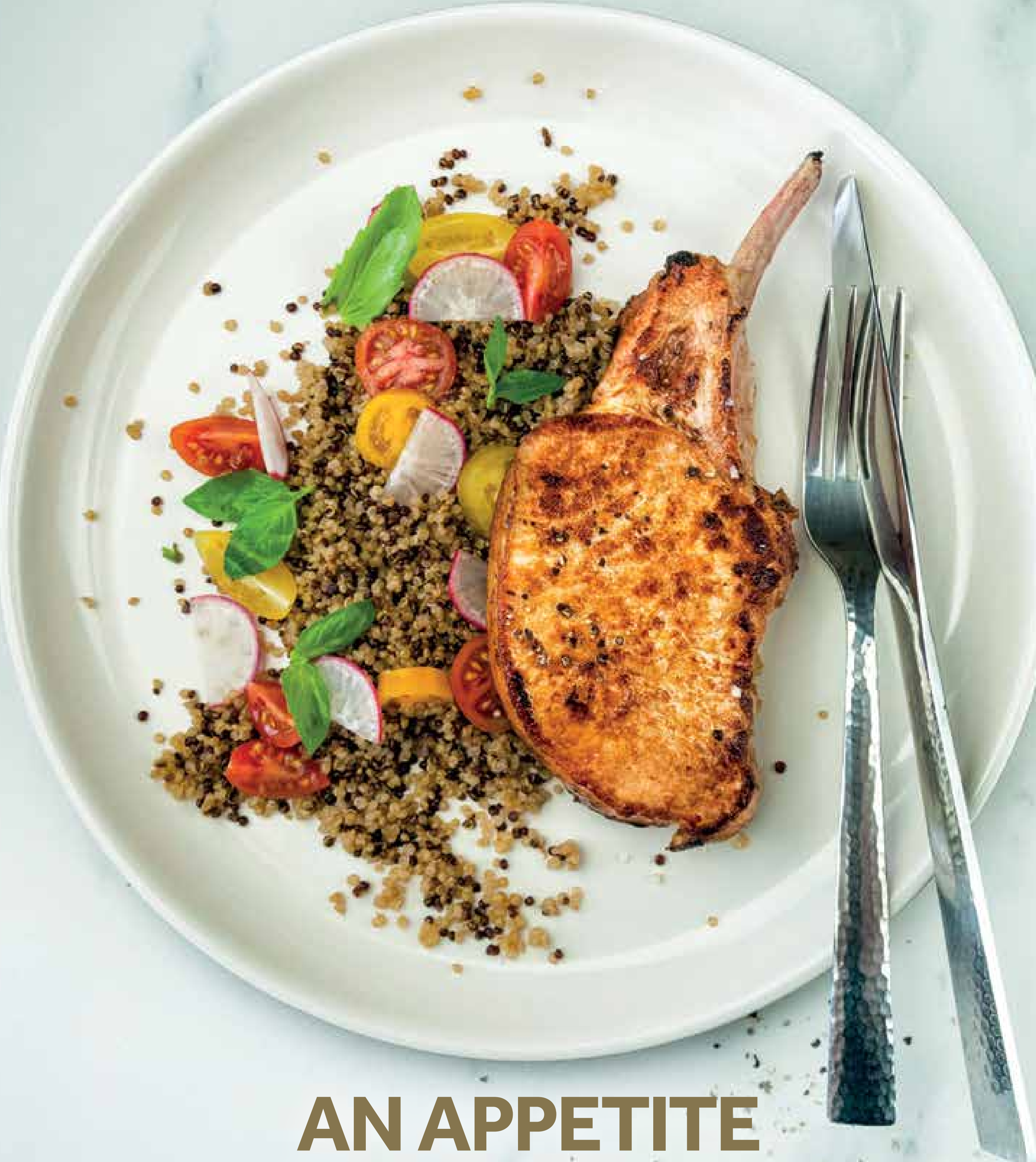
CRANSWICK plc

Great British Taste



AN APPETITE FOR GROWTH

Cranswick plc Annual Report & Accounts

Year Ended 31 March 2019

WHAT WE DO

Our purpose is to feed the nation with authentically made, sustainably produced food that is created with passion.

Our vertically integrated supply chain model provides our customers with assurance over the integrity and traceability of our high quality, UK farm-assured pigs and chickens.

WE FARM

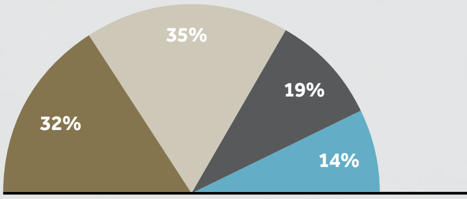
Ownership of our pig breeding and rearing activities, and fully integrated chicken operations including feed mills, hatchery and broiler farms, gives us full control over our supply chain.

WE PRODUCE

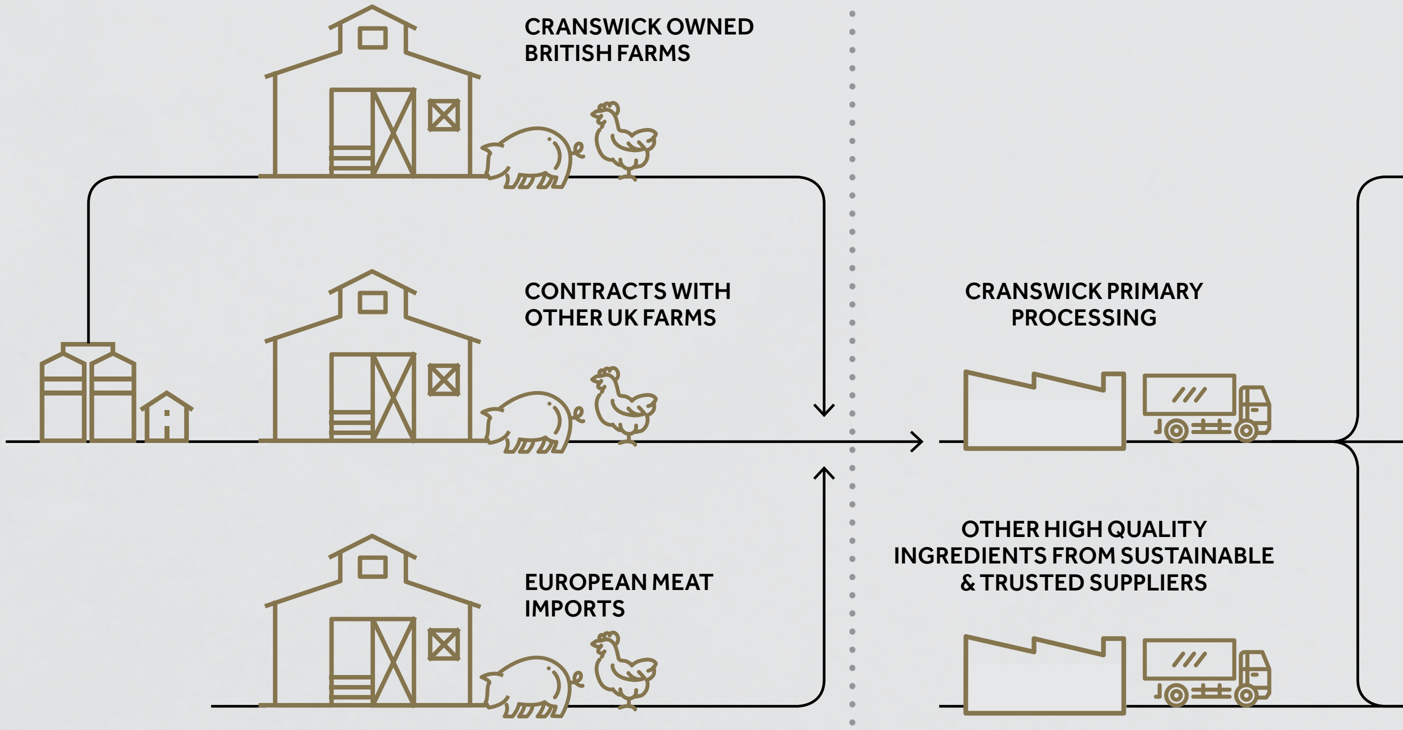
We produce a range of high quality, predominantly fresh food including fresh pork, poultry, convenience and gourmet products. Through our four primary processing and

REVENUE BY PRODUCT CATEGORY

% OF GROUP REVENUE



OUR SUPPLY CHAIN MODEL



eleven secondary processing facilities we develop innovative, great tasting food products to the highest standards of food safety whilst prioritising traceability.

- Fresh Pork
- Convenience†
- Gourmet Products*
- Poultry

† Cooked Meats, Continental Products and Ingredients.
* Pastry, Sausages and Burgers, Bacon and Gammon.

FRESH PORK & CHICKEN
RETAIL & WHOLESALE FRESH PORK & CHICKEN

PORK FURTHER PROCESSING
COOKED MEATS | SAUSAGES | BACON

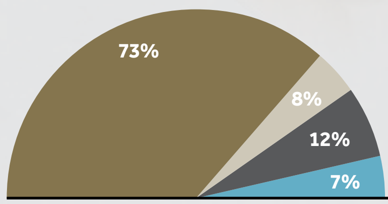
OTHER PRODUCT CATEGORIES
PREMIUM COOKED POULTRY | CONTINENTAL PRODUCTS | PASTRY

WE SUPPLY

We supply the top four UK multiple grocers, as well as the premium grocery and growing discounter channels. We have a strong presence in the 'food-to-go' sector and other food service outlets, and a growing export business.

REVENUE BY CUSTOMER TYPE
% OF GROUP REVENUE

- UK Retail
- Food Service
- Manufacturing
- Export



- RETAIL
- CONVENIENCE & ONLINE
- FOOD SERVICE
- FOOD-TO-GO
- EXPORT
- MANUFACTURING

CRANSWICK IS A LEADING UK FOOD PRODUCER WITH REVENUE APPROACHING £1.5 BILLION.

We produce and supply premium food to UK grocery retailers, the food service sector and other UK and global food producers.

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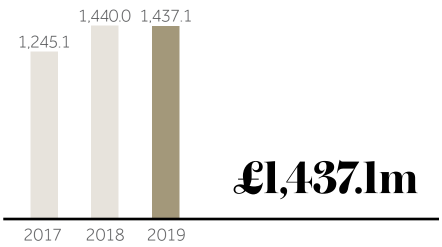
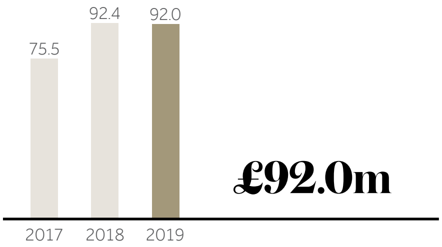
HIGHLIGHTS

A PLATFORM FOR FUTURE GROWTH

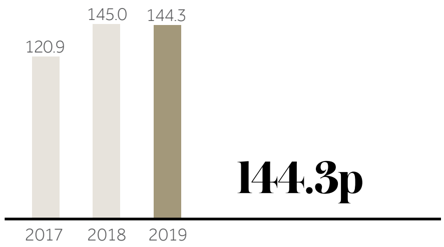
LIKE-FOR-LIKE REVENUE
£'m*



ADJUSTED PROFIT BEFORE TAX
£'m*†



ADJUSTED EARNINGS PER SHARE
p*†



REVENUE

£1,437.1m

(FY18: £1,464.5m)

PROFIT BEFORE TAX

£86.5m

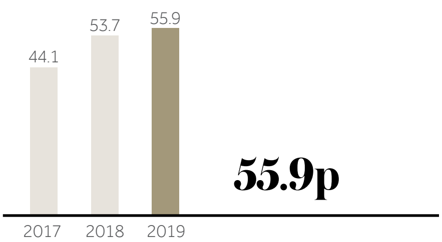
(FY18: £88.0m)

EARNINGS PER SHARE

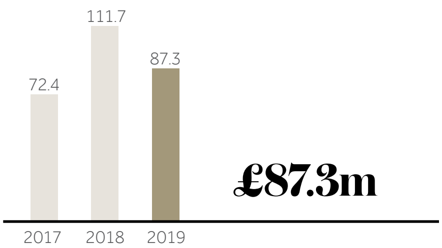
135.5p

(FY18: £137.8p)

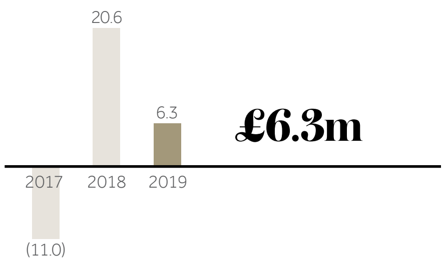
DIVIDEND PER SHARE
p



FREE CASH FLOW
£'m*†



NET FUNDS/(DEBT)
£'m



£79m

Record capital expenditure

c10,300

Size of workforce

+16%

Like-for-like Far East export volumes*

* 2018 included 53 weeks of trading. All measures compare 52 weeks in 2019 to 53 weeks in 2018 apart from like-for-like revenue and like-for-like Far East export volumes which exclude the 53rd week in the prior year.

† Adjusted and like-for-like references throughout the Report and Accounts refer to non-IFRS measures or Alternative Performance Measures (APMs). Definition and reconciliations of the APMs to IFRS measures are provided in Note 31.

CONTINUED STRATEGIC PROGRESS

I'm pleased to report that the past year was particularly encouraging considering the competitive trading environment. Cranswick showed resilience against the changeable economic and political background and is strongly positioned both financially and commercially to continue its long-term success.

RESULTS

Revenue at £1.44 billion was in line with the prior year after adjusting for the 53rd week.

Adjusted profit before tax came in at £92.0 million which, when compared on a like-for-like basis with the previous year, indicates further progress in what was a challenging trading environment.

Adjusted earnings per share were 144.3 pence compared to 145.0 pence previously. On a comparable 52-week period, adjusted earnings per share were 1.9 per cent ahead.

A record level of investment was made in the asset base. The year saw the commissioning of the new Continental Foods site at Bury and commencement of the construction of the new Poultry facility at Eye in Suffolk. Other projects were undertaken elsewhere in the business to improve efficiency, expand capacity and enhance the resources available for product development.

Cranswick has a significant unsecured banking facility and the balance sheet remains in robust shape. At the year end, after a year of record investment, the Group was in a net funds position of £6.3 million.

DIVIDEND

The Board is proposing an increase in the final dividend to 40.0 pence per share from 38.6 pence previously, an increase of 3.6 per cent. Together with the interim dividend of 15.9 pence per share this gives a total dividend for the year of 55.9 pence per share, an increase of 4.1 per cent on the 53.7 pence per share paid previously. This is the 29th consecutive year of dividend growth.

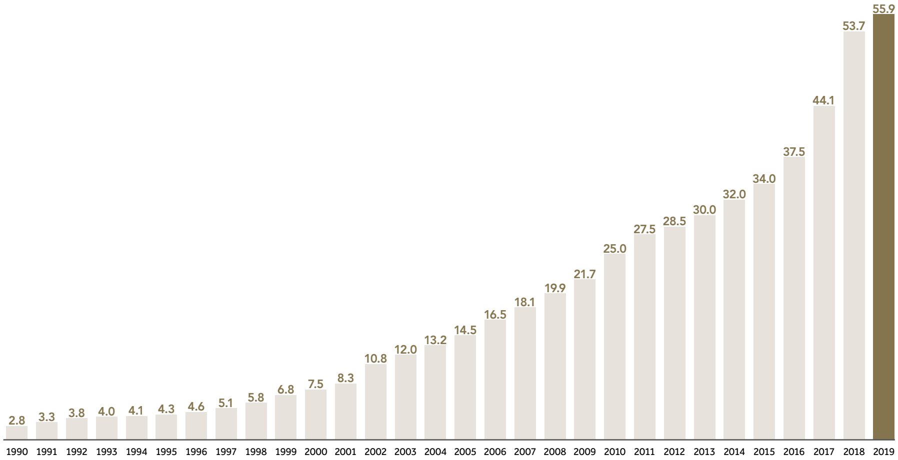
The final dividend, if approved by Shareholders, will be paid on 6 September 2019 to Shareholders on the register at the close of business on 19 July 2019. Shares will go ex-dividend on 18 July 2019. Shareholders will again have the option to receive the dividend by way of scrip issue.

CORPORATE GOVERNANCE

The Board embraces the UK Corporate Governance Code as part of its culture and a statement relating to compliance with the Code is included within the Corporate Governance Report on page 51.

29 CONSECUTIVE YEARS OF GROWTH

DIVIDEND PER SHARE (P)



SUSTAINABILITY
Sustainability features highly on the Cranswick agenda and is focused under the theme of 'Second Nature'. This seeks to address key issues across the life cycle of the Company's products by integrating sustainability as second nature. This involves major environmental and community pledges including Courtauld 2025, Champions 12.3 and the UK Plastic Pact. The Company recognises that a balanced and committed approach to all aspects of sustainability will benefit each of its stakeholders and strengthen its business position and credentials and thus facilitate growth and development.

CULTURE
Cranswick's activities are decentralised across product categories within the food sector and supported through collaboration in key areas. The human resource function is particularly important within this format and is a key element of the overall strategic plan.

All colleagues are viewed as critical stakeholders. There is commitment to implementing a training and development plan that delivers workforce capabilities, skills and competencies through apprenticeship schemes, development programmes and training courses. The number of internal promotions to meet the needs of the growing business proves its value.

The Board is committed to this and recognises that the Company's continued success would not be possible without talented and motivated management teams supported by skilled and enthusiastic colleagues at each site. On behalf of the Board I thank all our colleagues for their commitment and contribution.

OUTLOOK
The past year has seen the business make further strategic and commercial progress which has strengthened the base from which to deliver the ongoing plans of the Group.

Over the longer term, success has been achieved despite occasional periods of more intense commercial challenges. The new financial year is expected to be such a period as outlined in the announcement released on 7 February 2019. This highlighted that the Group's operating margin is likely to decline, reflecting the potentially challenging commercial landscape, together with start-up and commissioning costs associated with the new Eye Facility, only partly offset by management actions.

Trading since then has been as anticipated and the Board's expectations for the Group's performance in the new financial year remain unchanged.

Notwithstanding these short-term challenges, the new Eye and existing added value, poultry facilities and the Group's broadening customer base, provide a solid platform to further develop the poultry business and drive future growth in this attractive and expanding protein category.

Longer term, the Group is well positioned to continue its successful record of development.

Martin Davey

Martin Davey
Chairman

21 May 2019

10 YEAR RECORD
Compound annual growth rates to 31 March 2019

+9.0%
Revenue

+10.4%
Adjusted earnings per share

+10.2%
Adjusted profit before tax

+9.9%
Dividend per share

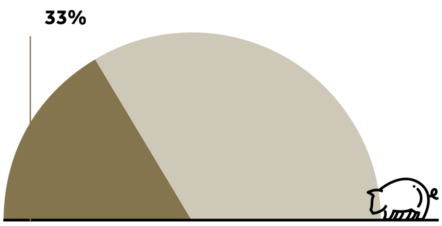
A DIVERSIFIED BUSINESS

Cranswick was started by a group of farmers in the early 1970s and since then we have grown organically and through targeted acquisitions to be a leading and innovative British supplier of premium, fresh and value added food products.

We are a diversified business with fully integrated supply chains for pork and poultry, and a strong export business.

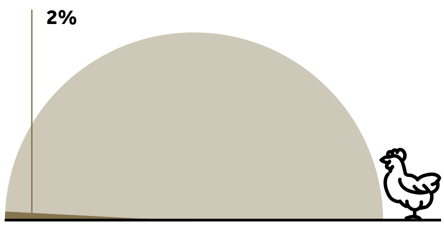
MARKET-LEADING POSITION

WE PROCESS 33% OF UK PIGS



STRONG GROWTH POTENTIAL

WE PROCESS 2% OF UK CHICKENS



LOCATION OF PRODUCTION FACILITIES

Gourmet Pastry	1
Fresh Pork	2 3
Cooked Meats	4
Gourmet Sausages and Burgers	5
Premium Cooked Poultry	6
Traditional Bacon and Gammon	7
Continental Products	8 9
Cooked Meats	10
Fresh Pork and Sausages	11
Feed Milling	12
Fresh Chicken	13
Cooked Meats	14
Fresh Pork	15
New poultry facility at Eye	
Agriculture	

For further details on our new poultry facility see page 17

OUR PRODUCT RANGE

We produce a range of high quality, fresh food including Fresh Pork, Poultry, Convenience and Gourmet Products.

OUR RESOURCES

People

It's our people who make Cranswick successful. We have stable, experienced and talented operational management teams supported by a highly skilled workforce.

c10,300

Size of our workforce

World-class manufacturing facilities

Our production facilities are some of the best invested and most efficient in the UK food sector.

15

Number of our production facilities in the UK

Natural resources

Our significant investment in our farming operations expands our pig herd and chicken flock and supports the future growth of the business.

+28%

Increase in size of pig herd

+9%

Increase in size of chicken flock

AUTHENTICALLY MADE, SUSTAINABLY PRODUCED, CREATED WITH PASSION

Our guiding principles:

QUALITY

We are passionate about making great tasting food and we want to be recognised for quality. Our aim is to keep the heritage and integrity of our food by using authentic, artisan methods wherever possible to create premium quality products.

VALUE

We recognise the importance of investing in our agricultural operations and in our operating facilities so we can continue to offer innovative, high quality, great value food to our customers from some of the most efficient food production facilities in the UK.

INNOVATION

We have dedicated teams researching consumer trends and food innovation opportunities. We are constantly designing tasty new recipes and culinary ideas, allowing us to deliver creative food concepts that are healthy and convenient for today's modern consumer.

PEOPLE

We know it's our passionate and dedicated workforce who drive our business. We create a supportive but entrepreneurial environment which aims to give individuals the opportunity to thrive and ensures the business continues to grow.

Our strategic pillars:

HIGH QUALITY PRODUCTS

- We are well known for upscaling traditional artisan products to create high quality food that sets us apart from our competitors.
- We continue to focus on premium quality products, innovation, technical integrity, food safety and animal welfare.
- Cranswick began as a group of farmers so our roots are firmly in agriculture. Provenance is a priority for us and we create great tasting food to the highest food safety standards from our vertically integrated processing facilities.

OPERATING EXCELLENCE

- We produce food from some of the most well-invested facilities in the UK. We continually improve our agricultural supply chain and invest in our facilities to deliver our strategy. This drives a competitive advantage over a generally under invested infrastructure in the UK food industry. We own our pig breeding and rearing activities, and a fully integrated chicken supply chain including feed milling operations, a hatchery and broiler farms.
- We have a strong reputation in food science and food technology. We demonstrate technical excellence through our compliance with the highest food standards and our excellent external compliance audit scores. We also undergo our own cross-site technical audits to share best practice.

SUSTAINABILITY

- Our vision is to become the most sustainable meat business in the world. As an industry leader, we embrace many opportunities to make a difference and our business decisions are made with a clear focus on our commitment to both environmental and social responsibility.
- Our Second Nature initiative launched projects to deliver significant progress against our core sustainability objectives:
  - Reduce our environmental impact from farm-to-fork
  - Drive agricultural innovation
  - Shift from a linear to a circular business model
  - Create a great place to work
  - Positively impact our community and society
  - Act ethically and responsibly
  - Embrace collaboration and radical transparency

Read more about Second Nature on pages 34 and 35

£320m

Invested in our asset base over the last 8 years

9.0%

Compound annual growth in revenue over 10 years

Our sales growth strategy:

1 DRIVING THE CORE

- We have invested a record £79 million across our asset base during the year to support long-term growth, introduce new capabilities and drive further operating efficiency gains.
- Around 73 per cent of our revenue is generated from our retail customers, primarily through their own-label products and particularly in their premium and super-premium tiers.

2 EXPANDING OUR OFFER

- We have diversified our product range and customer base in recent years by entering the fast growing premium fresh and cooked poultry market. Poultry continues to dominate the market as consumers consider it to be healthy and versatile and this represents a key growth area for us.
- We are creating tasty meal kits for today's health conscious consumer and we have expanded our range of products for the rapidly developing 'Ready to Cook' and convenience market. We continue to invest in the popular 'Slow Cook' and 'Sous Vide' cooking technologies across our Convenience business.

3 SEEKING NEW OPPORTUNITIES

- We continue to make further progress in developing our export trade with like-for-like Far East volumes up 16 per cent. China, the world's largest pork producer and consumer, remains our most important market, but we have developed strong relationships with customers in countries such as Japan, Taiwan and Canada. We now supply to over 30 countries worldwide.

Read more about our strategy on pages 18 to 21

Creates value for our stakeholders:

OUR PEOPLE
Training
Development
Mentoring

103

Apprentices

CUSTOMERS AND CONSUMERS
Quality
Provenance
Choice

857

New product launches

PRODUCERS AND SUPPLIERS
Growth
Traceability
Compliance

330

Supplier audits in the year

SHAREHOLDERS
Dividend growth
EPS accreditation
Value creation

29

Years of dividend growth

COMMUNITIES
Support
Engagement
Employment

75%

of our workforce live within a 10 mile radius of their workplace

SUSTAINABILITY
Longevity
Awareness
Commitments

4%

Reduction in plastic packaging

A PLATFORM FOR FUTURE GROWTH

The last year was one of consolidation following three years of very strong growth.

Adjusted profit before tax at £92.0 million increased by 2.0 per cent on revenues which were just 0.2 per cent lower after adjusting for the 53rd week in the previous year. We delivered this years results against a backdrop of highly competitive market conditions and ongoing, Brexit related, political and economic uncertainty. During the year we invested at record levels across our asset base and made further strong progress against our strategic objectives. We continue to build a platform and lay down the pipeline for future growth.

RECORD CAPITAL INVESTMENT

We spent a record £79 million across our asset base. This brings the total investment in our infrastructure over the last eight years to £320 million. We commissioned our new £27 million Continental Products facility in Bury, Lancashire at the start of the year. Although the commissioning process was longer than we initially anticipated, we now have a high-quality asset with generous capacity headroom which provides a platform for expansion in this fast growing sector.

Construction of our new poultry processing facility in Eye, Suffolk, is progressing to plan. The exterior building work is now nearing completion and the interior fit out is underway, with commissioning anticipated towards the end of the new financial year as previously indicated. In February we announced that we had agreed a long-term supply agreement with Wm Morrison Supermarkets plc to supply fresh poultry from the new facility. Investment will be increased to £75 million and the project is being fast tracked to facilitate this contract. This will though result in all start up and commissioning costs of the new plant being incurred later this coming financial year. The asset will be industry leading and will more than double existing capacity. We are also investing heavily in our upstream agricultural operations to provide a sustainable supply chain.

We are investing over £10 million in our Hull cooked meats facility to accommodate a substantial new contract win with one of our leading retail customers which is scheduled to start later this year. We also continue to invest heavily across our broader asset base including our upstream pig and poultry farming operations. We will continue to lift capacity, improve efficiencies and add capability to ensure that we serve our customers from high quality, efficient, safe and technically compliant facilities.

A SOLID PLATFORM FROM WHICH TO BUILD

We continue to focus on the fundamentals which we believe set us apart from our competitors and which our stakeholders value so highly.

We work closely with our customers to deliver great tasting, high quality products to meet changing consumer demands. Our proactive approach to product development allows us to respond quickly to emerging market trends. The four key trends which we highlight in this report are: healthy eating; premium products; convenience; and sustainability. Over the last 12 months we have enhanced our capability in each of these areas.

We also work closely with our producers and suppliers to ensure that the raw materials and ingredients for our products are ethically sourced through tight and transparent supply chains. Animal welfare is of paramount importance to us and we continue to strengthen our leading position in this area. We recently retained our Tier One status in the Business Benchmark on Farm Animal Welfare for the third consecutive year. We are the only meat processor, and one of only five companies globally, to be awarded this rating.

We also recognise that our business model needs to remain sustainable. We launched Second Nature, our group-wide sustainability initiative, in February 2018. In a little over a year since launch we have already delivered some of our initial goals. We are now resetting baselines and recalibrating targets which we will use to benchmark our internal operations and those of our supply chain partners to drive greater clarity and improved accountability.

We continue to manage our business under the shadow cast by Brexit. That said, since all our production facilities are based in the UK and given over 90 per cent of our revenues are generated from our home market, we are less exposed than many UK business to the economic repercussions of the UK leaving the European Union. We are though concerned about labour availability and we have, over recent months, intensified our efforts across a range of measures to address this issue. These include: cultivating employee engagement; continuing to focus on attracting and retaining talent; and continually improving the general working environment.

We are also actively supporting EU national colleagues to mitigate any effect that Brexit might have. Further details on these measures are set out later in this report.

Cranswick is first and foremost a people business and our people are our greatest asset. I would like to thank my Board colleagues, our Senior Management teams and our highly skilled and committed colleagues across the business for their enthusiasm and support in driving our business forward so successfully.

A ROBUST GROWTH PIPELINE

Over the last 12 months we have made further progress in delivering our long-term growth strategy.

After strong growth in recent years, revenues from our core Fresh Pork, Convenience and Gourmet categories declined modestly, although within Convenience, sales of continental products grew strongly following the new Bury facility coming on stream at the beginning of the year. The slowdown in our pork related categories partly reflected lower UK pig prices, with this downward trend reflected in lower selling prices. Retail market conditions also remained extremely competitive with some of our large retail customers reducing their promotional activity including multi-buy offers. Looking ahead to the current financial year, new business wins and continued focus on developing innovative products targeted at the growing premium market segment, will be the catalysts for further growth in our core pork categories.

Revenue from our poultry category grew strongly and now represents 14 per cent of total Group revenue. Growth in our cooked poultry business reflected new business and new product launches which overlaid robust underlying market growth in the category. Whilst we delivered strong volume growth in our fresh chicken business, underlying market conditions were challenging, with higher input costs and over supply in the market putting pressure on selling prices. Looking ahead, our new Eye facility, our deepening relationship with the site's anchor customer and a strong innovation pipeline will generate positive momentum in the fresh and value added, cooked poultry market.

Our export business grew strongly, particularly in the second half of the year, with sales volumes to our strategically important Far Eastern markets ahead 16 per cent year on year. Looking ahead African Swine Fever (ASF) is set to have a profound impact on the global pork market. ASF was first reported in the Chinese pig herd last August. It is now endemic across the whole country and is spreading to neighbouring nations. Over recent weeks, the full implications of the outbreak have begun to emerge. The Chinese Ministry of Agriculture announced an 18 per cent decline in pig numbers in February. Estimates now range between 10 and 35 per cent, with a 20 per cent decline equivalent to annual production in the US. Cranswick accounts for over 50 per cent of UK pig meat exports to China, which has become a key outlet for some products for which there is limited demand in our domestic market. We now export to over 30 countries and we continue to scour the globe in search of new export opportunities. Closer to home, ASF remains a threat in Eastern Europe and in Belgium and the risk of ASF spreading to other countries in Europe remains high. The UK industry is on full alert with heightened biosecurity protocols in place.

A POSITIVE LONG-TERM OUTLOOK

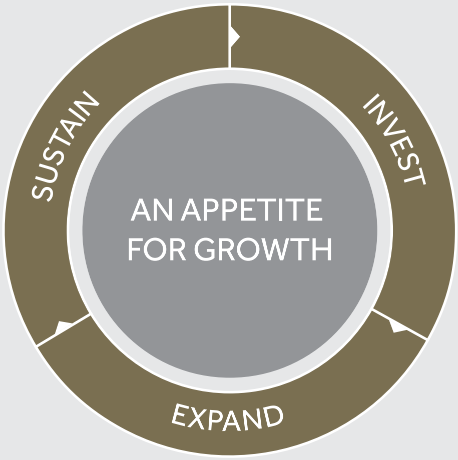
As we highlighted in our third quarter trading update on 7 February, we are facing into some short-term headwinds including a potentially challenging commercial landscape and start-up and commissioning costs associated with the new Eye facility.

Despite these challenges, the investment we are making at Eye and across the wider business is laying firm foundations for the next phase of growth and development of the business. Chicken, followed by pork, is the fastest growing, most competitively priced and environmentally sustainable meat protein and so is a strategically attractive category on which to focus. These strong fundamentals alongside our capability to execute will be the catalyst for future growth and expansion in this space.

I am confident that continued focus on the strengths of our business, which include its long-standing customer relationships, breadth and quality of products, robust financial position and industry leading infrastructure, will support the further successful development of Cranswick over the longer term.

Adam Couch
Chief Executive

21 May 2019



Invest

We continue to invest in our production facilities and supporting agricultural operations. **Read more on pages 10 and 11.**

Expand

The expansion of our poultry business continues and this category represents a huge growth opportunity for us. **Read more on pages 16 and 17.**

Sustain

Our sustainability plan supports our long-term growth strategy. **Read more on pages 24 and 25.**

Invest

£7.6m
Invested in farming infrastructure

45 mins
Average travel time for pigs

INVESTING IN AGRICULTURE

Our extensive investment in our farming operations over the last year supports the further development of our processing facilities across the UK.

Our core focus is the wellbeing of our animals. Over the past year we have added state-of-the-art housing and feeding facilities for our outdoor pig herd. We have enhanced our breeding accommodation to better control the environment, reducing condensation and improving ventilation. We have used innovative designs, modern materials and accurate feeding equipment which has led to improved herd performance and better feed usage. We have also secured a new mill to bring even more of our feed supply in house.

We aim to minimise stress on our animals, so our new livestock trailers have more space and the loading and unloading process is more efficient.

We have increased the size of our herd and broadened our farming area. We acquired new farming units near our Norfolk processing facility for £5.4 million that will be developed over the next two years into an industry leading pig finishing facility. Animal welfare is a key priority for us and the new units ensure we keep our average travel time to under 45 minutes.

A further £2.2 million has been invested in our new joint venture White Rose Farms. The joint venture was set up to secure our commercial pig supply and improve efficiencies in production.

Across the outdoor breeding farms we have invested in intervention measures to ensure soil and water are not able to run off the fields during bad weather. The mixed grass and flower buffer strips around the field edges act as a sponge for water and silt and in turn provide essential wildlife habitats for insects and birds. The soil and nutrients in the water captured by silt traps can then be redistributed back to the field.

> "Cranswick's continued and steadfast commitment to animal welfare across its multitude of sites, supply chain and general operation is a great example of what animal welfare standards are achievable for producers and suppliers not only in the UK, but globally."

Business Benchmark on Farm Animal Welfare

As the food industry continues to respond to new market trends and changing consumer appetites, we are seeing four key drivers that are underpinning our business strategy and growth proposition: healthy eating, premium products, convenience and sustainability. These have become an essential part of consumer behaviour and an increasing proportion of shoppers consider themselves to be informed on healthy food, nutrition and provenance which raises their expectations of food quality, flavours and formats. Today's consumer is passionate about food but may lack the time and skillset to prepare the foods they are used to seeing online or eating out of home.

Consumer Trends

1 HEALTHY EATING

Consumers are increasingly basing their food choices around healthier, personalised diets and lifestyles. One in three grocery items are chosen for health reasons, representing an increase of £1 billion in annual spend.

With 85 per cent of shoppers also seeking to improve their diet, this opens up a huge opportunity for healthy, convenience products designed for this food aware generation. As a food manufacturer, this gives us the chance to highlight the health benefits of our products while introducing new, healthier 'clean eating' lines. We now offer flexitarian sausages for non-meat eaters and a range of skinny sausages to meet consumer demand. We have reduced salt content and developed nitrate-free alternatives for some of our meat products.

We are further expanding our range of products that appeal to health conscious shoppers across our convenience, recipe-kit and value added lines.

By creating new portion sized packs, we are able to reduce food waste in both the retail supply chain and in homes. This means consumers get to cook different meals every day but without the need to buy ingredients in larger pack sizes that may lead to food waste. It is also a great way to give people a better understanding of portion sizes and the amount required to create a meal without excess.

