent of the options 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. 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 above RPI 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.

- 50 per cent are aligned to a total shareholder return (TSR) target measured against a comparable group of food companies over a three year period. The TSR target allowed 30 per cent of the shares subject to the target to be issued at nil cost at the 50th percentile and 100 per cent at the 75th percentile with performance between the 50th and 75th percentiles rewarded pro-rata.

### The comparison companies used besides Cranswick are:

Associated British Foods plc, A G Barr plc, Britvic plc, Carrs Milling Industries plc, Dairy Crest Group plc, Devro plc, Greencore Group plc, Hilton Food Group plc, Kerry Group plc, McBride plc, Premier Foods plc, Robert Wiseman Dairies plc (to the 2011 offer as no-longer quoted) and Tate and Lyle plc.

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.



## Service contracts

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

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 takeover. 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 contracts also have special provisions relating to liquidated damages requiring that the notice period stipulated in the contract will be paid in full. Whilst these contractual terms differ from the current policy, the Remuneration Committee has concluded that it would not be appropriate, in the circumstances, to seek to further amend the contractual terms agreed with these individuals in 2006.

There are no termination or exit payments in any of the service contracts. Any sums payable up to the point of leaving will be considered by the Remuneration Committee and will take into account earnings, any bonus earned, any share awards due and any pay in lieu of notice.

## Non-Executive Directors

Each Non-Executive Director has an appointment letter - Patrick Farnsworth for 19 months from 1 January 2012, John Worby for 31 months from 1 January 2012 and Steven Esom for 3 years from 12 November 2011. The continuing appointments are subject to annual re-election at the Company's Annual General Meeting.

The remuneration of the Non-Executive Directors is determined by the Executive Directors and reflects:

- the time, commitment and responsibility of their roles;
- that their fees are reviewed annually with consideration being given to market rates and the need to attract and retain individuals with the necessary skills and experience; and
- that they do not participate in the Group's incentive bonus arrangement, pension scheme, or share based awards.

## 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 individual businesses.
- The Group offers employment conditions that are commensurate with a medium sized quoted company, including high standards of health and safety and equal opportunities.
- The Group operates Save As You Earn share schemes which are open to all eligible employees including Executive Directors. It is worth noting that around 20 per cent of the work force holds shares in the Company.

## Performance graph - Total Shareholder Return

The graph below shows the percentage change (from a base of 100 in May 2003) in the total shareholder return (with dividends reinvested) for each of the last 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

## Directors' remuneration

The remuneration of Directors for the year was as detailed below. The sub-totals shown for 2013 and 2012 represent the requirements of current legislation. The totals for both years reflect the 'single figure' basis proposed by new BIS requirements.

2013	Salary and fees £'000	Benefits £'000	Payments in lieu of pension £'000	Bonus £'000	Sub Total £'000	Pension £'000	LTIP £'000	Total £'000
<b>Non-Executive Directors</b>								
Steven Esom	47	-	-	-	47	-	-	47
Patrick Farnsworth	45	-	-	-	45	-	-	45
John Worby	49	-	-	-	49	-	-	49
<b>Executive Directors</b>								
Mark Bottomley	382	3	22	536	943	50	106	1,099
Jim Brisby	345	1	13	481	840	50	56	946
Adam Couch	478	3	41	681	1,203	50	153	1,406
Martin Davey	712	4	150	1,031	1,897	-	153	2,050
Bernard Hoggarth	394	4	74	554	1,026	-	153	1,179
<b>Total emoluments</b>	<b>2,452</b>	<b>15</b>	<b>300</b>	<b>3,283</b>	<b>6,050</b>	<b>150</b>	<b>621</b>	<b>6,821</b>
2012	Salary and fees £'000	Benefits £'000	Payments in lieu of pension £'000	Bonus £'000	Sub Total £'000	Pension £'000	LTIP £'000	Total £'000
<b>Non-Executive Directors</b>								
Steven Esom	40	-	-	-	40	-	-	40
Patrick Farnsworth	40	-	-	-	40	-	-	40
John Worby	45	-	-	-	45	-	-	45
<b>Executive Directors</b>								
Mark Bottomley	365	3	-	342	710	67	99	876
Jim Brisby	314	1	-	300	615	42	49	706
Adam Couch	422	3	28	405	858	50	243	1,151
Martin Davey	684	5	76	453	1,218	50	243	1,511
Bernard Hoggarth	532	4	52	453	1,041	50	243	1,334
<b>Total emoluments</b>	<b>2,442</b>	<b>16</b>	<b>156</b>	<b>1,953</b>	<b>4,567</b>	<b>259</b>	<b>877</b>	<b>5,703</b>

Adam Couch's salary had a first step increase in August 2012 following his promotion from Chief Operating Officer to Chief Executive. A second and final step increase was awarded on 1 May 2013 and his salary is now considered by the Remuneration Committee to be in line with market rates.

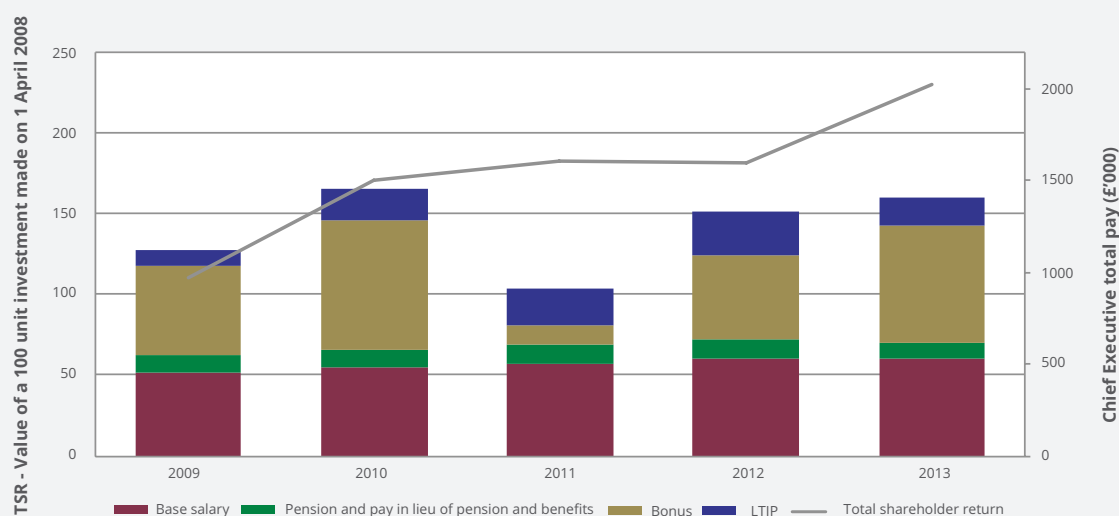
Bernard Hoggarth stood down as Chief Executive in August 2012 but remains on the Board on a part-time basis as Commercial Director. His salary has therefore been adjusted accordingly.

Benefits principally comprise medical insurance, personal tax, and pension advice. The value of the LTIP for the year to 31 March 2013 relates to awards, made in 2010, with a performance criteria based on the three years ending 31 March 2013 that will vest in June 2013, calculated at the closing share price at 31 March 2013 which is deemed to be the best indicator of the vesting value. The value of the prior year LTIP awards have been shown based on the closing share price as at 31 March 2012.

The number of Directors who were active members of the money purchase pension scheme during the year was 5 (2012: 5).

## Total pay of the Chief Executive compared to total shareholder return

The graph below presents a comparison of the total pay of the Chief Executive over the last five years against the total shareholder return of the Company:



## Share options

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

### Long term incentive plan

	Year of award	At 1 April 2012	Granted in the year	Exercised in the year	Lapsed in the year	At 31 March 2013	Exercise Price	Market price at grant
		No.	No.	No.	No.	No.	p	p
Mark Bottomley	2009	13,200	-	-	924	12,276	nil	592
	2010	25,000	-	-	-	25,000	nil	860
	2011	43,600	-	-	-	43,600	nil	785
	2012	-	44,600	-	-	44,600	nil	801
Jim Brisby	2009	6,600	-	-	462	6,138	nil	592
	2010	13,200	-	-	-	13,200	nil	860
	2011	37,200	-	-	-	37,200	nil	785
	2012	-	40,100	-	-	40,100	nil	801
Adam Couch	2009	32,500	-	-	2,275	30,225	nil	592
	2010	36,000	-	-	-	36,000	nil	860
	2011	50,500	-	-	-	50,500	nil	785
	2012	-	59,100	-	-	59,100	nil	801
Martin Davey	2009	32,500	-	(30,225)	2,275	-	nil	592
	2010	36,000	-	-	-	36,000	nil	860
	2011	56,800	-	-	-	56,800	nil	785
	2012	-	59,100	-	-	59,100	nil	801
Bernard Hoggarth	2009	32,500	-	(30,225)	2,275	-	nil	592
	2010	36,000	-	-	-	36,000	nil	860
	2011	56,800	-	-	-	56,800	nil	785
	2012	-	51,600	-	-	51,600	nil	801

The performance periods run for 3 years from 1 April in each year and conclude on 31 March three years later and are exercisable on the attainment of certain performance criteria detailed on page 39. The range of exercise dates are 1 June 2012 to 1 June 2022.

The LTIP, issued in 2010, that vests in June 2013, will not achieve the EPS target but will achieve 86 per cent of the TSR measure giving a share award of 43 per cent. Of the original award, as shown above, 57 per cent will therefore lapse. This is reflected in the remuneration table on page 41.

The options granted in the year are exercisable between 1 June 2015 and 1 June 2022. The share price at the time of issue was 801p.