85%

of shoppers are trying to eat healthier in some way

Source: Category Benchmark Research, IGD, Jun-Sept 2018

2 PREMIUM PRODUCTS

The premium category continues to drive strong market growth, with premium own-label products remaining one of the fastest growing areas in retail.

As the discount retail and food service sectors also seek to expand their premium offerings, this will drive further operational efficiencies down the supply chain. We are working hard to make our premium products as affordable as possible to meet consumer demand for quality food at great prices. The premium preferences of today's consumers are advancing demand for more natural, nutritious and high quality products that help people keep pace with busy schedules without sacrificing their health goals or curiosity for new ingredients, flavours or formats.

We have made, and will continue to make, significant investment in our infrastructure to enable us to create bespoke products and tailor our offering to the consumer requirements in both premium and convenience. We are confident this will give us the capacity to grow and offer genuine innovation in premium products whilst delivering further efficiencies.

Find out more in Our Strategy on pages 18 to 21

6%

volume growth of premium cooked meats market

Source: Kantar 52 weeks to 24 March 2019

3 CONVENIENCE

Consumers are not only demanding quick, easy, healthy and tasty meal solutions, but are increasingly looking for inspiration in their shopping baskets. The growth in convenience 'scratch cooking' – traditional artisan-style meals and snacks that can be prepared in a short amount of time – has led to new product innovations such as our meal kits, recipe kits, 'Sous Vide' products and 'Slow Cook' ranges.

As today's shoppers increasingly look for convenience in their busy lives, our offering of pre-prepared cooked meat is designed to help shoppers and make their lives a little bit easier. Our convenient solutions include 'grab and go' lunchtime products and modern 'mid-week' meal solutions.

Looking ahead, we are developing a new generation of prepared meals, sides, and sauces that emulate the flavours and formats of restaurant meals whilst reducing food waste by controlling portion sizes for the consumer.

The out of home sector represents the ultimate in convenience and is growing faster than the retail sector at over 5 per cent per annum as consumers are increasing the number of meals they eat outside of the home. We are increasing our market share in this sector through investment in our poultry businesses, and plan to further develop our recipe-kit and ready dish portfolios where we have seen strong growth.

17%

increase in sales of our convenient marinated pork

4 SUSTAINABILITY

During the year we have seen the demand for more sustainable and ethical food products grow as consumers come to understand what is required to get closer to achieving a truly circular food and drink economy. Sustainability efforts will include not only improving access to ethically sourced products, but ensuring our product packaging is easy and intuitive for the consumer to recycle.

Our own research report published in 2018 on the rise of consumer activism highlighted the growing trend around 'Radical Transparency' and as food supply chains grow more complex, consumers are setting higher expectations for food quality, safety and sustainability. The rise in mission-based brands entering the market promoting high welfare and farm-assured products reflects the consumer trend for this greater assurance on food provenance.

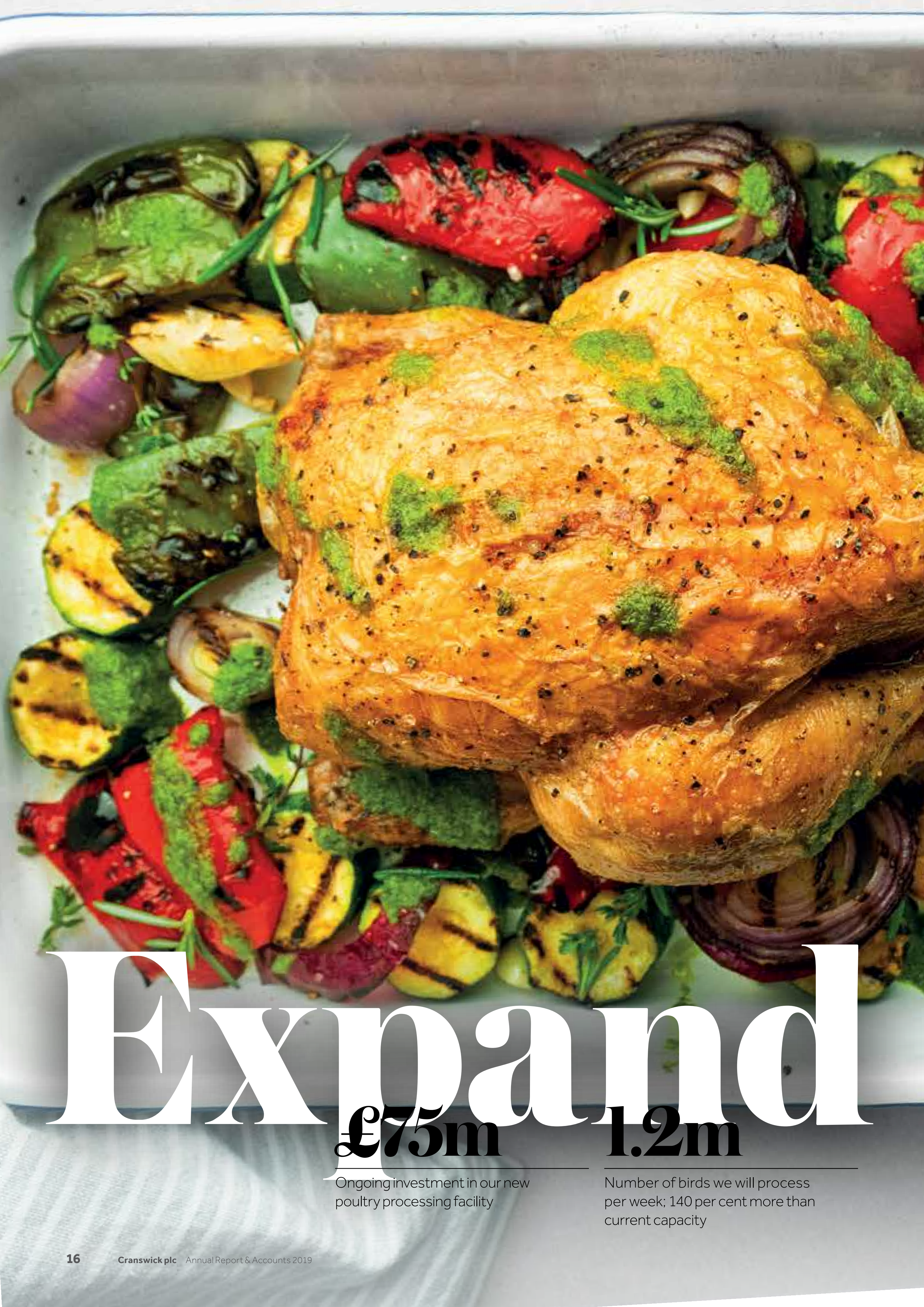
We recognise that like nutrition, sustainability has become an expectation for consumers and our Second Nature sustainability strategy sets out our ambitious commitments in this area underpinned by our unique integrated supply chain model. We continue to invest heavily in this to offer full traceability from farm-to-fork, and we insist on high standards pertaining to ethics and animal welfare across our business and from our suppliers.

This means we can offer high-protein, low impact pork and poultry products that demonstrate the highest levels of traceability. As the only meat manufacturer to receive Tier One ranking in the latest Business Benchmark Farm Animal Welfare (BBFAW) report, and receive it for the third consecutive year, our higher welfare products are a key differentiator, both in the UK and export markets which we serve.

70%

of shoppers in meat and poultry say ethical production is an important driver of product choice

Source: Category Benchmark Research, IGD, Jun-Sept 18.



Expand

£75m

Ongoing investment in our new poultry processing facility

1.2m

Number of birds we will process per week; 140 per cent more than current capacity

> "Like-for-like poultry sales grew by 18% year-on-year and sales growth outperformed the market. The poultry market represents a huge growth opportunity for us and we have made considerable investment in this area."

Adam Couch, Chief Executive

EXPANDING OUR POULTRY BUSINESS

Our new, purpose built, chicken processing facility in Eye, Suffolk, will more than double our existing fresh poultry business by producing up to 1.2 million Red Tractor farm-assured birds each week. The facility will be fully commissioned before the end of the new financial year.

Marel are supplying the very latest technology and the most advanced equipment including robotics, automatic deboning, X-ray bone detection and efficient fifth quarter harvesting. Processing line speeds are paramount and we will be able to process faster and more efficiently than any of our UK competitors whilst still focusing on premium quality.

The facility will have a dedicated marinating area and a 'Ready to Cook' production space. This allows us to respond to the current market trend of convenience as consumers demand quick, healthy and tasty meal solutions.

Sustainability is pivotal in this build and the facility will have full water recycling capabilities and energy efficiencies from a Combined Heat and Power (CHP) plant. The highest animal welfare standards will be incorporated with the most advanced and humane technology in live bird handling. The facility is in the heart of our chicken rearing operations allowing bird welfare to be optimised as travel times are minimised.

We have further invested in our agricultural operations to support the expansion of our poultry business. We have placed bales, perches and pecking objects in all broiler houses and installed more windows to maintain our industry leading welfare status.

We have secured an exciting long-term supply agreement with Wm Morrison Supermarkets plc underpinning much of the throughput of the new facility.

A STRATEGY FOR LONG-TERM GROWTH

Our purpose is to feed the nation with authentically made, sustainably produced food that is created with passion. Our aim is to lead sustainability across agriculture and food production on a global scale.

Our long-term growth strategy is to consolidate existing market positions, enter new markets and channels in our core UK market, and grow our international operations and customer base. We do this through:

1 DRIVING THE CORE

2 EXPANDING OUR OFFER

3 SEEKING NEW OPPORTUNITIES

This year has been one of consolidation for the Group, following a number of years of significant capacity expansion and volume growth.

We have made good progress on delivering our strategy this year by strengthening customer relationships and focusing on the premium end of the markets in which we operate. Outstanding product quality and customer service levels combined with a drive to innovate has underpinned this year's results.

We remain committed to vertically integrating our supply chains so we can maximise internal efficiencies and minimise cost, whilst demonstrating the highest levels of food quality, traceability and integrity.

OUR STRATEGIC PILLARS

Our long-term growth strategy is underpinned by three strategic pillars:

HIGH QUALITY PRODUCTS

We produce high quality food, safely, in technically and legally compliant facilities.

OPERATING EXCELLENCE

Continued investment ensures that our factories are some of the most efficient food production facilities in the UK.

SUSTAINABILITY

We invest heavily to secure our supply chains and provide career opportunities to our employees, and these investments provide confidence that we have a long-term sustainable business.

We measure the success of our strategy against key performance indicators (KPIs) which can be found on pages 22 and 23

The key risks to our strategy can be found on pages 44 and 45

1

DRIVING THE CORE

OUR STRATEGY

Our core products consist of fresh and value added pork, our gourmet category including bacon, sausages, burgers and pastry, and convenience foods comprising cooked meats and continental products.

Our aim is to grow revenues from our core products by creating meaningful, long-lasting relationships with all our customers. We establish deeper relationships by having joint objectives and the same purpose: to provide great tasting food.

We focus on the premium end of the markets in which we operate and are renowned for quality. This reputation alongside our exceptional customer service levels has driven a 9 per cent compound annual growth rate in revenue over the last 10 years.

Continual investment in our infrastructure underpins our core growth strategy and supports the development of sustainable long-term contracts with our customers.

PERFORMANCE DURING THE YEAR

We continue to consolidate our existing market positions. Sales to some of our key retail customers have grown during the year, with retail sales accounting for 73 per cent of Group revenue. Retailers have sought to expand their premium offerings and this was particularly notable with the discount retailers as they look to provide premium products at low prices. We have secured additional premium business with discount retailers during the year across our Continental Products and Sausage businesses.

Sales of fresh pork products fell reflecting lower wholesale and export demand in the first half of the year. This was partially offset by an increase in retail volumes as the 2018 summer heatwave led to stronger than expected sales of our great tasting barbecue ranges and value added products. Sales of sausages also benefitted from the seasonal uplift.

Our food service and wholesale customers account for 20 per cent of group revenue. During the year, 'Out of Home' sales grew at 5 per cent and we expanded our portfolio and widened our customer base across hospitality, catering and business-to-business markets. Food service sales grew as we identified opportunities to cross-sell our product ranges. We won an exclusive long-term supply contract with one of our largest food service customers.

Our pastry products saw strong growth in the forecourt market, reinforcing our food service proposition.

The launch of our 'Best Ever Steak Pie' with a key premium retailer boosted our pastry performance. Read more in our Customers and Consumers section on page 27.

Our Continental Products business has grown substantially over recent years. Volumes have risen significantly in the current year supported by new business wins and product launches across a number of key customers.

We have a dedicated team of people sourcing new, tasty continental products from across the globe. We also produce British premium charcuterie using traditional artisan methods prepared with the finest ingredients.

The success of our Continental Products business and growth of the convenience food market led to the commissioning of our new facility in Bury in the summer. The facility enables us to drive further internal efficiencies whilst competing on cost and quality through increased capacity for product slicing and packing. The facility provides plenty of space for future growth.

Investment in the year, whilst focused on our poultry processing facility in Eye, Suffolk, extended across all our production facilities as we aim to keep our infrastructure world-class. We have now spent over £320 million over the last eight years to ensure we can meet our growth aspirations. For further information on category performance and the projects we delivered in the year see the Operating and Financial Review on pages 38 to 40.

FUTURE OPPORTUNITIES

Going forward, we will explore further growth opportunities by leveraging our strong customer relationships, gaining market share in existing tiers, expanding into adjacent tiers in our existing category portfolios and investing in our facilities. At the end of the financial year we won additional contracts to supply cooked meats to two of our key retail customers which provides the opportunity for future growth for our cooked meats business.

Our focus will very much remain on developing innovative products that support our core offering. This will give us the ability to deliver premium products relevant to the rapidly changing markets in which we operate.

2 EXPANDING OUR OFFER

OUR STRATEGY
During the past three years we have expanded our product range and customer base by entering the fast growing premium fresh and cooked poultry market. The poultry market is a huge growth opportunity for us as we look to develop new products and channels in this area. As with our core pork products, we have a fully vertically integrated poultry supply chain to offer an important point of difference to our customers.

As part of our long-term growth strategy, our intention is to continue to expand our product range. We have dedicated teams who research consumer and market trends and develop food innovation opportunities.

PERFORMANCE DURING THE YEAR
Our fastest growing areas are poultry and convenient meal solutions – two trends with strategic overlap that we can use to our advantage. Consumers are demanding healthier and more convenient meals, which is driving sustained growth in the poultry market with chicken taking an increasing share of the protein segment.

On a like-for-like basis poultry sales for the Group increased by 18 per cent. Much of this growth stemmed from our cooked poultry products, through new 'Ready to Eat' retail launches with two of our largest customers, capitalising on the trend for convenience.

Convenient meal solutions remain a key growth area for us. We have expanded our 'Slow Cook' and 'Ready to Cook' ranges with value added products such as curry kits. This has been supported with investment in our 'Sous Vide' cooking technology across the business.

We continue to develop innovative products that are differentiated, unique and iconic. This year we launched 857 new products, with 7 per cent of Group revenue being derived from new product development.

FUTURE OPPORTUNITIES
In both chicken and pork, we are expanding our convenience range with value added products whilst investing in slow cook technologies to deliver a more authentic taste and flavour experience.

It is essential that we continue to invest in our asset base and ensure our infrastructure remains industry leading. The poultry market represents a huge growth area for us and we have invested heavily in this area to take advantage of this opportunity and support our long-term growth strategy.

Our £75 million poultry primary processing facility in Suffolk, set to come on stream before the end of the new financial year, will more than double our existing poultry capacity allowing us to offer more fresh chicken to retail customers. We have secured an exciting long-term supply agreement with Wm Morrison Supermarkets plc underpinning much of the throughput and supporting our growth strategy. For more information on our investment in poultry see pages 16 and 17.

Looking forward, we will continue to focus on the fast growing 'Ready to Eat' and value added chicken segments. Chicken is increasingly seen as a versatile protein that is also competitively priced, and we intend to expand our range of chicken burgers and sausages. We are also developing recipe kits such as stir-fry meals to complement our poultry offer.

7%

Percentage of total revenue from new products

18%

Growth in poultry sales

3

SEEKING NEW OPPORTUNITIES

OUR STRATEGY
We want to maximise the value of our meat cuts and reduce waste. International markets represent an opportunity to sell fifth quarter products that would not generally be consumed locally and would otherwise be wasted. This aligns with our strategic pillar of sustainability.

Over and above the fifth quarter products we export, we are also seeing increasing overseas demand for our higher welfare, premium products. Our long-term growth strategy incorporates this trend as we aim to further develop our relationships with our international customers in order to expand our offering in these markets.

PERFORMANCE DURING THE YEAR
Our export sales increased compared to prior year and we continue to make strategic progress by expanding our presence in international markets and adding more value to the products we sell. Our non-EU export sales grew 12.8 per cent and we now export to over 30 countries around the world.

As the world's largest pork producer and consumer, China remains our largest and most important export market. Although Chinese prices were down at the start of the year, they have since rebounded and are likely to remain strong for the foreseeable future as China recovers from an outbreak of African Swine Fever, which has impacted domestic supply.

China remains a buoyant market for our fifth quarter products, but we are also seeing increased demand for outdoor bred, higher welfare products. This is reflective of changing consumer attitudes and diets, as well as a growing middle class. We expect this trend to continue, and are well placed to capitalise upon it as we continue to prioritise the wellbeing of our animals. Read more in our Producers and Suppliers section on page 29.

Outside of China, we have identified key growth opportunities in Japan, Canada and the US, and are building strong relationships with customers in these markets. We are experiencing growing demand for outdoor bred pork in to Japan where we have established a new distribution channel for our high quality meat cuts and sales of our premium pork shoulder have been very strong.

In Canada we are looking to increase supply of our loin ribs and are exploring opportunities to establish a stronger base in North America for the supply of our dry cured bacon into key retail channels.

FUTURE OPPORTUNITIES
We continue to develop products with which to access both new and existing export markets. In addition, continued investment at our primary processing facilities provides increased capacity which not only adds scale to our UK pork business, but also provides more product for our international export trade.

>50
Product lines to the Far East

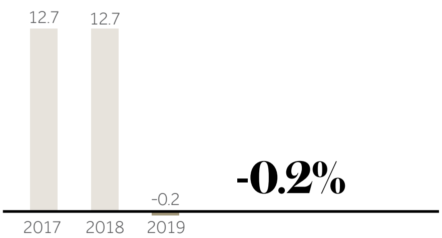
+16%
Like-for-like Far East export volume growth

MEASURING OUR SUCCESS

We measure the success of our strategy using the following key performance indicators.

1 DRIVING THE CORE

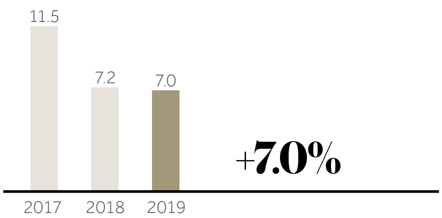
LIKE-FOR-LIKE REVENUE GROWTH
(%)



Revenue was in line with the prior year as higher year-on-year volumes in the first half of the year were offset by lower volumes in the second half. Strong growth in Poultry and Continental Products was countered by lower sales of other, pork related products.

2 EXPANDING OUR OFFER

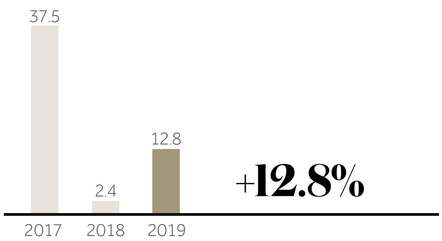
SALES FROM NEW PRODUCTS
(%)



Our commitment to innovation is ongoing and we continue to design new products to deliver creative food concepts to our customers. Sales from new products during their first six months following launch account for £103 million of revenue in the current year.

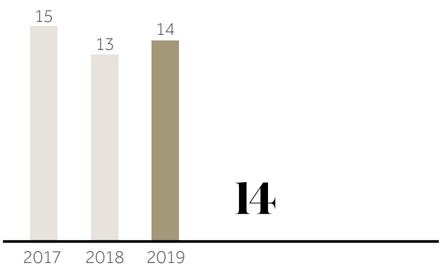
3 SEEKING NEW OPPORTUNITIES

NON-EU EXPORT SALES GROWTH
(%)



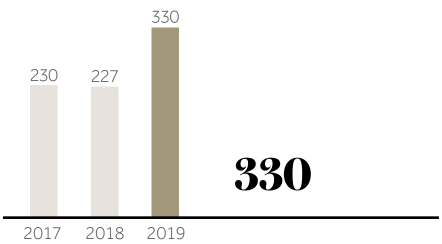
Non-EU export sales, including sales made to non-EU markets through UK-based meat trading agents, have shown strong growth in the year. The approval received at the end of the last financial year to export product from our Ballymena facility to China has underpinned much of the non-EU export sales growth. The continued spread of African Swine Fever through China has further increased non-EU export sales.

NUMBER OF BRC GRADE As



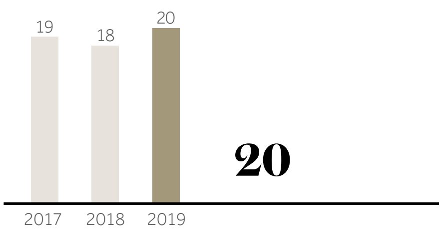
The number of Grade A ratings awarded by the British Retail Consortium (BRC) against Global Standards for Food Safety increased reflecting our commitment to excellence as our Crown Chicken site moved from a B* to an A* rating during the year. Of our 15 production facilities, 14 received Grade As.

NUMBER OF SUPPLIER AUDITS



Our Group Technical Services team carry out audits of our suppliers in order to assure the safety, traceability, quality and provenance of the raw materials we use. The increase in the number of supply chain audits we undertook shows the significant ongoing effort to improve the quality of the products we make.

COMPLAINTS PER MILLION UNITS SOLD



Our long-term commitment to making premium quality products means the number of customer complaints per million units sold remains very low. The increase in the year related to specific products and remedial action was promptly taken.

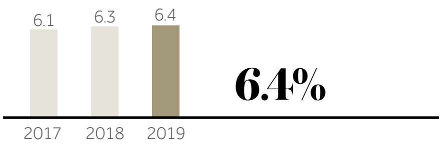
STRATEGIC PILLARS

HIGH QUALITY PRODUCTS

OPERATING EXCELLENCE

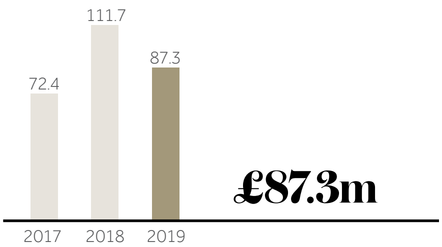
SUSTAINABILITY

ADJUSTED OPERATING MARGIN
(%)



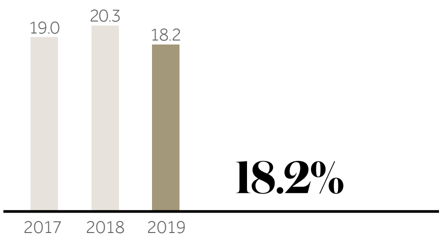
Adjusted operating margin increased to 6.4 per cent reflecting a change in category mix with an increase in sales of poultry products. Our continued investment in our production facilities has also driven margin improvement with operational efficiencies achieved from capital expenditure in prior years.

FREE CASH FLOW
(£'m)



The reduction in free cash flow was largely driven by changes in working capital; inventory increased towards the end of the year as we made Group-wide preparations for Brexit. Biological assets also increased as we invested further in our agricultural operations and expanded our pig herd and chicken flock.

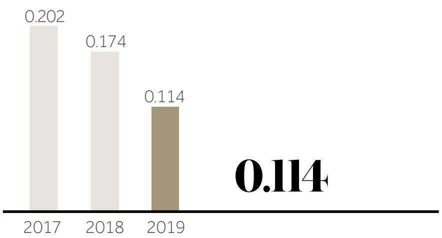
RETURN ON CAPITAL EMPLOYED*
(%)



We continue to invest in our asset base in order to ensure our production facilities are industry leading. Return on capital employed reduced reflecting the investment made in our new poultry processing facility in Eye, Suffolk, which will see returns once commissioned at the end of the current financial year.

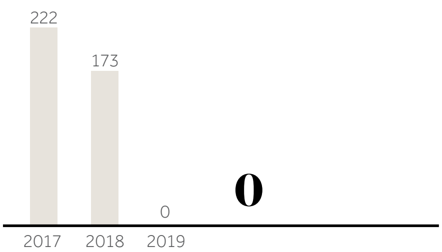
* Adjusted operating profit divided by the sum of average opening and closing net assets, net debt/(funds), pension liability and deferred tax.

RELATIVE CARBON FOOTPRINT – TONNES OF CO_2e PER TONNE SALES



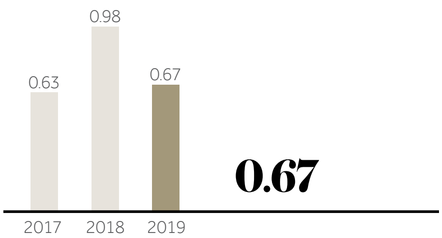
Our relative carbon footprint continued to decrease reflecting our commitment to our Second Nature pledges as we aim to minimise our impact on the environment. Our switch to ammonia refrigeration has significantly reduced our tonnes of CO_2e, as has our investment in Combined Heat & Power systems. Read more on page 36.

WASTE TO LANDFILL – TONNES



We have achieved our target of Zero Landfill status across our sites a year ahead of schedule. We continued to challenge our more rural locations to convert waste to energy and recycle any waste in order to minimise our impact on the environment.

RIDDOR ACCIDENTS PER 100 EMPLOYEES



The accident rate reportable to the Health & Safety Executive fell compared to the prior year following the implementation of a new and enhanced five year Health & Safety strategy. New levels of transparency and increased reporting have led to significant improvements during the year.

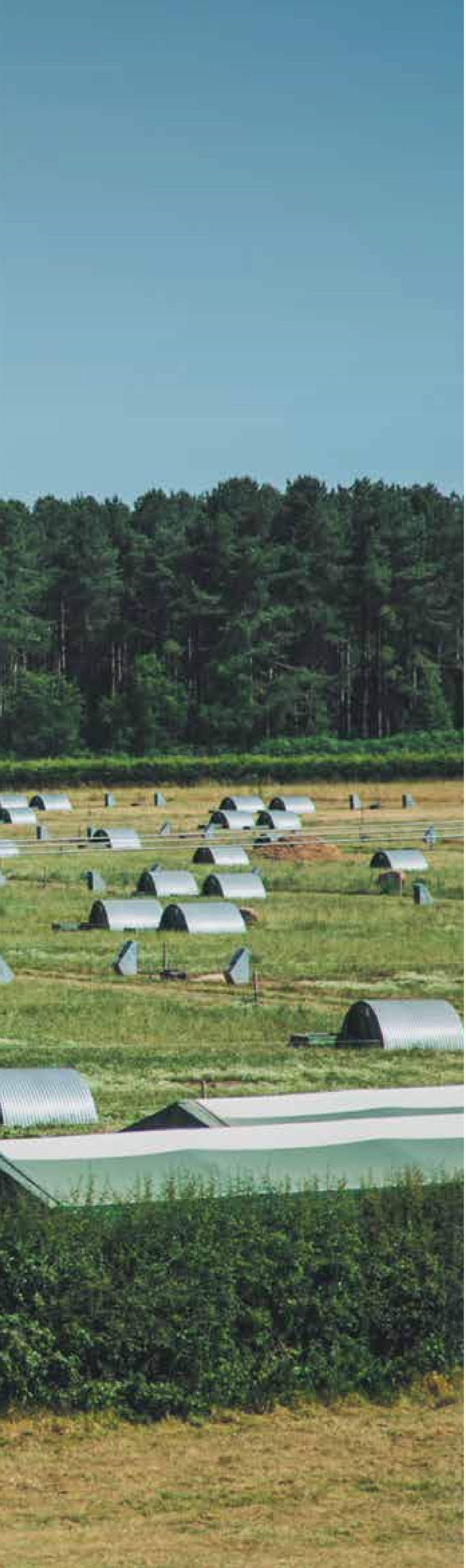
Sustain

688

Tonnes of plastic removed

26%

Reduction in food waste at Milton Keynes site



SECOND NATURE

DELIVERING CHAMPIONS 12.3

This year our Milton Keynes factory became our flagship Champions 12.3 site by working towards achieving zero edible food waste status to deliver against the Group commitment to a 50 per cent reduction by 2030.

To date, the site has achieved week on week improvements and has seen a 26 per cent reduction in food waste so is on track to achieve the 2030 target well ahead of schedule. The site also now ensures 100 per cent of surplus product is redistributed to local community groups in need via their partnership with Plan Zheroes, an online redistribution platform. The impressive scale of results that the Milton Keynes team has delivered has provided the impetus for Second Nature and sets a new manufacturing standard in food waste prevention.

We began by mapping where and how food waste was occurring with a root cause analysis at key production points. This enabled us to undertake swift remedial action targeting behavioural change at our Milton Keynes site, but we soon realised a more integrated approach was needed to replicate this success across the business. This has led to the development of Waste Warriors – our new Group-wide employee engagement programme to prioritise food waste prevention that will be rolled out in 2019.

Our Waste Warriors team at Milton Keynes is made up of volunteers who passionately believe in the vision of Second Nature and will pilot new solutions using technology, behavioural change techniques and strategic partnerships. Employees will be taught best practice skills in processing and manufacturing. They will identify new redistribution opportunities within the community, participate in interactive monthly workshops and enrol in e-learning to become CPD-certified for food waste minimisation. Through our Waste Warrior programme, employees are given opportunities to make an even bigger difference in tackling food waste, both inside and outside of the business.

We believe we are the first food manufacturer to take such an integrated approach that is powered by employee engagement. It is our ambition to not only become a zero edible food waste business by 2030, but to help alleviate food poverty in the communities we serve.

“We are excited to lead the way on Champions 12.3 and really act on our food waste and deliver amazing results. Getting our employees involved from the start is really helping to drive change within our business.

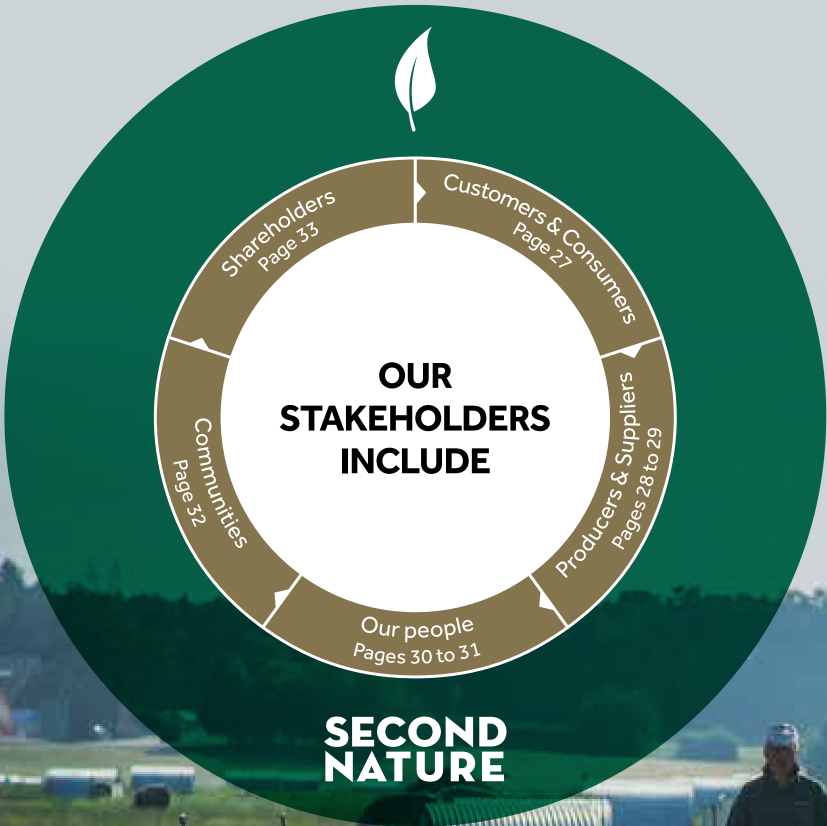
Champions 12.3 presents us with a HUGE opportunity; it’s a chance for us to not only improve the financial performance of the business and our reputation within the industry, but most importantly it gives us the opportunity to make a difference.”

Sam Pearl, Site Director, Milton Keynes

WORKING WITH OUR STAKEHOLDERS

Our long-term growth and success are dependent on how we engage with our stakeholders. We value regular interaction with them to ensure we can consider their views and interests when making decisions. We continuously explore how to make our strategic decision-making process more inclusive in order to involve our key stakeholders.

Over the following pages we explore how we engage with our key stakeholders.



Customers & Consumers

We aim to create meaningful, long-lasting relationships with all our customers. By engaging face-to-face with customers and attending industry conferences we can work collaboratively and develop products that meet our consumers' needs.

Around 73 per cent of our revenue is generated from our retail customers, primarily through their own-label products in premium and super-premium tiers. We have a broad retail customer base, selling products into each of the top four UK multiple grocers as well as the premium grocery and discounter channels.

We are strengthening and consolidating our presence in the food-to-go sector, which is a fast developing market. Food service continues to be a growth sector with many of our products listed by UK hotel, pub and other food service outlet chains. We also have a growing export business, particularly in the Far East.

PRODUCT QUALITY & INNOVATION

Our responsible and innovative approach to food production means we continue to deliver great tasting, high quality products whilst pioneering new categories and concepts – especially in the premium grocery channel – to meet changing consumer demands.

Over the past year we have worked closely with our customers to improve the taste, texture, flavour and appearance for many of our meat products. We have discovered a process to maintain the pink colour of medium rare beef joints once sliced and packed, with no compromise in food safety or shelf life. We have also developed an artisan-style steak pie for a premium retailer which has enjoyed tremendous success,.

Our proactive approach to product development means we can respond swiftly to market trends as they emerge. Read more in the Consumer Trends section on pages 12 to 15. We strongly advocate the nutritional benefits of eating meat as part of a balanced diet, but recognise there is growing concern around the use of additives in processed meat. We are working to improve the health credentials of our pork in response to this.

We have reduced salt content in our gammon steaks and joints by switching to a sweet curing process, and developed nitrate-free bacon alternatives. We are also producing flexitarian and skinny sausages for a major retail customer.

We continue to review potential areas where quality improvements can be made, from the breed and genetics of our pigs through our feed and farming methods to new production processes.

PRODUCT SAFETY & ASSURANCE

We have increased the number of supply chain audits carried out by our technical teams to assure the safety, traceability, quality and provenance of our raw materials. More detail on our technical compliance and auditing process can be found under our Producers & Suppliers section on page 28.

In recent months the food industry has come under increasing scrutiny over labelling and allergens. We ensure lines are tested after cleaning to make sure they are free from other allergens. We are also externally audited on our gluten-free products.

Food safety is an area where we expect to see more stringent compliance in the coming years. We are already putting measures in place to mitigate food safety risks. This includes installing security systems in our primary processing facilities that go beyond current legislation or industry standards, and working more closely with our suppliers to educate them on risks surrounding food safety.

OUR BEST EVER STEAK PIE

We were responsible for making the 'Best Ever Steak Pie', which became Marks and Spencer's best-selling new product launch ever. It features beef skirt, hand butchered and griddled, in a gravy made from roasting pan juices, before being encased in all butter pastry. The hard-working team had to go into 24-hour production lock down to meet demand following a viral social media campaign for the pie which was shared 400,000 times.

THE NEW ACTIVISM AGENDA

Our 'Food for Thought: the Rise of Radical Transparency' report, which we published last year, highlighted a growing need for food companies to engage in better disclosure when it comes to showcasing how food is produced. This involves lifting traditional veils of secrecy to expose 'behind the scenes' real-time processes in farms and factories. We are proud of the quality of our farming and factory facilities and believe in being transparent in everything we do.

Producers & Suppliers

We are passionate about helping people understand where their food comes from and how it is produced. We work closely with suppliers who share our beliefs in order to work towards a common goal and improve transparency.