The following Directors exercised LTIP share options during the year:

	Number	Date exercised	Exercise price p	Market Price p	Notional gain £'000
Martin Davey	30,225	20 June 2012	nil	796	241
Bernard Hoggarth	30,225	3 August 2012	nil	846	256

## Savings related share option scheme

	At 1 April 2012	Granted in the year	Exercised in the year	Lapsed in the year	At 31 March 2013	Weighted average exercise price p	Range of exercise dates
	No.	No.	No.	No.	No.		
Mark Bottomley	2,590	-	-	-	2,590	579	1 Mar 2017/ 1 Sept 2017
Jim Brisby	3,533	-	-	-	3,533	474	1 Mar 2014/ 1 Sept 2014
Adam Couch	4,697	-	(1,277)	-	3,420	502	1 Mar 2016/ 1 Sept 2019
Martin Davey	1,554	-	-	-	1,554	579	1 Mar 2015/ 1 Sept 2015
Bernard Hoggarth	1,554	-	-	-	1,554	579	1 Mar 2015 1 Sept 2015

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

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

	Number	Date exercised	Exercise price p	Market Price p	Notional gain £'000
Adam Couch	1,277	1 March 2013	471	1,000	7

## Market price of shares

The market price of the Company's shares at 31 March 2013 was 986 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	1,023.0	732.5
Options issued during the year:		
- SAYE	1,023.0	849.0
- LTIP	1,023.0	732.5

## Director's Beneficial Interests (Unaudited)

	At 31 March 2013 Ordinary Shares
Mark Bottomley	3,625
Jim Brisby	37,280
Adam Couch	72,371
Martin Davey	200,426
Steven Esom	1,441
Patrick Farnsworth	1,287
Bernard Hoggarth	114,413
John Worby	1,641

The Remuneration Committee has agreed that Executive Directors should build up a shareholding equivalent to one year's net salary over a 3 to 5 year period, following the adoption of this policy in 2012. The Non-Executive Directors also agreed to build up a holding on the same basis.

All the above interests are beneficial.

There have been no further changes to the above interests in the period from 1 April 2013 to 20 May 2013.

On Behalf of the board



**Steven Esom**  
**Chairman of the Remuneration**  
**Committee**  
20 May 2013







# BODEGA

TASTE OUR TRAVELS

Lively Cuquillo and Volos  
olives shaken up with garlic  
and a sprinkle of paprika



# Statement of Directors' Responsibilities in relation to the annual report and financial statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements under IFRSs as adopted by the European Union.

Under Company Law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- 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;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by

the European Union 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; and

- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing the Directors' Report, the Remuneration Committee Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

On behalf of the board



**Martin Davey**  
Chairman



**Mark Bottomley**  
Finance Director

20 May 2013



# 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 2013 which comprise the Group Income Statement, the Group and Company Statements of Comprehensive Income, Group and Company Balance Sheets, the Group and Company Statements of Cash Flow, 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 46, 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 report and accounts 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 2013 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; and
- 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; and
- 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 28 to 31 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 parent 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 UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

**Alistair Denton**  
Senior Statutory Auditor

For on behalf of Ernst & Young LLP  
Statutory Auditor  
Hull

20 May 2013

## Group Income Statement

for the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
<b>Revenue</b>	3	<b>875,171</b>	820,775
Cost of sales		(768,633)	(718,605)
<b>Gross profit</b>		<b>106,538</b>	102,170
Operating expenses excluding impairment	4	(56,497)	(55,434)
<b>Group operating profit before impairment</b>		<b>50,041</b>	46,736
Impairment of goodwill	11	-	(4,924)
Impairment of property, plant and equipment	12	(1,836)	-
<b>Group operating profit</b>	4	<b>48,205</b>	41,812
Share of results of associate	15	-	(712)
Profit on disposal of associate	15	-	8,254
<b>Profit before net finance costs and tax</b>		<b>48,205</b>	49,354
Finance revenue	6	62	151
Finance costs	6	(828)	(1,154)
<b>Profit before tax</b>		<b>47,439</b>	48,351
Taxation	7	(11,198)	(10,871)
<b>Profit for the year</b>		<b>36,241</b>	37,480

### Earnings per share (pence)

#### On profit for the year:

Basic	10	75.1p	78.6p
Diluted	10	74.9p	78.4p

#### Adjusted earnings per share (excluding effect of associate and impairment):

Basic	10	78.9p	72.9p
Diluted	10	78.7p	72.7p



## Group Statement of Comprehensive Income

for the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
<b>Profit for the year</b>		<b>36,241</b>	<b>37,480</b>
<b>Other comprehensive income</b>			
Movement on hedging items:			
Losses arising in the year	20	(4)	(69)
Reclassification adjustment for losses/ (gains) included in the income statement	20	69	(146)
Actuarial gains/ (losses) on defined benefit pension scheme	25	942	(3,504)
Deferred tax relating to components of other comprehensive income		(275)	892
<b>Other comprehensive income for the year, net of tax</b>		<b>732</b>	<b>(2,827)</b>
<b>Total comprehensive income for the year attributable to owners of the parent</b>		<b>36,973</b>	<b>34,653</b>

## Company Statement of Comprehensive Income

for the year ended 31 March 2013

Company profit for the year in both years of £16,826,000 (2012: £24,837,000) was equal to total comprehensive income for the year attributable to owners of the parent.



Notes to the accounts can be found on **pages 56-94**

## Group Balance Sheet

at 31 March 2013

	Notes	2013 £'000	2012 £'000
<b>Non-current assets</b>			
Intangible assets	11	129,003	122,839
Property, plant and equipment	12	147,386	130,853
Investment in associate	13	-	-
Financial assets	18	702	1,398
<b>Total non-current assets</b>		<b>277,091</b>	<b>255,090</b>
<b>Current assets</b>			
Inventories	16	48,463	38,516
Trade and other receivables	17	93,097	85,534
Financial assets	18	696	696
Cash and short-term deposits	26	7,633	20,100
<b>Total current assets</b>		<b>149,889</b>	<b>144,846</b>
<b>Assets held for sale</b>	13	-	221
<b>Total assets</b>		<b>426,980</b>	<b>400,157</b>
<b>Current liabilities</b>			
Trade and other payables	19	(106,109)	(91,078)
Financial liabilities	20	(608)	(1,624)
Income tax payable		(7,123)	(5,936)
Provisions	21	-	(389)
<b>Total current liabilities</b>		<b>(113,840)</b>	<b>(99,027)</b>
<b>Non-current liabilities</b>			
Other payables	19	(410)	(462)
Financial liabilities	20	(29,572)	(42,301)
Deferred tax liabilities	7	(5,947)	(7,093)
Provisions	21	(190)	-
Defined benefit pension scheme deficit	25	(3,357)	(5,342)
<b>Total non-current liabilities</b>		<b>(39,476)</b>	<b>(55,198)</b>
<b>Total liabilities</b>		<b>(153,316)</b>	<b>(154,225)</b>
<b>Net assets</b>		<b>273,664</b>	<b>245,932</b>
<b>Equity</b>			
Called-up share capital	23	4,853	4,803
Share premium account		61,603	58,642
Share-based payments		6,765	5,603
Hedging reserve		(4)	(69)
Retained earnings		200,447	176,953
<b>Equity attributable to owners of the parent</b>		<b>273,664</b>	<b>245,932</b>

On behalf of the board



Martin Davey  
Chairman  
20 May 2013



Mark Bottomley  
Finance Director

# Company Balance Sheet

at 31 March 2013

	Notes	2013 £'000	2012 £'000
<b>Non-current assets</b>			
Property, plant and equipment	12	575	598
Investments in subsidiary undertakings	13	159,212	158,338
Investment in associate	13	-	-
Deferred tax assets	7	565	390
<b>Total non-current assets</b>		<b>160,352</b>	<b>159,326</b>
<b>Current assets</b>			
Trade and other receivables	17	15,369	8,834
Cash and short-term deposits	26	5,169	18,137
<b>Total current assets</b>		<b>20,538</b>	<b>26,971</b>
Assets held for sale	13	-	221
<b>Total assets</b>		<b>180,890</b>	<b>186,518</b>
<b>Current liabilities</b>			
Trade and other payables	19	(42,446)	(41,646)
Income tax payable		(1,270)	(1,116)
<b>Total current liabilities</b>		<b>(43,716)</b>	<b>(42,762)</b>
<b>Non-current liabilities</b>			
Financial liabilities	20	(28,498)	(42,246)
<b>Total liabilities</b>		<b>(72,214)</b>	<b>(85,008)</b>
<b>Net assets</b>		<b>108,676</b>	<b>101,510</b>
<b>Equity</b>			
Called-up share capital	23	4,853	4,803
Share premium account		61,603	58,642
General reserve		4,000	4,000
Merger reserve		1,806	1,806
Share-based payments		6,765	5,603
Retained earnings		29,649	26,656
		<b>108,676</b>	<b>101,510</b>

On behalf of the board



Martin Davey  
Chairman  
20 May 2013



Mark Bottomley  
Finance Director



Notes to the accounts can be found on **pages 56-94**



## Group Statement of Cash Flows

for the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
<b>Operating activities</b>			
Profit for the year		36,241	37,480
Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:			
Taxation	7	11,198	10,871
Net finance costs		766	1,003
Fair value adjustment to put option in relation to associate		-	(95)
Share of result of associate	15	-	712
Gain on sale of associate	15	-	(8,254)
Gain on sale of property, plant and equipment		(237)	(140)
Depreciation of property, plant and equipment	12	15,486	13,972
Impairment of property, plant and equipment	12	1,786	-
Impairment of goodwill	11	-	4,924
Amortisation of intangible assets	11	119	-
Share-based payments		1,162	1,501
Difference between pension contributions paid and amounts recognised in the income statement		(1,043)	(1,076)
Release of government grants		(61)	(55)
Increase in inventories		(9,514)	(2,822)
Increase in trade and other receivables		(5,568)	(6,610)
Increase in trade and other payables		10,696	5,405
Cash generated from operations		61,031	56,816
Tax paid		(11,219)	(11,283)
<b>Net cash from operating activities</b>		<b>49,812</b>	<b>45,533</b>
<b>Cash flows from investing activities</b>			
Interest received		62	173
Principal amounts received in relation to loans advanced		696	1,906
Acquisition of subsidiaries, net of cash acquired	14	(5,986)	-
Purchase of property, plant and equipment		(30,809)	(20,311)
Receipt of government grants		-	149
Proceeds from sale of property, plant and equipment		318	308
Proceeds from sale of associate	15	-	14,500
Proceeds from sale of investment classified as held for sale		221	-
<b>Net cash used in investing activities</b>		<b>(35,498)</b>	<b>(3,275)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(862)	(1,305)
Proceeds from issue of share capital		491	702
Purchase of own shares		-	(136)
Issue costs of long term borrowings		-	(1,005)
Repayment of borrowings		(14,000)	(7,000)
Dividends paid		(11,404)	(11,831)
Repayment of capital element of finance leases and hire purchase contracts		(243)	(272)
<b>Net cash used in financing activities</b>		<b>(26,018)</b>	<b>(20,847)</b>
Net (decrease)/ increase in cash and cash equivalents	26	(11,704)	21,411
Cash and cash equivalents at beginning of year	26	18,788	(2,623)
<b>Cash and cash equivalents at end of year</b>	26	<b>7,084</b>	<b>18,788</b>