RESPONSIBLE SOURCING
As demand for meat provenance grows, our industry is entering a new era of transparency and we are at the forefront of driving this agenda.

We are committed to raw material integrity and traceability – this includes the meat, ingredients and packaging we use in the manufacture of our products. We approve and control 752 raw material suppliers, and 6,073 products and associated specifications through our Group Technical Services (GTS) division. Suppliers are approved through audits carried out by our GTS team or through independent third party audits such as the BRC Global Standard for Food Safety.

SUPPLIER PERFORMANCE
We monitor supplier performance through Foods Connected, our supplier management system. Vulnerability risk assessments are undertaken for every supplier and ingredient. All of our suppliers are now fully compliant with our Foods Connected requirements, up from 92 per cent in the previous year.

The GTS team are constantly refining these requirements and any non-conformance will be raised with suppliers at intake. New risk assessments are also being developed for allergens, gluten-free and speciation. We have achieved recognition for our open book auditing approach in conjunction with Foods Connected and Tesco.

During the past 12 months, 330 supply chain audits were carried out to assure the safety, traceability, quality and provenance of the raw materials we use. Currently 99 per cent of our 524 direct suppliers and 88 per cent of our 752 total suppliers are on Sedex, enabling us to drive ethical standards within our supply chain. We also undertake our own ethical verification audits. Our expectations of our suppliers are laid out in our Technical Conditions of Supply and can be found at **www.cranswick.plc.uk**.

Increasingly we are using interactive data visualisation to map our supply chain and gather more granular data and intelligence through software tools like PowerBI. This information is shared across our technical teams and helps us communicate more transparently to customers and other stakeholders.

Where possible, we look to mitigate emerging risks like food fraud and are working with Fera Science on an Early Warning System to detect this. We regularly communicate with key ingredient suppliers to better understand how they manage such risk.

SITE COMPLIANCE
During the past year, a total of 1,114 audits were carried out across the Group. These comprised GTS, third party and customer audits. Of these, no red rated third party or customer audits were recorded reflecting the strong compliance culture we have built.

This February Issue 8 of the BRC Global Standard for Food Safety came into effect, making food safety and quality culture a compulsory requirement for certified sites. Our Group Technical Compliance Controller sits on the BRC working group and was closely involved with its development. In preparation for the new standard, the GTS team have been conducting internal audits against Issue 8.

14 production facilities were audited against Issue 7 of the BRC Global Standard for Food Safety during the year. Six of our sites achieved the highest AA* rating. Three sites were awarded A* and three sites achieved AA ratings. Our Crown Chicken site moved from B* to A* status.

The GTS team continue to invest in upskilling staff across our sites, and a Group Compliance Trainer has been appointed to coordinate this activity. This will ensure we maintain the highest standards of site compliance reporting and analysis.

THE RISE OF RADICAL TRANSPARENCY
Consumer trust in the food industry remains fragile. We believe companies must respond to this by increasing clarity so the provenance of products can be easily understood and accessed by everyone – an approach we call Radical Transparency.

Last year we published a report calling on the industry to strengthen its transparency efforts. Part of the solution lies in using smart technology and data to improve disclosure and verification, and we are working with various partners on specific projects. These include:

- The EU-China-Safe's international 'track and trace' food safety project. This will deliver a shared vision for improving food safety and combating food fraud in the two trading blocks.
- A pork electronic tagging pilot with the Agriculture & Horticulture Development Board. We have completed successful trials using electronic ear tags on our pigs and DNA profiling to give us the capability to trace our pork products back to the individual farm and pig.
- The Food Standards Agency Blockchain project. This is gathering pathology data from primary processing facilities to ensure compliance in the food sector.

14

Number of BRC grade 'A' ratings during the year

330

Number of supplier audits during the year

ANIMAL WELFARE
Animal welfare is intrinsic to meat integrity, and we take our responsibilities in this area very seriously. We aim to increase meat sourced through our own farms, enabling us to have a greater level of oversight over the wellbeing of our animals. We have received global recognition for our leadership on animal welfare issues.

Many of the pigs supplied to us are reared to the higher welfare standards associated with outdoor breeding or rearing production methods. Approximately 30 per cent of pigs processed by our Hull primary processing facility and 70 per cent at our Norfolk facility are reared to the exacting requirements of the RSPCA Freedom Foods welfare standard. The balance of pigs processed are reared indoors in compliance with Red Tractor/ BMPA Quality Assured Pork welfare standards. All of our chickens are reared indoors in compliance with Red Tractor welfare standards. We are working with these assurance schemes to improve welfare outcomes further through representation on steering group committees.

All of our poultry sheds have perches and windows to allow in natural light. LED blue lighting has been installed as standard in both our poultry sheds and pig lairages to reduce stress levels. Dietary supplements are given to our animals to improve nutrition and we emphasise the importance of farm hygiene such as water cleanliness at all our sites to optimise livestock health and well being.

LEADING THE WAY ON WELFARE
We are the only Business Benchmark on Farm Animal Welfare (BBFAW) Tier One recognised meat processor, just one of five companies worldwide to have achieved this rating. We are extremely proud to have received this accolade for the third year running. More information can be found at: **www.bbfaw.com**

We take biosecurity seriously in order to minimise the introduction of any infection to our livestock. High hygiene standards are in place and we remain alert for any outbreaks that could threaten our pig herd or chicken flock.

Our agricultural team is also working with pig producer groups to improve welfare standards where we don't have direct control, such as key charcuterie suppliers. Our Continental Foods business has employed an Agriculture Supply Chain Manager to lead on this. Suppliers are benchmarked and graded through our Welfare Code of Practice enabling us to monitor and track performance.

We are involved in industry leading trials with retailers and universities to help drive wider transformative change in commercial farming welfare practice. These include improving the wellbeing of newly hatched chicks, more space for sows while breeding and more humane processing for chickens. We are also developing industry best practice guidance on the use of antibiotics.

During the past year, our Hull and Norfolk primary processing sites collectively processed an average of 45,300 pigs per week. Our Ballymena site has processed 10,500 pigs per week, a 31 per cent increase since acquisition. Our sites are strategically placed in three of the UK's largest pig breeding and rearing regions. This ensures that animal transportation times from farm to processing facility are minimised with resulting welfare and food mile reduction benefits.

Last year our Weybread poultry site processed an average of 500,000 birds per week. All our broiler farms are within 25 miles of the processing facility. Our livestock transportation distances from farms to processing sites are shown in the map below.

PRESTON, NEAR HULL
35% within 25 miles
55% within 40 miles
66% within 50 miles
73% within 60 miles

NORFOLK
46% within 25 miles
86% within 40 miles
90% within 50 miles
95% within 60 miles

BALLYMENA
19% within 25 miles
43% within 40 miles
51% within 50 miles
76% within 60 miles

WEYBREAD
100% within 25 miles

ACTING ON ANTIBIOTICS
Our Wayland Farms division is leading in reducing antibiotic usage in our herds by adopting a range of alternative management and health control strategies. Last year we won an Antibiotic Guardian Award in recognition of this work.

Wayland's rearing strategy means pigs are only mixed at weaning, significantly boosting their health and productivity. Dedicated nurseries are used to rear piglets to help stabilise their health and build immunity, resulting in lower mortality rates.

During the year our antibiotic usage increased slightly as a result of the unusually hot weather experienced in summer 2018. However, overall our pig farms are still over 20 per cent below the pig industry antibiotic usage target set for 2020 by Responsible Use of Medicines in Agriculture.

Our long-term objective is to reduce and avoid antibiotics for prophylactic use across our supply base.

Our people

We know it's our people who make Cranswick successful. We strive to ensure there is frequent two way interaction with our workforce through both formal work councils or union membership and informal communications.

We have a workforce of over 10,300 staff across our business and recognise the value in inspiring and developing a multi-skilled, motivated workforce who can bring our values to life.

Our human resources strategy underpins our vision and purpose – it is embedded in our sustainability programme Second Nature and our overall strategic plan. It aims to attract and retain talented individuals by not only equipping them with the skills to deliver our long-term business goals, but by giving them opportunities to thrive.

It is important our employees feel valued as they are critical stakeholders in our business. We encourage staff to express their views via works councils or through union membership and each employee also has the opportunity to voice opinions at every site via internal committees.

But we strive to go beyond this. We want to give our people a greater voice and are exploring how to make our strategic decision-making process more inclusive with initiatives like our Waste Warriors programme which was voted for by our staff. Read more on page 25.

EMPLOYEE ENGAGEMENT

Each year we undertake a Group-wide staff survey and the latest survey in February 2018 achieved an 83 per cent response rate. The surveys lead to extensive employee engagement drives across the business. We installed new communication tools such as 'You Said We Did' boards at each of our sites to convey and coordinate our engagement activities, at both a central and local level. The boards are specific to each site and have resulted in deeper, more relevant levels of engagement.

We have introduced a new intranet site and a staff newsletter, Flavour, with monthly incentives and prizes, published in multiple languages to reflect the diversity of our workforce. We are continuously building on our staff engagement efforts and we are finalising plans for a rewards and benefits package, which will be rolled out later this year and will reflect our commitment to flexible benefits which give our employees what they want.

ATTRACTING AND RETAINING TALENT

It is our aim to become a destination employer. Our training and development strategy forms the backbone of our recruitment and retention drive, enabling us to deliver what's required in terms of workforce capabilities, skills, competencies and succession planning.

Apprenticeships

We recognise the importance of investing in and developing young people so they can not only make a positive impact on the business but act as future ambassadors for our industry.

We have over 100 apprentices across several disciplines, with a strong focus on butchery and engineering. Our scheme enables apprentices to gain cross-functional skills, which are in high demand across the sector. In 2018 one of our apprentices won an Institute of Meat award for Best Meat Processing Apprentice and was presented the award by HRH The Princess Royal.

We work closely with local colleges and universities to promote opportunities within our business, and to support our apprentices' ongoing education needs. We are further developing our apprenticeship programmes to ensure we attract and retain the best students to support our long-term succession planning.

Graduate Development

Our two-year graduate scheme continues to be highly effective, with six new graduates placed this year across our Group locations. Over the last seven years we have recruited 40 graduates, finding permanent roles for them all, with the first year's cohort now entering Senior Management roles, including running their own site as a Factory Manager.

All graduates go through a six-week induction visiting our farms and factories, before spending time in six different functions and then specialising in a discipline over their final year. During this time, they are taught about the Group's heritage and core values through our 'Science of Artisan' training programme, a course which is available to all new starters.

Mentoring

Last year we established an internal mentoring programme to support the career progression of some of our key people. We have trained 30 mentors to assist colleagues in progressing their careers and giving them an invested 'touch-point' within the business.

We also use third party coaches at a senior level to develop the skill sets of our Directors' and enable continuous learning and development. This in turn helps with our strategic decision-making skills and ensures we are building upon this leadership capability.

Mentoring also has a valuable role to play in our outreach work. Six of our employees from across the business are working with The Prince's Trust as part of a three-year enterprise schools programme, offering work experience to young people with a view to recruiting them into the business full-time.

WHAT IS A DESTINATION EMPLOYER?

A destination employer is one that people aspire to work for. Staff are our greatest asset and we want to recognise this by being a great place to work. By 2030, we have pledged to take a leading role on pay, working hours and agency labour management. We will also develop a staff wellbeing programme as we continue to build an equal and inclusive workplace in which all employees are given ample opportunity to thrive. This will differentiate us from our peers and help futureproof the business, so it continues to grow and prosper.

Learning for Leadership

Succession planning is a priority for us. In 2018 we trained colleagues in soft skills or management development either through Group-wide learning programmes or site level programmes. Our Management and Leadership training programmes continue to go from strength to strength with 76 candidates having completed the courses during the year.

This year we launched a new Advanced Leadership development programme to train those Directors within the business who have the potential to go further. This is a bespoke course which builds on the business traits that have enabled Cranswick to be so successful to date and uses these to further cement the skill sets of our main Board. Ten candidates are undertaking the two-year programme which involves one-to-one coaching, targeted training days and ongoing development initiatives such as business projects.

Over the past year internal succession rates have increased with several individuals moving into more senior positions, and Directorships.

We continue to focus on our appraisal process and development plans to ensure we have the necessary skill sets in place to facilitate future succession planning. This process feeds into development dashboards across the business, used to identify and target any learning and succession gaps.

EQUALITY, DIVERSITY AND INCLUSION

Our values are rooted in respect for people. We aim to provide a workplace culture that generates equal opportunities for everyone, where employment decisions are based on merit, qualification and abilities, and are not influenced or affected by race, colour, nationality, religion or belief, gender, marital status or civil partnership, family status, pregnancy or maternity, sexual orientation, gender reassignment, disability or age. We also provide flexible working opportunities as part of our ethos of putting people at the heart of the business.

We employ more than 10,300 staff of whom more than 7,800 are permanent workers, encompassing over 55 nationalities. There are no differences in the pay structure for males and females performing the same or similar roles. Our 2018 Gender Pay Gap report can be found on the Group's website **www.cranswick.plc.uk**.

We continue to champion diversity issues, joining sector-led initiatives like Meat Business Women (MBW), a networking platform for women working in the meat industry. Last year both our HR Director and CEO spoke at two MBW events about the challenges and opportunities facing female graduates who wish to enter the industry. Details of our diversity policy are shown in the Nomination Committee report on page 64.

We take a proactive approach to modern slavery and human trafficking, to ensure this criminality is excluded from our supply chains and business. We conduct ethical verification audits to increase visibility of ethical standards within our supply chains, which also allows us to gather more granular data and intelligence on any risks. Further details of our anti-slavery policy can be found on the Group's website: **www.cranswick.plc.uk**.

We also use the Sedex database to help us manage supplier performance on business ethics. Read more in the Producers and Suppliers section on page 28.

KEEPING OUR PEOPLE SAFE AND HEALTHY

Last year we launched our five-year strategy for Health & Safety (H&S) and have made excellent progress in reducing risk and accident rates across our sites over the past 12 months. New levels of transparency and increased reporting levels have resulted in swifter corrective action being taken, leading to significant improvements.

Our Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) rate was considerably lower than the previous year. Our RIDDOR accidents per 100 employees fell by 32 per cent compared to 2018.

Our Group H&S Manager has been instrumental in driving this progress, assisted by the Group H&S Risk and Claims Manager and a team of H&S Managers across each of our sites. Our Group H&S Manager is currently qualified to Diploma in Occupational Health and Safety and is a graduate member of the Institute of Safety & Health (IOSH) and is working towards chartered status. All our site H&S Managers and coordinators hold a National Examination Board in Occupational Safety & Health (NEBOSH) qualification and continue to build on their skills development portfolio through the IOSH.

Our target is for all sites to be accredited to the ISO45001 Health and Safety management system by 2020, as part of our Second Nature strategy.

Our first site will be put through ISO45001 accreditation in June. This will be supported with an extensive engagement exercise involving leadership safety tours, hazard spotting and staff behaviour change campaigns focused on our most frequent accident causes – slips and trips, falling objects, machinery and manual handling.

To further improve our H&S standards, we have started to measure accident frequency rates in addition to staff accident rates. This will allow us to compare site-by-site performance more accurately, share best practice and link reduction targets.

BECOMING BREXIT PROOF

Our business is reliant on EU workers and we have actively looked to mitigate any effect that Brexit might have. We have an EU Settlement Scheme appraisal system in place and will be supporting any staff member who needs to apply so that they can continue to work in the UK. Any future immigration curbs will pose challenges to the UK meat processing industry, and we are actively working with the Migration Advisory Committee to address these issues.

We are exploring new ways to manage our H&S-related risk assessments so they can be integrated into our other reporting systems through a centralised database.

Each month performance statistics are reviewed and monitored by management, with the Board reviewing quarterly to ensure all required corrective actions are completed within the specified time period. Annual H&S audits are undertaken at each site, followed up by an action plan for the next 12 months.

FIGHTING THE STIGMA OF MENTAL HEALTH

Tackling mental health in the workplace is key to our understanding of how we manage our employees, and we are proud to be leading on this. Each of our sites has a trained mental health champion; a staff volunteer, who employees can talk to in confidence if they are struggling or experiencing mental wellbeing issues. We promote this support service through our intranet site, Flavour newsletter and posters in communal meeting places.

COMMUNITY ENGAGEMENT

Helping communities thrive and prosper is important to us as a business. It underpins our sustainability commitments while raising our profile as a destination employer in the regions we operate in. As we build on this work, measuring our contribution to society will become more important so we can better understand our impacts.

We are now in the fourth year of a partnership with the Freedom Festival for international arts, hosted annually in Hull. This event reaches out to the wider community, providing opportunities to engage the local population.

In Norfolk, we sponsor the Porkstock Festival promoting the importance of local produce to East Anglia. As part of the event, we showcase the work of our business and share employment opportunities, within both the area and the wider Group. Across all our locations we also work with local schools, colleges and universities including industry mentoring, attendance at interview workshops and raising awareness of the food industry.

We also took part in Open Farm Sunday in the Midlands and Norfolk to educate and engage local communities with the farming systems and the background of our farm-to-fork story.

CHARITY FUNDRAISING

Across the Group, we support a number of charities which have been nominated by our employees through a local voting system. These include local and national organisations such as Bluebell Children's Hospice, Yorkshire Air Ambulance and Macmillan Cancer Support.

We place a strong emphasis on staff volunteering to help raise money for good causes. Every two years we host a Cranswick Golf Day. This raised £70,000 in 2017 with the money going to a children's charity in Hull. We also support GroceryAid which last year raised over £100,000.

In 2018 our Chief Operating Officer was elected Chairman of the Butchers' & Drovers' Charitable Institution (BDCI), an organisation that supports working and retired individuals from the butchery industry in times of need.

CREATING SOCIAL VALUE

Where possible, we look to make a deeper contribution to society by acting as a positive force for change. One of our priorities, as part of our Second Nature and Champion 12.3 commitments, is to redistribute surplus edible product to local communities and help tackle food poverty. Read more on page 25. Our Hull Food Save Project is just one example of how our business is aligning itself with Sustainable Development Goals 2 (Zero Hunger) and 3 (Good Health & Wellbeing).

On a national level we work with the Trussell Trust, Fareshare and Company Shop to ensure our surplus food products reach those most in need. Several of our sites also run local initiatives. In Milton Keynes we are working with food donation platform Plan Zheroes, in Hull we are working with homeless charity Project Hotdog which hosts soup kitchens, and our Pastry site helped set up a community fridge initiative.

> **"Hull foodbank are so excited and grateful for the work of Cranswick in initiating a community and business-based project to tackle the issues of food poverty and food waste in our area."**
>
> **Russ Barlow,** General Manager, Hull Foodbank

FIGHTING HUNGER

Last year we launched the Hull Food Save Project to tackle food poverty in Hull – a city in which 20,000 children are estimated to be living below the poverty line. Working alongside project partners Hull Food Bank, food sharing app OLIO and social enterprise FULL Food, we have donated freezers and continue to send weekly supplies of fresh produce. We have also funded a full-time staff member to work with OLIO to increase uptake of the app to ensure maximum impact. Since its launch, 21,000 food items have been saved from going to waste across Hull.

We recognise we have an important role in our local communities and we depend on our communities for customers and people. We want to give back whenever possible through engagement, education and employment.

Communities

We recognise the importance of engaging with all our Shareholders on a regular basis, and this ensures we capture and embrace feedback and emerging trends.

Shareholders

INDIVIDUAL SHAREHOLDERS
The Group has a significant number of individual Shareholders many of whom have been Shareholders for many years. The Group engages with individual Shareholders through our website and at the Annual General Meeting when a presentation, similar to the presentation made to institutional Shareholders, is made to those attending. The Company Secretary also coordinates communications with individual Shareholders to make sure we respond appropriately to individual matters raised in conjunction with our registrars, Link Asset Services, where this relates to matters regarding shareholdings.

INSTITUTIONAL SHAREHOLDERS
The Group engages with institutional Shareholders through regular meetings. Presentations are made by the Chief Executive, the Finance Director and the Commercial Director to analysts and institutional Shareholders on the half year and full year results and on Company strategy. The Chairman, Chief Executive and Finance Director also discuss governance and strategy with major Shareholders from time to time. The Senior Independent Director and Committee Chairs are also available for direct meetings with Shareholders where required. Significant matters relating to the trading or development of the business are disseminated to the market by way of Stock Exchange Announcements. During the year the Group held an investor day at its new Continental Products facility in Bury which included a factory tour, presentations and a Q&A on various developments in the business.

WAYS WE ENGAGE WITH SHAREHOLDERS

AGM	The AGM will take place on Monday 29 July 2019 at Mercure Hull Grange Park Hotel, Grange Park Lane, Willerby, Hull, HU10 6EA at 10.30 am. The Board welcomes the attendance and questions of Shareholders at the AGM which is also attended by the Chairs of the Audit, Remuneration and Nomination Committees. We encourage Shareholders who cannot attend to vote by proxy on all resolutions proposed.
Annual Report	We publish our annual report and accounts each year which contains a strategic report, corporate governance section, financial statements and shareholder information. The report is available in paper format and online. We encourage Shareholders to opt for our online format to help reduce the amount of paper we use.
Press Releases	We issue press releases for all substantive news relating to the Group's financial and operational performance, which can be found on our website at **www.cranswick.plc.uk**
Results Announcements	We release full financial and operational results at the interim and full year stage in November and May respectively. The Group also releases a trading update at the first and third quarter with reduced disclosure. The interim and full year results are accompanied by presentations by the Executive Directors, which are also available on our website.
Website	The website (**www.cranswick.plc.uk**) is regularly updated and contains a wide range of information relating to the Group. The Investor Section includes our investor calendar, financial results, presentations, Stock Exchange Announcements and contact details. Shareholders can make enquires through our website which the Company responds to promptly.

Sustainability as second nature

People want to work for, buy from, invest in, and collaborate with businesses they believe in. That's why in February 2018 we launched Second Nature – our Group-wide sustainability strategy.

Why did we call it Second Nature? Simply put, we believe sustainability should happen automatically whenever we make a business decision or develop a new product or service and become a natural function of how we operate.

We have designed Second Nature to deliver against four key principles:

- Materiality – focusing on what matters most
- Regenerative – creating long-term, sustained and absolute impact
- Systemic – influencing change across entire systems
- Transparency – sharing progress openly and honestly

To ensure our aims remain relevant, we have aligned our Second Nature commitments to the biggest social and environmental issues of our day. These include global frameworks such as the UN Sustainable Development Goals (SDGs), World Resources Institute Champions 12.3 platform, the UK Plastics Pact and Courtauld 2025. We are also taking a leadership position on responsible business agendas such as the circular economy, animal welfare, plastic pollution and radical transparency.

100%

We are committed to achieving 100% recyclable packaging by 2025

30%

Our long-term target of reducing our relative carbon footprint by 2020

SECOND NATURE PROGRESS REPORT

A year on from its launch we have made good progress with Second Nature and have already met some key pledges. Our key performance highlights are below.

Plastics

In 2018 we became a founding signatory of the UK Plastic Pact and we are in the process of changing our trays to be 100 per cent recyclable. We have reduced our plastic packaging use by 688 tonnes (4.9 per cent) against a 2018 baseline of 13,957 tonnes of plastic packaging used per annum. We have reduced corrugated packaging by 35 tonnes and are on track to become a PVC-free business by the end of this year.

Food waste

We have measured our food losses and waste across all sites using the international Food Loss and Waste Protocol. Using 2017 as our baseline year to set our 50 per cent reduction target against, food waste accounted for just over 1 per cent of all food we produced, and we achieved a top five supplier performance ranking with a major retailer. We are now working with Champions 12.3 and Courtauld 2025 to eliminate all avoidable food waste ahead of the 2030 target through our Future Factory and Waste Warriors employee engagement programmes at our Gourmet Pastry and Milton Keynes sites. Read more in the Second Nature case study on page 25.

Renewable Energy

We now source 100 per cent renewable grid supplied electricity across all of our sites. We are investing in more heat reclamation projects and upscaling our Combined Heat & Power (CHP) infrastructure to increase on-site clean energy generation. This should make us more self-sufficient in adopting renewables whilst reducing our energy spend further.

TOP 5 SDGs WE CAN IMPACT, AS VOTED FOR BY OUR WORKFORCE:

SUSTAINABLE DEVELOPMENT GOALS

2 ZERO HUNGER

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Plastic fantastic

Our work to reduce plastic use has delivered cost savings in the first 12 months. We embarked on a targeted action plan which involved:

- Evaluating our plastic material and packaging purchases
- Mapping plastic use to determine why, how and where we were using it
- Eliminating single-use and unnecessary plastics where viable to do so
- Lightweighting and sourcing alternative packaging materials
- Embarking on organisational culture change to reduce, reuse or recycle packaging

We were careful to ensure that any reduction in plastics would not result in any unintended consequences such as compromised product shelf life or food waste.

We have undertaken trials with some of our key retail customers to develop more sustainable packaging. Soon our plastic trays for fresh pork and ham products will be 100 per cent recyclable in the home. We will also support a UK circular economy by purchasing plastic trays with a minimum of 70 per cent recycled content.

We partnered with Canary Wharf Group on World Environment Day 2018 and co-hosted a cross sector panel debate with over 100 peers from the food and retail industry to facilitate wider discussion around the plastics challenge and identify new opportunities to collaborate for wider collective impact.

Over the next 12 months, we will:

- Explore options to recycle more challenging plastic packaging materials such as multi-polymer films
- Continue to eliminate single-use plastics from our internal systems and processes
- Work with UK Plastics Pact as a founding member to continue to influence positive change

A NEW BENCHMARK FOR GREATER IMPACT

We are now taking Second Nature to the next level so we can widen and amplify our impacts. During the past 12 months, we have benchmarked our operational site performance against 21 leading global sustainability standards and metrics – these include multiple ISOs, B-Impact, Courtauld 2025, BSI 8001 Circular Economy, LEAF Marque, and Investors in People.

From this we have established a Group baseline and undertaken a gap analysis to identify which areas we need to build on and improve. We have also integrated this information into our Second Nature strategy to create a unique, industry leading sustainability standard for the food industry.

Our new Second Nature Sustainability Standard will be used to benchmark both our internal operations and our suppliers against three tiered levels and time frames – basic by 2020, intermediate by 2025, and advanced by 2030. This will enable Second Nature to be translated into a realistic operating roadmap for each of our sites, turning strategy into action.

It will also allow us to engage more deeply with our supply chain to ensure greater clarity and accountability on the issues that matter most. Going forward, it is our intention to only work with suppliers who meet our Second Nature basic level sustainability requirements as a minimum. This will ensure that we can deliver on our most ambitious goals, such as being able to demonstrate full life cycle transparency for at least 75 per cent of our products by 2030.

SECOND NATURE

As part of the Second Nature initiative, we have made some immediate commitments:

WE WILL ELIMINATE AVOIDABLE FOOD WASTE BY 2030

We were the first meat manufacturer to sign up to Courtauld 2025, a voluntary agreement to cut the resources associated with food and drink by one-fifth by 2025. Our Group Commercial Director has now been invited to sit on the Steering Committee to help drive further industry wide change. We are also a Friend of Champions 12.3, which is committed to halving all food waste by 2030.

WE WILL HALVE OUR PLASTIC PACKAGING USE BY 2025

By 2025, we want to reduce plastic use by 50 per cent, reuse all internal plastic materials and ensure all packaging is 100 per cent recyclable by 2025. Together with our industry peers, packaging providers and recycling reprocessors we intend to lobby the Government to implement a cohesive national recycling infrastructure to achieve this.

WE WILL COLLABORATE WITH OTHERS TO DELIVER THE UK PLASTICS PACT

We were one the first signatories of the UK Plastics Pact launched in April 2018. As part of this, we are committed to eliminating problematic or unnecessary single-use plastic packaging through redesign, innovation or reuse delivery models.

WE WILL PURCHASE 100 PER CENT RENEWABLE ELECTRICITY

We have already met this pledge by tackling our carbon footprint head on. We are now working to reduce electricity consumption across the business and looking to increase on-site generation of energy in order to become more self-sufficient.

Environmental performance

We continue to measure our environmental performance against the key material indicators of carbon, energy, water and waste.

We are increasingly focusing on our external impacts, given the rising importance of Science-Based Targets that reflect the need to factor in supply chain emissions, and the circular economy with its emphasis on life cycle thinking.

In 2019 we will establish a pilot supplier forum to help us hit key Second Nature targets by 2030, including our food loss and waste target of 50 per cent reduction from farm-to-fork and 25 per cent reduction in Scope 3 greenhouse gas (GHG) emissions.

Carbon footprint

Our overall environmental performance is measured by our carbon footprint, and we include Scope 1, Scope 2 and significant Scope 3 GHG emissions within this profile. Our goal is to reduce our relative carbon footprint by 30 per cent by 2020 (against a 2010 baseline) and we continue to perform strongly against this target. Our carbon footprint continued to decrease. We have improved our refrigeration systems to use ammonia rather than F-Gas and this has reduced our absolute carbon footprint by over 10,000 tonnes CO_2e as they are significantly more economical to run.

We are also investing in Combined Heat & Power (CHP) in various forms using both biomass and gas-fired systems. For a typical site, CHP represents a 50 per cent saving on our current energy spend – this includes electricity, steam and hot water costs.

Increasing our on-site generation capabilities through solutions like CHP will also help futureproof us against rising energy costs, and enable us to engage in demand response with grid networks by reducing or shifting our electricity usage during peak periods in response to time-based rates or other forms of financial incentives.

The majority of our GHG emissions come from electricity and gas, which are continuously monitored and we are constantly looking for ways to reduce these. Our livestock also account for a significant level of GHG emissions and we are working to quantify those impacts where possible.

We undertook a carbon footprint assessment of our Wayland Farms sites to estimate the carbon footprint of our pigs at each stage of their development. We achieved a B-rating for carbon performance per finished pig (3,14 kg CO_2e/Kg LW), above the average C-rating (4,68 kg CO_2e/Kg LW) for our industry. We are now planning to scale up these carbon assessments across all of our farms.

Energy

Increasing the energy efficiency of our operations and products remains a high priority, and we continue to be accredited to ISO50001. Our overall energy use decreased during the year.

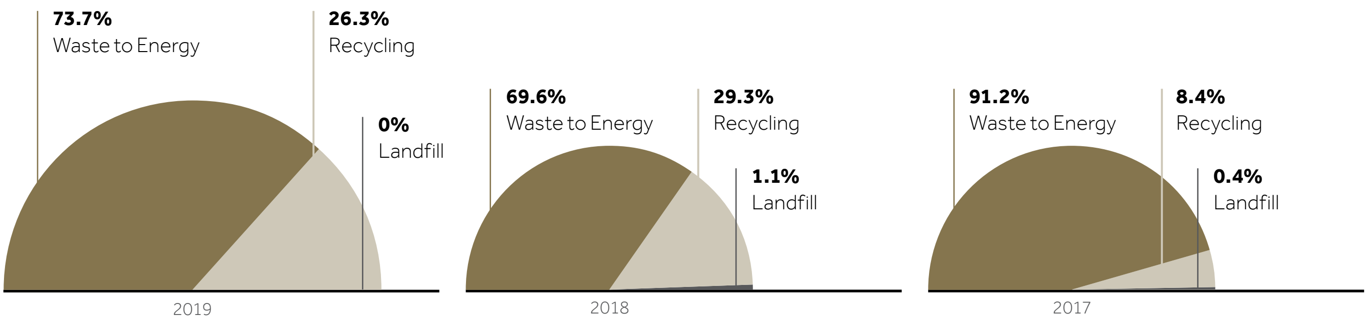
This year we installed sub-metering on all new builds and significant site extensions to improve our buildings management systems and better control our operational costs. We are reducing our electricity use for lighting by 46 per cent by switching to LED lighting. All new builds and projects now have LED lighting installed as standard, and we continue to upgrade our existing sites across the Group.

Where possible, we are looking to make further energy savings by reclaiming the heat generated from our operations to reduce the heating and cooling demands of our sites. We have recently completed several heat recovery projects across the Group with several more in the pipeline.

We also subscribe to Triad warnings with our energy suppliers, enabling us to reduce our consumption during periods of peak demand.

WASTE DISPOSAL ROUTES

(%)



Waste
We have achieved Zero Landfill status across the Group a year ahead of our target, but our motivation is on delivering beyond this. We are working towards becoming a zero waste business as we focus our efforts on circularity with greater reuse, recycling and energy recovery.

Our Second Nature pledges demonstrate our commitment to making absolute reductions in food waste and plastics across our value chain through partnerships with Champions 12.3, the UK Plastics Pact and Courtauld 2025.

Water
Food manufacturing is water-intensive and we are taking steps to improve water efficiency levels across the Group. We are still on track to exceed our water target – a 20 per cent reduction in intensity by 2020 (against a 2008 baseline) – by a further 5 per cent.

We are looking to take a more circular approach to our water use where possible. At our new poultry facility in Eye, Suffolk, we plan to install an effluent treatment plant to recycle waste water, reclaiming up to 60 per cent of it as either grey or potable water.

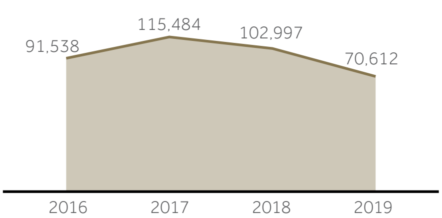
NEXT STEPS
As Second Nature evolves, we will work towards our 2030 goals whilst aiming to lead the sustainability agenda across agriculture and food production on a global scale. We are already actioning new projects and campaigns which will position us at the forefront of our industry in terms of influence and engagement.

We continue to earn recognition and plaudits for our work. Last year we won customer awards for sustainability and progress on packaging from Asda, OSI and Whitbread. We also won the 2018 Waste2Zero Award for best Food Waste Reduction Initiative, achieved a Highly Commended at the 2019 European Employee Engagement Awards for Best Social Responsibility Programme and we were also shortlisted in the 2019 Edie Sustainability Leaders Awards for Sustainable Business of the Year.

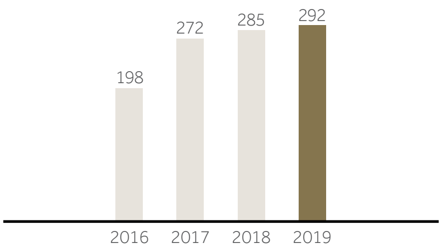
TOWARDS 2020 AND BEYOND
- We will augment our disclosure and reporting systems as we work towards becoming the most sustainable global meat manufacturer by 2030. As part of this, we plan to build a dynamic digital communications platform that will bring our sustainability storytelling to life, facilitating greater consumer trust into sustainable food systems from farm-to-fork.
- Our engagement on social issues such as food poverty, food ethics and provenance will intensify in response to growing consumer demand for business leadership in these areas.
- We will be championing the Three Cs – Climate, Clean, and Circular – by demonstrating how we can put more back into society and the environment than we take out.

Performance Measures	Performance in 2017/18	Performance in 2018/19	Target 2019/20
Relative carbon footprint – Tonnes CO_2e/Tonnes sales	0.174	**0.114**	reduce by 5%
Energy intensity – Kwh/Tonnes sales	482	**473**	reduce by 5%
Waste to landfill – Tonnes	173	**0**	reduce to zero by 2020
Water intensity – Cubic metres/Tonnes sales	2.41	**2.37**	reduce by 5%

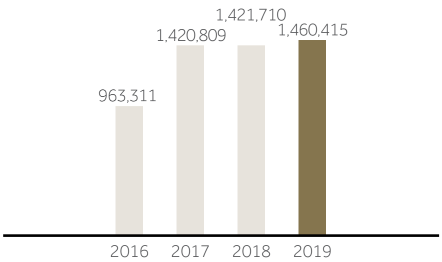
ABSOLUTE CARBON FOOTPRINT
(TONNES CO_2)



ABSOLUTE ENERGY USE
(kWh MILLION)



ABSOLUTE WATER USE
(M^3)



FIRM FOUNDATIONS ON WHICH TO BUILD

REVENUE AND ADJUSTED OPERATING PROFIT

	2019 52 weeks	2018 53 weeks	Change (Reported)	Change 52 weeks (Like-for-like*)
Revenue	**£1,437.1m**	£1,464.5m	-1.9%	**-0.2%**
Adjusted Group Operating Profit*	**£92.3m**	£92.8m	-0.5%	**+1.8%**
Adjusted Group Operating Margin*	**6.4%**	6.3%	+9bps	**+12bps**

* See Note 31 of the financial statements

OPERATING REVIEW

REVENUE

Reported revenue decreased by 1.9 per cent to £1,437.1 million.

Like-for-like revenues were 0.2 per cent lower, with corresponding volumes down 0.5 per cent. Strong revenue growth from poultry, sausages and continental products partly offset lower year-on-year revenue in other pork related categories. Poultry and continental products significantly outperformed overall category market growth throughout the year.

Like-for-like export revenues increased by 3.1 per cent year on year, with Far East export volumes 16.1 per cent ahead on an equivalent basis.

ADJUSTED GROUP OPERATING PROFIT

Like-for-like adjusted Group operating profit increased by 1.8 per cent to £92.3 million and like-for-like adjusted Group operating margin at 6.4 per cent was 12 basis points higher than in the prior year.

CATEGORY REVIEW

Fresh Pork

Fresh Pork includes our three primary processing facilities and associated farming operations and represented 32 per cent of Group revenue. Like-for-like Fresh Pork revenue fell by 3.8 per cent reflecting lower wholesale and export demand through the first half of the year, with the average number of pigs processed during the year falling to 56,000 per week, from 59,000 in the prior year. However, retail volumes increased by 0.7 per cent, as the World Cup and summer weather combined to deliver a strong barbecue season as well as growth in added value convenience ranges launched with our key customers. This growth was offset by lower sales of roasting joints and other more traditional products. Overall our retail sales growth was ahead of the wider Fresh Pork retail market performance.

We invested £11 million across the three pork primary processing facilities during the year, including £3 million spent on phase 1 of the extension to the Hull facility, which included increasing lairage capacity from 600 to 1,600 pigs and chiller capacity from 4,800 to 7,000 carcasses. We are upgrading the refrigeration systems at our Hull facility and we have commissioned a combined heat and power (CHP) plant which provides 40 per cent of the site's electricity requirements. The plant has improved energy efficiency and reduced the site's environmental impact. Following the successful implementation of the Deboflex shoulder deboning system in the previous financial year we are now working with the same equipment provider to develop further automated deboning capability.

Like-for-like export revenues increased by 3.1 per cent. Export volumes to our key Far Eastern markets were 16.1 per cent higher as we continue to build our e-commerce business and strong, direct relationships with large scale processing customers in China through our Shanghai office. We secured approval for direct export to China from our Ballymena site, plus additional product lines from our Hull processing facility in the second half of the prior year and we now export in excess of 50 product lines to the Far East. Softer prices for Far East exports in the early part of the year gradually improved as the year progressed moving ahead of the prior year in the final quarter. Stronger pricing towards the end of the year reflected supply tightening in the Chinese market due to a material contraction in the local herd resulting from the developing African Swine Fever (ASF) epidemic. Prices are expected to stabilise over the coming months before firming in advance of the Chinese New Year. We are also continuing to increase sales into our other export markets, with sales of prime cuts to Japan, Australia and Canada delivering particularly strong growth.

ASF has now spread to every province in China and throughout Southeast Asia, disrupting the local pork industry. It is estimated that between 10 and 35 per cent of the Chinese herd has been lost, resulting in a potential pork supply shortfall of 16 million tonnes per year, with export prices strengthening considerably in the second half of the year as a direct result. It is anticipated that the impact of ASF on China and surrounding countries may extend beyond three years due to limited biosecurity and the slow replenishment of pig herds in the region. ASF was also detected in the feral pig population in Belgium in mid-September. The region was quarantined and intensive efforts to eradicate ASF sources have so far been successful. However, the UK pork industry remains vigilant with increased levels of biosecurity in place.

9bps

Increase in adjusted operating margin

£87.7m

Net cash generated from operations

During the year we invested £8 million in our farming infrastructure, mainly through the Wayland Farms operation in East Anglia. This included the purchase of the assets of Woodlark Farms and expansion of existing operations to increase breeding and finishing capacity. We invested a further £2 million in a joint venture with one of our key commercial pig producers to increase capability in this sector. In addition, our Wold Farms operation in Yorkshire has more than doubled the size of its outdoor reared, RSPCA Freedom Foods assured herd during the year through organic growth.

The average UK pig price (EU-spec SPP) was 7 per cent lower year-on-year. The UK pig price ended the year 6 per cent lower than at the start of the year, rising steadily through to the end of July before falling back consistently through to the end of the year. The EU reference pig price increased by 1 per cent during the year, but with the average price down 11 per cent year-on-year. During April 2019 the EU price increased by 14 per cent to 147p/kg, lifting it above the equivalent UK price, driven by a significant uplift in demand from China. It is anticipated that the UK price may start to rise as a consequence of this shift.

Convenience

Convenience, which comprises Cooked Meats and Continental Products, represented 35 per cent of Group revenue. Like-for-like Convenience revenue decreased by 1.2 per cent reflecting strong growth in Continental Products offset by lower Cooked Meats sales.

Cooked Meats sales were lower than the prior year due primarily to reduced promotional activity. The premium tier, which is our key area of focus, continues to outperform the wider category, with discount customers continuing to develop and broaden their premium ranges. We have further developed our 'Sous Vide' and 'Slow Cook' ranges and, looking forward, we anticipate further growth and penetration in this attractive sector. We spent a further £17 million across the three Cooked Meats facilities during the year on cooking, cooling and slicing equipment to add capacity and further improve efficiencies. An energy efficient CHP plant was commissioned at the Milton Keynes facility early in the year with the site spearheading the Group's 'Second Nature' sustainability initiative. Following the successful commissioning of CHP plants at Milton Keynes and Hull we plan to replicate this capability at other Group sites, including the new Eye facility, during this next financial year.

Continental Products revenue grew strongly, with the new facility providing additional capacity for new olive business, sales growth with our discount retail customers and increased sales of pre-pack corned beef. The new facility in Bury, which increased capacity by approximately 70 per cent, was commissioned in May, as planned, with capital expenditure of £3 million during the year to complete the £27 million project. Although commissioning costs were higher than anticipated and expected efficiency improvements were not delivered immediately, the business is now making good progress towards achieving planned returns and revenue growth is ahead of expectations.

Gourmet Products

Gourmet Products, which comprise Sausage, Bacon and Pastry, represented 19 per cent of Group revenue. Like-for-like Gourmet Products revenue fell 3.3 per cent compared to the prior year. Sausage sales growth was offset by lower sales of bacon and pastry products.

The improvement in sausage sales reflected a strong promotional pipeline and extended summer barbecue season. We secured additional business with our discount retail customers as they continue to expand their premium ranges and we also secured a long-term supply agreement with our largest food service customer. The peak Christmas trading period was well executed with strong sales of premium festive products.

Lower bacon sales reflected reduced levels of promotional activity by one of our key retail customers, particularly during the first half, and the effect of the hot summer when customers tend to switch to alternative protein formats. Stronger second half revenues reflected improving levels of promotional activity and a Christmas trading period boosted by seasonal gammon sales and strong growth in premium festive ranges.

Pastry sales were lower than the prior year reflecting a range review by the anchor customer for this category. However, new listings with two of the business' forecourt operators highlight the potential for our Pastry business to participate in the growing 'food-to-go' market. A strong Christmas and new product listings with the anchor customer from November delivered an improved second half performance. A robust growth pipeline for the Pastry business leaves it well placed heading into the new financial year.

Poultry

Poultry, which includes Fresh and Cooked Poultry, represented 14 per cent of Group revenue. Like-for-like poultry revenue increased by 18.0 per cent year-on-year. The 'Ready to Eat' chicken category continues to grow ahead of the wider UK meat protein sector and Fresh Chicken also continues to outperform, with market volumes ahead by 2.7 and 3.9 per cent respectively over the last year.

Our Fresh Chicken business operated at full capacity during the year, processing approximately 500,000 birds per week. The business was affected during the exceptionally warm summer by reduced bird growth and increased mortality. In addition, higher soft commodity prices resulting in increased feed costs, and lower wholesale chicken prices, impacted the overall performance of the business, reflecting the challenging conditions faced by the wider industry.

The £75 million investment in a new poultry processing facility in Eye, Suffolk, is progressing to plan as is the additional investment in the business' downstream agricultural operations, including the leasing and development of a second milling operation in Hoxne, Suffolk. Capital expenditure of £31 million across the category included £29 million on the new processing facility, with the building works now nearing completion and the fit out underway. The factory, which will be capable of processing 1.2 million birds per week, is expected to be operational towards the end of the new financial year, with the project being fast-tracked to support the anchor customer for the new site (Wm Morrison Supermarkets plc (Morrison's)). The facility will be the first new primary poultry plant to be constructed in the UK for almost 30 years and will, when fully commissioned, be the most technologically advanced and efficient facility in the UK industry. Ahead of the move, we are recruiting and upskilling additional staff and we have started supplying Morrison's with a limited range of products from the existing Weybread operation.

Sales of premium Cooked Poultry grew strongly reflecting the full year contribution from business wins with two of the Group's principal retail customers in the prior year and the launch of new lateral sliced products with one of those customers during the year. The site continues to expand its retail business with a new range being launched with a third major retail customer from the start of the new financial year.

FINANCE REVIEW

REVENUE

Reported revenue at £1,437.1 million (2018: £1,464.5 million) decreased by 1.9 per cent compared to the previous year. On a like-for-like basis revenues were 0.2 per cent lower.

ADJUSTED GROUP OPERATING PROFIT

Adjusted Group operating profit of £92.3 million (2018: £92.8 million), decreased by 0.5 per cent, but was 1.8 per cent ahead like-for-like. Adjusted Group operating margin was 6.4 per cent of sales compared to 6.3 per cent last year.

SHARE OF LOSS OF JOINT VENTURE

Share of loss of joint venture of £0.1m (2018: £nil) represents the start up losses of White Rose Farms during the year. The business is part of the Group's longer term strategy to secure commercial pig supply and current year losses are in line with the business plan.

FINANCE COSTS

Net financing costs at £0.2 million were £0.2 million lower than the prior year, reflecting lower average year on year borrowings and capitalisation of bank interest incurred on funding the investment in the new Eye poultry processing facility.

The Group's banking facility is unsecured, runs to November 2023 and comprises a revolving credit facility of £160 million (falling to £120 million from November 2022), including a committed overdraft of £20 million. It also includes the option to access a further £40 million on the same terms at any point during the term of the agreement. The facility provides the business with generous headroom for the future.

ADJUSTED PROFIT BEFORE TAX

Adjusted profit before tax was 0.4 per cent lower at £92.0 million (2018: £92.4 million), but was 2.0 per cent ahead on a like-for-like basis.

TAXATION

The tax charge of £16.9 million (2018: £18.0m) was 19.5 per cent of profit before tax (2018: 20.5 per cent). The standard rate of UK corporation tax was 19.0 per cent (2018: 19.0 per cent). The effective corporation tax rate in both years was higher than the standard rate due to disallowable expenses.

TAX STRATEGY

Our tax strategy is aligned with our vision and core values and fits within our overall Corporate Governance structure. Our strategy ensures that we comply with all tax laws wherever we do business and that we pay all taxes that we are legally required to pay when they all due. To safeguard our reputation as a responsible taxpayer we do not participate in any tax planning arrangements that do not comply with either the legal interpretation or the spirit of tax laws. Our tax strategy can be found on our website: **www.cranswick.plc.uk**.

DIVIDEND POLICY

We believe in paying a sustainable dividend which delivers a strong return to investors but is balanced against the need to invest in the future of the business. Our policy ensures that shareholder income streams are strongly aligned to profitability and the sustained growth in the Group's profits has been matched by the Group's dividend per share growth which is unbroken for 29 years (see page 2). Our dividend policy can be found on our website: **www.cranswick.plc.uk**.

ADJUSTED EARNINGS PER SHARE

Adjusted earnings per share fell by 0.5 per cent to 144.3 pence (2018: 145.0 pence), but were 1.9 per cent higher on a comparable 52 week basis. The average number of shares in issue was 51,385,000 (2018: 50,787,000).

STATUTORY PROFIT MEASURES

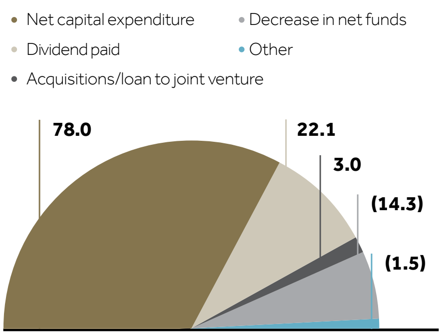
Statutory profit before tax was £86.5 million (2018: £88.0 million), with statutory Group operating profit at £86.8 million (2018: £88.4 million) and statutory earnings per share of 135.5 pence (2018: 137.8 pence). Full reconciliations of these results to the adjusted measures can be found in Note 31.

CASH FLOW AND NET DEBT

The net cash inflow from operating activities in the year was £87.7 million (2018: £112.1 million) reflecting a higher working capital outflow of £17.8 million (2018: £4.0 million) due to the Group's significant investment in biological assets during the year and strategic holdings of inventory at the year end. Net funds at the end of the year were £6.3 million (2018: £20.6 million) with the inflow from operating activities offset by a net £78.0 million invested in our asset base and £22.1 million of dividends paid to our Shareholders.

ALLOCATION OF RESOURCES

Free cash flow: £87.3 million



IFRS 16: 'LEASES'

The Group has evaluated the effect of IFRS 16 on its current lease arrangements and does not expect it to have a material impact on the net assets or profit before tax of the Group. Further details are provided in Note 2.

PENSIONS

The Group operates defined contribution pension schemes whereby contributions are made to schemes administered by major insurance companies. Contributions to these schemes are determined as a percentage of employees' earnings.

The Group also operates a defined benefit pension scheme which has been closed to further benefit accrual since 2004. The deficit on this scheme at 31 March 2019 was £6.5 million, compared to £8.1 million at 31 March 2018, reflecting our commitment to increased funding for the scheme. Cash contributions to the scheme during the year, as part of the programme to reduce the deficit, were £1.8 million. The present value of funded obligations was £39.7 million, and the fair value of plan assets was £33.2 million.

During the year, the High Court ruled on the case of Lloyds Banking Group Pensions Trustees Ltd v Lloyds Bank plc and others. The ruling that Lloyds Bank plc must amend its three defined benefit pension schemes in order to equalise Guaranteed Minimum Pensions (GMPs) between males and females impacts how companies account for pension schemes under IAS 19. The Group's year end pension valuation under IAS 19 includes the impact of equalising GMPs, resulting in a £0.4 million past service cost which has been recognised in the income statement within staff costs.

UK REFERENDUM ON EU MEMBERSHIP

The continued uncertainty over the nature of the UK's exit from the EU drives volatility in currency markets and uncertainty within the European labour market. The Group therefore continues to monitor and manage its business risks in these areas with the key issues facing the Group being; access to and cost of labour; the potential for import tariffs on EU pork and continental food products; and the valuation of Sterling versus the Euro and other world currencies.

In response to these business risks the Group set up a Brexit taskforce made up of key internal stakeholders who have met regularly to review Brexit related risks and develop mitigating plans. In February 2019 an external review of the Group's Brexit plan was completed which has helped to further inform the Group's strategy in this area.

As political negotiations continue, the Board will monitor outcomes, seek to assess the possible impact on its stakeholders and implement appropriate responses.

SUMMARY

As anticipated, the year was one of consolidation after a number of years of substantial growth. We have however made significant investment in our asset base during the year, with more planned in the year ahead to support our strategic objectives, particularly in relation to our poultry operations. This leaves us in a strong position to drive future growth.

Mark Bottomley
Finance Director

21 May 2019

RISK MANAGEMENT

As a leading UK food manufacturer it is important that we identify, assess and prioritise our risks and ensure that appropriate mitigating actions are deployed to reduce the probability and impact of these risks occurring.

OUR APPROACH TO RISK MANAGEMENT

In common with other businesses, we face a variety of risks and uncertainties and it is through a structured approach to risk management that we are able to mitigate these risks and pursue new business opportunities as and when they arise.

The Board has overall responsibility for the risk management framework. The Board delegates the ongoing review of the framework, to the Group Risk Committee which is chaired by the Group Finance Director and, consisting of key Senior Managers, has met five times over the course of the financial year. The Group's risk management framework for ensuring the effective identification, mitigation and management of risks is shown in the diagram opposite.

A Group risk register is in place which captures overarching business risks together with detailed site risk registers which are owned by site Management. All risk registers are updated on a quarterly basis using a '5x5' risk assessment matrix. This considers the likelihood and impact of risks; where a score up to 4 is graded a low risk, between 5 and 9 a medium risk and between 10 and 25 a high risk. The results are then reported to the Group Risk Committee. Where risks are identified, action plans are developed to mitigate the risk together with owners and timescales for completion.

In addition, the Board receives regular updates on the risk profile facing the Group which enables them to, at least once a year, review the key risks facing the Group and validate the principal risks. We also have a well-established and effective Group Internal Audit function which reports to the Audit Committee and provides further independent assurance that the Group's risk management framework, governance and internal control arrangements are operating effectively.

KEY AREAS OF FOCUS

Whilst the Group's risk profile has continued to fluctuate over the course of the year, key risks have remained broadly consistent. During the year we have continued to focus on specific risks such as competitor activity and the threat of cyber attacks. However, we continually seek to enhance our risk management framework, to ensure both the quality and robustness of information and importantly that we have the ability to respond promptly to emerging risks such as the spread of African Swine Fever from China and Eastern Europe, which if it arrived in the UK could adversely impact on our operations.

Last year we commented on the potential risks and uncertainties associated with the UK's decision, as a result of the national referendum, to leave the EU (Brexit). Over the course of the year and against significant uncertainty, a key focus for the Group has been to plan for the UK's exit from the EU. We have a Brexit taskforce in place which consists of a number of key internal stakeholders who, over the course of the year, have regularly met to review the risks associated with Brexit and develop mitigating plans. In February 2019 an external review of the Group's Brexit plans was completed which helped to inform future actions.

Going forward, given the continuing uncertainty regarding the exact arrangements and timing of the UK leaving the EU, the Brexit taskforce will continue to proactively monitor risks in this area. It should be noted that the impact of Brexit has not been specifically presented as a separate risk but instead is reflected in the relevant principal risks e.g. availability of agency labour.

RISK APPETITE

The UK Corporate Governance Code requires companies to determine their risk appetite which is an expression of the amount and types of risk that a business is willing to accept. We assess risks across four key categories namely; strategic, commercial, financial and operational. As a leading UK food manufacturer, the Board's approach is to minimise risks which are significant and may impact on the Group's reputation, in operational areas such as product quality, Health & Safety or compliance with laws and regulations. However, the Board recognises that in the pursuit of the Group's strategic objectives there is an appropriate trade-off between risk and reward, which allows for specific decisions, such as business acquisitions or capital expenditure, to be progressed where a higher level of risk may be accepted. Overall we use the articulation of risk appetite in decision making across the business to define and validate mitigating actions to manage our risks.

OUR PRINCIPAL RISKS AND UNCERTAINTIES

The Group Risk Committee have carried out an assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. Summarised on pages 44 and 45 are the Group's principal risks and uncertainties, which link to the Group's strategic pillars, key mitigating actions and risk rating. However, it should be noted that it is not possible to identify or anticipate every risk that may affect the Group.

VIABILITY STATEMENT

In accordance with the provisions of the UK Corporate Governance Code, the Board has assessed the viability of the Group over an appropriate period, taking into account the current position, future prospects and the potential impact of the principal risks outlined on pages 44 and 45 of the Annual Report.

The Board has determined that a three year period to 31 March 2022 is an appropriate period over which to provide its Viability Statement. This timeframe has been specifically chosen due to the current financial and operational planning cycles of the Group.

In making this assessment of viability, the Board carried out a robust assessment of the principal risks and uncertainties facing the Group. Risks assessed to have the highest likelihood of occurrence or the severest impact, crystallising both individually and in combination, underwent detailed sensitivity analysis. These risks were; a significant decline in consumer demand; loss of key customer; and a lack of availability of agency labour driving increased cost.

The sensitivity analysis quantified the financial impact on the strategic plan and on the Group's viability against specific measures including liquidity, credit rating and bank covenants.

The results of the sensitivity analysis highlighted that the Group would, over the three year period, be able to withstand the impact of the most severe combination of the risks modelled by making adjustments to its strategic plan and capital expenditure programme.

Based on the results of this analysis, the Board has a reasonable expectation that the Group will be able to continue its operations and meet its liabilities as they fall due over the period to 31 March 2022.

BOARD OF DIRECTORS

Responsible for the Group's risk management framework, Internal Controls, and for setting the Group's overall risk appetite.

AUDIT COMMITTEE

Reviews the system of Internal Controls that are in place and provides assurance to the Board that the risk management framework and Internal Controls are operating effectively.

GROUP RISK COMMITTEE

Provides oversight and advice to the Audit Committee and Board in relation to current and future risk exposures and risk mitigation strategies.

GROUP INTERNAL AUDIT

Provides assurance to the Audit Committee and Board of Directors that Internal Controls are adequate and risk management processes are effective.

OPERATIONAL MANAGEMENT

Deploy site level risk management processes to ensure that risks are adequately identified and controlled.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are summarised below.

RISK AREA	DESCRIPTION OF RISK	MITIGATION	NET RISK	DIRECTION
STRATEGIC				
COMPETITOR ACTIVITY	The Group operates in highly competitive markets. Product innovation and changing consumer trends provide a constant challenge to the future success of the Group and its ability to compete effectively with its competitors.	The Group maintains and develops strong working relationships with its customers which are underpinned by delivering high levels of service, quality products and by continued focus on product development and innovation. Emerging trends and risks associated with competitor activity are regularly discussed by the Board with appropriate actions being developed.		↔
GROWTH & CHANGE	The Group continues to pursue growth strategies through securing contracts with new customers, obtaining additional contracts with existing customers and through reviewing acquisition opportunities. The Group also has to navigate both internal and external change, such as changes in regulation which present operational and compliance challenges and issues.	The Board routinely receives updates on the contractual position of all key customers and where required implements necessary actions. Regarding business acquisitions, rigorous due diligence reviews are carried out. Internal and external change is appropriately resourced to ensure operational excellence and compliance, with performance monitored by operational and Senior Management.		↔
COMMERCIAL				
CONSUMER DEMAND	In common with other food manufacturers, a deterioration in the UK economy or a significant change in food consumption patterns could lead to a fall in demand for the Group's products.	The Group works closely with its key customers to adapt to changing consumer requirements and constantly reviews emerging trends in consumer eating habits. The Group offers a range of products across premium, standard and value tiers which it is able to flex accordingly. Pork and poultry remain extremely competitively priced and sought after products which are manufactured in an environmentally friendly manner.		↔
PIG MEAT – AVAILABILITY & PRICE	The Group is exposed to issues associated with the pricing and availability of pig meat. An increase in pig prices or a lack of availability of pig meat could adversely impact the Group's operations and the ability to supply manufacturing sites and key customers.	The Group has a trusted long standing farming supply base which is complemented by supply from the Group's own farms. These arrangements help to mitigate the risks associated with pig price volatility and the availability of supply.	The risk in this area over recent months is starting to increase as global demand for pig meat increases together with associated prices which could impact the Group's operations.	↑
RELIANCE ON KEY CUSTOMERS & EXPORTS	A significant proportion of the Group's results are generated from a small number of major customers and export sales. Loss of all or part of the Group's business with one or more of these customers, or loss of an export licence, could adversely impact the Group's operations.	The Group continually pursues opportunities to expand its customer base across all product categories and works closely with UK and export customers to ensure service, quality, food safety and new product developments are of the highest standard.		↔
FINANCIAL				
INTEREST RATE, CURRENCY, LIQUIDITY & CREDIT RISK	In common with other food manufacturers, the Group is exposed to interest rate risk on borrowings and, in specific areas, foreign currency fluctuations. In addition the Group needs continued access to funding for both current business, future growth and acquisitions.	The Group uses currency hedging arrangements to mitigate risks associated with foreign currency movements. Sites have access to the Group's overdraft facility and bank balances are monitored on a daily basis by Group Treasury. All bank debt is arranged centrally and appropriate headroom is always maintained.		↔

STRATEGIC PILLAR

High Quality Products · Operating Excellence · Sustainability

RISK LEVEL

High · Medium · Low

The low, medium and high risk levels are the Group's estimate of the net risk after mitigation.

RISK TREND

Risk increased · Risk unchanged · Risk decreased

RISK AREA	DESCRIPTION OF RISK	MITIGATION	NET RISK	DIRECTION
OPERATIONAL				
LABOUR AVAILABILITY AND COST (Sustainability)	Due to political and economic pressures, including those associated with Brexit, there is a risk that the Group's operations could be adversely impacted by either the lack of availability of labour or the associated increased cost. This issue is particularly prevalent with agency labour or specialist skill sets e.g. butchery.	The Group is continually reviewing and improving its recruitment process and relationships with third party agency providers to reflect changing market conditions such as those associated with Brexit. In addition the Group is actively progressing options to employ more permanent members of staff and to consider alternative methods of production which embraces emerging technological developments.	High. Given the ongoing uncertainties associated with Brexit, the risk in relation to the availability and cost of agency labour has increased.	Risk increased
IT SYSTEMS & CYBER SECURITY (Operating Excellence)	The Group relies heavily on information technology and key systems to support the business. In common with other businesses the Group is susceptible to cyber-attacks resulting in the risk of a financial loss and threat to the overall confidentiality and availability of data in systems. Whilst no material cyber security breaches have occurred over the course of the year, the Board is mindful of the ongoing risks in this area given the increasing sophistication and evolving nature of this threat.	The Group has a robust IT control framework in place, which is reviewed and tested on a frequent basis by internal teams and specialist third parties. Detailed procedures are also in place to reduce the potential risk of fraudulent payment requests being processed, together with cyber insurance which provides specialist technical and legal support in the event of a cyber incident.	Medium	Risk unchanged
FOOD SCARES & PRODUCT CONTAMINATION (High Quality Products)	In common with other food manufacturers the Group is subject to the risks of product and/or raw material contamination and potential health related industry-wide food scares. Such incidents could lead to product recall costs, reputational damage and regulatory penalties.	The Group ensures that all raw materials are traceable to original source and site manufacturing, storage and distribution systems and our suppliers are continually monitored by experienced and appropriately trained internal teams. In addition the Group has in place established crisis management procedures to reduce potential crisis impacts and improve communication to key stakeholders.	Medium	Risk unchanged
DISEASE & INFECTION WITHIN LIVESTOCK (High Quality Products)	A significant infection or disease outbreak such as African Swine Fever could result in the loss of supply of pig or poultry meat or effect the free movement of livestock which would impact the supply of key raw materials into the Group's sites.	The Group's pig farming activities, and other farms from which third party pig meat is sourced, have a broad geographical spread to avoid reliance on a single production area. The Group's own poultry flock is predominately housed indoors. In addition, robust vaccination and bio-security procedures mitigate the risk of disease and infections.	Medium. The risk in this area has increased due to the overseas spread of African Swine Fever which, if it arrived in the UK, could adversely impact the Group's operations.	Risk increased
HEALTH & SAFETY (Sustainability)	A significant breach of Health & Safety legislation could lead to reputational damage and regulatory penalties, including restrictions on operations, damages or fines.	The Group has robust Health & Safety processes and procedures in place and conforms to all relevant standards and regulations as well as pursuing industry best practice across its sites. All sites are subject to frequent audits by internal teams, customers and regulatory authorities to ensure standards are being adhered to.	Medium	Risk unchanged
RECRUITMENT & RETENTION OF WORKFORCE (Sustainability)	As the Group continues to pursue its growth strategy, the success of the Group is dependent on attracting and retaining quality, skilled and experienced staff.	Across the Group robust recruitment processes, competitive remuneration packages and ongoing training and development plans are in place. Specifically, for Senior Management, formalised succession planning is also in place.	Medium. Given the current momentum of the business the risk has increased due to the need to ensure recruitment, development and training plans meet current requirements and future needs.	Risk increased
DISRUPTION TO GROUP OPERATIONS (Operating Excellence)	The Group faces the risk of significant incidents such as fire, flood or loss of key utilities, together with the risk of disruption to day to day operations from issues such as poor operational management or the breakdown of key equipment. Such issues could result in the prolonged disruption to site processes.	Effective business continuity plans are in place across the Group and appropriate insurance arrangements exist to mitigate financial loss. Potential business disruption is minimised through multi-site operations across many of the Group's core product lines. As the construction of the Eye poultry processing facility continues, business continuity plans are being developed given the importance of the site to the Group's poultry processing capabilities.	Low	Risk unchanged

CHAIRMAN'S GOVERNANCE OVERVIEW

PROVIDING EFFECTIVE BOARD LEADERSHIP

The Board is committed to upholding high standards of corporate governance and embracing the requirements of the new 2018 UK Corporate Governance Code to support the Group's long-term success and delivery of its strategy.

On behalf of the Board, I am pleased to present our corporate governance report and confirm that the Group has continued to comply with the requirements of the 2016 UK Corporate Governance Code throughout the year.

A new UK Corporate Governance Code was published by the Financial Reporting Council in July 2018, which will apply to our next Annual Report and Accounts. Work has been ongoing since summer 2018 in relation to the new Code to determine how to best apply its provisions to the Group. Whilst we are currently reporting against the UK Corporate Governance Code 2016, we have where possible added additional disclosure to comply with the requirements of the new Code. I have also taken the opportunity to explain below how we have decided to address the more significant new requirements being introduced, which we will be reporting on in more detail when the new reporting requirements apply to the Group in our next financial year.

The Group has historically operated works committees at many of its sites as a means of engaging with our workforce. In order to enhance this, encourage participation and comply with the requirements of the new Code, we have decided to appoint Tim Smith as our designated Non-Executive Director to further engage with our workforce to share ideas with management and contribute to the long-term success of the Group and delivery of our strategy. The Group will also continue to engage with our agency staff through our retained employment agencies. During the course of the coming year Tim will be meeting with representatives from each of our business divisions to supplement our existing established channels of communication and consultation arrangements. Tim has significant experience of the food sector and has previously led a number of food manufacturing businesses, which the Board believes means Tim is particularly well qualified to take on this new role.

The Board understands the need to properly consider the interests of its workforce and wider stakeholders in Board discussions and decision making and its responsibility and duties to them under section 172 of the Companies Act 2006. Details of our strategy, stakeholder alignment and engagement are set out on pages 26 to 35 which explain how this has influenced our decisions. The Board is also mindful of its responsibilities to assess and monitor the culture of the Group to ensure this is aligned with our purpose, values and strategy. At a practical level this is undertaken through site visits by Directors, strategy days, reviewing regular HR and H&S reports and through our Group-wide employee survey, more details of which are set out on pages 30 and 31. The Board's activities have supported the delivery of the Group's strategy in a number of key areas this year including, in particular, providing appropriate challenge and oversight in relation to the development of a new poultry processing site at Eye and related supply chain, which is described in more detail on page 17.

The new Code requires listed companies to comply generally with its terms or explain any areas of non-compliance. In particular, the new Code limits the tenure of the Chairman to nine years from first appointment to the Board, which given my time with the Company we will not comply with. However, the Board is of the view that my continuing as Chairman remains appropriate given my knowledge of the Group and experience of the sector. The Board is mindful that it needs to ensure that its composition supports the Company's long-term strategic objectives and the interests of its stakeholders. The performance of all directors (including the Chairman), succession planning for all of our key roles and need to refresh the Board will therefore continue to be reviewed annually to support this (which will include consultation with our institutional Shareholders where appropriate).

Whilst we adopted a new Remuneration Policy at last year's AGM which anticipated a number of the requirements to be introduced by the new Code, the Remuneration Committee has made a number of further recommendations which will be adopted to comply with the requirements of the new Code. Further details of these changes are included in our Remuneration Committee Report on pages 65 to 81.

The terms of reference of all of our Board Committees have also been reviewed in response to the requirements of the new Code. In particular, the terms of reference of the Remuneration Committee have been broadened to now cover the remuneration of Senior Executives (in addition to Executive Directors) and review of workforce and related remuneration policies. The scope of the Nomination Committee's role has also been reviewed and now includes oversight of a diverse pipeline for succession to the Board. Responsibility for oversight of the Group's whistleblowing policy has been reviewed and moved from the Audit Committee to the Board in accordance with the requirements of the new Code.

Your Board is committed to continuing to maintain a high standard of governance and adopting best practice as this develops. This report explains how we have applied the principles of good governance, propose implementing key changes introduced by the new UK Corporate Governance Code and have aligned these during the year to our strategic plans and the interests of Shareholders.

Martin Davey
Chairman

21 May 2019

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

	MARTIN DAVEY CHAIRMAN	ADAM COUCH CHIEF EXECUTIVE	MARK BOTTOMLEY FINANCE DIRECTOR	JIM BRISBY COMMERCIAL DIRECTOR
Term of Office	Martin was appointed to the Board in 1985 as Finance Director, appointed Chief Executive in 1988 and became Chairman in 2004.	Adam was appointed to the Board in 2003 as Managing Director of Fresh Pork and became Chief Executive in 2012.	Mark was appointed to the Board in 2009 as Finance Director.	Jim was appointed to the Board in 2010 as Sales and Marketing Director and became Commercial Director in 2014.
Committee Membership	N Chair			
Independent	Not applicable	Not applicable	Not applicable	Not applicable
Skills and Experience	Martin joined Cranswick in 1985. As Finance Director he led the Company's listing on the London Stock Exchange and was subsequently appointed Chief Executive in 1988. Through Martin's guidance over the last 34 years the Group has expanded both organically and through acquisition and entered the FTSE 250 in 2008. He became Executive Chairman in 2004 and since 2013 has fulfilled the role on a part-time basis. Martin is a chartered accountant.	Adam joined Cranswick's Fresh Pork Business in 1991 and was appointed to the Board in 2003 as Managing Director of Fresh Pork. He was appointed as Chief Operating Officer in 2011 and then Chief Executive in 2012. Under his leadership Cranswick has continued to expand and become a major player in the food processing industry. Adam was a committee member of the British Pig Executive between 2005 and 2013.	Mark joined Cranswick in 2008 as Group Financial Controller and was appointed to the Board as Finance Director in 2009. Before joining the Company, Mark held a number of senior finance roles in the food sector. Mark is responsible for overseeing the financial operation of the Group and setting financial strategy. Mark is a chartered accountant.	Jim joined Cranswick in 1995. He was appointed Sales and Marketing Director in 2010 and Commercial Director in 2014 and has been a key member of the team responsible for the growth of the Group and the development of its commercial strategy.
External Appointments and Commitments	None	None	None	None

Board by tenure

0-3 years | 3-6 years | 6-9 years | 9 years or more

Board by age

41-45 years | 46-50 years | 51-55 years | 56-60 years | 61-65 years

NON-EXECUTIVE DIRECTORS

			
MARK RECKITT SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR	**KATE ALLUM** NON-EXECUTIVE DIRECTOR	**PAM POWELL** NON-EXECUTIVE DIRECTOR	**TIM SMITH** NON-EXECUTIVE DIRECTOR
Mark was appointed as an independent Non-Executive Director in 2014.	Kate was appointed as an independent Non-Executive Director in 2013.	Pam was appointed as an independent Non-Executive Director in 2018.	Tim was appointed as an independent Non-Executive Director in 2018.
A Chair N R	A N R Chair	A N R	A N R
Yes	Yes	Yes	Yes
Mark has experience across a number of sectors. He was Group Strategy Director of Smiths Group plc between 2011 and 2014. Prior to joining Smiths, Mark was interim Managing Director of Green & Black's Chocolate and before that held a number of finance and strategy roles at Cadbury plc. Mark is a chartered accountant.	Kate has experience of the food sector both within the UK and Europe. Kate was Chief Executive of First Milk Limited from 2010 to 2015 and prior to that was head of the European supply chain for McDonalds.	Pam has international experience in strategy, marketing and innovation in fast moving consumer goods, including food and beverages. Pam spent nine years at SABMiller plc, holding the position of Group Director of Strategy and Innovation, and prior to this, worked at Coty Europe in France, Unilever plc in London, and Lever Brothers in New York.	Tim has experience in the UK food sector having worked in food manufacturing, government regulation and supermarket retail. Tim was the Group Quality Director at Tesco plc between 2012 and 2017. Prior to joining Tesco plc, Tim was the Chief Executive of the Food Standards Agency (FSA) during which time he led a strategic review of the agency. Before joining the FSA Tim led a number of businesses including Express Dairies plc and Arla Foods plc.
Non-Executive Director of Hill & Smith Holdings plc. Non-Executive Director of JD Wetherspoon plc between 2012 and 2016 and Mitie Group plc between 2015 and 2018.	Chief Executive of CeDo Limited. Non-Executive Director of Origin Enterprises plc and Stock Spirits Group PLC.	Non-Executive Director of Premier Foods plc and A.G. Barr plc.	Non-Executive Director of Pret a Manger (Europe) Limited.