## Company Statement of Cash Flows

for the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
<b>Operating activities</b>			
Profit for the year		16,826	24,837
Adjustments to reconcile Company profit for the year to net cash inflows from operating activities:			
Dividends received		(11,404)	(11,831)
Taxation		2,687	2,435
Net finance cost		2,868	2,905
Fair value adjustment to put option in relation to associate		-	(95)
Gain on sale of associate		-	(7,422)
Depreciation of property, plant and equipment	12	44	74
Share-based payments		288	380
(Increase)/ decrease in trade and other receivables		(6,283)	2,443
Increase in trade and other payables		810	5,468
Cash generated from operations		5,836	19,194
Tax paid		(2,617)	(2,262)
<b>Net cash from operating activities</b>		<b>3,219</b>	<b>16,932</b>
<b>Cash flows from investing activities</b>			
Dividends received		11,404	11,831
Purchase of property, plant and equipment		(22)	(65)
Proceeds from sale of associate	15	-	14,500
Proceeds from sale of investment classified as held for sale		221	-
<b>Net cash from investing activities</b>		<b>11,603</b>	<b>26,266</b>
<b>Cash flows from financing activities</b>			
Interest paid		(2,877)	(3,050)
Proceeds from issue of share capital		491	702
Purchase of own shares		-	(136)
Issue costs of long term borrowings		-	(1,005)
Repayment of borrowings		(14,000)	(7,000)
Dividends paid		(11,404)	(11,831)
<b>Net cash used in financing activities</b>		<b>(27,790)</b>	<b>(22,320)</b>
Net (decrease)/ increase in cash and cash equivalents	26	(12,968)	20,878
Cash and cash equivalents at beginning of year	26	18,137	(2,741)
<b>Cash and cash equivalents at end of year</b>	26	<b>5,169</b>	<b>18,137</b>



Notes to the accounts can be found on **pages 56-94**

## Group Statement of Changes in Equity

for the year ended 31 March 2013

	Share capital	Share premium	Share-based payments	Hedging reserve	Treasury shares	Retained earnings	Total equity
	Note (a) £'000	Note (b) £'000	Note (e) £'000	Note (f) £'000	Note (g) £'000	£'000	£'000
As at 31 March 2011	4,764	56,609	4,102	146	-	155,311	220,932
Profit for the year	-	-	-	-	-	37,480	37,480
Other comprehensive income	-	-	-	(215)	-	(2,612)	(2,827)
Total comprehensive income	-	-	-	(215)	-	34,868	34,653
Own shares acquired	-	-	-	-	(136)	-	(136)
Share-based payments	-	-	1,501	-	-	-	1,501
Scrip dividend	19	1,351	-	-	-	-	1,370
Share options exercised (proceeds)	20	682	-	-	-	-	702
Share options exercised (transfer)	-	-	-	-	136	(136)	-
Dividends	-	-	-	-	-	(13,201)	(13,201)
Deferred tax related to changes in equity	-	-	-	-	-	(52)	(52)
Corporation tax related to changes in equity	-	-	-	-	-	163	163
At 31 March 2012	4,803	58,642	5,603	(69)	-	176,953	245,932
Profit for the year	-	-	-	-	-	36,241	36,241
Other comprehensive income	-	-	-	65	-	667	732
Total comprehensive income	-	-	-	65	-	36,908	36,973
Share-based payments	-	-	1,162	-	-	-	1,162
Scrip dividend	31	2,489	-	-	-	-	2,520
Share options exercised (proceeds)	19	472	-	-	-	-	491
Dividends	-	-	-	-	-	(13,924)	(13,924)
Deferred tax related to changes in equity	-	-	-	-	-	370	370
Corporation tax related to changes in equity	-	-	-	-	-	140	140
At 31 March 2013	4,853	61,603	6,765	(4)	-	200,447	273,664

### 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.



## Company Statement of Changes in Equity

for the year ended 31 March 2013

	Share capital	Share premium	General reserve	Merger reserve	Share-based payments	Treasury shares	Retained earnings	Total equity
	Note (a) £'000	Note (b) £'000	Note (c) £'000	Note (d) £'000	Note (e) £'000	Note (g) £'000	£'000	£'000
At 31 March 2011	4,764	56,609	4,000	1,806	4,102	-	15,146	86,427
Profit for the year, being total comprehensive income	-	-	-	-	-	-	24,837	24,837
Own shares acquired	-	-	-	-	-	(136)	-	(136)
Share-based payments	-	-	-	-	1,501	-	-	1,501
Scrip dividend	19	1,351	-	-	-	-	-	1,370
Share options exercised (proceeds)	20	682	-	-	-	-	-	702
Share options exercised (transfer)	-	-	-	-	-	136	(136)	-
Dividends	-	-	-	-	-	-	(13,201)	(13,201)
Deferred tax related to changes in equity	-	-	-	-	-	-	10	10
At 31 March 2012	4,803	58,642	4,000	1,806	5,603	-	26,656	101,510
Profit for the year, being total comprehensive income	-	-	-	-	-	-	16,826	16,826
Share-based payments	-	-	-	-	1,162	-	-	1,162
Scrip dividend	31	2,489	-	-	-	-	-	2,520
Share options exercised (proceeds)	19	472	-	-	-	-	-	491
Dividends	-	-	-	-	-	-	(13,924)	(13,924)
Deferred tax related to changes in equity	-	-	-	-	-	-	91	91
At 31 March 2013	4,853	61,603	4,000	1,806	6,765	-	29,649	108,676

### d) Merger reserve

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

### e) Share-based payments reserve

This reserve records the fair value of share-based payments expensed in the income statement, and in the case of the Company in relation to share-based payments to employees of subsidiary companies, capital contributions to cost of investments (note 13).

### 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) Treasury shares

This reserve records the cost of the Group's own shares acquired to satisfy employee share schemes.



Notes to the accounts can be found on **pages 56-94**

## 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 2013 were authorised for issue by the Board of Directors on 20 May 2013 and the balance sheets were signed on the Board’s behalf by Martin Davey and Mark Bottomley. Cranswick plc is a public limited company incorporated and domiciled in England and Wales. 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 24 – measurement of share-based payments  |
| • Goodwill                    | Note 11 – measurement of the recoverable amount of cash generating units containing goodwill |
| • Provisions                  | Note 21 – judgements in relation to amounts provided   |
| • Pensions                    | Note 25 – pension scheme actuarial assumptions   |
| • Acquisitions                | Note 14 and note 30 – fair values on acquisition   |
| • Trade receivable provisions | Note 17 – provision for impairment of trade receivables                                      |

#### New standards and interpretations applied

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

#### *International Accounting Standards (IAS / IFRSs)*

IAS 12	Income Taxes (Amendment) – Deferred Taxes: Recovery of underlying assets
--------	--

#### *Effective date*

1 January 2012

The application of this standard 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:

<i>International Accounting Standards (IAS / IFRSs)</i>		<i>Effective date*</i>
IAS 32 (revised)	Financial Instruments: Presentation on Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 7	Financial Instruments: Disclosures	1 January 2013
IFRS 7	Financial Instruments: Disclosures (Amendment) – Initial Application of IFRS 9	1 January 2015
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Items of Other Comprehensive Income (Amendment)	1 July 2012
IAS 19 (revised)	Employee Benefits	1 January 2013
IAS 27 (revised)	Separate Financial Statements	1 January 2013
IAS 28 (revised)	Investments in Associates and Joint Ventures	1 January 2013
IFRS	May 2012 Annual Improvements	1 January 2013

\*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.

### 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.

### Operating profit

The Group's investment in associate Farmers Boy (Deeside) Limited was made in July 2010 and was disposed of in March 2012 and therefore does not form part of the on-going operations of the Group. Previously, the Group income statement included a subtotal of operating profit which included the share of results of the associate but in light of the disposal, the directors consider it appropriate to present instead new subtotals of Group operating profit prior to the results of the associate, and profit before net finance costs.

### 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 separately by virtue of their size or incidence if the financial statements are to give a true and fair view.

### Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred tax is provided on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



## 2. Accounting policies *(continued)*

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 in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity and not in the income statement. Otherwise income tax is recognised in the income statement.

### **Dividends**

Dividends receivable by the Company are recognised in the income statement if they are declared, appropriately authorised and no longer at the discretion of the entity paying the dividend, prior to the balance sheet date. Dividends payable by the Company are recognised when declared and therefore final dividends proposed after the balance sheet date are not recognised as a liability at the balance sheet date. Dividends paid to Shareholders are shown as a movement in equity rather than on the face of the income statement.

### **Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

### **Intangible assets**

Goodwill is the excess of the fair value of the consideration paid for a business over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is capitalised and subject to an impairment review, both annually and when there are indications that the carrying value may not be recoverable.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised. When an entity is disposed of, any goodwill associated with it is included in the carrying amount of the operation when determining the gain or loss on disposal except that goodwill arising on acquisitions prior to 31 March 2004 which was previously deducted from equity is not recycled through the income statement.

Intangible assets acquired as part of an acquisition of a business are capitalised at fair value separately from goodwill only if the fair value can be measured reliably on initial recognition and the future economic benefits are expected to flow to the Group. Customer relationships are amortised evenly over their expected useful lives of 5 years, with amortisation charged through administration expenses in the income statement.

### **Property, plant and equipment**

Property, plant and equipment are included at cost less accumulated depreciation and any provision for impairment.