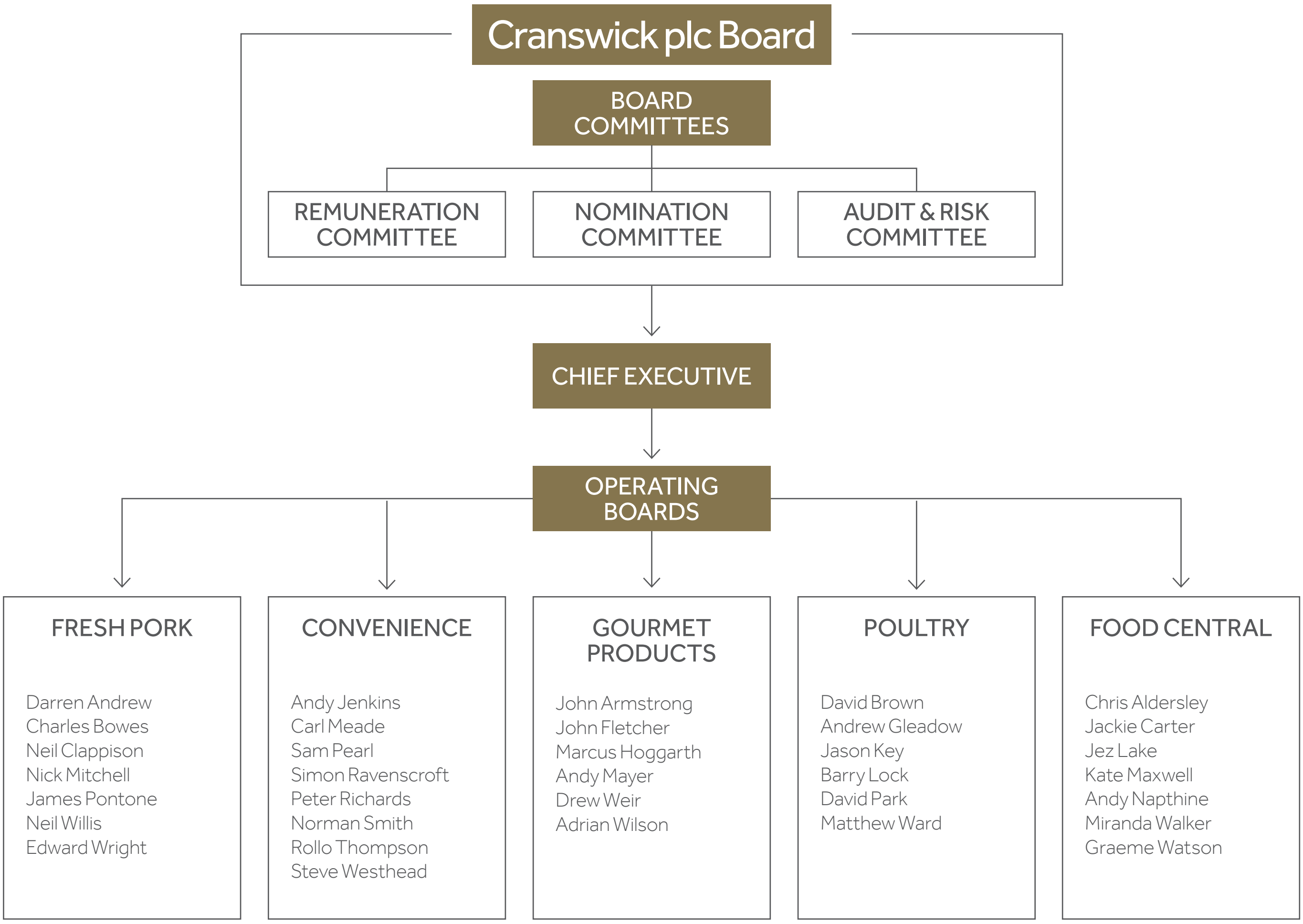
Board by gender

Male Female

COMMITTEE MEMBERSHIP

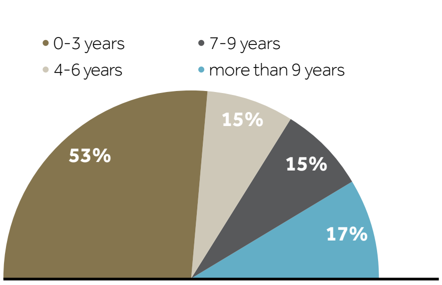
- A Audit Committee
- N Nomination Committee
- R Remuneration Committee

HOW WE ARE GOVERNED

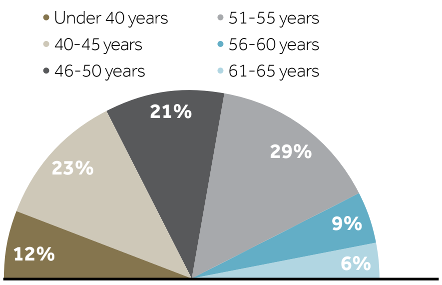


DIVERSITY

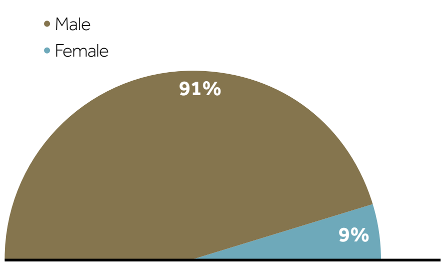
GROUP DIRECTORS BY TENURE



GROUP DIRECTORS BY AGE



GROUP DIRECTORS BY GENDER



PRINCIPLES OF GOOD GOVERNANCE

The Board is responsible for the long-term success and stewardship of the Company, overseeing its conduct and affairs to create sustainable value for the benefit of its Shareholders and other stakeholders including customers, suppliers, employees and the communities in which the business operates.

The Board delegates certain roles and responsibilities to its various committees and to Senior Management. The committees assist the Board by fulfilling their obligations and reporting back to the Board on the outcomes from their respective activities.

This report, together with the Audit Committee Report on pages 57 to 62, the Nomination Committee Report on pages 63 and 64, and the Remuneration Committee Report on pages 65 to 81, describes how the Board applies the principles of good governance and best practice as set out in the 2016 UK Corporate Governance Code (the 'Code') which can be found on the Financial Reporting Council's website: **www.frc.org.uk**

Our approach to governance is in accordance with best practice as outlined by the key principles of the five sections of the Code: leadership; effectiveness; accountability; remuneration; and relations with Shareholders.

THE BOARD

The Board consists of Senior Executive management alongside a strong team of sector experienced Non-Executive Directors. All Non-Executive Directors are deemed to be independent. The Board is ultimately responsible for the business strategy and the financial robustness of the Group, for monitoring performance and for establishing a governance structure and practice which facilitates effective decision making and good governance. To enable the members of the Board to discharge these responsibilities, they have full and timely access to all relevant information and Board meetings are held at the Group's sites allowing the Directors to review the operations and meet the management teams of those particular sites.

BOARD COMMITTEES

The Board delegates certain roles and responsibilities to its various committees and to Senior Management. The committees assist the Board by fulfilling their obligations and reporting back to the Board on the outcomes from their respective activities.

To assist the Board in carrying out its functions and to ensure that there is independent oversight of internal controls and risk management, the Board delegates certain responsibilities to its principal committees. Read more on page 56.

CHIEF EXECUTIVE AND EXECUTIVE COMMITTEE

An Executive Committee, consisting of the Executive Directors and Senior Executives from the business, meets occasionally to discuss strategy, operational and commercial matters affecting the business. The feedback from this committee is shared with the Board.

OPERATING BOARDS

Operating boards (or sub-boards) consisting of Senior Executives from each of the relevant businesses meet regularly to discuss operational and commercial matters affecting such businesses. Operating boards are also attended by the Executive Directors and relevant members of the Food Central operating board as appropriate. The feedback from the operating boards is shared with the Board.

COMPLIANCE STATEMENT

The Board is pleased to report that it has complied with the requirements of the 2016 UK Corporate Governance Code during the year ended 31 March 2019.

The Board believes that it has the appropriate blend of skills, experience, independence and knowledge to support the business and will continue to ensure an optimal level of relevant skills, experience and diversity amongst its members, appropriate to support the future needs of the business.

The Board has reviewed the financial statements and, taken as a whole, considers them to be fair, balanced and understandable, providing sufficient and appropriate information for Shareholders to assess the Company's position and performance, business model and strategy. The Audit Committee provided guidance to the Board to assist it in reaching this conclusion.

ROLES AND RESPONSIBILITIES

CHAIRMAN	
Martin Davey	• Primarily responsible for the leadership of the Board, ensuring that it is effective and promoting critical discussion. • Chairs the Nomination Committee and the Annual General Meeting. • Sets the Board meeting agendas in consultation with the Chief Executive and Company Secretary, ensuring they are aligned to the business strategy. • Leads the performance evaluation of the Board and ensures its effectiveness in all aspects of its role. • Sponsors and promotes the highest corporate governance and ethical standards. • Facilitates contribution from all Directors to the discussions of the Board. • Provides a sounding board for the Chief Executive on key business decisions and challenges proposals where appropriate. • Ensures effective communication with our Shareholders and other stakeholders.
CHIEF EXECUTIVE (CEO)	
Adam Couch	• Develops and implements the Group's strategy with input from the rest of the Board and its advisers. • Responsible for the overall operational activity of the Group. • Manages the day-to-day business of the Group, leads its direction and promotes its culture and values. • Brings matters of particular significance or risk to the Chairman for discussion and consideration by the Board where appropriate. • Responsible for overseeing the delivery of the sustainability agenda within the Group.
EXECUTIVE DIRECTORS	
Mark Bottomley and Jim Brisby	• Provide specialist knowledge and experience to the Board. • Support the CEO in the implementation of the Group's strategic policies. • Responsible for the budgeting process and reporting of the financial performance of the Group. • Responsible for the commercial affairs of the Group. • Responsible for the successful leadership and management of commercial, risk and finance functions across the Group.
SENIOR INDEPENDENT DIRECTOR (SID)	
Mark Reckitt	• Provides a sounding board for the Chairman and supports him in his leadership of the Board. • Is available if Shareholders want to raise concerns which normal channels have failed to resolve. • Chairs the Audit Committee. • Heads up the Non-Executive Directors on the Board. • Reviews the Chairman's annual performance appraisal along with the other Non-Executive Directors.
NON-EXECUTIVE DIRECTORS	
Kate Allum, Pam Powell and Tim Smith	• Bring complementary skills and experience to the Board. • Constructively challenge the Executive Directors on matters affecting the Group. • Chairs the Remuneration Committee (Kate Allum). • Satisfy themselves as to the accuracy of the financial performance of the Group and the robustness and effectiveness of financial controls and risk management processes. • Help develop strategy with an independent outlook. • Together with the SID review management's performance.
COMPANY SECRETARY	
Steven Glover	• Responsible to the Board. • Acts as secretary to the Board and each of its Committees ensuring compliance with procedures. • Responsible, under the direction of the Chairman, for ensuring the Board receives timely and accurate information. • Provides support to the Non-Executive Directors. • Responsible for advising the Board on all governance matters.

BOARD EFFECTIVENESS

BOARD OPERATION AND ATTENDANCE

There were eight scheduled Board meetings held during the year and a number of other meetings and conference calls were convened for specific business matters. Board agendas are set by the Chairman in consultation with the Chief Executive and with the assistance of the Company Secretary. All Directors are expected to attend the scheduled Board meetings and relevant Committee meetings in addition to the Annual General Meeting unless they are prevented from doing so by prior work or extenuating personal commitments. Where a Director is unable to attend a meeting they have the opportunity to review relevant papers and discuss any issues with the Chairman in advance of the meeting. Following the meeting the Chairman, or Committee Chair as appropriate, also briefs any Director not present to update them on key matters discussed and decisions taken.

Details of Board membership and attendance at scheduled Board meetings are set out below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Meetings held during the year	8	4	2	4
	Meetings attended	Meetings attended	Meetings attended	Meetings attended
EXECUTIVE DIRECTORS				
Martin Davey	8/8	n/a	2/2	n/a
Adam Couch	8/8	n/a	n/a	n/a
Mark Bottomley	8/8	n/a	n/a	n/a
Jim Brisby	8/8	n/a	n/a	n/a
NON-EXECUTIVE DIRECTORS				
Mark Reckitt	8/8	4/4	2/2	4/4
Kate Allum	8/8	4/4	2/2	4/4
Pam Powell	8/8	4/4	2/2	4/4
Tim Smith	8/8	4/4	2/2	4/4
Steven Esom	6/8	3/4	1/2	3/4

n/a – not applicable (where Director is not a member of the Committee). Executive Directors do attend the various Committee meetings by invitation as required.
Steven Esom retired from the Board on 22 November 2018 and attended the maximum number of meetings whilst a Director.

PROFESSIONAL DEVELOPMENT

All Directors are provided with the opportunity for ongoing training to keep up to date with relevant legislative changes, including covering their duties and responsibilities as Directors and the general business environment. Directors can obtain independent advice at the expense of the Company.

In the past year the Board received updates on a number of topics including GDPR, the 2018 UK Corporate Governance Code, African Swine Fever and other market perspectives from both management and external advisers. The Company Secretary also provides briefings during the year on material developments in legal, governance and compliance matters.

During the year Non-Executive Directors also met with management to increase their understanding of the business through various informal visits and briefing sessions.

KEY ACTIVITIES

STRATEGIC LEADERSHIP

- Regularly discussing strategy at Board meetings throughout the year.
- Receiving presentations from operational management on future strategic opportunities.
- Considering potential acquisition opportunities and other strategic initiatives.
- Reviewing the commissioning of the Group's new £27 million Continental Foods facility at Bury.
- Reviewing the development of the Group's new £75 million primary poultry processing facility at Eye, Suffolk.
- Reviewing the Group's substantial investment programme in upstream agricultural operations in both pork and poultry.
- Considering the Group's sustainability strategy, Second Nature.
- Considering the UK's exit from the EU and related contingency planning.

GOVERNANCE AND RISK

- Reviewing the three year forecasts and other factors in support of the Viability Statement. (Viability is considered in detail on page 43).
- Reviewing Board and Committees' effectiveness and Directors' conflicts of interest.
- Reviewing terms of reference for all Committees.
- Reviewing quarterly Health & Safety, Risk and Technical updates.
- Reviewing the principal financial and non-financial risks, including cyber, to which the Group is exposed (supported by the Audit Committee).
- Considering governance reforms introduced by the 2018 Corporate Governance Code.

PEOPLE AND SUCCESSION

- Considering proposals on succession planning, when required, for the Board.
- Approving promotion of new Senior Executives to the subsidiary boards.
- Reviewing proposals on Senior Executive succession planning.
- Considering the talent management programme and the need to develop the managers and executives of the future.
- Reviewing the structure, size, composition and diversity of both the Board and its Committees (supported by the Nomination Committee).

PERFORMANCE MONITORING

- Approving the Group's tax strategy.
- Approving the Company's dividend strategy.
- Recommending the 2017/18 final dividend and the 2018/19 interim dividend.
- Reviewing and approving the Group's annual budget, interim results and Annual Report.
- Considering whether the Annual Report and Accounts are fair, balanced and understandable.
- Considering monthly operational reports from the Chief Executive, Finance Director and Commercial Director.
- Reviewing reports from the Chairs of the Audit, Nomination and Remuneration Committees.
- Reviewing behaviours to ensure these are in line with the Group's culture.
- Approving capital expenditure proposals in excess of £1 million.

CONFLICTS OF INTEREST

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

RISK MANAGEMENT AND INTERNAL CONTROL

It is the Board's role to protect the business from operational and financial risks and it has established a system of internal control which safeguards the Shareholders' investment and the Group's assets. Such a system provides reasonable but 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 Board is responsible for reviewing the effectiveness of internal controls. The Audit Committee supports the Board in this process by reviewing the principal risks, and the report on pages 57 to 62 outlines further this process.

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 develop, plan, execute, monitor and control the Group's objectives effectively and to ensure that internal control is embedded within the operations.

The Board confirms that the key ongoing 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 approval of the Annual Report.

FINANCIAL REPORTING

The culture of the business extends to the provision of financial information. Operational management provide weekly forecasts, monthly trading reports, and annual budgets and these are forwarded to Group management and are discussed at monthly site operating board meetings. Group Executive Directors attend most of these meetings and the information is consolidated and reported at Group Board meetings. The Group prepares an annual budget and half year re-forecast that are agreed by the Board, with the budget including a three year forecast for consideration to support the Viability Statement. The use of standard reporting software by all Group entities ensures that information is presented in a consistent manner which facilitates the preparation of the consolidated financial statements. Site directors and finance heads are required to sign a monthly confirmation that their business has complied with the Group's accounting policies and procedures, with a more detailed confirmation provided for half year and year end reporting.

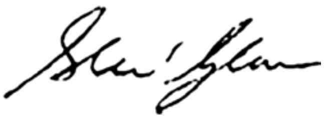
Remuneration

The Remuneration Committee monitors the executive remuneration packages and incentive schemes and believes the incentives provide a strong alignment between Shareholders, the Executive Directors and the wider Senior Executive Management team. The remuneration policy was agreed at the AGM in 2018. Details of the policy are included in the Remuneration Committee Report on pages 65 to 81 which provides further details on Directors' remuneration, together with the activities of the Remuneration Committee during the year.

Relations with Shareholders

Regular engagement with investors provides the Group with the opportunity to discuss certain areas of interest and to ascertain any areas of concern they may have. Further details of steps taken by the Group to engage with its Shareholders are set out on page 33. Details of the Company's major Shareholders are set out on page 83.

By order of the Board



Steven Glover
Company Secretary

21 May 2019

BOARD COMMITTEES

The Board delegates certain roles and responsibilities to its committees which assist the Board by fulfilling their obligations and reporting back to the board on their activities.

THE AUDIT COMMITTEE

CHAIR: MARK RECKITT
- Steven Esom*
- Kate Allum
- Tim Smith
- Pam Powell

KEY RESPONSIBILITIES
- Integrity of financial statements
- Accounting policies
- Internal controls and risk management
- External audit
- Whistleblowing and anti-bribery
- Group viability and related disclosure

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THE NOMINATION COMMITTEE

CHAIR: MARTIN DAVEY
- Steven Esom*
- Mark Reckitt
- Kate Allum
- Tim Smith
- Pam Powell

KEY RESPONSIBILITIES
- Board composition
- Succession planning
- Non-Executive Directors
- Diversity
- Governance and evaluation

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THE REMUNERATION COMMITTEE

CHAIR: KATE ALLUM
- Mark Reckitt
- Tim Smith
- Pam Powell
- Steven Esom*

KEY RESPONSIBILITIES
- Review of Remuneration Policy
- Executive Director and Senior Executive remuneration
- Approval of bonuses
- LTIP awards
- Shareholder engagement

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* Until retirement from the Board on 22 November 2018.

AUDIT COMMITTEE REPORT

THE AUDIT COMMITTEE

The Audit Committee assists the Board in discharging its responsibilities for the integrity of the financial statements and narrative reporting, the effectiveness of internal reporting processes and systems of internal controls, identification and management of risks and the external and internal audit processes.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprises the following Non-Executive Directors:

Committee Members	Meetings attended
Mark Reckitt – Chair	4
Steven Esom*	3
Kate Allum	4
Tim Smith	4
Pam Powell	4

* Steven Esom retired as a Non-Executive Director, and as a member of the Audit Committee, on 22 November 2018 and attended the maximum number of meetings whilst a Director.

OTHER REGULAR ATTENDEES

The Chairman, Chief Executive, Group Finance Director, Group Financial Controller, Group Head of Internal Audit & Risk, External Audit Partner and External Audit Director attended by invitation as required. The Group Company Secretary also attended meetings as secretary to the Committee.

FREQUENCY OF MEETINGS

The Committee meets as necessary and at least three times a year.

INDEPENDENCE

All Members of the Committee are independent.

KEY ACTIVITIES IN 2018/19

Integrity of Financial Statements

- Reviewed and challenged the key financial reporting judgements and concluded that accounting treatments were appropriate.
- Reviewed and challenged the harmonisation of Group accounting policies on engineering stock and overhead absorption and concluded that this did not have a material impact on the Financial Statements.
- Reviewed and concluded that the Financial Statements and narrative reporting are fair, balanced and understandable.
- Reviewed and concluded that the Group is viable over the three-year review period and that the Viability Statement disclosures are appropriate.

Accounting policies

- Reviewed the Group's accounting policies to ensure they remain appropriate and have been consistently applied.
- Reviewed the disclosure of Alternative Performance Measures (APMs) and concluded that they are appropriate for monitoring the Group's underlying performance.
- Reviewed the impact of new and forthcoming accounting standards and concluded that disclosures in this year's Financial Statements are appropriate.

Internal audit

- Reviewed and challenged the work of the Group's Internal Audit function and concluded that it is operating effectively and is appropriately resourced.
- Reviewed and approved the Internal Audit Charter.
- Reviewed and approved the Internal Audit plan for the coming year.

External audit

- Reviewed and was satisfied with the effectiveness of the external audit process.
- Approved the terms of engagement and remuneration of the external auditor.
- Monitored the independence of the external auditor and concluded that PricewaterhouseCoopers LLP ('PwC') is independent.

Whistleblowing and anti-bribery

- Reviewed and approved the Group's anti-bribery policy.
- Reviewed and approved the Group's whistleblowing policy.
- Reviewed, on behalf of the Board, whistleblowing reports and their resolution.

Internal controls and risk management

- Reviewed the Group's internal controls and risk management systems including those for assessing emerging risks and concluded that they are operating effectively.
- Reviewed and assessed the appropriateness of financial resource across the Group.
- Reviewed and challenged the work, and associated reporting, of the Group Risk Committee.
- Reviewed and challenged the Group's Brexit readiness planning.
- Reviewed and updated the Committee's terms of reference to take account of the new 2018 Corporate Governance Code.

Group viability and related disclosures

- Reviewed and concluded that a three-year time horizon for the Group's Viability Statement remained appropriate.
- Reviewed the Group's budget, forecasts and downside sensitivity analysis and concluded that the Group is viable over the three-year time horizon.
- Reviewed and approved the Viability Statement disclosures in the Financial Statements.

I am pleased to report on the activities of the Audit Committee during the year ended 31 March 2019.

As in previous years, the Committee has focused on its core responsibilities of supporting the Board and protecting the interests of Shareholders in relation to financial reporting and internal control. This has been achieved by ensuring that the Group has in place a robust risk management process and an effective internal control framework to manage its risks, in support of going concern and viability confirmations. In addition, the Committee has continued to focus on ensuring the integrity, quality and compliance of the Group's external financial reporting.

This report sets out:
- the role, composition, activities and responsibilities of the Audit Committee;
- a summary of the meetings of the Audit Committee during the year;
- the significant financial reporting issues debated by the Committee;
- the Committee's oversight of the Group's Risk Management and internal control systems in support of the Board;
- the respective roles and effectiveness of the internal and external auditors; and
- the Committee's annual review of external auditor independence.

The Committee met four times during the year and invited the Company's Chairman, Chief Executive, Group Finance Director, Group Financial Controller and Head of Internal Audit & Risk to attend the meetings along with the external Audit Partner and Director. In addition, the Committee also held separate private meetings with internal and external audit.

The Committee reviewed the appropriateness of the financial results and narrative reporting for the full year and half year and the first and third quarter trading statements, including applicable accounting policies, key judgement areas, going concern and viability assumptions. The Committee also reviewed the Annual Report & Accounts taken as a whole to ensure they are fair, balanced and understandable and provide the necessary information for Shareholders to assess the Company's performance, business model and strategy.

Specific areas of financial reporting focus during the year included:
- the quantum and appropriateness of commercial accruals; and
- the accounting treatment and disclosure of biological assets.

The Committee reviewed Internal Audit's terms of reference and work plans and oversaw the Group's relationship with the external auditor including scope, fees and work performed. The Committee was satisfied with the performance of the Group's internal audit function and the external auditor.

In the coming year, the Committee will continue to focus on the Group's risk management processes, internal control frameworks and external financial reporting to ensure that they remain effective and robust to support the future successful growth and development of the business.

On behalf of the Board

Mark Reckitt
Chair of the Audit Committee

21 May 2019

ROLE OF THE COMMITTEE

The Committee's primary role is to assist the Board in providing effective governance over the appropriateness of the Group's financial and related narrative reporting, risk management and internal control systems. It is responsible for monitoring the integrity of the financial statements and other communications and announcements to the market, and for considering whether accounting policies are appropriate. It reviews the Company's internal controls and risk management frameworks, and reviews and approves the activities, plans and effectiveness of both the Group's internal and external auditors.

The Audit Committee terms of reference, which are reviewed and approved by the Board annually, are available on the Company's website and at the Annual General Meeting. The Committee's terms were updated during the year with reference to the 2018 UK Corporate Governance Code.

The timing of meetings is designed to fit in with the Group's financial calendar, with meetings in advance of half year and year-end financial reporting in November and May respectively, and additional meetings in September and March in preparation for the half year and year-end processes.

All members of the Committee have extensive managerial experience in large, complex, food sector organisations and have a wide range of financial, commercial and operational expertise. It is a requirement of the UK Corporate Governance Code that at least one Committee member has recent and relevant financial experience. Mark Reckitt, the Committee Chairman, meets this requirement. Full biographical details of the Audit Committee members can be found on page 49.

ACTIVITIES OF THE COMMITTEE

The Committee is required to meet at least three times a year and its agenda is linked to the Group financial calendar. The Company Chairman, Chief Executive, Finance Director, Group Financial Controller, Head of Internal Audit & Risk and representatives of the external auditor are invited to attend each meeting. The Company Secretary also attends the meetings as secretary to the Committee. Both the external auditor and the Head of Internal Audit & Risk 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 auditor and internal audit independently, at least once a year.

PRINCIPAL RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Committee's principal responsibilities include reviewing and monitoring:

- the integrity of the Group's financial statements and related narrative reporting;
- the Group's accounting policies and the impact of new and amended accounting standards;
- the effectiveness of the Group's financial reporting, internal control and risk management systems in support of the Board;
- the effectiveness of the internal audit function in the context of the Company's overall risk management framework;
- the effectiveness, scope, cost and independence of the Group's external auditor;
- the appropriateness of financial resource across the Group, particularly at those sites experiencing rapid growth;
- the Company's whistleblowing and anti-bribery policies; and
- the Group's viability, and its disclosure within the Annual Report.

The Committee makes recommendations to the Board on the removal, appointment or reappointment of the Group's external auditor. The Committee also reviews its terms of reference annually and makes recommendations to the Board for any appropriate changes.

FAIR, BALANCED AND UNDERSTANDABLE

At the request of the Board, the Audit Committee has reviewed and reported to the Board that it is satisfied that the financial statements taken as a whole are fair, balanced and understandable and provide the necessary information for Shareholders to assess the Company's position and performance, business model and strategy.

In order to give this report, the Audit Committee carried out a number of additional procedures including:

- obtaining confirmation from the relevant preparers of the various parts of the Annual Report that they had reviewed the fairness and completeness of their sections;
- ensuring a thorough verification process had been completed;
- consideration of the Annual Report and Accounts in the context of the Audit Committee's knowledge and experience of the business;
- reviewing the disclosure of Alternative Performance Measures (APMs) and considering their appropriateness for monitoring the Group's underlying performance;
- holding discussions with both internal and external audit; and
- reviewing and discussing a paper from the Finance Director outlining issues to consider and why he believed the Annual Report was fair, balanced and understandable.

The Board and the Committee understand that 'fair' should mean reasonable and impartial, 'balanced' should mean even-handed with both positive and negative messages being portrayed and 'understandable' should mean simple, clear and free from jargon or unnecessary clutter.

VIABILITY STATEMENT

At the request of the Board, and reflecting the requirement of the UK Corporate Governance Code, the Audit Committee has reviewed and reported to the Board that it is satisfied with the risk disclosures and Viability Statement which have been presented.

In order to give this report, the Audit Committee carried out a number of additional procedures including:

- reviewing risk reporting disclosures in detail;
- considering the appropriateness of the three-year time horizon selected for testing the Group's viability, including consideration of the uncertainty resulting from the UK's exit from the European Union;
- reviewing the Group's annual budget and extended three-year forecast and the assumptions therein for reasonableness;
- agreeing appropriate downside sensitivities to be applied to the forecasts for stress testing, based on the Group's principal risks and the work of the Risk Committee; and
- reviewing the availability of debt funding for the Group across the three-year forecast period.

The Board and the Committee concluded that, based on the results of the analysis provided, they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a three-year time horizon (see page 43).

PERFORMANCE EVALUATION OF THE AUDIT COMMITTEE
In the current year an internal evaluation of the performance of the Board and its Committees was carried out which concluded that the Audit Committee continues to provide effective leadership and exerts the required levels of governance and control. Further details of the evaluation are included in the Board performance evaluation on page 64.

FINANCIAL REPORTING
During the year, the Audit Committee reviewed accounting papers prepared by management and considered, with input from the external auditor, the appropriateness of the main accounting policies, estimates and judgements made in preparing the financial statements. The key matters that the Committee considered in reviewing the financial statements for the year ended 31 March 2019 are set out below.

Financial reporting area	Judgement and assurance considered
Commercial accruals	The Committee reviewed the level of commercial accruals for rebates, discounts and promotional activity at the balance sheet date. The level of commercial accruals is viewed by the Committee, management and the external auditor as an area sensitive to a moderate degree of commercial judgement, albeit 77 per cent of the year end accrual related to volume rebates and similar allowances which require a lower level of judgement and estimation due to their mechanical calculation. The Committee also noted the FRC's guidance on complex supplier arrangements. Following the adoption of IFRS15, the Group has also reviewed its accounting practice in respect of aged commercial accruals and has introduced a maximum holding period for aged balances, under normal circumstances, of three years. After reviewing and challenging the level of accruals and the intra-year movement, including the profit effect and considering the work of internal and external audit in verifying the underlying contractual arrangements, the Committee supported management's assumptions and accounting treatment including the disclosures provided in the report and accounts. (See Note 20).
Biological assets	In accordance with IAS 41, biological assets (pigs and chickens) are valued at fair value in the Group balance sheet, with the net valuation movement disclosed separately on the face of the income statement. The valuation requires a significant level of judgement and is sensitive to the key assumptions used in the models which include mortality rates, growth rates and the fair value of livestock at the various stages of development. The Audit Committee reviewed the assumptions used within the models and management's proposed accounting treatment and was satisfied that the standard had been fairly and consistently applied and the required disclosures made in the financial statements. (See Note 16).

RISK MANAGEMENT AND INTERNAL CONTROL
The Committee conducted its annual review of the effectiveness of the Company's internal control and Risk Management Framework through the work of Internal Audit, the external auditor's control recommendations on the Group's financial control environment following their audit and thorough review and challenge of monthly Board reports. The Committee also reviewed the Group's whistleblowing and bribery prevention policies and whistleblowing reports on behalf of the Board.

A Risk Committee chaired by the Group Finance Director and including representatives from all areas of the business meets quarterly, reporting its outputs directly to the Committee and updating the Board accordingly.

During the prior year, to provide additional assurance that the Group's Risk Management Framework is operating effectively, the Audit Committee engaged Aon plc to provide an independent review of the Framework, including the activities of the Risk Committee. The review confirmed that, overall, arrangements were appropriate for the size of the Group and operating effectively, as well as highlighting several areas for the further development of the Framework. The recommendations of this review have been incorporated into the Group's Risk Management Framework during the course of the year.

The Committee reviewed the key conclusions from work performed by the Group Risk Committee during the year to gain assurance over the Risk Management Framework in place across the Group which is designed to identify, evaluate, monitor and mitigate risk. Particular emphasis was placed on reviewing and challenging the work of the Risk Committee in respect of Brexit readiness planning (which with hindsight we would have devoted more time to had we realised quite how difficult the political process would become) and the expansion of the Group's poultry operations and the attendant HR and Commercial Risks. The Committee was satisfied that all principal risks, including emerging risks, had been identified (see pages 42 to 45) and that the risk management framework, including processes for assessing and reporting emerging risks, is operating effectively and is appropriate to support the Group's strategy for continued growth.

INTERNAL AUDIT
The Audit Committee is responsible for monitoring the performance and effectiveness of the Company's Internal Audit activities. The Audit Committee reviewed and approved the annual Internal Audit plan, ensuring that it was aligned to the principal risks of the business and received regular progress updates on delivery of the plan objectives at each of its meetings during the year. On an annual basis, the Committee reviews and approves the Group's Internal Audit Charter which sets out the role and mandate of the Internal Audit function.

The Internal Audit approach takes into account the overall Group risk framework as well as risks specific to individual operations and is regularly updated to take into account changes to the risk profile of the Group. 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 was satisfied that the Internal Audit function is operating effectively and that the level of experience and expertise within the department is appropriate to meet the Group's needs.

During the year, Internal Audit performed a core financial controls review at all sites and also reviewed specific Group non-financial risk areas. Overall no control failings or weaknesses were identified that would have a significant impact on the Group; however, recommendations were raised where necessary at specific sites to strengthen existing processes and controls and follow-up audit visits were carried out at the majority of sites to ensure that agreed corrective actions were being taken.

The Committee keeps the performance and effectiveness of the Internal Audit function under review and in doing so it also assesses the quality, experience and expertise within the department. To provide additional assurance that the Internal Audit department is operating effectively, the Committee engaged Deloitte LLP during the prior year to provide an independent assessment of the function.

The review concluded that audits were 'in all material aspects' compliant with Institute of Internal Audit (IIA) standards and also noted that the function has clarity of purpose, has a good understanding of the business, is taken seriously and respected across the Group, and benefits from strong engagement with the Board and Audit Committee. A number of recommendations for the further development of the function were proposed and these recommendations have been incorporated into the work of the Internal Audit function during the course of the year.

The Group operates a decentralised structure where significant accountability is devolved to site operational and financial management. Control weaknesses identified at site level are taken seriously and management and the Committee seek to ensure that their cause is understood and mitigating actions are taken to limit the potential for recurrence. In view of the work of internal audit, external audit and Group management, it is considered unlikely that a weakness at an individual site would have a significant impact on the Group.

EFFECTIVENESS OF THE EXTERNAL AUDIT PROCESS
PricewaterhouseCoopers LLP ('PwC') has been the Group's auditor since 2017. The Audit Committee assesses annually the qualifications, expertise, resources and independence of the auditor as well as the quality and effectiveness of the audit process.

In addition to the year-end audit, PwC carried out a review on the Group's interim reporting during the year. The Committee considers that such a review gives the Board additional assurance over the half year process and reporting.

During the year, the Committee assessed the external auditor's performance and effectiveness through a questionnaire completed by Audit Committee members and the Group's senior finance team. The output from the process was reviewed and discussed by the Audit Committee and with the external auditors.

The Committee also considered the following factors in assessing the effectiveness of the external audit process:
- the experience and expertise of the Audit Partner and the audit team;
- the level of professional scepticism displayed throughout the audit process;
- the extent to which the audit plan was met and the quality of its delivery and execution;
- the robustness and perceptiveness of work performed on key accounting and audit judgements; and
- the content of reports on audit findings and other communications.

Having considered these factors, and having noted the observations made in the auditor's reporting, the Committee was satisfied with the effectiveness of the external audit process.

The Audit Committee also approves the terms of engagement and remuneration of the external auditor and monitors their independence. The Committee confirms that it has complied with the requirements of the CMA Order 2014 as regards audit tendering, auditor appointment, negotiation and agreement of audit fees and approval of non-audit services.

AUDITOR INDEPENDENCE

The Group meets its obligations for maintaining an appropriate relationship with the external auditor through the Audit Committee, whose terms of reference include a requirement to oversee the commissioning, and monitor the level, of non-audit work performed by the external auditor, to ensure objectivity and independence is safeguarded. There is an established policy concerning the types of non-audit services the external auditor should not carry out to avoid compromising their independence and these include internal accounting or other financial reporting services, internal audit, tax advice, legal, actuarial or valuation services, executive or management roles or functions and remuneration consultancy. The Audit Committee Chair's approval is required prior to awarding to the external auditor any reporting accountant, or corporate transaction work or any other non-audit services in excess of £30,000.

During the year, the Audit Committee reviewed and considered the following factors to assess the objectivity and independence of PwC:

- The auditor's 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 degree of challenge to management and the level of professional scepticism shown by the audit partner and the audit team throughout the process.
- The auditor's policies for rotation of the audit partner every five years, and regular rotation of key audit personnel. The current Audit Partner (Ian Morrison) and the current Audit Director were selected by PwC to lead the audit of the Group from the year ended 31 March 2018.
- The nature of non-audit work undertaken during the year and its approval in accordance with the Audit Committee's guidelines for ensuring independence.
- Adherence to the Group's internal policy that, other than in exceptional circumstances, the fees paid to the external auditor for non-audit work in any one year should not exceed the lower of £500,000 and 50 per cent of the external audit fee on average over the last three years.
- A report from PwC confirming that they have adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained.

Details of the non-audit work and fees paid during the year are set out below:

Non-audit fees	£'000
Interim review	15
Other services	–
Total Non-Audit Fees	15
Total Audit Fees	267
Ratio of Non-Audit Fees to Audit Fees	0.06:1

The ratio of non-audit fees to audit fees for the year was well below the 50 per cent limit set out in the Group's policy.

The non-audit work undertaken by the external auditor during the year was limited to the review of the Group's interim results which the Audit Committee does not consider would provide a threat to PwC's independence.

The Audit Committee is aware of, and sensitive to, investor body guidelines on non-audit fees and the policy of awarding non-audit services is kept under review to ensure that the correct balance is maintained between the Group realising cost-effective benefits from the accumulated knowledge and experience of PwC, whilst also making sure that their audit independence and objectivity is maintained.

A copy of the Committee terms of reference is available on the Company's website at **www.cranswick.plc.uk**.

Following consideration of the performance and independence of the external auditor at its meeting in May 2019, the Audit Committee recommended to the Board that the reappointment of PwC as the Company's external auditor should be proposed to Shareholders at the 2019 Annual General Meeting.

Mark Reckitt
Chair of the Audit Committee

21 May 2019

NOMINATION COMMITTEE REPORT

THE NOMINATION COMMITTEE

The Nomination Committee 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. As Chair of the Nomination Committee I am pleased to introduce its report for the year ended 31 March 2019.

COMPOSITION OF THE NOMINATION COMMITTEE

Committee Members	Meetings attended
Martin Davey – Chair	2/2
Steven Esom*	1/2
Kate Allum	2/2
Mark Reckitt	2/2
Pam Powell	2/2
Tim Smith	2/2

* Steven Esom retired as a Non-Executive Director, and as a member of the Nomination Committee, on 22 November 2018 and attended the maximum number of meetings whilst a Director.

OTHER REGULAR ATTENDEES

- The Chief Executive and Finance Director attend by invitation as required.
- The Company Secretary also attends meetings as secretary to the Committee.

FREQUENCY OF MEETINGS

The Committee meets as necessary and at least twice a year.

INDEPENDENCE

Except for the Chair, all Members of the Committee are independent.

KEY ACTIVITIES IN 2018/19

Board Composition

- Supervised Board induction training for new Non-Executive Directors
- Approved the appointment of a designated Non-Executive Director to facilitate workforce engagement.

Succession planning

- Reviewed and updated succession plans for the Board and Senior Management.
- Reviewed Group talent management programme.

Non-executive directors

- Reviewed the continued independence of the Non-Executive Directors.
- Reviewed Non-Executive Director time commitments and overboarding.

Diversity

- Reviewed the Group's diversity policy.
- Considered implications of the 2018 UK Corporate Governance Code for the Group.

Governance and evaluation

- Reviewed the Governance Section of the 2019 Annual Report and recommended it to the Board for approval.
- Reviewed the Committee's terms of reference.
- Internal evaluation of Committee's effectiveness undertaken.

BOARD APPOINTMENTS

Pam Powell and Tim Smith joined the board on 1 April 2018 and in addition to attending scheduled board meetings have undertaken a number of independent site visits to the Group's key facilities and have met with operational management and the Group's advisers to gain an in depth understanding of Cranswick's operations and the markets it operates in. As previously announced, having served for nine years as a Non-Executive Director, Steven Esom retired in November 2018 in accordance with the principles of good corporate governance.

Following Steven's retirement, Mark Reckitt who joined the Board in 2014, has taken on the role of Senior Independent Director in addition to his role as Chair of the Audit Committee and Kate Allum, who joined the Board in 2013, has taken on the role as Chair of the Remuneration Committee. In accordance with the requirements of the 2018 Corporate Governance Code, Kate has served more than 12 months as a member of the Remuneration Committee prior to her appointment as Chair.

Following Pam and Tim's appointment and Steven's retirement in 2018, at least half of the Board are now independent Non-Executive Directors in compliance with the requirements of the 2018 UK Corporate Governance Code.

As explained in my Governance Overview, the Board has decided to further engage with the Group's workforce through the appointment of a Designated Non-Executive Director. I am pleased to report that the Board approved the appointment of Tim Smith to this new role to lead this initiative. Tim has significant experience of the food industry having previously led a number of food processing companies which we believe means he is well qualified to undertake this role.

All directors (other than Steven Esom) will be standing for re-election at the Annual General Meeting. The Board has set out in the Notice of the Meeting its reasons for supporting the re-election of the Directors and their biographical details on pages 48 and 49 demonstrate the range of experience and skills which each brings to the benefit of the Company.

SUCCESSION

During the year, the Committee reviewed the Group's succession plan which relates to executive members of the Board and key management throughout the Group. The Committee's review included arrangements relating to contingency planning for sudden and unforeseen departures together with longer term planning focused on identifying potential candidates within the

Group for progression and areas where external recruitment may be required. Members of the Committee have increasingly met with the wider executive management team, who gain exposure to the Board through site visits, Board presentations and ad hoc informal dinners held throughout the year.

In relation to the appointment of any new Non-Executive Directors or Chairman, the Group's policy is to engage independent external search consultants to assist with appointments, who are required to have adopted the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice. The Group does not advertise Non-Executive positions, but keeps developments in market practice in relation to this under review.

As part of the planned transition of executive responsibilities in the Group, I reduced my part time executive responsibilities from September 2018. Consequently, as explained in the Remuneration Report my participation in the Group's bonus scheme was reduced pro rata to 31 August 2018 to reflect this and I will not participate in any new LTIP awards in 2019, or in the Group's 2019 bonus scheme.

NON-EXECUTIVE DIRECTORS

Consideration was given by the Committee to the continued independence of the Non-Executive Directors, including their term in office, the time commitment required from each of them taking into account the number of meetings and preparation and attendance at those meetings. It was concluded that all Non-Executive Directors remained independent and devoted an appropriate amount of time to fulfil their responsibilities.

The Committee has considered Director 'overboarding' and it is pleased to note that there are no issues at the current time. It believes that the Non-Executive Directors have sufficient time and energy to be effective representatives of Shareholders' interests. During the year Kate Allum was appointed to the Board of Stock Spirts Group plc as a Non-Executive Director, however, the Board was satisfied that, taking into account Kate's other commitments, she will continue to have sufficient capacity to properly fulfil her role as a Non-Executive Director of the Company.

In accordance with the 2018 Corporate Governance Code all future additional external appointments undertaken by any Director will require the prior approval of the Board.

DIVERSITY POLICY

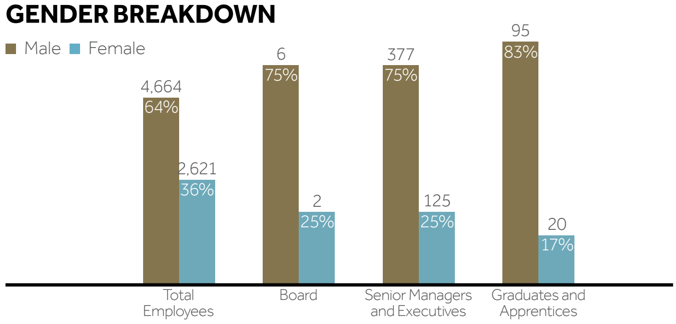
Cranswick recognises the benefits of bringing together a wide variety of backgrounds and experiences and is therefore firmly committed to developing a diverse workforce that is truly representative of all sections of society. All appointments, including recruitments and internal promotions, are based on merit, qualification and abilities, and are not influenced or affected by race, colour, nationality, religion or belief, gender, marital status or civil partnership, family status, pregnancy or maternity, sexual orientation, gender reassignment, disability or age.

The Nomination Committee believes that diversity strengthens the Board and that it is important that the Board is not made up exclusively of like-minded individuals with similar backgrounds. Whilst management appointments will continue to be made on the basis of merit, without the adoption of specific diversity targets, the Group recognises the benefits of a more diverse management and has a policy of actively increasing diversity at all levels. The Board is mindful of the targets set out in the Hampton-Alexander and Parker Reviews when considering future appointments.

Successful delivery of the Group's strategy and planned growth depends on the recruitment and retention of a motivated and skilled workforce in an increasingly competitive and mobile labour market. The Board recognises that actively broadening diversity to ensure that our workforce is more reflective of society maximises our available talent pool and the attractiveness of a career with the Group both at a senior level and more generally.

The gender breakdown of the workforce is set out above and I am pleased to report that in all categories the proportion of females has increased from last year.

GENDER BREAKDOWN



BOARD PERFORMANCE EVALUATION

The performance evaluation process was undertaken in early 2019 based on a questionnaire which included questions about Board administration, the role of the Chairman, strategy, risk oversight, succession planning and the Board committee structure. The review was facilitated by the Company Secretary who is considered a suitable and independent person to conduct this process The questionnaire was completed by all Board members. A report on the outcome of the evaluation exercise was prepared by the Company Secretary and was presented to the Board at its March 2019 meeting.

The report concluded from the feedback to the questionnaire that we operated an extremely unified, highly functional Board, but recognised the need for continued focus on succession planning and strategy given the complexity of the Group and dynamic markets it operates in.

As well as considering the results of this year's performance evaluation, the Board also reviewed performance against the areas identified in the 2018 evaluation when it was recognised that progress needed to be made in certain areas such as people development and strategy. Since the 2018 evaluation it was noted that the Board has reviewed the Group's succession plan and people development programmes and held a number of strategy briefing sessions focused on key areas of the Group's business including continental and poultry products and the Far East export market at which the Group's strategy has been reviewed and debated.

The Chairman has evaluated the performance of individual Directors through informal discussions and observations. The Senior Independent Non-Executive Director and the other Non-Executive Directors have met, without the Chairman present, to appraise his performance.

Overall the Board considered the performance of each Director to be effective and concluded that both the Board and its committees continue to provide effective leadership and exert the required levels of governance and control. The Board will continue to review its procedures, effectiveness and development in the year ahead.

In accordance with the 2018 UK Corporate Governance Code a triennial externally facilitated Board evaluation will be undertaken later in 2019, in relation to which the Board will follow the recommendations of the Financial Reporting Council's Guidance on Board Effectiveness.

GOVERNANCE

The Committee considered its terms of reference to ensure they reflect the Committee's remit and has updated these to reflect the requirements of the 2018 Corporate Governance Code. A copy of the Committee's terms of reference is available on the Company's website at **www.cranswick.plc.uk**.

I will be attending the Annual General Meeting to respond to any Shareholder questions that might be raised on the Committee's activities.

On behalf of the Committee

Martin Davey
Chairman

21 May 2019

REMUNERATION

THE REMUNERATION COMMITTEE

The Remuneration Committee establishes the policy for Executive Directors' remuneration and determines the appropriate performance conditions for the annual cash bonus and long-term incentive awards. The Remuneration Committee also sets remuneration for the chair, Executive Directors and Senior Management (including the Company Secretary).

COMMITTEE MEETINGS DURING THE YEAR

There were four meetings held during the year. The attendance of members at the meetings was as follows:

Committee Members	Meetings attended
Kate Allum – Chair*	4
Steven Esom**	3
Mark Reckitt	4
Pam Powell***	4
Tim Smith***	4

* Chair of the Remuneration Committee from 22 November 2018.
** Steven Esom retired as a Director and as a member of the Remuneration Committee on 22 November 2018 and attended the maximum number of meetings whilst a Director.
*** Pam Powell and Tim Smith were appointed as Directors on 1 April 2018.

OTHER REGULAR ATTENDEES

- The Chairman, Chief Executive and Finance Director attend by invitation as required (no individual is involved in decisions relating to their own remuneration).
- The Company Secretary also attends meetings as secretary to the Committee.

FREQUENCY OF MEETINGS

The Committee meets as necessary and at least twice a year.

INDEPENDENCE

All Members of the Committee are independent.

KEY ACTIVITIES IN 2018/19

Review of 2018 Corporate Governance Code

- Reviewed requirements of the new Corporate Governance Code.
- Reviewed and amended the Committee's terms of reference.

Executive Director and Senior Executive remuneration

- Reviewed Executive Directors' and other Senior Executives' base salaries.

Approval of bonuses

- Set objectives for the annual bonus arrangements for 2019 for Executive Directors and Senior Executives.
- Reviewed the achievement of the Executive Directors' bonus arrangements against 2018 targets.

LTIP awards

- Reviewed the outcome of performance conditions for the LTIP awards which were granted in 2015.
- Approved LTIP awards granted in 2018.

Shareholder engagement

- Engaged with major Shareholders in relation to remuneration.

Other Activities

- Reviewed the Annual Remuneration Report for 2018.
- Reviewed employee benefit structures and approved the issue of the SAYE share scheme for 2018.

REMUNERATION COMMITTEE REPORT

STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE
On behalf of the Remuneration Committee and the Board, I am pleased to present, as the newly appointed Chair of the Remuneration Committee, the Remuneration Committee Report for the year ended 31 March 2019.

Our new Remuneration Policy was approved by Shareholders at the 2018 AGM with over 98 per cent of the votes cast in favour of it, and we were delighted to see similarly high levels of support for the other resolutions related to remuneration; further information is given on page 81.

The Company adopted a new Remuneration Policy at its 2018 AGM, which has been applied this year. However, in July 2018, the Financial Reporting Council published a new UK Corporate Governance Code which included a number of new requirements in relation to the operation of listed company remuneration committees and remuneration policies, which will apply in relation to the Company's next financial year.

Whilst a number of the new requirements were anticipated and incorporated in our new Remuneration Policy, the new Code includes a number of additional measures which will need to be addressed. The Remuneration Committee has therefore considered the requirements of the new Code and agreed that a number of changes will be made to the Committee's terms of reference and the way in which the Company's Remuneration Policy will be applied going forward. These will be applied in the current financial year and, subject to Shareholder approval, will be formally adopted into the Company's remuneration policy when this is next approved by Shareholders (anticipated to be in 2021).

A summary of the key changes proposed by the 2018 UK Corporate Governance Code, which the Remuneration Committee's existing terms of reference and the Company's Remuneration Policy do not fully comply with, together with the approach the Company is taking to address these new requirements, is set out below.

As with prior years, Shareholders will be asked to pass an advisory vote on the Annual Report on Remuneration at the forthcoming Annual General Meeting.

We have also included in this report a CEO pay ratio, comparing the remuneration of our CEO to that of the wider workforce. Although we are not required to include this until we publish our 2020 Directors' Remuneration Report, we have done so on a voluntary basis, the detail is set out on page 79.

Corporate Governance Code Requirement	Changes Adopted
Remuneration Committee role extended to setting remuneration for Senior Management (in addition to Executive Directors).	Terms of Reference have been revised to include setting remuneration for Senior Management (including the Company Secretary). The Remuneration Committee has also reviewed and agreed those Senior Executives within the Group who will now fall within the scope of the Remuneration Committee's extended role.
Remuneration Committee role extended to include review of workforce remuneration and related policies and alignment of incentives and rewards with culture and taking these into account when setting the policy for Executive Director remuneration.	Terms of Reference have been revised to reflect the new requirements. The Committee has also been considering further practical measures to enable it to engage with the Group's workforce to explain how executive remuneration aligns with wider Group pay policy and to undertake such review. The Committee has, as part of its forward looking agenda, incorporated updates on wider workforce pay and related policies so that the Committee can review and understand how pay principles are applied across the Company. This includes base pay, benefits and all incentives and aspects of financial and non-financial rewards that drive behaviour.
Remuneration Committee Chair to have served as a remuneration committee member for at least 12 months prior to appointment.	Terms of Reference have been revised to require that future appointees as Chair have served on a remuneration committee for at least 12 months. The current Chair, Kate Allum, already satisfies this requirement.
The pension contribution rates for Executive Directors, or payments in lieu, should be aligned to those available to the workforce.	Under the Company's existing remuneration policy, a maximum employer pension contribution and/or cash payment in lieu, up to 20 per cent of salary is paid. Pension contributions for new Executive Directors will be aligned to those applicable to other employees and will be set at the time of appointment.
Remuneration Committee should develop a formal policy for post-employment shareholding requirements encompassing both vested and unvested shares.	The Company does not currently require Directors to continue to maintain a shareholding in the Company post-employment. Over the course of 2019, the Remuneration Committee will review developing market practice and emerging trends with regard to developing a post-employment shareholding policy. During this time, the Committee will consider developing a post-employment shareholding policy which encompasses vested and unvested shares.
Remuneration Committee should exercise independent judgement and discretion taking account of Company and individual performance and wider circumstances. Consideration should also be given to setting a limit on individual rewards.	The Remuneration Committee already has a discretion in relation to annual bonuses to amend outcomes where these do not reflect overall business performance. Going forward, new LTIP award performance conditions will be amended so that the Remuneration Committee is able to also exercise discretion in relation to these so that formulaic outcomes which do not reflect overall business performance can also be overridden.
Incentive schemes should include provisions that would enable the Company to recover or withhold sums or share awards in various circumstances including in the case of 'corporate failure' and 'serious reputational damage'.	For awards made from 2019 onwards, the existing malus and clawback provisions in the Group's bonus scheme and LTIP have been extended to include 'corporate failure' and 'serious reputational damage'.
Reputational and other risks from excessive rewards and behavioural risks that can arise from target-based incentive plans should be identified and mitigated.	As noted above, for awards made from 2019 onwards, existing malus and clawback provisions in the Group's bonus scheme and LTIP have been extended to include 'material failure in risk management'. The annual bonus and LTIP are awarded on a percentage of salary basis which mitigates the risk of excessive rewards.

COMPANY PERFORMANCE AND REMUNERATION OUTCOME FOR 2019
Cranswick has over recent years experienced impressive growth year on year both in relation to revenue and profits which has been reflected in the remuneration received by the Group's Executive Directors in relation to both bonus and LTIP awards. However, over the course of 2019 the Group has faced challenging conditions which resulted in a marginal decrease in revenue (on a like-for-like basis) and a 4 per cent decline in the Company's share price over the last 12 months. This has resulted in a significant decrease in the bonus awarded to Executive Directors and a reduction in the Group's LTIP award (which is measured over a three-year period), further details of which are set out below and on the following pages. The Remuneration Committee believes it is important that the Executive Directors' interests are aligned with the Company's strategic vision and the interests of Shareholders and that the incentive outcomes reported are appropriate given the performance of the Group. In the circumstances, the Remuneration Committee did not consider it necessary to exercise its discretion in relation to such outcomes and believes that the measures used to judge performance which are explained in our remuneration policy on pages 70 to 75 remain appropriate.

This report contains the following separate sections;
- **Part 1** – The Chair's annual statement on pages 66 and 67.
- **Part 2** – Remuneration at a glance on pages 68 and 69.
- **Part 3** – Full details of our remuneration policy approved at the 2018 AGM on pages 70 to 75.
- **Part 4** – The Annual Report on Remuneration on pages 76 to 81 which discloses how the existing policy has been applied during the year. Those elements of part 4 subject to external audit are clearly identified.

2019 BONUSES
Bonus awards for 2019 reflect the performance delivered in the year outlined below*. A bonus of 38 per cent of base salary has been awarded to each of the Executive Directors. In comparison, bonus awards for 2018 were 150 per cent of base salary for each of the Executive Directors. Further details are shown on page 76.

LTIP AWARDS VESTING IN RESPECT OF THE YEAR ENDING 31 MARCH 2019
The LTIP Awards granted in 2016 were based on the three-year performance period from April 2016 to March 2019 and were subject to adjusted EPS (50 per cent) and TSR (50 per cent) targets. Performance over the three-year period as measured against adjusted EPS has been very strong, exceeding the maximum target of 7 per cent over the average increase in RPI and vesting at 100 per cent of the maximum. Performance in relation to TSR has been affected by the decline in the Company's share price following our third quarter trading statement with the Company being ranked in the 62nd percentile of its comparator group and, consequently, only 61 per cent of the TSR element of the award vesting. Consequently, 80.5 per cent of the overall maximum award will vest in June 2019 (i.e. 121 per cent of salary) for each Executive Director versus 100 per cent of the maximum award which vested in August 2018 (i.e. 150 per cent of salary). This is reflected in the table on page 77.

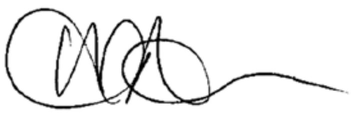
The Committee also awarded nil-cost share options under the existing LTIP scheme to Senior Executives, including the Executive Directors, during the year. The number of shares awarded to each Executive Director was equivalent to 200 per cent of base salary based on the market value of the Company's shares at the date of award (1 August 2018). These awards are reflected in the table on page 77. Each of the Senior Executives, including the Executive Directors, was also granted a tax qualifying option over 910 ordinary shares at an exercise price of £32.93 per ordinary share which is linked to the LTIP awards such that, at the time of exercise, to the extent that there is a gain in the tax qualifying option, the LTIP will be scaled back to the value of that gain.

REMUNERATION IN RESPECT OF THE YEAR ENDING 31 MARCH 2020
Executive Directors (other than Martin Davey who waived his contractual entitlement to an increase this year) were awarded a pay increase of 2.5 per cent effective from 1 May 2019 in line with the Senior Executives and the wider workforce. Bonus opportunities and LTIP awards will remain unchanged at 150 per cent of salary and 200 per cent of salary respectively for the year ending 31 March 2020. The bonus and LTIP awards will continue to be subject to stretching targets on the same basis as previous years, namely 100 per cent on adjusted Group profit before tax for the annual bonus, and 50 per cent on EPS and 50 per cent on Relative TSR for LTIP awards.

SHAREHOLDER ENGAGEMENT
Ongoing engagement by the Chairman, Chief Executive and Finance Director has ensured that key Shareholders have been regularly updated on progress and performance throughout the year.

A copy of the Committee's terms of reference is available on the Company's website at **www.cranswick.plc.uk**.

On behalf of the Board, I would like to thank Shareholders for their continued support. Should you have any questions on, or would like to discuss any further aspect of, our remuneration strategy I can be contacted at kate.allum@cranswick.co.uk.



Kate Allum
Chair of the Remuneration Committee

21 May 2019

***2019 BONUSES**

Measure	Threshold	Maximum	Actual
Adjusted profit before tax	£90.9m	£99.7m	£92.9m
Bonus payable	20%	150%	38%

Note: Adjusted profit before tax targets are stated before deduction of bonuses paid to Executive Directors and the Chief Operating Officer.

REMUNERATION AT A GLANCE

OUR PERFORMANCE DURING THE YEAR

-0.2%

Like-for-like revenue decrease to £1,437.1m.

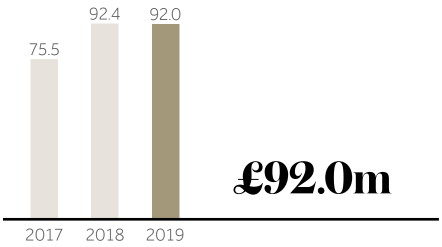
-4.0%

Share price decrease to 2,722p at 31 March 2019.

See pages 18 to 23 for Strategic progress and KPIs

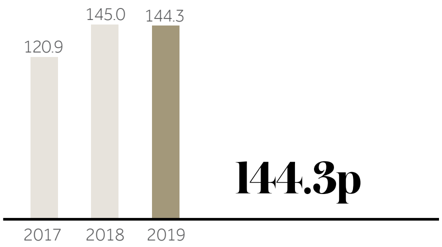
ADJUSTED PROFIT BEFORE TAX

(£'m)

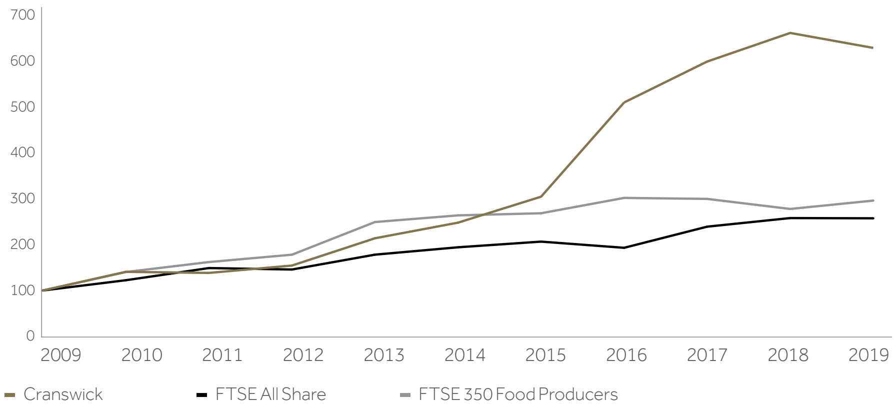


ADJUSTED EARNINGS PER SHARE

(p)



TOTAL SHAREHOLDER RETURN



REMUNERATION IN 2019

The Committee ensures that executive remuneration targets are stretching, aligned to business strategy to drive long-term Shareholder value and reflect the performance of the business during the period under review. Executive Directors' rewards (excluding base salary and benefits) are two-fold: short term by way of a cash bonus; and longer term by way of share awards under the Company's Long Term Incentive Plan (LTIP).

TARGETS

Bonus

100%

Adjusted profit before tax

LTIP

50%

EPS

50%

Relative TSR

See page 76 for more details

	Martin Davey	Adam Couch	Mark Bottomley	Jim Brisby
Salary	314	635	420	420
Benefits	33	33	33	31
Pension	63	127	84	84
Bonus	50	240	159	159
LTIP	427	839	554	554
SAYE	7	–	–	–
Total	894	1,874	1,250	1,248

OUTCOMES

Achieved Adjusted Group profit before tax of £92.0 million – 25 per cent of the maximum bonus opportunity achieved (38 per cent of salary). Performance measured over the three-year period ending 31 March 2019, EPS growth was RPI +10.39 per cent, and TSR was ranked in the 62nd percentile of its comparator group. LTIP awards made in June 2016 will therefore vest in June 2019 in full in respect of the EPS element and 61 per cent of the maximum in respect of the TSR element, in aggregate 80.5 per cent of maximum (121 per cent of salary).

REMUNERATION FOR 2020

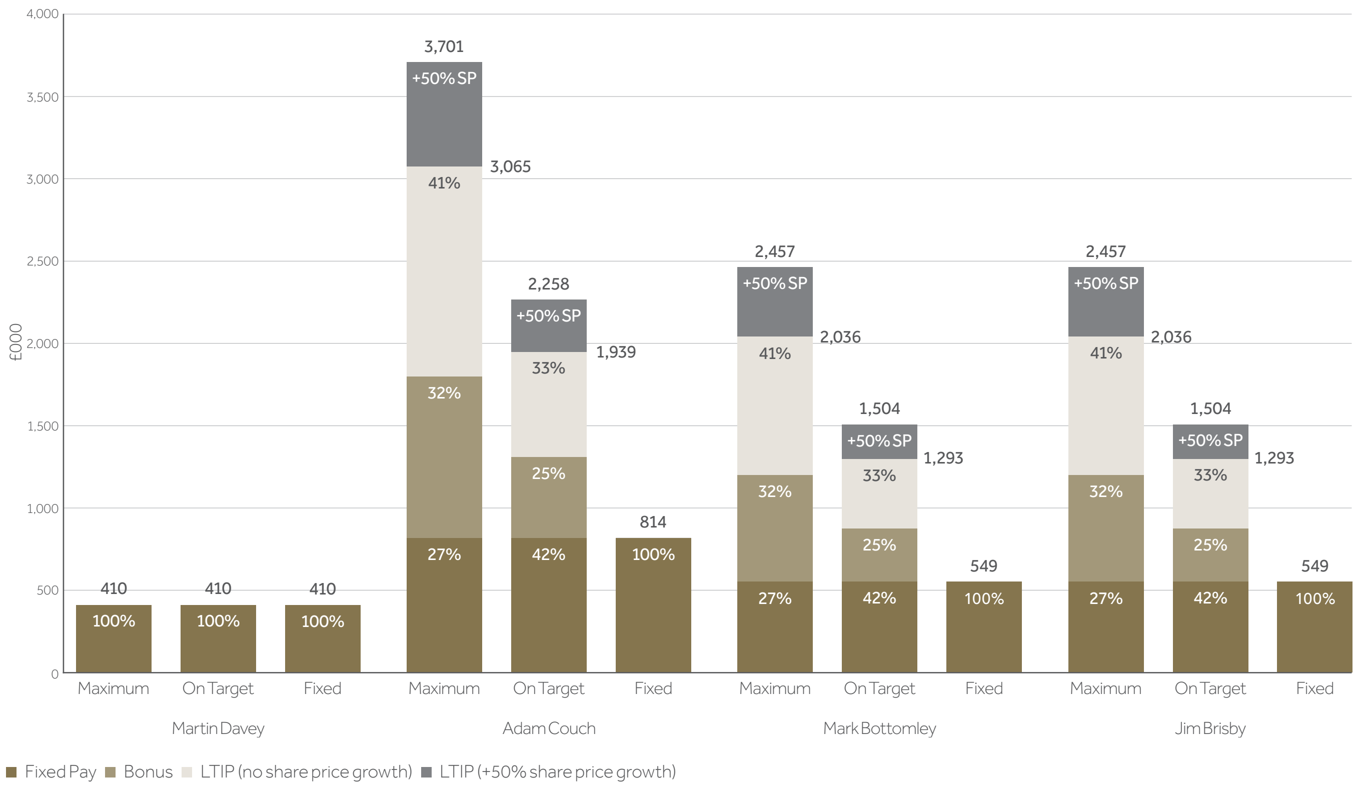
Salary	2.5% increase to Directors' salaries (other than Martin Davey) in line with Senior Executives and the wider workforce.
Bonus	Opportunities unchanged at 150% of salary for 2019-20. Stretching target – unchanged from previous years at 100% on Adjusted Group profit before tax.
LTIP awards	Opportunities unchanged at 200% of salary for 2019-20. Stretching target – unchanged from previous years at 50% on EPS and 50% on relative TSR.

>97%

of total votes cast in favour of the Remuneration Committee's Policy and Report at last year's AGM.

ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY FOR 2019/20

The following chart illustrates the potential pay opportunities for the Executive Directors under three different performance scenarios for the year ending 31 March 2020. The chart has also been amended to illustrate potential pay opportunities reflecting an assumed 50 per cent increase in the share price across the performance period.



In illustrating the potential reward, the following assumptions have been made:

	Fixed Pay	Annual Bonus	LTIP
Minimum performance	Base salary effective at 1 May 2019, employer pension contributions of 20% of that salary, and benefits disclosed in the single figure table for the year ending 31 March 2019.	No bonus	No LTIP vesting
Performance in line with expectations		Bonus equal to 50% of the opportunity is earned (i.e. 75% of salary).	LTIP vests as to 50% of the maximum award (100% of salary).
Maximum performance		Bonus equal to 150% of salary is earned.	LTIP vests in full (200% of salary).

REMUNERATION POLICY

This part of the Directors' Remuneration Report sets out the Directors' Remuneration Policy (the 'Policy').

LINK BETWEEN POLICY, STRATEGY AND STRUCTURE

Our remuneration policy is principally designed to align the interests of Executive Directors and Senior Executives with the Company's strategic vision and the creation of sustainable long-term value for our stakeholders without encouraging excessive levels of risk taking. The Policy is intended to remunerate our Executive Directors competitively and appropriately for effective delivery of this goal and allows them to share in this success and the value delivered to Shareholders. The principles and values that underpin the remuneration strategy are applied on a consistent basis for all Group employees. It is the Group's policy to reward all employees fairly, responsibly and by reference to local market practices, by providing an appropriate balance between fixed and variable remuneration.

The remuneration package is in two parts, to provide competitive total remuneration:

- a non-performance part represented by fixed remuneration (basic salary, pension and benefits); and
- a significant performance related element in the form of an annual bonus and long-term share-based awards.

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

Purpose and link to strategy	Operation	Performance metrics	Maximum entitlement
Base salary			
To provide a market competitive base salary to attract and retain executives.	Periodic reviews of market rates. Base salaries are ordinarily reviewed annually taking into account a number of factors including (but not limited to): • the individual's skills, experience and responsibilities; • pay increases within the Group more generally; and • performance, group profitability and prevailing market conditions. Any changes will usually take effect from 1 May. Martin Davey is entitled to an annual increase of not less than RPI under his service agreement agreed in 2006.	While no formal performance conditions apply, an individual's performance in role is taken into account in determining any salary increase.	Whilst there is no maximum salary, increases will normally be within the range of salary increases awarded (in percentage of salary terms) to other employees in the Group. However, higher increases may be awarded in appropriate circumstances, such as: • an increase in scope of the role or the individual's responsibilities; • where an individual has been appointed to the Board at a lower than typical market salary to allow for growth in the role, in which case larger increases may be awarded to move salary positioning to a typical market level as the individual gains experience; • change in size and complexity of the Group; and/or • significant market movement. Such increases may be implemented over such time period as the Committee deems appropriate.
Pension			
To provide a framework to save for retirement.	Executive Directors are entitled to non-contributory membership of the Group's defined contribution pension scheme. Alternatively, at their option, Executive Directors may receive a cash payment in lieu of pension contribution, subject to the normal statutory deductions. Pension contributions may also be made in lieu of salary.	N/A	Maximum employer pension contribution and/or cash payment in lieu, up to 20 per cent of base salary.