Freehold land is not depreciated. Depreciation is charged on property, plant and equipment on the depreciable amount, being cost less the estimated residual value (based on prices prevailing at the balance sheet date) on a straight line basis over their estimated useful economic lives, or the estimated useful economic lives of their individual parts.

Useful economic lives are principally as follows:

Freehold buildings	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.

#### Investments

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

#### Interest in associates

The Group's investment in its associate was 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 was 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, 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.

For the prior year, the financial statements of the associate were prepared for the period to 30 January 2012 and were updated to 31 March 2012 with reference to management accounts. Where necessary, adjustments were made to bring the accounting policies in line with those of the Group.

#### Non-current assets held for sale

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

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

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

#### Accounting for leases

##### i) Finance leases

Assets which are financed by leasing agreements that transfer substantially all the risks and rewards of ownership to the lessee (finance leases) are capitalised at the inception of the lease at fair value or, if lower, the present value of the minimum lease payments, in 'Property, plant and equipment' and the corresponding capital cost is shown as an obligation to the lessor in 'Borrowings'. Depreciation is charged to the income statement over the shorter of the estimated useful life of the asset and the term of the lease. The interest element of the rental obligations is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remainder of the capital amount outstanding.

##### ii) Operating leases

Leases, which are not finance leases, are classified as operating leases. Lease payments are charged to the income statement on a straight line basis over the term of the lease.

## 2. Accounting policies *(continued)*

### 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.

### Biological assets

Biological assets are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Changes in the measurement of fair value less cost to sell are included in profit or loss for the period in which they arise. All costs incurred in maintaining the assets are included in profit or loss for the period in which they arise. Fair values of livestock held for breeding are determined with reference to market prices of livestock of similar age, breed and genetic material.

### 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.



## 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.

## Treasury shares

Cranswick plc shares held by the Group are deducted from equity as 'treasury shares' and are recognised at cost. Consideration received on the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

## 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 (albeit currently not in use) 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.

## 2. Accounting policies (continued)

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.

## 3. Business and geographical segments

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

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

The Group reports on one reportable segment:

- Food – Manufacture and supply of food products to UK grocery retailers, the food service sector and other food producers.

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

### Geographical segments

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

	2013 £'000	2012 £'000
UK	849,836	794,047
Continental Europe	20,222	26,482
Rest of World	5,113	246
	875,171	820,775

In addition to the non-UK sales disclosed above the Group also made sales to export markets through UK based meat trading agents totalling £20,122,000 (2012: £19,232,000). Including these sales, total sales to export markets were £45,457,000 for the year (2012: £45,960,000).

### Customer concentration

The Group has 3 customers which individually account for more than 10 per cent of the Group's total net revenue. These customers account for 28 per cent, 23 per cent and 10 per cent respectively. In the prior year these same three customers accounted for 27 per cent, 25 per cent and 8 per cent respectively.

The Group's non-current assets were all located within the UK for both 2013 and 2012.

#### 4. Group operating profit

This is stated after charging/ (crediting):

	2013 £'000	2012 £'000
Operating expenses:		
Selling and distribution	34,627	32,358
Administration excluding impairment	21,870	23,076
	56,497	55,434
Impairment of goodwill	-	4,924
Impairment of property, plant and equipment	1,836	-
Total operating expenses	58,333	60,358
Depreciation of property, plant and equipment	15,486	13,972
Impairment of goodwill	-	4,924
Impairment of property, plant and equipment	1,836	-
Release of government grants	(61)	(55)
Operating lease payments – minimum lease payments	4,155	3,662
Net foreign currency differences	(42)	(204)
Cost of inventories recognised as an expense	559,190	559,967
Increase/ (decrease) in provision for inventories	321	(423)
<b>Auditors' remuneration</b>		
<i>Fees payable to the Company's auditor in respect of the audit</i>		
Audit of these financial statements	25	25
Local statutory audits of subsidiaries	136	126
Total audit remuneration	161	151
<i>Fees payable to the Company's auditor in respect of non-audit related services</i>		
Tax compliance services	57	87
Tax advisory services	57	37
Other services	148	79
Total non-audit related remuneration	262	203

Of the 'Other' non-audit related services £131,000 (2012: £75,000) was in respect of corporate finance services in relation to acquisitions.

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	2013 £'000	2012 £'000
Staff costs:		
Wages and salaries	98,284	90,144
Social security costs	8,790	8,468
Other pension costs	1,137	1,286
	108,211	99,898

Included within wages and salaries is a total expense for share-based payments of £1,162,000 (2012: £1,501,000) all of which arises from transactions accounted for as equity-settled share-based payment transactions.



## 5. Employees *(continued)*

The average monthly number of employees during the year was:

Group	2013 Number	2012 Number
Production	3,933	3,591
Selling and distribution	249	279
Administration	220	197
	4,402	4,067

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 36 to 44. The employee costs shown on the previous page include the following remuneration in respect of Directors of the Company:

Group and Company	2013 £'000	2012 £'000
Directors' remuneration	6,050	4,567
Pension contribution	150	259
	6,200	4,826
Aggregate gains made by Directors on exercise of share options	504	638
Number of Directors receiving pension contributions under money purchase schemes	5	5

## 6. Finance revenue and costs

	2013 £'000	2012 £'000
<b>Finance revenue</b>		
Finance revenue from loans receivable	62	151
<b>Finance costs</b>		
Bank interest paid and similar charges	714	1,080
Total interest expense for financial liabilities not at fair value through profit or loss	714	1,080
Net finance cost on defined benefit pension deficit (note 25)	85	53
Finance charge payable under finance leases and hire purchase contracts	8	17
Movement in discount on provisions and financial liabilities	21	4
<b>Total finance costs</b>	828	1,154

The interest relates to financial assets and liabilities carried at amortised cost.

## 7. Taxation

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

	2013 £'000	2012 £'000
Tax charge based on the profit for the year:		
Current income tax:		
UK corporation tax on profits for the year	12,245	11,998
Adjustments in respect of prior years	204	(569)
<b>Total current tax</b>	<b>12,449</b>	<b>11,429</b>
Deferred tax:		
Origination and reversal of temporary differences	(801)	89
Deferred tax rate change	(327)	(736)
Adjustments in respect of prior years	(123)	89
<b>Total deferred tax</b>	<b>(1,251)</b>	<b>(558)</b>
<b>Tax on profit on ordinary activities</b>	<b>11,198</b>	<b>10,871</b>

Tax relating to items charged or credited to other comprehensive income or directly to equity:

	2013 £'000	2012 £'000
<b>Group</b>		
<i>Recognised in Group statement of comprehensive income</i>		
Deferred tax on revaluation of cash flow hedges	15	(51)
Deferred tax on actuarial gain/ (loss) on defined benefit pension scheme	260	(841)
	<b>275</b>	<b>(892)</b>
<i>Recognised in Group statement of changes in equity</i>		
Deferred tax on share-based payments	(370)	52
Corporation tax credit on share options exercised	(140)	(163)
	<b>(510)</b>	<b>(111)</b>
<b>Total tax credit recognised directly in equity</b>	<b>(235)</b>	<b>(1,003)</b>
<b>Company</b>		
<i>Recognised in Company statement of changes in equity</i>		
Deferred tax credit on share-based payments	(91)	(10)
<b>Total tax credit recognised directly in equity</b>	<b>(91)</b>	<b>(10)</b>

## 7. Taxation (continued)

### 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:

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	47,439	48,351
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 per cent (2012: 26 per cent)	11,385	12,571
Effect of:		
Disallowed expenses	191	453
Deferred tax rate change	(327)	(736)
Share-based payment deduction	(132)	(199)
Non-taxable amount on disposal of associate	-	(2,018)
Impairment of goodwill	-	1,280
Adjustments in respect of prior years	81	(480)
<b>Total tax charge for the year</b>	<b>11,198</b>	<b>10,871</b>

### c) Deferred tax

Group	2013 £'000	2012 £'000
The deferred tax included in the balance sheet is as follows:		
<b>Deferred tax liability in the balance sheet</b>		
Accelerated capital allowances	8,179	9,128
Rollover and holdover relief	78	78
Other temporary differences	44	27
Share-based payments	(1,582)	(858)
Deferred tax on defined benefit pension scheme	(772)	(1,282)
<b>Deferred tax liability</b>	<b>5,947</b>	<b>7,093</b>

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

<b>Deferred tax in the income statement</b>		
Accelerated capital allowances	(1,011)	(634)
Rollover relief	-	(42)
Other temporary differences	(136)	(58)
Share-based payments	(354)	(140)
Deferred tax on defined benefit pension scheme	250	317
<b>Deferred tax credit</b>	<b>(1,251)</b>	<b>(557)</b>

Company	2013 £'000	2012 £'000
The deferred tax included in the balance sheet is as follows:		
<b>Deferred tax asset in the balance sheet</b>		
Accelerated capital allowances	(23)	(42)
Other temporary differences	(118)	(123)
Share-based payments	(424)	(225)
<b>Deferred tax asset</b>	<b>(565)</b>	<b>(390)</b>

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

At 31 March 2013 a £nil tax liability has been recognised (2012: £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 main rate of corporation tax in the UK reduced from 26 per cent to 24 per cent from 1 April 2012. A further reduction in the corporation tax rate to 23 per cent was enacted before the balance sheet date. Deferred tax is therefore provided at 23 per cent.

Further reductions in the corporation tax rate have been announced but not yet enacted. It is anticipated that by 1 April 2015, the main rate of corporation tax in the UK will be reduced to 20 per cent. The aggregate impact of the proposed reductions from 23 per cent to 20 per cent would reduce the deferred tax liability of the Group by approximately £776,000 and reduce the deferred tax asset of the Company by £74,000.

### 8. Profit attributable to members

Of the profit attributable to members, the sum of £16,826,000 (2012: £24,837,000) has been dealt with in the accounts of Cranswick plc.

### 9. Equity dividends

	2013	2012
	£'000	£'000
Declared and paid during the year:		
Final dividend for 2012 – 19.5p per share (2011: 18.7p)	9,381	8,910
Interim dividend for 2013 – 9.4p per share (2012: 9.0p)	4,543	4,291
<b>Dividends paid</b>	<b>13,924</b>	<b>13,201</b>
Proposed for approval of Shareholders at the Annual General Meeting on 29 July 2013:		
Final dividend for 2013 – 20.6p (2012: 19.5p)	9,997	9,368



## 10. 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 £36,241,000 (2012: £37,480,000) 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:

	2013 Thousands	2012 Thousands
Basic weighted average number of shares	48,257	47,709
Dilutive potential ordinary shares – share options	137	92
	48,394	47,801

Basic weighted average number of shares for 2013 excludes a weighted average of nil shares (2012: 17,377 shares) held during the year by the Cranswick plc Employee Benefit Trust and a weighted average of nil treasury shares (2012: 7,806 treasury shares) held during the year by the Group. At 31 March 2013 no shares were held by either the Trust or the Group (2012: nil).

### Adjusted earnings per share

In the current year the Group impaired freehold property, plant and equipment to their fair value at its mothballed production facility in East Lancashire (note 12). In the prior year, the Group impaired the carrying value of goodwill in relation to its Sandwiches cash generating unit (note 11) and disposed of its investment in associate Farmers Boy (Deeside) Limited which was acquired in July 2010 (note 15). As the impairment of both goodwill and property, plant and equipment and the investment in the associate do not form part of the on-going business of the Group the directors consider it appropriate to present an adjusted EPS on the face of the income statement which excludes the effect of the impairments and the associate, thus facilitating better comparison with prior and future periods. Adjusted earnings per share are calculated using the weighted average number of shares for both basic and diluted amounts as per the table above.

Adjusted net profits excluding the effect of the associate and the impairment of property, plant and equipment and goodwill are derived as follows:

	2013 £'000	2012 £'000
Profit for the year	36,241	37,480
Impairment of property, plant and equipment	1,836	-
Share of results of associate	-	712
Profit on disposal of associate	-	(8,254)
Fair value adjustment to put option in relation to associate	-	(95)
Impairment of goodwill	-	4,924
<b>Adjusted profit for the year excluding effect of associate and impairment</b>	<b>38,077</b>	<b>34,767</b>

## 11. Intangible assets

Group	Goodwill £'000	Customer relationships £'000	Total £'000
<b>Cost</b>			
At 31 March 2011 and 31 March 2012	127,763	-	127,763
On acquisition of subsidiary (note 14)	5,488	795	6,283
At 31 March 2013	133,251	795	134,046
<b>Amortisation and impairment</b>			
At 31 March 2011	-	-	-
Impairment loss	4,924	-	4,924
At 31 March 2012	4,924	-	4,924
Amortisation	-	119	119
At 31 March 2013	4,924	119	5,043
<b>Net book value</b>			
At 31 March 2011	127,763	-	127,763
At 31 March 2012	122,839	-	122,839
<b>At 31 March 2013</b>	<b>128,327</b>	<b>676</b>	<b>129,003</b>

### Impairment testing

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

Cash generating unit	2013 £'000	2012 £'000
Fresh pork	12,231	12,231
Cooked meats	90,167	84,679
Sandwiches	11,602	11,602
Continental Fine Foods	10,968	10,968
Other	3,359	3,359
	<b>128,327</b>	<b>122,839</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 Kantar Worldpanel data.

A pre-tax discount rate of 8.3 per cent has been used (2012: 8.8 per cent) being management's estimate of the weighted average cost of capital.

## 11. Intangible assets *(continued)*

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 weighted average cost of capital has been used for each cash generating unit.

### *Sensitivity*

Following the impairment of goodwill attributable to the Sandwiches cash generating unit in the prior year, as described below, management believes that currently there is no reasonably possible change to the assumptions that would reduce the value in use below the value of the carrying amount for any of the Group's cash generating units. Assumptions and projections are updated on an annual basis.

### **Impairment of Sandwiches cash generating unit**

In the prior year, the Group performed its annual impairment test as at 31 March 2012, in line with the process described above. The Sandwiches cash generating unit had historically been the most sensitive to a reasonably possible change in assumptions. The projected cash flows for the year ended 31 March 2012 were updated to reflect the Sandwiches budget for the year ending 31 March 2013, expected future growth rate assumptions of 3 per cent and post year end trading. Based on these calculations, which gave a value in use below the value of the carrying amount, and on-going economic uncertainty, the Group recognised an impairment loss within administration expenses for goodwill allocated to the Sandwiches cash generating unit of £4,924,000.

## 12. 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 2011	59,225	8,416	119,490	7,840	194,971
Additions	1,442	596	19,694	-	21,732
Transfers between categories	7,294	-	546	(7,840)	-
Disposals	(100)	-	(631)	-	(731)
At 31 March 2012	67,861	9,012	139,099	-	215,972
Additions	4,658	77	22,512	5,957	33,204
On acquisition	-	91	591	-	682
Transfers between categories	7,536	(6,070)	(1,466)	-	-
Disposals	(19)	-	(570)	-	(589)
At 31 March 2013	80,036	3,110	160,166	5,957	249,269
<b>Depreciation</b>					
At 31 March 2011	4,080	4,456	63,173	-	71,709
Charge for the year	1,261	459	12,252	-	13,972
Relating to disposals	(13)	-	(549)	-	(562)
At 31 March 2012	5,328	4,915	74,876	-	85,119
Charge for the year	1,597	223	13,666	-	15,486
Transfers between categories	3,428	(3,428)	-	-	-
Impairment loss	1,548	-	238	-	1,786
Relating to disposals	-	-	(508)	-	(508)
At 31 March 2013	11,901	1,710	88,272	-	101,883
<b>Net book amounts</b>					
At 31 March 2011	55,145	3,960	56,317	7,840	123,262
At 31 March 2012	62,533	4,097	64,223	-	130,853
At 31 March 2013	68,135	1,400	71,894	5,957	147,386

Included in freehold land and buildings is land with a cost of £6,640,000 (2012: £5,263,000) which is not depreciated relating to the Group and £509,000 (2012: £509,000) relating to the Company.

Cost includes £1,026,000 (2012: £1,001,000) in respect of capitalised interest. £25,000 of interest, which was the whole amount eligible, was capitalised during the year (2012: £nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.53 per cent which is the effective rate of the borrowing used to finance the construction.

The directors believe that the fair value of the property, plant and equipment is not materially different to the net book amounts presented above.

### Impairment

During the current year the Board took the decision to demolish its mothballed production facility in East Lancashire following considerable investment in increased capacity at other Group locations in preference to utilising these premises as previously planned. The book value of the property, plant and equipment was £1,836,000. The fair value, which relates solely to the land, was determined by an independent valuer as £50,000 giving rise to an impairment loss of £1,786,000. A further £50,000 has been accrued for demolition of the property giving a total income statement impairment charge of £1,836,000.



## 12. Property, plant and equipment *(continued)*

Company	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
<b>Cost</b>			
At 31 March 2011	509	341	850
Additions	-	65	65
At 31 March 2012	509	406	915
Additions	-	21	21
At 31 March 2013	509	427	936
<b>Depreciation</b>			
At 31 March 2011	-	243	243
Charge for the year	-	74	74
At 31 March 2012	-	317	317
Charge for the year	-	44	44
At 31 March 2013	-	361	361
<b>Net book amounts</b>			
At 31 March 2011	509	98	607
At 31 March 2012	509	89	598
<b>At 31 March 2013</b>	<b>509</b>	<b>66</b>	<b>575</b>

## 13. Investments

Company	Subsidiary undertakings £'000	Associates £'000
Shares at cost:		
At 31 March 2011	157,217	5,911
Capital contribution relating to share options	1,121	-
Disposals	-	(5,911)
At 31 March 2012	158,338	-
Capital contribution relating to share options	874	-
<b>At 31 March 2013</b>	<b>159,212</b>	<b>-</b>

In the prior year, on 30 March 2012, the Company sold its shareholding in associate Farmer's Boy (Deeside) Limited to the majority shareholder (note 15).

The principal subsidiary undertakings during the year were:

- Cranswick Country Foods plc
- The Sandwich Factory Group Limited (registered in Scotland)
- Cranswick Convenience Foods Limited
- Kingston Foods Limited (100 per cent owned by Cranswick Convenience Foods Limited)

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.

In April 2009 the Group disposed of its Pet and Aquatics segment retaining a 5.5 per cent share of both businesses. Following a subsequent reorganisation of the Pet and Aquatics businesses, Cranswick plc sold its 5.5 per cent investment in the Pet Products business on 5 April 2012 for a consideration of £221,000. At 31 March 2012, as a result of the sale, the investment was transferred to assets held for sale. The consideration for the sale was received in cash in the current year. The transaction resulted in the Group retaining its 5.5 per cent interest in the Aquatics business, this interest has since reduced to a 3.3 per cent holding of TMC 2012 Limited following a further reorganisation and change in major shareholders. The investment, being an unquoted entity, the value of which cannot be reliably measured, is held at a carrying value of £nil.

## 14. Acquisition

On 29 June 2012, the Group acquired 100 per cent of the issued share capital of Kingston Foods Limited for a total consideration of £8.9 million. The principal activity of Kingston Foods Limited is the manufacture and distribution of cooked meat and poultry products and the acquisition is expected to enlarge the customer base of the Group.

Fair values of the net assets at the date of acquisition were as follows:

	Fair value £'000
<b>Net assets acquired:</b>	
Customer relationships	795
Property, plant and equipment	682
Inventories	433
Trade receivables	1,743
Bank and cash balances	1,857
Trade payables	(1,615)
Provisions	(187)
Corporation tax liability	(97)
Deferred tax liability	(200)
	3,411
Goodwill arising on acquisition	5,488
<b>Total consideration</b>	<b>8,899</b>
<b>Satisfied by:</b>	
Cash	7,843
Contingent consideration	1,056
	8,899
<b>Analysis of cash flows on acquisition:</b>	
<i>Included within cash flows from investing activities</i>	
Cash consideration paid	7,843
Cash and cash equivalents acquired	(1,857)
	5,986
<i>Included within net cash from operating activities</i>	
Transaction costs of the acquisition	145
<b>Net cash outflow arising on acquisition</b>	<b>6,131</b>

From the date of acquisition, the acquired business has contributed £11.6 million of revenue and a net profit after tax of £0.7 million to the Group. If the combination had taken place at the beginning of the period, the Group's profit after tax for the year would have been £36.6 million and revenues would have been £879.2 million.