Benefits			
To provide market competitive benefits as part of the remuneration package.	Market competitive benefits principally comprise health insurance (which may include coverage for the director's spouse and dependent children), personal tax advice, pension advice and Company car allowance or the provision of a Company car and running costs. Additional benefits might be provided from time to time if the Committee decides payment of such benefits is appropriate. Benefits are not pensionable.	N/A	Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value is set at a level which the Committee considers to be appropriately positioned, taking into account relevant market levels based on the nature and location of the role and individual circumstances.
Annual bonus			
To incentivise and reward Executive Directors and Senior Executives for performance in the year against targets linked to the delivery of the Company's strategic priorities.	Measures and targets are reviewed annually and any pay-out is determined by the Committee after the year end, based on performance against targets set for the financial period. The Committee has discretion to amend the pay-out should any formulaic outcome not reflect the Committee's assessment of overall business performance. Where a bonus opportunity is offered in excess of 100 per cent of salary to an Executive Director appointed on or after the date on which this policy becomes effective, any bonus earned in excess of 100 per cent of salary will be deferred into shares for up to two years until the Executive Director has satisfied the shareholding guidelines. Deferral of any bonus is subject to a de minimis limit of £10,000. The Committee may make an additional payment (in cash or shares) in respect of deferred shares to reflect the value of dividends which would have been paid on those shares during the period from grant to release (this payment may assume that dividends had been reinvested in shares on a cumulative basis). Bonuses are non-pensionable. There is a clawback and malus arrangement in place should the need arise, for misstatement, performance error and misconduct by a participant. Clawback may be applied for up to two years following the payment of the cash element of the bonus, and may be effected in relation to any deferred share award by the cancellation of that award before it vests.	The bonus will be based on the achievement of targets with stretching performance measures and respective weightings (where more than one measure is used) set each year dependent on the Group's strategic priorities.	The maximum opportunity is 150 per cent of base salary. The bonus for achieving threshold performance is 20 per cent of salary (13 per cent of the maximum opportunity).
Share-based awards			
A Save As You Earn (SAYE) share scheme is available to all eligible employees.	Subject to approval by the Board, SAYE options are made available to eligible staff, including Executive Directors, in accordance with the scheme rules which reflect the applicable legislation with an option exercise price which may be set at a discount of up to 20 per cent to the share price when the option is offered.	N/A	The limit on monthly savings and maximum discount that may be applied in setting the exercise price will be determined in accordance with the applicable tax legislation from time to time and will be the same for the Executive Directors as for other eligible employees. At the date of approval of this Policy the maximum saving is £500 per month and the maximum discount is 20 per cent.

LTIP			
Long Term incentive (LTIP) awards provide a clear link between the remuneration of Executive Directors and the creation of value for Shareholders by rewarding the achievement of longer term strategic priorities aligned to Shareholder interests.	The LTIP awards may take the form of nil (or nominal) cost share options or conditional awards. The Committee may at its discretion structure awards as qualifying LTIP awards, consisting of a tax qualifying CSOP option with an exercise price equal to the market value of a share at the date of grant and an ordinary nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the CSOP option. Awards will usually vest following assessment of the achievement of demanding targets relating to total Shareholder return (TSR) and earnings per share (EPS). Awards held by Executive Directors are then subject to a two year holding period which may be structured as either: (1) the Executive Director being entitled to acquire the shares once vested, but, other than as regards sales to cover tax, being prevented from selling shares until the end of the holding period; or (2) the Executive Director being prevented from acquiring shares until the end of the holding period. If a holding period is structured on the latter basis, the participant may be entitled to an additional payment (in cash or shares) in respect of vested shares to reflect the value of dividends paid on shares from the start of the holding period until the date on which the Executive Director is entitled to acquire shares. There is a clawback and malus arrangement in place should the need arise, for misstatement, performance error and misconduct by a participant. Clawback may be applied for up to two years following vesting, and may be effected in relation to any award during a holding period by the cancellation of that award before the participant becomes entitled to acquire shares. Clawback and malus may be applied to any CSOP option granted under the LTIP to the extent permitted by the applicable tax legislation.	Performance measures for LTIP awards are typically assessed over a period of three years and will be based on financial measures, which may include but are not limited to EPS growth and relative TSR. Where more than one measure is used, the weightings will be determined by the Committee taking into account the Company's key strategic priorities. Threshold vesting will not be at more than 41.25 per cent of salary used to determine the value of the award at grant. The award vests in full for maximum performance.	The normal maximum award level under the LTIP in respect of any financial year is 200 per cent of base salary. In exceptional circumstances this can be increased to 250 per cent of base salary. If a qualifying LTIP award is granted, the value of shares subject to the CSOP option will not count towards the limits referred to above, reflecting the provisions for scale back of the ordinary LTIP award.
Fees and benefits payable to Non-Executive Directors			
To pay fees at a level that reflects market conditions and are sufficient to attract and retain individuals of the appropriate calibre.	The fees of the Non-Executive Directors are determined by the Board and reviewed periodically. On appointment a non-executive Chairman's, fees would be determined by the Committee. Non-Executive Directors are paid a basic fee with additional fees paid for chairing Committees and for the role of Senior Independent Director. Non-Executive Directors are not eligible to participate in any of the Group's share schemes, incentive schemes or pension schemes. Non-Executive Directors may be eligible to receive benefits such as travel costs and other reasonable expenses.	N/A	Fees are set taking into account the responsibilities of the role and the expected time commitment

DIFFERENCES IN POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS FROM POLICY ON REMUNERATION OF EMPLOYEES GENERALLY

The Company aims to provide a remuneration package that is market competitive and which reflects responsibility and role scope. Accordingly Executive Directors have a greater weighting towards long-term and performance based remuneration.

SHAREHOLDING GUIDELINES
To promote alignment between Executive Directors' and Shareholders' interests, the Committee has adopted formal shareholding guidelines for Executive Directors. Each Executive Director is required to hold shares acquired through the LTIP and any deferred bonus award (after sales to cover tax and costs) until the value of their total shareholding is equal to 200 per cent of their annual base salary.

Where an LTIP or deferred bonus award is subject to a holding period on the basis that the Executive Director is prevented from acquiring shares until the end of the holding period, the vested shares count towards the shareholding guidelines, on a net of assumed tax basis.

Shares subject to a deferred bonus award count towards the shareholding guidelines, on a net of assumed tax basis.

ANNUAL BONUS PERFORMANCE TARGETS
The structure of the performance targets applicable to annual bonus awards to be made in a particular year will be set out in the implementation section of the Annual Report on Remuneration which precedes that year rather than in this remuneration policy report. The actual targets will not be disclosed in advance as they are considered to be commercially sensitive information; however, the details will be disclosed retrospectively, provided they are not considered commercially sensitive at that time.

Historically, Group profit before tax, as adjusted for acquisitions, disposals and other non-trading items, was the sole metric against which the annual bonus award was assessed. Although there is currently no intention to move away from PBT, the policy has been amended to allow flexibility for the Committee to introduce other financial and/or strategic measures, if deemed necessary, to provide an appropriately balanced and stretching incentive. Again, such metrics will be disclosed in the implementation section.

The Committee may vary or substitute any performance measure if an event occurs which causes it to determine that it would be appropriate to do so, provided that any such variation is fair and reasonable and, in the opinion of the Committee, would not make the measure materially less demanding. If the Committee was to make such a variation or substitution, an explanation would be given in the next Directors' Remuneration Report.

LTIP PERFORMANCE TARGETS
Performance measures for LTIP awards will be based on financial measures, with the chosen measures determined by the Committee taking into account strategic priorities. Our current use of EPS and relative TSR, weighted equally, ensures an appropriate link to our financial KPIs along with a link to our performance relative to that of peer companies.

The Committee may vary or substitute any performance measure if an event occurs which causes it to determine that it would be appropriate to do so, provided that any such variation is fair and reasonable and, in the opinion of the Committee, would not make the measure materially less demanding. If the Committee was to make such a variation or substitution, an explanation would be given in the next Directors' Remuneration Report.

OPERATION OF SHARE PLANS
The Committee retains discretion to operate the Company's share plans in accordance with the plan rules, including the ability to adjust the number of shares subject to awards in the event of a variation in share capital, or other relevant event and to settle awards in cash or to grant awards as rights to cash payments calculated by reference to a notional number of shares.

RECRUITMENT REMUNERATION POLICY
When appointing a new Executive Director, the Committee will typically align the remuneration package with the above Policy.

When determining appropriate remuneration arrangements, the Committee may include other elements of pay which it considers are appropriate. However, this discretion is capped and is subject to the limits referred to below.

- Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate.
- Pension will only be provided in line with the above Policy.
- The Committee will not offer non-performance related incentive payments (for example a 'guaranteed sign-on bonus').
- Other elements may be included in the following circumstances:
  - an interim appointment being made to fill an Executive Director role on a short-term basis;
  - if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
  - if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis;
  - if the Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.
- The Committee may also alter the performance measures, performance period, vesting period, deferral period and holding period of the bonus or LTIP, subject to the plan rules, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the next Directors' Remuneration Report.
- The maximum level of variable remuneration which may be granted (excluding 'buyout' awards as referred to below) is 400 per cent of salary.

The Committee may make payments or awards in respect of appointing an Executive Director to 'buyout' remuneration arrangements forfeited on leaving their previous employer. In doing so, the Committee will take into account relevant factors including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The Committee will generally seek to structure 'buyout' awards or payments on a comparable basis to the remuneration arrangements forfeited. Any such payments or awards are excluded from the maximum level of variable remuneration referred to above. 'Buyout' awards will ordinarily be granted on the basis that they are subject to forfeiture or 'clawback' in the event of departure within 12 months of joining Cranswick, although the Committee will retain discretion not to apply forfeiture or clawback in appropriate circumstances.

Any share awards referred to in this section will be granted as far as possible under Cranswick's existing share plans. If necessary and subject to the limits referred to above, recruitment awards may be granted outside of these plans as permitted under the Listing Rules which will allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue in accordance with their terms.

Fees payable to a newly appointed Chairman or Non-Executive Director will be in line with the policy in place at the time of appointment.

POLICY ON PAYMENT FOR LOSS OF OFFICE

Individual Directors' eligibility for the various elements of remuneration is set out below:

Provision	Treatment upon loss of office
Fixed remuneration	Salary/fees, benefits and pension contributions/salary supplement will be paid to the date of termination. The Company may make a payment in lieu of notice at any time after notice has been given by either the Company or the Director. This payment would include basic salary for the unexpired period of notice and may also include benefits (including pension contributions or applicable salary supplement or contribution in lieu of salary) for that period. Under the terms of his service agreement, if Martin Davey's employment is terminated by the Company without giving 12 months' notice (other than for circumstances justifying summary dismissal) liquidated damages are payable calculated based on Martin Davey's annual salary, benefits and pro rata bonus entitlement.
Annual Bonus	This will be reviewed on an individual basis and the decision whether or not to award a bonus in full or in part will be dependent upon a number of factors including the circumstances of their departure and their contribution to the business during the bonus period in question. Any bonus payment would typically be pro-rated from time in service to termination and paid at the usual time (although the Committee retains discretion to pay the bonus earlier in appropriate circumstances) and to vary the application of (or disapply) time based prorating. If bonus deferral would otherwise apply to any bonus for the year of termination or prior year, the Remuneration Committee may pay the full bonus earned in cash. Any outstanding deferred bonus awards would typically continue (other than in the event of summary dismissal where the entitlement would lapse) and vest at the originally anticipated date, although the Remuneration Committee retains discretion to release any such award at the date of cessation or at an alternative date before the originally anticipated date.
LTIP	Unvested LTIP awards will lapse on cessation of employment, unless cessation is as a result of death, injury, ill health, disability, redundancy, retirement with the agreement of the Company or other circumstances at the discretion of the Committee. In these 'good leaver' scenarios, awards will usually vest at the normal vesting date subject to the satisfaction of the performance conditions and, unless the Committee determines otherwise, a pro-rata reduction to reflect the proportion of the vesting period that has elapsed at the date of cessation. The Committee retains discretion to vest awards early (and to assess performance conditions early where relevant) and to waive the time based pro-rating reduction. The holding period would typically apply for the two year period following vesting, although the Committee has discretion to vary the application of the holding period. If an Executive Director ceases employment during the holding period relating to an LTIP award, the holding period will ordinarily continue to apply, unless cessation is due to the death of the Executive Director, although the Committee has discretion to bring it to an end earlier. In the event of death, the holding period would come to an end.
Other payments	In appropriate circumstances, payments may also be made in respect of accrued holiday pay, and outplacement and legal fees. Options under the SAYE scheme will vest on cessation in accordance with the plan rules, which do not allow for discretionary treatment.
Change of control	In the event of a change of control, unvested awards under the LTIP will be released to the extent determined by the Committee taking into account the relevant performance conditions and, unless the Committee determines otherwise, the extent of vesting so determined shall be reduced to reflect the proportion of the vesting period that has elapsed. In the event of a change of control during the holding period relating to an award under the LTIP, that holding period shall come to an end. Deferred bonus awards will vest in full on a change of control.

Options under the SAYE scheme will vest on a change of control.

Where appropriate the Committee would have regard to the departing Executive Director's duty to mitigate loss. Other than as described above, there are no express provisions within the Director's service contracts for the payment of compensation or liquidated damages on termination of employment.

Where a 'buyout' or other award is made, the leaver provisions would be determined at the time of the award.

The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

The Non-Executive Directors are not entitled to compensation on termination of their appointment in excess of their outstanding fee entitlement.

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.

The service contract for Martin Davey includes a one year notice period from 1 May 2006 except in the case of a change in control of the Company when the notice period is two years from the employer and three months' from the employee for the first six months following the change of control, thereafter it reverts back to a one year notice period from either party. The contract also has special provisions relating to liquidated damages requiring that the notice period stipulated in the contract will be paid in full, which has been described above in the policy on termination. These conditions were incorporated into new contracts several years ago when the Directors changed from contracts that had notice periods of up to three years. 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 this individual in 2006.

NON-EXECUTIVE DIRECTORS

Each Non-Executive Director has an appointment letter – Kate Allum for three years from 1 July 2016, Mark Reckitt for three years from 1 May 2017, and Pam Powell and Tim Smith for three years from 1 April 2018. The continuing appointments are subject to annual re-election at the Company's Annual General Meeting.

Copies of the service contracts and letters of appointment are held at the Company's Registered Office and will be available for inspection at the Annual General Meeting.

LEGACY REMUNERATION ARRANGEMENTS

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before the Policy set out in the 2018 Annual Report came into effect, provided that the terms of payment were consistent with the Shareholder approved Directors' Remuneration Policy in force at the time they were agreed, or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

These legacy remuneration arrangements include the arrangements for Martin Davey referred to above in relation to the terms of his service agreement agreed in 2006.

PAY AND CONDITIONS ELSEWHERE IN THE GROUP

The Committee does not directly consult with employees regarding the remuneration of the Executive Directors. However, when considering remuneration levels to apply, the Committee will take into account base pay increases, bonus payments and share awards made to the Company's employees generally.

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; and
- the Group operates Save As You Earn share schemes which are open to all eligible employees including Executive Directors. (Approximately 20 per cent of the eligible workforce participate in the SAYE scheme.)

CONSIDERATION OF SHAREHOLDERS' VIEWS

The Committee believes that ongoing dialogue with major Shareholders, who have been updated on progress and performance during the year, is of key importance.

ANNUAL REPORT ON DIRECTORS' REMUNERATION

DIRECTORS' REMUNERATION (AUDITED)

The table below sets out the single figure remuneration details of the Directors for the reporting year:

	Salary and fees		Benefits		Bonus		LTIP*		Pension		SAYE		Total	
£'000	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Executive Directors														
Mark Bottomley	420	407	33	31	159	611	554	1,188	84	81	–	–	1,250	2,318
Jim Brisby	420	407	31	30	159	611	554	1,178	84	81	–	–	1,248	2,307
Adam Couch	635	616	33	32	240	925	839	1,793	127	123	–	–	1,874	3,489
Martin Davey	314	313	33	31	50	470	427	933	63	63	7	13	894	1,823
	1,789	1,743	130	124	608	2,617	2,374	5,092	358	348	7	13	5,266	9,937
Non-Executive Directors														
Kate Allum	53	48	–	–	–	–	–	–	–	–	–	–	53	48
Steven Esom**	43	56	–	–	–	–	–	–	–	–	–	–	43	56
Mark Reckitt	58	56	–	–	–	–	–	–	–	–	–	–	58	56
Pam Powell***	51	–	–	–	–	–	–	–	–	–	–	–	51	–
Tim Smith***	51	–	–	–	–	–	–	–	–	–	–	–	51	–
	256	160	–	–	–	–	–	–	–	–	–	–	256	160
Total	2,045	1,903	130	124	608	2,617	2,374	5,092	358	348	7	13	5,522	10,097

* The values of the LTIP awards which vested in August 2018 have been updated for the actual share price on the date of vesting. In line with the regulations the values for 2019 are based on the average share price over the three month period to 31 March 2019 as these awards will not vest until June 2019 (see tables on page 77).

** Retired from the Board and as a Director on 22 November 2018.

*** Appointed to the Board on 1 April 2018.

As reported last year the Executive Directors had pay awards in the year effective from 1 May 2018 of:

	From 1 May 2018		
Adam Couch	£636,500	3%	In line with wider workforce
Jim Brisby	£420,750	3%	In line with wider workforce
Mark Bottomley	£420,750	3%	In line with wider workforce
Martin Davey	£314,250	0%	No change

Benefits principally comprise health insurance, personal tax advice, pension advice and Company car allowance.

Pension consists of contributions of up to 20 per cent of base salary which are either paid into a defined contribution pension scheme or are received as a cash allowance in lieu of the pension contribution, or, as a combination of both. No Director has any entitlement or prospective entitlement under any defined benefit pension scheme.

The number of Directors who were active members of the money purchase pension scheme in the year was two (2018: two).

Non-Executive Directors are paid a basic fee with additional fees paid for chairing committees and for the role of Senior Independent Director, which are reviewed triennially. In July 2018, the Non-Executive Directors fees were reviewed and it was agreed that, the basic fee for Non-Executive Directors be increased to £51,000 from £48,000, effective from 1 August 2018. No changes were made to the additional fees paid for chairing committees and for the role of Senior Independent Director, which remain at £8,000.

ANNUAL BONUS ARRANGEMENT (AUDITED)

The bonus scheme in operation is based on the achievement of Group profit targets which are set with regard to the Company's budget, historical performance and market outlook for the year. There are four bonus profit targets triggering awards of 20 per cent, 50 per cent, 100 per cent and 150 per cent of base salary with a straight line, pro-rata award for profits falling between the targets.

The performance in the year, before charging bonus awards made to the Executive Directors and the Chief Operating Officer, was £92.9 million. This resulted in a bonus award of 38 per cent of salary as shown below.

	Threshold	On Target		Maximum	Actual
Adjusted profit targets	£90.9m	£94.3m	£97.5m	£99.7m	£92.9m
Bonus payable	20%	50%	100%	150%	38%

This award is reflected in the table above.

LTIP AWARD VESTING IS RESPECT OF THE YEAR ENDING 31 MARCH 2019 (AUDITED)

The Remuneration Committee makes awards under the LTIP in order to ensure that Executive Directors and Senior Management are involved in the longer term success of the Group. Options awarded can only be exercised if certain performance criteria are achieved by the Group. The performance criteria for the 2016 LTIP awards that will vest in June 2019 are as follows:

- 50 per cent of each award is 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 vest at an average annual outperformance above RPI of 3 per cent and 100 per cent of the shares to vest at an average annual outperformance of 7 per cent with outperformance between 3 and 7 per cent rewarded pro-rata.
- 50 per cent is aligned to a total Shareholder return (TSR) target measured against a comparable group of companies over a three year period. The TSR target allows 30 per cent of the shares subject to the target to vest 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 are: Associated British Foods plc, AG 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, and Tate and Lyle plc.

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.

The value of the LTIP for the year ended 31 March 2019 relates to awards made in June 2016 with a performance criteria based on the three years ended 31 March 2019 that will vest in June 2019 calculated at the average price for the three months ending on 31 March 2019 of 2,678 pence. Over the three year performance period the EPS element of the award, based on the criteria set above, gave an outperformance of 10.39 per cent over the average increase in RPI so achieving a 100 per cent award. For the TSR element of the award, measured against a comparable group of companies, the business achieved an increase of 34 per cent and put the Company 6th in its comparative group which was at the 62nd percentile achieving an award of 61 per cent. The total award of 80.5 per cent of maximum (121 per cent of salary) is reflected in the table on page 76, and below.

	Date of grant	Options granted	Vesting performance	Shares awarded	Average share price	Value of shares
Mark Bottomley	1 June 2016	25,700	80.5%	20,688	2,678p	£554,025
Jim Brisby	1 June 2016	25,700	80.5%	20,688	2,678p	£554,025
Adam Couch	1 June 2016	38,900	80.5%	31,314	2,678p	£838,589
Martin Davey	1 June 2016	19,800	80.5%	15,939	2,678p	£426,846

TRUE-UP OF AWARDS VESTED IN RESPECT OF THE YEAR ENDING 31 MARCH 2018 FOR SHARE PRICE ON VESTING DATE (AUDITED)

The value of the LTIP for the year ended 31 March 2018 relates to awards, made in 2015, with a performance criteria based on the three years ended 31 March 2018 that vested in August 2018, updated for the actual vesting share price of 3,308p. The EPS element of the award achieved 100 per cent of its performance target and 100 per cent was achieved under the TSR measure giving an overall award of 100 per cent (150 per cent of salary) and this is reflected in the 2018 column of the table on page 76 and in the table below.

	Date of grant	Options awarded	Value of award as at 31 March 2018 based on an average price of 3,052p	Value of award when vested in August 2018 at the market price of 3,308p
Mark Bottomley	1 August 2015	35,900	£1,095,522	£1,187,572
Jim Brisby	1 August 2015	35,600	£1,086,367	£1,177,648
Adam Couch	1 August 2015	54,200	£1,653,963	£1,792,936
Martin Davey	1 August 2015	28,200	£860,549	£932,856

LTIP AWARDS GRANTED DURING THE YEAR ENDED 31 MARCH 2019 (AUDITED)

Details of the nil-cost LTIP options granted in the year under the LTIP are set out below:

	Date of grant	Basis of award	Number of shares	Share price at grant*	Face value of shares	Vesting at minimum performance	End of performance period
Mark Bottomley	1 August 2018	200% of salary	25,500	3,293	£839,799	20.6%	31 March 2021
Jim Brisby	1 August 2018	200% of salary	25,500	3,293	£839,799	20.6%	31 March 2021
Adam Couch	1 August 2018	200% of salary	38,600	3,293	£1,271,098	20.6%	31 March 2021
Martin Davey	1 August 2018	200% of salary	19,100	3,293	£628,963	20.6%	31 March 2021

* Based on the average of the mean high/low share price for the three days preceding the grant date of the options

Each of the Executive Directors, was also granted a tax qualifying option over 910 ordinary shares at an exercise price of £32.93 per ordinary share which is linked to the LTIP awards such that, at the time of exercise, to the extent that there is a gain in the tax qualifying option, the LTIP will be scaled back to the value of that gain.

Details of the performance targets for the LTIP granted during the year ending 2019 are as follows:

Average annual percentage growth in EPS	Vesting percentage
RPI + 3% p.a.	18.75%
Growth between RPI + 3% p.a. and RPI + 9% p.a.	Straight-line vesting
RPI + 9% p.a.	100%

TSR performance	Vesting percentage
Median	22.5%
Between median and upper decile	Straight-line vesting
Upper decile	100%

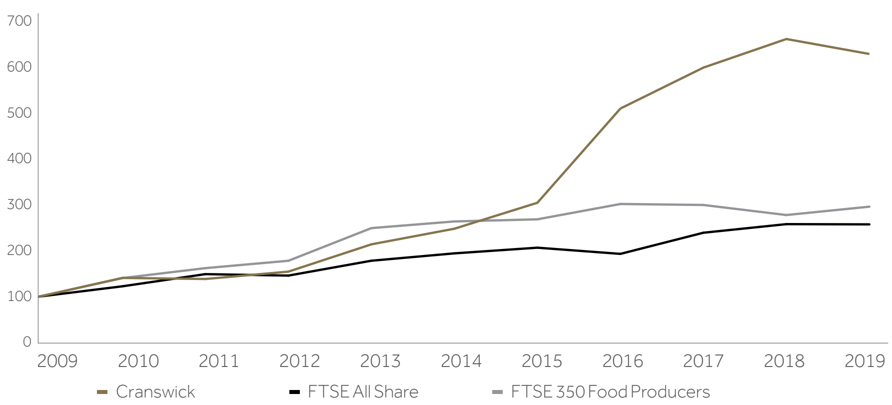
The awards are exercisable between 1 August 2021 and 1 August 2028, subject to performance. 50 per cent of the award depends on the performance of EPS and 50 per cent on TSR for the period from 1 April 2018 to 31 March 2021. If the minimum performance was achieved the EPS element would give 18.75 per cent and the TSR element would give 22.5 per cent; overall 20.6 per cent of the grant would vest (41.25 per cent of salary). As discussed in the 2018 Directors' Remuneration Report, vesting at threshold was set so that the same percentage of salary vested for threshold performance, notwithstanding the increase in opportunity.

SAYE (AUDITED)
The value of the SAYE options relates to awards granted 3, 5 or 7 years ago that have had their full contribution paid by the Executive and have been exercised in the year. The awards in 2019 exercised by Martin Davey had an exercise price of 1,456 pence and a market value of 2,514 pence. The notional gains are shown in the 2019 column of the table on page 76.

PAYMENTS TO PAST DIRECTORS (AUDITED)
There have been no payments made to past Directors or payments made for loss of office in the year.

PERFORMANCE GRAPH – TOTAL SHAREHOLDER RETURN (UNAUDITED)
The graph below shows the percentage change (from a base of 100 in March 2009) 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.

TOTAL SHAREHOLDER RETURN



The table below illustrates the change in the total CEO remuneration over a period of ten years, with the bonus awards in those years and the LTIP vesting awards set against a percentage of the maximum available.

£'000	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Base salary	464	483	508	505	542	562	588	599	616	635
Benefits	24	25	28	28	31	29	29	31	32	33
Pension	93	97	102	86	108	112	118	120	123	127
Bonus	705	107	453	639	252	843	882	898	925	240
LTIP	172	207	243	171	149	825	1,148	1,341	1,793	839
SAYE	–	–	6	7	–	–	38	–	–	–
CEO total remuneration	1,458	919	1,340	1,436	1,082	2,371	2,803	2,989	3,489	1,874
Bonus award against maximum opportunity	97%	14%	56%	80%	31%	100%	100%	100%	100%	25%
LTIP vesting against maximum opportunity	85%	100%	93%	43%	25%	87%	100%	100%	100%	80.5%

Bernard Hoggarth was the Chief Executive up to August 2012 and from that date Adam Couch has fulfilled that role. The 2013 figures are the sum of the remuneration received by both Directors in that year.

CHANGE IN TOTAL REMUNERATION OF THE CHIEF EXECUTIVE COMPARED TO EMPLOYEES (UNAUDITED)

The table below shows the percentage change from 2018 to 2019 in the Chief Executive's salary compared to the change for all permanent employees of the business (excluding all Board Directors).

	Total pay	Salary	Benefits	Bonus
Chief executive	-46%	+2.5%	+3%	-74%
All other employees* (excluding all Board Directors)	+8%	+11%	+2%	-62%

* Includes the impact of pay awards, growth in employee numbers and corporate activity.

CHIEF EXECUTIVE PAY RATIO (UNAUDITED)

The table below shows the pay ratio based on total remuneration and salary of the Chief Executive to the 25th, 50th and 75th percentile of all permanent UK employees of the business.

Year	Method*	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	91:1	79:1	63:1

2019	Chief Executive	25th percentile	Median	75th percentile
Salary	635	18	21	28
Total Remuneration	1,874	21	24	30

* The Company used Option A as defined in The Companies (Miscellaneous Reporting) Regulations 2018, as the calculation methodology for the ratios was considered to be the most accurate method. The 25th, median and 75th percentile pay ratios were calculated using the full time equivalent remuneration for all UK employees as at the end of 2019. Employees' involvement in the Group's performance is encouraged, with all employees with 12 months service eligible to participate in the SAYE schemes. Certain employees also participate in discretionary bonus schemes. The Company aims to provide a competitive remuneration package which is appropriate to promote the long-term success of the Company and applies this policy fairly and consistently to attract and motivate staff. The Company considers the median pay ratio is consistent with the company's wider policies on employee pay, reward and progression.

RELATIVE IMPORTANCE OF THE SPEND ON PAY (UNAUDITED)

The table below shows the total remuneration paid across the Group together with the total dividend paid and share buybacks in respect of 2019 and the preceding financial year. There have been no share buybacks during 2019 and 2018.

Pay against distributions	2019 £'m	2018 £'m	Change %
Remuneration paid to all employees*	183.3	177.6	3.2%
Total dividends paid and share buybacks in the year	28.0	23.4	19.7%

* Includes the impact of pay awards, growth in employee numbers and corporate activity.

OUTSTANDING SHARE AWARDS (AUDITED)

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

Long Term Incentive Plan (audited)

	Year of award	At 1 April 2018 Number	Granted in the year Number	Exercised in the year Number	Lapsed in the year Number	At 31 March 2019 Number	Exercise price p	Market price at grant p
Mark Bottomley	2015	35,900	–	(35,900)	–	–	nil	1,628
	2016	25,700	–	–	–	25,700	nil	2,333
	2017	20,800	–	–	–	20,800	nil	2,960
	*2018	–	25,500	–	–	25,500	nil	3,308
Jim Brisby	2015	35,600	–	(35,600)	–	–	nil	1,628
	2016	25,700	–	–	–	25,700	nil	2,333
	2017	20,800	–	–	–	20,800	nil	2,960
	*2018	–	25,500	–	–	25,500	nil	3,308
Adam Couch	2015	54,200	–	(54,200)	–	–	nil	1,628
	2016	38,900	–	–	–	38,900	nil	2,333
	2017	31,400	–	–	–	31,400	nil	2,960
	*2018	–	38,600	–	–	38,600	nil	3,308
Martin Davey	2015	28,200	–	(28,200)	–	–	nil	1,628
	2016	19,800	–	–	–	19,800	nil	2,333
	2017	16,000	–	–	–	16,000	nil	2,960
	*2018	–	19,100	–	–	19,100	nil	3,308

* Each of the Executive Directors, was also granted a tax qualifying option over 910 ordinary shares at an exercise price of £32.93 per ordinary share which is linked to the LTIP awards such that, at the time of exercise, to the extent that there is a gain in the tax qualifying option, the LTIP will be scaled back to the value of that gain.

The performance periods run for three 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 77. The range of exercise dates are 1 June 2019 to 1 August 2028.

The LTIP, issued in 2016, which vests in June 2019, will achieve 100 per cent of the EPS target and 61 per cent of the the TSR target giving a share award of 80.5 per cent of the maximum award.

The following Directors exercised LTIP share options during the year:

	Number	Date exercised	Exercise price p	Market price p	Gain on exercise £'000
Mark Bottomley	35,900	24 August 2018	nil	3,246	1,165
Jim Brisby	35,600	24 August 2018	nil	3,246	1,156
Adam Couch	54,200	24 August 2018	nil	3,246	1,759
Martin Davey	28,200	24 August 2018	nil	3,246	915

Savings related share option scheme (audited)

	Year of award	At 1 April 2018 Number	Granted in the year Number	Exercised in the year Number	Lapsed in the year Number	At 31 March 2019 Number	Exercise price p	Range of exercise dates
Mark Bottomley	2014	1,276	–	–	–	1,276	1,187	1 Mar 2020–1 Sep 2020
	2017	350	–	–	350	–	2,565	1 Mar 2021–1 Sep 2021
	2018	–	401	–	–	401	2,239	1 Mar 2022–1 Sep 2022
Jim Brisby	2014	1,276	–	–	–	1,276	1,187	1 Mar 2020–1 Sep 2020
	2018	–	669	–	–	669	2,239	1 Mar 2022–1 Sept 2022
Adam Couch	2011	936	–	–	–	936	579	1 Mar 2019–1 Sep 2019
	2014	1,276	–	–	–	1,276	1,187	1 Mar 2020–1 Sep 2020
	2015	667	–	–	–	667	1,456	1 Mar 2021–1 Sep 2021
	2017	205	–	–	–	205	2,565	1 Mar 2023–1 Sep 2023
Martin Davey	2015	618	–	618	–	–	1,456	1 Mar 2019–1 Sep 2019
	2017	350	–	–	–	350	2,565	1 Mar 2021–1 Sep 2021
	2018	–	401	–	–	401	2,239	1 Mar 2022–1 Sep 2022

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 Director exercised savings related share options during the year:

	Number	Date exercised	Exercise price p	Market price p	Gain on exercise £'000
Martin Davey	618	1 March 2019	1,456	2,514	7

MINIMUM SHAREHOLDING

The Remuneration Committee has recommended that the Executive Directors hold shares in the Company worth at least 200 per cent of base salary. The Directors' current holdings and value are now all in excess of the 200 per cent target and are shown below.

DIRECTORS' INTERESTS (AUDITED)

	LTIP (Unvested, subject to performance)*	LTIP (Vested**, unexercised)	SAYE (Non-performance related)	Number of shares held as at 31 March 2019	Value of shares held as a % of base salary	Target %
Mark Bottomley	46,300	20,688	1,677	79,068	512	200
Jim Brisby	46,300	20,688	1,945	85,343	552	200
Adam Couch	70,000	31,314	3,084	144,673	619	200
Martin Davey	35,100	15,939	751	231,013	2,001	200
Mark Reckitt	–	–	–	1,300	–	–
Tim Smith	–	–	–	1,500	–	–

* Not including tax qualifying options granted to each of the Executive Directors.

** LTIP awards are due to vest in June 2019 with the performance criteria now completed.

The share price at 31 March 2019 of 2,722p was used in calculating the percentage figures shown above. Kate Allum and Pam Powell have no interests in the Company at the present time. Steven Esom's share interests as at the date of retirement was 1,441 shares. There have been no further changes to the above interests in the period from 1 April 2019 to 21 May 2019.

REMUNERATION FOR THE YEAR ENDING 31 MARCH 2020

The Executive Directors (other than Martin Davey who waived his contractual entitlement to an increase) were awarded an increase of 2.5 per cent which is consistent with the average increase awarded to Senior Executives and to other employees in the Group taking into account local practices and regional variations in pay and conditions.

Following the increase in pay, which will be applicable from 1 May 2019, the Executive Directors' base salaries will be:

Director	New salary	Rationale
Mark Bottomley	£431,300	Increase in line with workforce
Jim Brisby	£431,300	Increase in line with workforce
Adam Couch	£652,450	Increase in line with workforce
Martin Davey	£314,250	No change

The 2020 bonus scheme in operation will be 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. The actual 2020 targets are not disclosed as they are considered to be commercially sensitive. The targets will be declared retrospectively in the 2020 Annual Report, provided they are not considered commercially sensitive at that time. There are four bonus profit targets triggering awards of 20 per cent, 50 per cent, 100 per cent and 150 per cent of base salaries with a straight line pro-rata award for profits falling between the targets.

LTIP awards, equivalent to 200 per cent of basic salary, will be made in June 2020 and vesting will be after a three year performance period for both TSR and EPS. 50 per cent of the award will be based on the target for TSR and 50 per cent on the target for EPS as detailed on page 77.

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 advisers where appropriate. Deloitte LLP has continued to advise the Committee during 2019 and has provided general remuneration advice and share scheme advice to the Company. Deloitte's fees for providing remuneration advice to the Committee were £5,880 for the year ended 31 March 2019. Deloitte also provides consultancy services to the Group. However, the Committee have reviewed any potential conflicts of interest and judged that Deloitte's advice is both objective and independent. The Committee have also been provided advice during the year in relation to its consideration of matters relating to Directors' remuneration by the Chief Executive Officer, Chief Financial Officer and Company Secretary.