Included in the £5,488,000 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 and an assembled workforce.

Transaction costs of £145,000 have been expensed and are included in administration expenses.

### *Contingent Consideration*

The agreement includes contingent consideration payable in cash to the previous owners of Kingston Foods Limited based on the performance of the business over a 3 year period from acquisition. The amount payable will be between £nil and £2.5 million dependent on the average EBITDA of the business during the 3 year period versus an agreed target level.

The fair value of the contingent consideration at 31 March 2013 was estimated at £1,121,000, discounted in the table above.

## 15. Investment in associate

### Group

The Group treated its 49 per cent shareholding in Farmers Boy (Deeside) Limited, over which it had significant influence, as an associate and accounted for it using the equity method, initially recognising the associate at its fair value. On 30 March 2012 the Group sold its shareholding in Farmers Boy (Deeside) Limited to the majority shareholder. Details of the assets disposed and the consideration received are as follows:

	2012 £'000
Book value of associate	5,079
Book value of put option in relation to associate	1,167
Total book value of assets disposed	6,246
Consideration received in cash	14,500
Profit on disposal of associate	8,254

The following table illustrates the summarised financial information of the Group's investment in Farmers Boy (Deeside) Limited to the date of disposal in the prior year:

	2012 £'000
Share of the associate's results:	
Revenue	42,821
Loss for the period	(712)

## 16. Inventories

Group	2013 £'000	2012 £'000
Raw materials	34,688	26,847
Finished goods and goods for resale	13,775	11,669
	48,463	38,516

## 17. Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Financial assets:				
Trade receivables	82,556	76,169	-	-
Amounts owed by Group undertakings	-	-	14,870	8,539
Other receivables	4,814	4,981	236	27
	87,370	81,150	15,106	8,566
Non-financial assets:				
Prepayments and accrued income	5,727	4,384	263	268
	93,097	85,534	15,369	8,834

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:

	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
2013	82,556	72,738	7,830	960	1,028
2012	76,169	64,593	9,796	1,084	696

Trade receivables are non-interest bearing and are generally on 30-60 day terms and are shown net of any provision for impairment. As at 31 March 2013, trade receivables at nominal value of £631,000 (2012: £1,162,000) 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:

Group	£'000
<b>Bad debt provision</b>	
At 31 March 2011	558
Provided in year	703
Written off	(99)
At 31 March 2012	1,162
Provided in year	199
Written off	(730)
<b>At 31 March 2013</b>	<b>631</b>

There are no bad debt provisions against other receivables.



## 18. Financial assets

	Group 2013 £'000	2012 £'000
<b>Current</b>		
Loans receivable	696	696
<b>Non-current</b>		
Loans receivable	702	1,398

Loans of £1,398,000 (2012: £2,094,000) are receivable from Thomas Dent Limited, a supplier to the Group. Repayment of the loan, which is held at amortised cost, is receivable in 43 equal monthly instalments which commenced on 30 September 2011. Interest is receivable on the loan at Bank of England base rate plus 3 per cent.

The Company had no financial assets at the end of either year.

## 19. Trade and other payables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
<b>Current</b>				
Trade payables	71,340	62,494	149	162
Amounts owed to Group undertakings	-	-	36,118	36,586
Other payables	34,714	28,520	6,179	4,898
Deferred income – Government grants	55	64	-	-
	106,109	91,078	42,446	41,646
<b>Non-current</b>				
Deferred income – Government grants	410	462	-	-

## 20. Financial liabilities

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
<b>Current</b>				
Bank overdrafts	549	1,312	-	-
Finance leases and hire purchase contracts	55	243	-	-
Forward currency contracts	4	69	-	-
	608	1,624	-	-
<b>Non-current</b>				
Amounts outstanding under revolving credit facility	28,498	42,246	28,498	42,246
Contingent consideration	1,074	-	-	-
Finance leases and hire purchase contracts	-	55	-	-
	29,572	42,301	28,498	42,246

	Group	
	2013	2012
	£'000	£'000
Movement on hedged items:		
Losses arising in the year	(4)	(69)
Reclassification adjustment for losses/ (gains) included in the income statement	69	(146)
	65	(215)

All financial liabilities are amortised at cost, except for forward currency contracts which are carried at fair value.

Movements on hedged foreign currency contracts are reclassified through cost of sales.

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

#### Bank facilities

The Group renegotiated its banking facilities during March 2011. The arrangement fees of £1.0 million are being amortised over the period of the facilities.

A committed bank overdraft facility of £20 million (2012: £20 million) is in place until July 2015, of which £549,000 (2012: £1,312,000) was utilised at 31 March 2013. 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 £29 million was utilised as at 31 March 2013 (2012: a revolving credit facility of £100 million of which £43 million was utilised). This facility expires in July 2015. Interest is payable on the revolving credit facility at a margin over LIBOR.

The maturity profile of bank loans is as follows:

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
In one year or less	-	-	-	-
Between one year and two years	-	-	-	-
Between two years and five years	29,000	43,000	29,000	43,000
	29,000	43,000	29,000	43,000
Unamortised issue costs	(502)	(754)	(502)	(754)
	28,498	42,246	28,498	42,246

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

## 21. Provisions

Group	Lease provisions £'000
At 31 March 2012	389
Credited in the year	(236)
Amounts paid	(153)
Arising on acquisition	187
Movement on discount	3
<b>At 31 March 2013</b>	<b>190</b>

Analysed as:

	2013 £'000	2012 £'000
Current liabilities	-	389
Non-current liabilities	190	-
	<b>190</b>	<b>389</b>

Lease provisions are held against dilapidation obligations on leased properties. These provisions are expected to be utilised over the next 3 years. There are no provisions held by the Company.

## 22. Financial instruments

An explanation of the Company and Group's financial instruments risk management strategy is set out on pages 15 and 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 2013 and their weighted average interest rates is set out below:

Group As at 31 March 2013	Weighted average effective interest rate %	Total  £'000	At floating interest rates  £'000	Fixed interest		
				1 year or less	1-2 years	2-3 years
				£'000	£'000	£'000
Financial liabilities:						
Bank overdrafts	2.00%	(549)	(549)	-	-	-
Revolving credit facility	1.50%	(29,000)	(29,000)	-	-	-
Finance leases and hire purchase contracts	6.32%	(55)	-	(55)	-	-
		(29,604)	(29,549)	(55)	-	-
Financial assets:						
Cash at bank	0.00%	7,633	7,633	-	-	-
Loans receivable	3.50%	1,398	1,398	-	-	-
		(20,573)	(20,518)	(55)	-	-

As at 31 March 2012	Weighted average effective interest rate %	Total  £'000	At floating interest rates  £'000	Fixed interest		
				1 year or less	1-2 years	2-3 years
				£'000	£'000	£'000
Financial liabilities:						
Bank overdrafts	1.50%	(1,312)	(1,312)	-	-	-
Revolving credit facility	1.70%	(43,000)	(43,000)	-	-	-
Finance leases and hire purchase contracts	4.37%	(298)	-	(243)	(55)	-
		(44,610)	(44,312)	(243)	(55)	-
Financial assets:						
Cash at bank	0.00%	20,100	20,100	-	-	-
Loans receivable	3.50%	2,094	2,094	-	-	-
		(22,416)	(22,118)	(243)	(55)	-

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



## 22. Financial instruments (continued)

The interest rate profile of the interest earning financial assets and interest bearing liabilities of the Company as at 31 March 2013 and their weighted average interest rates is set out below:

Company				Fixed interest		
As at 31 March 2013	Weighted average effective interest rate %	Total  £'000	At floating interest rates  £'000	1 year or less  £'000	1-2 years  £'000	2-3 years  £'000
Financial liabilities:						
Amounts owed to Group undertakings	2.00%	(139,400)	(139,400)	-	-	-
Revolving credit facility	1.50%	(29,000)	(29,000)	-	-	-
		(168,400)	(168,400)	-	-	-
Financial assets:						
Cash at bank	0.00%	5,169	5,169	-	-	-
		(163,231)	(163,231)	-	-	-

As at 31 March 2012	Weighted average effective interest rate %	Total  £'000	At floating interest rates  £'000	Fixed interest		
				1 year or less	1-2 years	2-3 years
				£'000	£'000	£'000
Financial liabilities:						
Amounts owed to Group undertakings	1.50%	(133,400)	(133,400)	-	-	-
Revolving credit facility	1.70%	(43,000)	(43,000)	-	-	-
		(176,400)	(176,400)	-	-	-
Financial assets:						
Cash at bank	0.00%	18,137	18,137	-	-	-
		(158,263)	(158,263)	-	-	-

### Currency profile

The Group's financial assets at 31 March 2013 include sterling denominated cash balances of £7,320,000 (2012: £18,834,000), euro £119,000 (2012: £1,265,000), US dollar £186,000 (2012: £nil) and Danish Krona £nil (2012: £1,000), all of which are held in the UK. The Group's financial liabilities include sterling denominated overdraft balances of £66,000 (2012: £1,312,000) and euro £483,000 (2012: £nil), all of which are held in the UK.

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

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

### Credit risk

The Group makes a significant proportion of its sales to the major UK supermarket groups, which correspondingly represent a significant proportion of the Group's trade receivables at any one time. Based on the financial strength of these customers, the Directors do not consider that the Group faces a significant credit risk in this regard. Debts with other customers, which represent a smaller proportion of the Group's trade receivables, are considered to provide greater risk, particularly in the current economic climate. These debts are reviewed on a regular basis by credit controllers and senior management and prudent provision is made when there is objective evidence that the Group will not be able to recover balances in full.

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

#### 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 forward currency contracts are measured using Level 2 of the fair value hierarchy.

The Group's 3.3 per cent (2012: 5.5 per cent) retained shareholding in the Aquatics business TMC 2012 Limited would 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.

#### 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	2013		2012	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
<b>Financial assets</b>				
Cash	7,633	7,633	20,100	20,100
Loans receivable	1,398	1,398	2,094	2,094
	9,031	9,031	22,194	22,194
<b>Financial liabilities</b>				
Bank overdraft	(549)	(549)	(1,312)	(1,312)
Amounts outstanding under revolving credit facility	(29,000)	(29,000)	(43,000)	(43,000)
Finance leases and hire purchase contracts	(55)	(55)	(298)	(298)
Forward currency contracts	(4)	(4)	(69)	(69)
	(29,608)	(29,608)	(44,679)	(44,679)
<b>At 31 March</b>	<b>(20,577)</b>	<b>(20,577)</b>	<b>(22,485)</b>	<b>(22,485)</b>

Company	2013		2012	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
<b>Financial asset</b>				
Cash	5,169	5,169	18,137	18,137
<b>Financial liabilities</b>				
Amounts outstanding under revolving credit facility	(29,000)	(29,000)	(43,000)	(43,000)
<b>At 31 March</b>	<b>(23,831)</b>	<b>(23,831)</b>	<b>(24,863)</b>	<b>(24,863)</b>

The book value of trade and other receivables and trade and other payables equates to fair value for the Group and Company. Details of these financial assets and liabilities are included in notes 17 and 19.

## 22. Financial instruments (continued)

### Hedges

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

#### i) Forward contracts to hedge expected future purchases

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

Group				Fair value
Currency	Amount	Maturities	Exchange rates	£'000
euro	6,250,000	2 April 2013 - 1 August 2013	€1.17 - €1.20	(4)

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

The Company does not hold any forward contracts.

### Interest rate risk

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

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

	Increase/ decrease in basis points	Effect on profit before tax £'000
2013	+100	(413)
sterling	-100	413
2012	+100	(467)
sterling	-100	467

## Liquidity risk

The tables below summarise the maturity profile of the Group's financial liabilities at 31 March 2013 and 2012 based on contractual undiscounted payments:

Group	Less than 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
At 31 March 2013				
Bank overdraft	549	-	-	549
Revolving credit facility	434	434	29,145	30,013
Finance leases and hire purchase contracts	56	-	-	56
Trade and other payables	106,054	-	-	106,054
	107,093	434	29,145	136,672

	Less than 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
At 31 March 2012				
Bank overdraft	1,312	-	-	1,312
Revolving credit facility	729	729	43,974	45,432
Finance leases and hire purchase contracts	251	56	-	307
Trade and other payables	91,014	-	-	91,014
	93,306	785	43,974	138,065

Company	Less than 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
At 31 March 2013				
Revolving credit facility	434	434	29,145	30,013
Trade and other payables	42,446	-	-	42,446
Cross guarantees (note 27)	549	-	-	549
	43,429	434	29,145	73,008

	Less than 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
At 31 March 2012				
Revolving credit facility	729	729	43,974	45,432
Trade and other payables	41,646	-	-	41,646
Cross guarantees (note 27)	1,312	-	-	1,312
	43,687	729	43,974	88,390

The impact of liquidity risk on the Group is discussed in detail in the Group Operating and Financial review on pages 15 and 16.



## 23. Called-up share capital

Group and Company				
<i>Allotted, called-up and fully paid</i> Ordinary shares of 10p each	2013 Number	2012 Number	2013 £'000	2012 £'000
At 1 April	48,034,791	47,636,135	4,803	4,764
On exercise of share options	182,958	205,884	19	20
Scrip dividends	309,783	192,772	31	19
<b>At 31 March</b>	<b>48,527,532</b>	<b>48,034,791</b>	<b>4,853</b>	<b>4,803</b>

On 7 September 2012, 187,694 ordinary shares were issued at 827.5 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2012 final dividend.

On 25 January 2013, 122,089 ordinary shares were issued at 791.9 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2013 interim dividend.

During the course of the year, 182,958 ordinary shares were issued to employees exercising SAYE and LTIP options at prices between nil and 679.0 pence.

Ordinary share capital of £12,685 is reserved for allotment under the Savings Related Share Options Schemes and Long Term Incentive Plans (LTIP). The options are exercisable as follows:

	Number	Exercise price	Exercise period
Savings related	8,570	679p	March 2010 to October 2014
Savings related	4,921	665p	March 2011 to October 2015
Savings related	49,738	474p	March 2012 to October 2016
Savings related	39,164	594p	March 2013 to October 2017
Savings related	52,490	692p	March 2014 to October 2018
Savings related	186,721	579p	March 2015 to October 2019
Savings related	126,682	629p	March 2016 to October 2020
LTIP	1,071,891	Nil	June 2013 to June 2022

On 2 September 2011, 54,802 ordinary shares were issued at 728.1 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2011 final dividend.

On 20 January 2012, 137,970 ordinary shares were issued at 704.0 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2012 interim dividend.

During the course of the prior year, 205,884 ordinary shares were issued to employees exercising SAYE, Executive and LTIP options at prices between nil and 679.0 pence.

During the prior year the Company repurchased 22,000 of its own shares at a cost of £136,000. These shares were held as treasury shares and were subsequently transferred to directors and senior management of the Group, at nil cost to the individual, to satisfy the exercise of LTIP share options. At the year end the Group held no treasury shares (2012: nil shares).

## 24. Share-based payments

The Group operates three share option schemes, a Revenue approved scheme (SAYE), an unapproved scheme (Executive Share Option) and a Long Term Incentive Plan (LTIP), all of which are equity settled. The total expense charged to the income statement during the year in relation to share-based payments was £1,162,000 (2012: £1,501,000).

### 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	2013 Number	2013 WAEP £	2012 Number	2012 WAEP £
Outstanding as at 1 April	-	-	4,991	6.01
Exercised during the year (i)	-	-	(4,991)	6.01
Outstanding as at 31 March (ii)	-	-	-	-
Exercisable at 31 March	-	-	-	-

i) The weighted average share price at the date of exercise for the options exercised in the prior year was £7.92.

ii) There were no share options outstanding as at the end of either year.

There were no options granted during the year.

### Long Term Incentive Plan (LTIP)

During the course of the year 394,500 options at nil cost were granted to Directors and senior executives, the share price at that time was 801 pence. Details of the performance criteria relating to the LTIP scheme can be found in the Directors' Remuneration report on page 39. The maximum term of LTIP options is 10 years.

Group	2013 Number	2013 WAEP £	2012 Number	2012 WAEP £
Outstanding as at 1 April	786,900	-	534,500	-
Granted during the year (i)	394,500	-	374,900	-
Lapsed during the year	(12,789)	-	-	-
Exercised during the year (ii)	(96,720)	-	(122,500)	-
Outstanding as at 31 March (iii)	1,071,891	-	786,900	-
Exercisable at 31 March	73,191	-	-	-

## 24. Share-based payments *(continued)*

Company	2013 Number	2013 WAEP £	2012 Number	2012 WAEP £
Outstanding as at 1 April	525,700	-	350,800	-
Granted during the year (i)	264,500	-	254,900	-
Lapsed during the year	(8,211)	-	-	-
Exercised during the year (ii)	(60,450)	-	(80,000)	-
Outstanding as at 31 March (iii)	721,539	-	525,700	-
Exercisable at 31 March	48,639	-	-	-

- i) The weighted average fair value of options granted during the year was £7.03 (2012: £6.86). The share options granted during the year were at £nil per share. The share price at the date of grant was £8.01 (2012: £7.85).
- ii) The weighted average share price at the date of exercise for the options exercised was £8.20 (2012: £7.83).
- iii) For the share options outstanding as at 31 March 2013, the weighted average remaining contractual life is 8.21 years. (2012: 8.48 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	2013 Number	2013 WAEP £	2012 Number	2012 WAEP £
Outstanding as at 1 April	460,998	5.84	479,562	5.62
Granted during the year (i)	129,084	6.29	202,377	5.79
Lapsed during the year	(35,558)	6.01	(81,185)	6.20
Exercised during the year (ii)	(86,238)	5.69	(139,756)	4.81
Outstanding as at 31 March (iii)	468,286	5.98	460,998	5.84
Exercisable at 31 March	4,091	6.12	14,127	4.97

Company	2013 Number	2013 WAEP £	2012 Number	2012 WAEP £
Outstanding as at 1 April	18,567	5.90	18,894	5.88
Granted during the year (i)	3,232	6.29	14,971	5.79
Lapsed during the year	(825)	6.56	(8,008)	6.92
Exercised during the year (ii)	(1,374)	5.94	(7,290)	4.74
Outstanding as at 31 March (iii)	19,600	5.94	18,567	5.90
Exercisable at 31 March	305	5.94	-	-

- i) The share options granted during the year were at £6.29 (2012: £5.79), representing a 20 per cent discount on the price at the relevant date. The share price at the date of grant was £8.49 (2012: £7.42).
- ii) The weighted average share price at the date of exercise for the options exercised was £9.71 (2012: £7.89).
- iii) For the share options outstanding as at 31 March 2013, the weighted average remaining contractual life is 2.99 years (2012: 3.16 years).

The weighted average fair value of options granted during the year was £2.19 (2012: £1.69). The range of exercise prices for options outstanding at the end of the year was £4.74 - £6.92 (2012: £3.75 - £6.92).

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 2013 and 31 March 2012:

Group and Company	2013 LTIP	2013 SAYE	2012 LTIP	2012 SAYE
Dividend yield	4.35%	4.11%	4.47%	4.73%
Expected share price volatility	31.0%	31.0%	31.0%	31.0%
Risk free interest rate	0.40%	0.37% - 1.21%	1.30%	0.49% - 1.50%
Expected life of option	3 years	3,5,7 years	3 years	3,5,7 years
Exercise prices	£nil	£6.29	£nil	£5.79

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

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



## 25. Pension schemes

### Defined benefit pension scheme

The Group acquired a defined benefit final salary pension scheme during 2009, which is funded by the payment of contributions to separately administered trust funds. The scheme was closed to new members and future accrual on 30 June 2004.

Pension costs are determined with the advice of an independent qualified actuary on the basis of a triennial valuation using the projected unit credit method. The latest available formal actuarial valuation of the scheme was carried out as at 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.

<i>a) Change in benefit obligation</i>	2013 £'000	2012 £'000
Benefit obligation at the beginning of the year	21,161	16,501
Interest cost	948	906
Actuarial losses	519	4,097
Benefits paid from plan	(1,093)	(343)
Benefit obligation at the end of the year	21,535	21,161

<i>b) Change in plan assets</i>	2013 £'000	2012 £'000
Fair value of plan assets at the beginning of the year	15,819	13,587
Expected return on plan assets	863	853
Actuarial gain on plan assets	1,461	593
Employer contributions	1,128	1,129
Benefits paid from plan	(1,093)	(343)
Fair value of plan assets at the end of the year	18,178	15,819

<i>c) Amounts recognised in the balance sheet</i>	2013 £'000	2012 £'000
Present value of funded obligations	(21,535)	(21,161)
Fair value of plan assets	18,178	15,819
Net liability recorded in the balance sheet	(3,357)	(5,342)

<i>d) Components of pension cost</i>	2013 £'000	2012 £'000
Amounts recognised in the income statement		
Interest cost	948	906
Expected return on plan assets	(863)	(853)
Total pension cost recognised in the income statement	85	53

Actual return on assets		
Actual return on plan assets	2,324	1,446
Amounts recognised in the Group statement of comprehensive income		
Actuarial gains/ (losses) immediately recognised	942	(3,504)
Cumulative amount of actuarial losses recognised	(2,025)	(2,967)

e) Principal actuarial assumptions	2013	2012
The weighted average actuarial assumptions used in the valuation of the scheme were as follows:		
Discount rate	4.40%	4.60%
Rate of price inflation	3.25%	2.90%
Expected long term rate of return on plan assets at the end of the year	4.95%	5.45%
Expected long term rate of return on plan assets during the year	5.45%	6.10%
Rate of compensation increase	3.25%	2.90%
Future expected lifetime of pensioner at age 65:		
<i>Current pensioners</i>		
Male	23.1	23.0
Female	25.7	25.6
<i>Future pensioners</i>		
Male	25.1	25.0
Female	27.6	27.6

The mortality rates used have been taken from Base tables S1PA (2012: S1PA).

A 0.1 per cent decrease in the discount rate would give rise to a £6,000 increase in the amounts charged to the income statement during the year, and a £530,000 increase in the deficit at 31 March 2013.

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.

f) Plan assets	2013 Expected long-term rate of return	2013 Fair value of plan assets £'000	2012 Expected long-term rate of return	2012 Fair value of plan assets £'000
Asset category				
Equity securities	6.30%	8,592	-	-
Bonds	3.50%	8,507	3.85%	6,705
Cash	3.30%	104	3.70%	103
Diversified growth fund	-	-	6.70%	9,011
Property	6.30%	975	-	-
Total		18,178		15,819

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 for the year was 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.

## 25. Pension schemes *(continued)*

<i>g) History of experience gains and losses</i>	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of scheme assets	18,178	15,819	13,587	11,788
Present value of defined benefit obligation	(21,535)	(21,161)	(16,501)	(17,141)
Deficit in the scheme	(3,357)	(5,342)	(2,914)	(5,353)
Experience adjustments on plan liabilities	-	-	-	-
Experience adjustments on plan assets	1,461	593	(70)	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 2014 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 £134,000 (2012: £91,000). Contributions during the year totalled £1,137,000 (2012: £1,286,000).

## 26. Additional cash flow information

Analysis of Group net debt	At 31 March 2012 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2013 £'000
Cash and cash equivalents	20,100	(12,467)	-	7,633
Overdrafts	(1,312)	763	-	(549)
	18,788	(11,704)	-	7,084
Other financial assets	2,094	(696)	-	1,398
	20,882	(12,400)	-	8,482
Revolving credit	(42,246)	14,000	(252)	(28,498)
Finance leases and hire purchase contracts	(298)	243	-	(55)
Net debt	(21,662)	1,843	(252)	(20,071)

Net debt is defined as cash and cash equivalents and loans receivable less interest bearing liabilities (net of unamortised issue costs).

	At 31 March 2011 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2012 £'000
Cash and cash equivalents	1,302	18,798	-	20,100
Overdrafts	(3,925)	2,613	-	(1,312)
	(2,623)	21,411	-	18,788
Other financial assets	4,000	(1,906)	-	2,094
	1,377	19,505	-	20,882
Other financial liabilities	(160)	-	160	-
Revolving credit	(48,987)	7,000	(259)	(42,246)
Finance leases and hire purchase contracts	(570)	272	-	(298)
Net debt	(48,340)	26,777	(99)	(21,662)

Analysis of Company net debt	At 31 March 2012 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2013 £'000
Cash and cash equivalents	18,137	(12,968)	-	5,169
Revolving credit	(42,246)	14,000	(252)	(28,498)
Net debt	(24,109)	1,032	(252)	(23,329)

	At 31 March 2011 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2012 £'000
Cash and cash equivalents	1	18,136	-	18,137
Overdrafts	(2,742)	2,742	-	-
	(2,741)	20,878	-	18,137
Other financial liabilities	(160)	-	160	-
Revolving credit	(48,987)	7,000	(259)	(42,246)
Net debt	(51,888)	27,878	(99)	(24,109)



## 27. Contingent liabilities

The Company, together with its subsidiary undertakings, has entered into a cross guarantee with Lloyds TSB Bank plc, The Royal Bank of Scotland plc, 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 £29,549,000 as at 31 March 2013 (2012: £44,312,000).

For the Company, the amounts drawn down by other Group companies which were guaranteed by the Company at the year-end totalled £549,000 (2012: £1,312,000).

## 28. Commitments

(a) The Directors have contracted for future capital expenditure for property, plant and equipment totalling £5,206,000 (2012: £4,836,000).

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

Group	2013 £'000	2012 £'000
Not later than one year	3,620	2,903
After one year but not more than five years	7,892	5,777
After five years	3,282	3,721
	14,794	12,401

The Company has no non-cancellable operating leases.

## 29. Related party transactions

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

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			
2013	-	-	-
2012	12,422	259	-

Farmers Boy (Deeside) Limited ceased to be a related party upon sale of the Group's 49 per cent shareholding on 30 March 2012.

Company			
Related party	Services rendered to related party £'000	Interest paid to related party £'000	Dividends received from related party £'000
Subsidiaries			
2013	19,000	2,066	11,404
2012	18,165	1,890	11,831

Amounts owed by or to subsidiary undertakings are disclosed in notes 17 and 19. Any such amounts are unsecured and repayable on demand.

Remuneration of key management personnel	2013 £'000	2012 £'000
Short-term employee benefits	6,698	4,990
Post-employment benefits	150	259
Share-based payment	621	812
	7,469	6,061

### 30. Events after the balance sheet date

On 29 April 2013, the Group acquired 100 per cent of the issued share capital of East Anglian Pigs Limited for a total consideration of £13.5 million. The principal activities of East Anglian Pigs Limited are pig breeding, rearing and finishing. The acquisition gives the Group greater control over its supply chain.

Fair values of the net assets at the date of acquisition were as follows:

	Provisional fair value £'000
Net assets acquired:	
Property, plant and equipment	3,828
Biological assets	10,148
Inventories	743
Trade receivables	1,642
Bank and cash balances	2,753
Trade payables	(3,391)
Provisions	(150)
Financial liabilities	(1,500)
Corporation tax liability	(290)
Deferred tax liability	(93)
Finance lease obligations	(603)
	13,087
Goodwill arising on acquisition	378
Total consideration	13,465
Satisfied by:	
Cash	13,465
Net cash outflow arising on acquisition:	
Cash consideration paid	13,465
Cash and cash equivalents acquired	(2,753)
	10,712

The fair values on acquisition are provisional due to the timing of the transaction and will be finalised within twelve months of the acquisition date.

Included in the £378,000 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 the assembled workforce and the strategic benefits of vertical integration including security of supply.

# Shareholder Information

## Five year statement

	2013 £'m	2012 £'m	2011 £'m	2010 £'m	2009 £'m
Turnover	875.2	820.8	758.4	740.3	606.8
Profit before tax	47.4	48.4	47.1	43.8	34.7
Adjusted profit before tax*	49.3	45.6	47.3	43.8	34.7
Earnings per share	75.1p	78.6p	74.5p	69.7p	40.5p
Adjusted earnings per share*	78.9p	72.9p	72.8p	69.7p	40.5p
Dividends per share	30.0p	28.5p	27.5p	25.0p	21.7p
Capital expenditure	33.2	21.7	35.9	20.5	21.2
Net debt	(20.1)	(21.7)	(48.3)	(54.7)	(66.6)
Net assets	273.7	245.9	220.9	193.6	166.5

\*Adjusted profit before tax and earnings per share exclude impairment charges and the effects of associate to better reflect the underlying performance of the Group.

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

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

### Financial calendar

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

# Shareholder Analysis

at 9 May 2013

	Number of Holdings	Number of Shares
<b>Classification</b>		
Private Shareholders	1,143	5,185,876
Corporate bodies and nominees	678	43,343,826
	1,821	48,529,702

<b>Size of holding (shares)</b>		
1 - 1,000	931	375,369
1,001 - 5,000	529	1,200,472
5,001 - 10,000	120	867,073
10,001 - 50,000	136	3,243,833
50,001 - 100,000	36	2,561,053
Above 100,000	69	40,281,902
	1,821	48,529,702

## Share price

Share price at 31 March 2012	805p
Share price at 31 March 2013	986p
High in the year	1,023p
Low in the year	733p

## Share price movement

Cranswick's share price movement over the ten year period to May 2013 and comparison against the FTSE 350 Food Producers and Processors Price Index ("FTSE FPP") and against the FTSE All Share Price Index ("FTSE All Share"), all rebased to 100 at May 2003, is shown below:



Source: Investec



# Advisers

<b>Secretary</b>	Malcolm Windeatt FCA
<b>Company Number</b>	1074383
<b>Registered Office</b>	74 Helsinki Road Sutton Fields Hull HU7 0YW
<b>Stockbrokers</b>	Investec Investment Banking - London 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 LLP – 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

## Notes





**Registered Office**

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