STATEMENT OF SHAREHOLDERS VOTING (UNAUDITED)

The resolutions to approve the Remuneration Policy, 2018 Remuneration Committee Report and other resolutions related to remuneration were passed on a show of hands at the Company's last AGM held on 30 July 2018. The votes cast by proxy in respect of those resolutions were:

Remuneration Policy	Number	%
For	37,739,458	98.1
Against	743,793	1.9
Withheld	19,966	–

Remuneration Committee report	Number	%
For	37,486,795	97.4
Against	1,000,170	2.6
Withheld	16,252	–

Approval of amendments to the Company's Long Term Incentive Plan	Number	%
For	37,781,565	98.0
Against	761,323	2.0
Withheld	20,385	–

Approval of the Deferred Bonus Plan	Number	%
For	38,137,689	99.4
Against	225,542	0.6
Withheld	200,892	–

The share price at 31 March 2019 of 2,722p was used in calculating the percentage figures shown above.

REMUNERATION DISCLOSURE

This report complies with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013 (the Regulations), the principles of the 2016 UK Corporate Governance Code, the provisions applied from the 2018 UK Corporate Governance Code and the Listing Rules of the Financial Conduct Authority.

Kate Allum
Chair of the Remuneration Committee
21 May 2019

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements of the Company and the Group for the year ended 31 March 2019. The Directors' Report consists of pages 82 to 85 and has been drawn up and presented in accordance with and in reliance upon applicable English company law. The liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

DIRECTORS INTERESTS AND INDEMNITIES

The membership of the Board and biographical details of the Directors are given on pages 48 and 49. 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 65 to 81. During the year, Steven Esom stepped down from the Board with effect from 22 November 2018.

In accordance with the recommendations of the UK Corporate Governance Code, all Directors (other than Steven Esom) will stand for re-election at the forthcoming Annual General Meeting.

The Company has in place directors' and officers' liability insurance which gives appropriate cover against the costs of defending themselves in civil proceedings taken against them in their capacity as a director or officer of the Company and in respect of damages resulting from any unsuccessful defence of any proceedings.

CONFLICTS OF INTEREST

The Company has a register in place for managing conflicts of interest with the Directors which is reviewed and updated annually. The Directors have a continuing duty throughout the year to update any changes to these conflicts.

PROFIT AND DIVIDENDS

The profit from continuing operations for the financial year, after taxation amounts to £69.6 million (2018: £70.0 million). The Directors have declared dividends as follows:

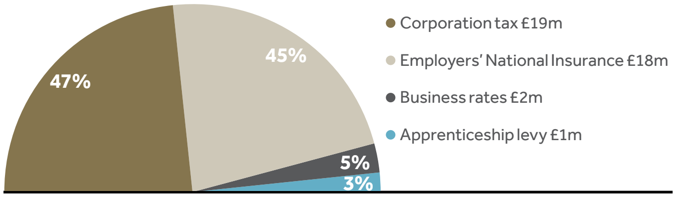
	2019	2018
Interim dividend per share paid on 26 January 2018	**15.9p**	15.1p
Final dividend per share proposed	**40.0p**	38.6p
Total dividend	**£28.9m**	£27.4m

Subject to approval at the Annual General Meeting, the final dividend will be paid in cash or scrip form on 6 September 2019 to members on the register at the close of business on 19 July 2019. The shares will go ex-dividend on 18 July 2019. The proposed final dividend for 2019 together with the interim paid in January 2019 amount to 55.9 pence per share which is 4.1 per cent higher than the previous year.

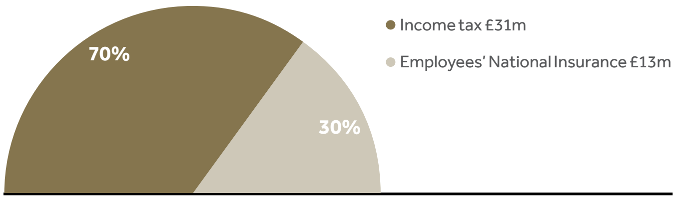
TAX CONTRIBUTION

Within the UK our tax contribution to the UK treasury takes two forms: direct contributions, being a cost to the Company which includes corporation tax on profits, employer's National Insurance on wages paid, business rates and apprenticeship levy; and indirect contributions, being income tax and employee's National Insurance on wages paid. The total paid in the year amounts to £84 million and is analysed as follows:

DIRECT TAX



INDIRECT TAX



SHARE CAPITAL

The Company has one class of shares, being ordinary shares of 10 pence each. There are no special rights pertaining to any of the shares in issue; each share carries the right to one vote at general meetings of the Company. The allotted and fully paid up share capital is shown in Note 24 on page 123. During the year the share capital increased by 601,724 shares. The increase comprised 417,117 of shares issued relating to share options exercised during the year and 184,607 of shares issued in respect of scrip dividends.

MAJOR SHAREHOLDERS

Notifiable share interests of which the Company has been made aware are set out on page 83.

CAPITAL RAISING AND SHARE REPURCHASES

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 2019 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 2019, is limited to £1,703,243 which represented approximately 33 per cent of the issued share capital as at 8 June 2018.

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 2019.

MAJOR SHAREHOLDERS

The Company has been notified of the following interests of 3 per cent or more in the issued share capital of the Company:

	At 31 March 2019		
	Number of shares	% of issued share capital	Nature of holding
Invesco Perpetual	8,404,411	16.27	Direct & Indirect
Fidelity Management & Research	3,435,677	6.65	Direct & Indirect
Standard Life Aberdeen	2,835,117	5.49	Direct & Indirect
Wellington Management	2,267,551	4.39	Direct & Indirect
Black Rock Inc	1,861,259	3.60	Direct & Indirect
Franklin Resources	1,758,600	3.40	Direct
The Vanguard Group Inc	1,757,834	3.40	Direct & Indirect
Legal & General Group	1,706,287	3.30	Direct & Indirect

On 26 April 2019, Standard Life Aberdeen notified the Company that it had reduced its shareholding to 2,552,130 shares (representing 4.94 per cent of issued share capital). There have been no other notifications of any significant changes, a different whole percentage movement, to these shareholdings as at 21 May 2019.

Disapplication of pre-emption rights

This dis-applies rights of pre-emption on the allotment of shares by the Company, or to grant rights to subscribe for, or to convert securities into ordinary shares or sell treasury shares for cash. The authority will allow the Directors to allot equity securities for cash pursuant to the authority to allot shares mentioned above, to grant rights for ordinary shares and to sell treasury shares for cash without a pre-emptive offer to existing Shareholders, up to an aggregate nominal amount of £255,486 representing 5 per cent of the Company's issued share capital as at 8 June 2018 and up to an additional aggregate nominal amount of £255,486 representing 5 per cent of the Company's issued share capital as at 8 June 2018 for the purposes of financing (or refinancing) a transaction which is an acquisition or other capital investment. This authority will expire at the end of the Annual General Meeting to be held on 29 July 2019.

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 five 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 2019. The Directors would consider holding any of the Company's 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 are imposed by laws and regulations relating to insider trading laws and market requirements relating to close periods.

ANNUAL GENERAL MEETING AND SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of Cranswick plc will be held at the Mercure Hull Grange Park Hotel on Monday 29 July 2019. A notice convening the Annual General Meeting can be found in the separate Notice of Annual General Meeting accompanying this Report & Accounts.

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

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as independent external auditor will be proposed at the Annual General Meeting, together with the authority for the Audit Committee to determine their remuneration. A statement on the independence of the external auditors is included in the report of the Audit Committee on pages 57 to 62.

ARTICLES OF ASSOCIATION

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

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 2018 and 31 March 2019.

The Group's capital structure is as follows:

	2019 £'m	2018 £'m
Net funds (Note 27)	**(6.3)**	(20.6)
Cranswick plc Shareholders' equity	**534.9**	479.9
Capital employed	**528.6**	459.3

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 30 working days' notice;
- the Company is party to an agreement with WM Morrison Supermarkets plc ('WM Morrison') for the supply of poultry products from its facility at Eye, Suffolk which upon a change of control of the Company is terminable by WM Morrison upon the provision of notice;
- 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 occur because of a takeover bid other than as stated in the Remuneration Committee Report, on page 75, relating to Martin Davey; and
- there are certain provisions in the Company's Save As You Earn share option plan and the Long Term Incentive Plan that may cause options and awards granted to vest on a takeover. The proportion of the awards that are capable of exercise will depend on the time in the scheme and as far as the LTIP is concerned the extent to which the performance targets (as adjusted or amended) have been satisfied.

POLITICAL DONATIONS

The Group has made no political donations during the year ended 31 March 2019.

FINANCIAL INSTRUMENTS

Functional currency

The functional currency of all Group undertakings is Sterling.

Foreign currency risk

The main foreign exchange risk facing the Group is in the purchasing of charcuterie products and fresh pork cuts from continental Europe in Euros and the sale of fresh pork to the USA and China denominated in US Dollars. The policy of the Group is to seek to mitigate the impact of this risk by taking out forward contracts for up to twelve months ahead and for amounts that commence at approximately 25 per cent of the requirement and move progressively towards full cover. The 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 2019 gearing was nil (2018: nil). 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 borrowings 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 members of the main Board are present and reported at the subsequent monthly main Board meeting. Major projects, in excess of £1 million, 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 has a bank facility made up of a revolving credit facility of £160.0 million including a committed overdraft facility of £20.0 million until November 2022. This was extended during the year to November 2023 by way of a reduced credit facility of £120.0 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 arrangement provides the Group with reduced liquidity risk and medium-term funding to meet its objectives. The unutilised element of the facility at 31 March 2019 was £134.4 million (2018: £159.0 million).

RESEARCH AND DEVELOPMENT

The Group remains at the forefront of new product development offering consumers a wide range of products. Through innovative use of existing and emerging technologies, there will continue to be successful development of new products and processes for the Group.

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 facility are described above. 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 are referred to below.

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.

OTHER STATUTORY DISCLOSURES

The Corporate Governance Report on pages 50 to 55, the Statement of Directors' Responsibilities on page 86 of the Annual Report and Note 23 (Financial Instruments and Liquidity Risk) to the financial statements are incorporated into the Directors' Report by reference.

Other information can be found in the following sections of the Strategic Report:

Future developments in the business of the Group	Pages 2 to 45
Viability Statement	Page 43
Greenhouse Gas Emissions	Pages 36 and 37
Employment Policies	Pages 30 and 31
Directors in the office during the year and up to the date of signing the financial statement.	Page 48 and 49

The only information required to be disclosed pursuant to Listing Rule 9.8.4R are the details of the Company's Long Term Incentive Plan which can be found in the Remuneration Committee Report on pages 65 to 81.

NON-FINANCIAL INFORMATION STATEMENT

The table below is intended to help stakeholders understand the Group's development, performance, and impact of its activities, information relating to the environment, employee, social, respect for human rights, anti-corruption and anti-bribery matters in accordance with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

Reporting requirement	Policies	Pages
Environmental matters	Group Environmental Policy Group Energy Policy Group Corporate Responsibility Policy	34 to 37
Employees	Group Equal Opportunities, Harassment and Dignity at Work Health & Safety Policy	30 and 31
Human Rights	Anti-slavery and Human Trafficking Policy Group Equal Opportunities, Harassment and Dignity at Work	30 and 31
Social Matters	Group Ethical Trading Policy Group Corporate Responsibility Policy	25 and 32
Anti-corruption and anti-bribery	Anti-Bribery Policy Group Ethical Trading Policy	57 to 62
Description of principal risks and impact of business activity		44 and 45
Description of the business model		6 and 7
Non-financial key performance indicators		22 and 23

The Directors' Report was approved by a duly authorised committee of the Board on 21 May 2019 and signed on its behalf by:

Steven Glover
Company Secretary

21 May 2019
Company number: 1074383

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Leadership report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

On behalf of the Board

Martin Davey
Chairman

Mark Bottomley
Finance Director

21 May 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CRANSWICK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Cranswick plc's Group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2019 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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.

We have audited the financial statements, included within the Annual Report & Accounts (the 'Annual Report'), which comprise: the Group and Company balance sheets as at 31 March 2019; the Group income statement and Group statement of comprehensive income, the Group and Company statements of cash flows, and the Group and Company statements of changes in equity; for the year then ended and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Audit Committee report on page 62, we have provided no non-audit services to the group or the company in the period from 1 April 2018 to 31 March 2019.

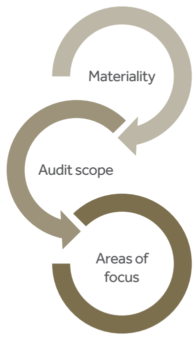
OUR AUDIT APPROACH

Overview

- Overall Group materiality: £4.5 million (2018: £4.6 million), based on 5 per cent of Adjusted profit before tax.
- Overall Company materiality: £2.4 million (2018: £3.4 million), based on 1 per cent of Total assets and subsequently capped due to group materiality allocation.

- The Group is organised into 18 reporting units, all within the UK. The Group financial statements are a consolidation of these reporting units.
- Of the 18 reporting units, we identified 15 which, in our view, required an audit of their complete financial information, either due to their size or risk characteristics.
- This covered £1,432.7m (99 per cent) of the group's external revenues and £90.7m (98 per cent) of the group's Adjusted profit before tax.

- Complex customer arrangements – Group.
- IAS 41 – Biological assets – Group.
- Carrying value of investments – Company.



The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of health and safety regulations, under the Health and Safety at work etc Act 1974, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's entity level controls designed to prevent and detect irregularities;
- Testing over period end adjustments;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to complex customer accruals and biological assets (see related key audit matters below); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Complex customer arrangements – Group As is industry practice, the group has numerous types of complex commercial arrangements with retailers and other customers that have a range of terms (for example promotions, rebates and discounts). These also include advertising and marketing contributions. At 31 March 2019 commercial accruals in relation to these arrangements total £7.9 million (2018: £8.9 million). Due to the varying terms of these agreements and given that activity may span a year end, a degree of judgment is exercised in determining the valuation of the liability and the timing of when this liability should be recognised. We consider there to be a specific risk associated with the completeness, accuracy and valuation of the commercial accruals that have been recognised at the year end as these are material and can be complex and judgemental.	Our audit procedures included understanding and evaluating the controls and systems related to the commercial accruals process, and obtaining audit evidence through substantive audit procedures. The substantive audit procedures performed for each individual component varied depending upon the nature and level of commercial accruals and type of agreement but included the following tests, on a sample basis: • Inquiries of management and the account managers to understand how the calculations are performed; • Testing of the calculations performed in arriving at the accrual, by agreeing the calculations to agreements in place with the customers, and the relevant sales volume data; • Agreement of the amounts raised and settled with customers, for claims which have arisen within the current or next financial year, to date; • Look back at the accuracy of the prior year (and older) provisions, to determine customer patterns and assess management's ability to make accurate estimates of the required provisions; and • Reviewed historical payments made on aged balances and reviewed underlying agreements to assess the appropriateness of the aged accruals in place across the group. We found, based on the results of our testing, that the accruals recorded and disclosures made in the financial statements were consistent with the supporting evidence obtained.
IAS 41 – Biological assets – Group Due to the nature of the group's operations, biological assets consisting of pigs and chickens are recognised. On initial recognition and at the balance sheet date, these biological assets have been measured at their fair value less costs to sell, in line with IAS 41. The net IAS 41 valuation movement recognised in the year is a cost of £2.8 million (£2.2 million). The valuation of these biological assets requires significant levels of judgement and industry-specific expertise in applying appropriate assumptions. Changes in a number of the key assumptions (including mortality rates, growth rates, and the fair value at various stages of development) can have a material impact on the valuation.	We gained an understanding of, and evaluated the key processes used to calculate the fair value of the biological assets. We performed a recalculation of both the pig and chicken valuation models to assess the accuracy of the calculation and audited the underlying data inputs to the model. We evaluated management's key assessment of the assumptions used in relation to the valuation of the biological assets as follows: • We have compared the mortality assumptions within the models to the operational data obtained from the farms; • We have reviewed the growth rate of the chickens to third party source data and have assessed the reasonableness of the straight line growth assumption used for pigs; and • We have agreed the fair value price of the assets at the various stages of their life cycle to supporting third party data. We have performed a sensitivity analysis over all of the above assumptions and confirmed significant movements would be required to result in a material misstatement. We found, based on the results of our testing, that the calculation and disclosures made in the financial statements in relation to the IAS 41 valuation of biological assets were consistent with the supporting evidence obtained.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investments – £166.1 million – Company We focused on this area as the investments held by the parent company in its subsidiaries are significant balances within the parent company financial statements. The key judgement is the underlying cash generation and profitability of the wider group which can be affected by market conditions and unexpected events.	We assessed the recoverability of the investments by reviewing the underlying financial performance and profitability of the entities in which the parent company has invested. We reviewed management's impairment review on the investments in subsidiaries held by firstly considering whether management's assessment of impairment triggers was appropriate, and we subsequently followed this up by reviewing management's forecasts and budgets prepared to consider whether an impairment was required on an entity by entity basis. We identified no issues with the carrying value of investments in our testing.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is organised into 18 reporting units all within the UK. The group's financial statements are a consolidation of these reporting units and the centralised functions. The reporting units vary in size and we identified 15 components that required an audit of their complete financial information due to their individual size or risk characteristics. The components where we performed an audit of their complete financial information accounted for 98 per cent of the Group's Adjusted profit before tax and 99 per cent of the group's revenue. All of these components were audited by the group engagement team.

The work was performed by a component audit team on 4 of the 15 components. All other work was completed by the group audit team.

Of the remaining 3 components that together represent 2 per cent of the group's Adjusted profit before tax and 1 per cent of the group's revenue, we performed analytical procedures to respond to any potential risks of material misstatement to the group financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£4.5 million (2018: £4.6 million).	£2.4 million (2018: £3.4 million).
How we determined it	5% of Adjusted profit before tax.	1% of Total assets and subsequently capped due to group materiality allocation.
Rationale for benchmark applied	Adjusted profit before tax excludes the impact of fair value adjustments (IAS 41 fair value movements) and non-cash transactions not directly linked to operating performance (amortisation of customer relationship intangible assets). Based on the benchmarks used in the Annual Report, Adjusted profit before tax is the primary measure used by the Shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.	We believe that total assets is the primary measure used by the Shareholders in assessing the performance of a holding company, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £0.1 million and £4.2 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million (group audit) (2018: £0.2 million) and £0.2 million (Company audit) (2018: £0.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing. Rules of the Financial Conduct Authority (FCA) requires us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 50 to 56) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ('DTR') is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 50 to 56) with respect to the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the company. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on pages 42 to 45 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 43 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions
We have nothing to report in respect of our responsibility to report when:
- The statement given by the directors, on page 86, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 57 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 86, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the audit committee, we were appointed by the directors on 24 July 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 March 2018 to 31 March 2019.

Ian Morrison

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

21 May 2019

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £'m	2018 £'m
Revenue	3	**1,437.1**	1,464.5
Adjusted Group operating profit		**92.3**	92.8
Net IAS 41 valuation movement on biological assets	16	**(2.8)**	(2.2)
Amortisation of customer relationship intangible assets	11	**(2.7)**	(2.2)
Group operating profit	4	**86.8**	88.4
Share of loss of joint venture	14	**(0.1)**	–
Finance costs	6	**(0.2)**	(0.4)
Profit before tax		**86.5**	88.0
Taxation	7	**(16.9)**	(18.0)
Profit for the year		**69.6**	70.0
Earnings per share			
Basic	10	**135.5p**	137.8p
Diluted	10	**134.9p**	137.1p

An analysis of costs within Group operating profit is presented in Note 4.

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	**2019 £'m**	2018 £'m
Profit for the year		**69.6**	70.0
Other comprehensive income/(expense)			
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:			
Cash flow hedges			
Gains arising in the year	21	**–**	0.1
Reclassification adjustments for gains included in the income statement	21	**(0.5)**	(0.3)
Income tax effect	7	**0.1**	–
Net other comprehensive expense to be reclassified to profit or loss in subsequent periods		**(0.4)**	(0.2)
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit pension scheme.	26	**0.3**	(0.2)
Income tax effect	7	**0.4**	0.1
Net other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods		**0.7**	(0.1)
Other comprehensive income/(expense), net of tax		**0.3**	(0.3)
Total comprehensive income, net of tax		**69.9**	69.7

Company profit for the year of £24.6 million (2018: £21.9 million) was equal to total comprehensive income for the year attributable to owners of the parent in both years.

GROUP BALANCE SHEET
AT 31 MARCH 2019

	Notes	2019 £'m	2018 £'m
Non-current assets			
Intangible assets	11	**153.5**	156.2
Property, plant and equipment	12	**291.2**	237.3
Biological assets	16	**0.7**	0.8
Total non-current assets		**445.4**	394.3
Current assets			
Biological assets	16	**20.6**	17.0
Inventories	17	**67.4**	59.2
Trade and other receivables	18	**161.7**	160.1
Financial assets	19	**2.3**	0.1
Cash and short-term deposits	27	**20.5**	20.6
Total current assets		**272.5**	257.0
Total assets		**717.9**	651.3
Current liabilities			
Trade and other payables	20	**(150.2)**	(147.8)
Financial liabilities	21	**(0.6)**	(0.9)
Provisions	22	**(0.2)**	(0.2)
Income tax payable		**(7.7)**	(10.2)
Total current liabilities		**(158.7)**	(159.1)
Non-current liabilities			
Other payables	20	**(0.7)**	(0.9)
Financial liabilities	21	**(14.2)**	–
Deferred tax liabilities	7	**(0.8)**	(1.0)
Provisions	22	**(2.0)**	(2.3)
Share of joint venture	14	**(0.1)**	–
Defined benefit pension scheme deficit	26	**(6.5)**	(8.1)
Total non-current liabilities		**(24.3)**	(12.3)
Total liabilities		**(183.0)**	(171.4)
Net assets		**534.9**	479.9
Equity			
Called-up share capital	24	**5.2**	5.1
Share premium account		**89.1**	81.5
Share-based payments		**25.8**	21.0
Hedging reserve		**(0.4)**	–
Retained earnings		**415.2**	372.3
Equity attributable to owners of the parent		**534.9**	479.9

On behalf of the Board

Martin Davey

J M Bottomley

Martin Davey
Chairman

Mark Bottomley
Finance Director

21 May 2019

COMPANY BALANCE SHEET
AT 31 MARCH 2019

	Notes	**2019 £'m**	2018 £'m
Non-current assets			
Property, plant and equipment	12	**0.8**	0.5
Investments in subsidiary undertakings	13	**166.1**	164.5
Deferred tax assets	7	**0.9**	1.0
Total non-current assets		**167.8**	166.0
Current assets			
Trade and other receivables	18	**77.9**	38.3
Cash and short-term deposits	27	**–**	5.1
Total current assets		**77.9**	43.4
Total assets		**245.7**	209.4
Current liabilities			
Trade and other payables	20	**(68.1)**	(61.0)
Financial liabilities	21	**(5.4)**	–
Provisions	22	**(0.1)**	(0.1)
Income tax payable		**(1.0)**	(1.1)
Total current liabilities		**(74.6)**	(62.2)
Non-current liabilities			
Financial liabilities	21	**(14.2)**	–
Provisions	22	**(0.6)**	(0.6)
Total non-current liabilities		**(14.8)**	(0.6)
Total liabilities		**(89.4)**	(62.8)
Net assets		**156.3**	146.6
Equity			
Called-up share capital	24	**5.2**	5.1
Share premium account		**89.1**	81.5
General reserve		**4.0**	4.0
Merger reserve		**1.8**	1.8
Share-based payments		**25.8**	21.0
Retained earnings		**30.4**	33.2
		156.3	146.6

The Company's profit for the year was £24.6 million (2018: £21.9 million).

On behalf of the Board

Martin Davey J M Bottomley

Martin Davey
Chairman

Mark Bottomley
Finance Director

21 May 2019

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £'m	2018 £'m
Operating activities			
Profit for the year		**69.6**	70.0
Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:			
Share of loss of joint venture		**0.1**	–
Income tax expense	7	**16.9**	18.0
Net finance costs		**0.2**	0.4
(Gain)/loss on sale of property, plant and equipment		**(0.2)**	0.8
Depreciation of property, plant and equipment	12	**28.9**	35.7
Amortisation of intangible assets	11	**2.7**	2.2
Share-based payments		**4.8**	4.3
Difference between pension contributions paid and amounts recognised in the income statement		**(1.3)**	(1.7)
Release of government grants		**(0.2)**	(0.2)
Net IAS 41 valuation movement on biological assets	16	**2.8**	2.2
Increase in biological assets		**(6.3)**	(0.4)
(Increase)/decrease in inventories		**(8.2)**	3.0
Increase in trade and other receivables		**(1.1)**	(9.0)
(Decrease)/increase in trade and other payables		**(2.2)**	2.4
Cash generated from operations		**106.5**	127.7
Tax paid		**(18.8)**	(15.6)
Net cash from operating activities		**87.7**	112.1
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	15	**(0.8)**	(5.3)
Loan to joint venture	14	**(2.2)**	–
Purchase of property, plant and equipment		**(79.2)**	(58.7)
Proceeds from sale of property, plant and equipment		**0.8**	0.7
Receipt of government grants		**0.4**	–
Net cash used in investing activities		**(81.0)**	(63.3)
Cash flows from financing activities			
Interest paid		**(0.4)**	(0.4)
Proceeds from issue of share capital		**1.8**	1.6
Issue costs of long-term borrowings		**(0.1)**	(0.2)
Proceeds from/(repayment of) borrowings		**14.0**	(15.0)
Dividends paid		**(22.1)**	(18.2)
Repayment of capital element of finance leases and hire purchase contracts		**–**	(0.1)
Net cash used in financing activities		**(6.8)**	(32.3)
Net (decrease)/increase in cash and cash equivalents	27	**(0.1)**	16.5
Cash and cash equivalents at beginning of year	27	**20.6**	4.1
Cash and cash equivalents at end of year	27	**20.5**	20.6

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £'m	2018 £'m
Operating activities			
Profit for the year		**24.6**	21.9
Adjustments to reconcile Company profit for the year to net cash inflows from operating activities:			
Dividends received		**(22.1)**	(18.2)
Income tax expense		**1.8**	1.6
Net finance cost		**5.8**	4.7
Depreciation of property, plant and equipment	12	**–**	0.1
Share-based payments		**1.5**	1.3
(Increase)/decrease in trade and other receivables		**(37.6)**	1.3
Increase in trade and other payables		**7.1**	9.7
Cash (used in)/generated from operations		**(18.9)**	22.4
Tax paid		**(1.3)**	(1.0)
Net cash (used in)/from operating activities		**(20.2)**	21.4
Cash flows from investing activities			
Dividends received		**22.1**	18.2
Purchase of property, plant and equipment		**(0.2)**	–
Net cash from investing activities		**21.9**	18.2
Cash flows from financing activities			
Interest paid		**(5.8)**	(4.7)
Proceeds from issue of share capital		**1.8**	1.6
Issue costs of long-term borrowings		**(0.1)**	(0.2)
Proceeds from/(repayment of) borrowings		**14.0**	(15.0)
Dividends paid		**(22.1)**	(18.2)
Net cash used in financing activities		**(12.2)**	(36.5)
Net (decrease)/increase in cash and cash equivalents	27	**(10.5)**	3.1
Cash and cash equivalents at beginning of year	27	**5.1**	2.0
Cash and cash equivalents at end of year	27	**(5.4)**	5.1

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Share capital Note (a) £'m	Share premium Note (b) £'m	Share-based payments Note (e) £'m	Hedging reserve Note (f) £'m	Retained earnings £'m	Total equity £'m
At 31 March 2017	5.0	74.8	16.7	0.2	324.7	421.4
Profit for the year	–	–	–	–	70.0	70.0
Other comprehensive income	–	–	–	(0.2)	(0.1)	(0.3)
Total comprehensive income	–	–	–	(0.2)	69.9	69.7
Share-based payments	–	–	4.3	–	–	4.3
Scrip dividend	–	5.2	–	–	–	5.2
Share options exercised (proceeds)	0.1	1.5	–	–	–	1.6
Dividends	–	–	–	–	(23.4)	(23.4)
Deferred tax related to changes in equity	–	–	–	–	(0.3)	(0.3)
Current tax related to changes in equity	–	–	–	–	1.4	1.4
At 31 March 2018	5.1	81.5	21.0	–	372.3	479.9
Profit for the year	–	–	–	–	69.6	69.6
Other comprehensive income	–	–	–	(0.4)	0.7	0.3
Total comprehensive income	–	–	–	(0.4)	70.3	69.9
Share-based payments	–	–	4.8	–	–	4.8
Scrip dividend	–	5.9	–	–	–	5.9
Share options exercised (proceeds)	0.1	1.7	–	–	–	1.8
Dividends	–	–	–	–	(28.0)	(28.0)
Deferred tax related to changes in equity	–	–	–	–	(0.7)	(0.7)
Current tax related to changes in equity	–	–	–	–	1.3	1.3
At 31 March 2019	**5.2**	**89.1**	**25.8**	**(0.4)**	**415.2**	**534.9**

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Share capital Note (a) £'m	Share premium Note (b) £'m	General reserve Note (c) £'m	Merger reserve Note (d) £'m	Share-based payments Note (e) £'m	Retained earnings £'m	Total equity £'m
At 31 March 2017	5.0	74.8	4.0	1.8	16.7	34.5	136.8
Profit for the year, being total comprehensive income	–	–	–	–	–	21.9	21.9
Share-based payments	–	–	–	–	4.3	–	4.3
Scrip dividend	–	5.2	–	–	–	–	5.2
Share options exercised (proceeds)	0.1	1.5	–	–	–	–	1.6
Dividends	–	–	–	–	–	(23.4)	(23.4)
Deferred tax related to changes in equity	–	–	–	–	–	(0.1)	(0.1)
Current tax related to changes in equity	–	–	–	–	–	0.3	0.3
At 31 March 2018	5.1	81.5	4.0	1.8	21.0	33.2	146.6
Profit for the year, being total comprehensive income	–	–	–	–	–	24.6	24.6
Share-based payments	–	–	–	–	4.8	–	4.8
Scrip dividend	–	5.9	–	–	–	–	5.9
Share options exercised (proceeds)	0.1	1.7	–	–	–	–	1.8
Dividends	–	–	–	–	–	(28.0)	(28.0)
Deferred tax related to changes in equity	–	–	–	–	–	(0.2)	(0.2)
Current tax related to changes in equity	–	–	–	–	–	0.8	0.8
At 31 March 2019	**5.2**	**89.1**	**4.0**	**1.8**	**25.8**	**30.4**	**156.3**

Notes:

a) Share capital
The balance classified as share capital represents the nominal value of ordinary 10 pence 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 10 pence 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 £4.0 million which was credited to a separate reserve named the general reserve.

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

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 25).

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.

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 2019 were authorised for issue by the Board of Directors on 21 May 2019 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, United Kingdom (Company number: 1074383, registered office: Crane Court, Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PA). 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 on a going concern basis, under the historical cost convention, in accordance with 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 below.

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 acquisition method of accounting.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or right, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Judgements and key sources of estimation uncertainty

The preparation of the Group 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.

In the process of applying the Group's accounting policies, management has made the following estimations, which will most likely have a significant effect on the amounts recognised in the financial statements in the next twelve months:

Significant estimates and assumptions:

Share-based payments	Note 25 – measurement of share-based payments. The fair value of share-based payments is estimated using inputs including expected share price volatility, the expected life of the options and the number of awards that will ultimately vest.
Pensions	Note 26 – pension scheme actuarial assumptions. The valuation of the defined benefit pension scheme is determined using assumptions including mortality, discount rates and inflation.
Acquisitions	Note 15 – fair value adjustments on acquisition include the valuation of intangible assets with inputs based on discount rate, sales growth and customer churn assumptions.
Biological assets	Note 16 – valuation includes assumptions in relation to mortality and growth rate.
Commercial accruals	Note 20 – trade and other payables.
(Advertising and marketing contributions)	The level of commercial accruals is viewed by management as an area sensitive to a level of estimation in determining the timing and quantum of liabilities to be recognised.

Significant judgements:

Share-based payments	Note 25 – measurement of share-based payments. The selection of valuation models requires the use of management's judgement. The fair value of share-based payments is estimated as at the date of grant using a Black-Scholes option pricing model or a stochastic option pricing model.
Alternative measures	Note 31 – alternative performance measures. Management apply judgement to identify the significant non-cash items to exclude when calculating adjusted performance measures. The Board believe alternative measures are useful as they exclude volatile, one-off and non-cash items.

Other estimates and judgements have been applied by management in producing the Annual Report and Accounts including, but not limited to, depreciation and amortisation rates, and provision for impairment of trade receivables. However, these are not considered to have a significant risk of material adjustment.

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

International Accounting Standards (IAS/IFRSs)		Effective date
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018

The application of these standards has not had a material effect on the net assets, results and disclosures of the Group;

- 'IFRS 15: Revenue from Contracts with Customers' supersedes IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations, and was effective for annual periods beginning on or after 1 January 2018. The standard deals with revenue recognition and establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenues and cash flows arising from the Group's contracts with its customers. The standard provides clarification about when control of goods is passed to customers and contains more guidance about the measurement of revenue contracts which include discounts, rebates and other payments to customers. During the prior year, the Group completed a review of the requirements of IFRS 15 against previous accounting policies. The areas considered by the Group included payments to customers and the timing of revenue recognition based on control of goods. Adoption of IFRS 15 for the year ended 31 March 2019 has not resulted in a material impact to the financial statements of the Group. The Group has adopted IFRS 15 using the cumulative effect method. Accordingly, the information presented for 2018 has not been restated and is therefore presented as previously reported under IAS 18, IAS 11 and related interpretations. Following the adoption of IFRS 15, the Group has also reviewed its accounting practice in respect of commercial accruals and has introduced a maximum holding period for aged balances, under normal circumstances, of three years.
- 'IFRS 9: Financial Instruments' was effective for annual periods beginning on or after 1 January 2018. The standard includes requirements for classification and measurement, impairment and hedge accounting. The Group has evaluated the impact of IFRS 9 and concluded that the impact on the recognition and measurement of income and costs in the Income Statement or of assets and liabilities in the Balance Sheet is not material. The Group has assessed the classification and measurement of certain financial assets on the Balance Sheet and concluded that there is no significant change as a result of this. Further, the nature of the Group's current hedging activities and the quantum of its bad debt risk means that the impact of IFRS 9 is immaterial in respect of these items. The Group has calculated its impairment provision on financial assets measured at amortised costs (such as trade and other receivables) under the expected credit loss model in accordance with IFRS 9. The difference in provision between that determined by this model compared to that calculated by the incurred loss model required by IAS 39 is not material and therefore, there is no change to the opening balances within equity.

New and revised standards and interpretations not applied
In these Financial Statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

International Accounting Standards (IAS/IFRSs)		Effective date
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9	Prepayment Features with Negative Compensation (amendment)	1 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (amendment)	1 January 2019
Annual Improvements to IFRSs 2015-17 cycle		1 January 2019
IFRS 19	Plan Amendment, Curtailment or Settlement (amendment)	1 January 2019
IFRS 3	Business Combinations (amendment)	1 January 2020
IAS 1	Definition of Material (amendment)	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021

2. ACCOUNTING POLICIES CONTINUED

None of these are expected to have a significant effect on the Financial Statements of the Group, with the exception of IFRS 16 which is considered below.

- 'IFRS 16: Leases' will be effective for annual periods beginning on or after 1 January 2019. The standard changes the principles for the recognition, measurement, presentation and disclosure of leases. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise lease liabilities and 'right of use' assets on the Balance Sheet, with exemptions for low value and short-term leases. The Group has evaluated the impact of IFRS 16 on its current lease arrangements, which mainly consist of agricultural properties, and concluded that there will not be a material effect on the net assets of the Group or the Company. The Group intends to adopt the modified retrospective approach. The estimated impact on the Group's financial statements for the year ended 31 March 2020 is as follows;

	£m
Decrease in operating lease cost	7.8
Effect on EBITDA	**7.8**
Increase in depreciation	(7.0)
Effect on operating profit	**0.8**
Increase in interest charge	(1.0)
Effect on PBT	**(0.2)**
Increase in assets at transition date	40.0
Increase in liabilities at transition date	(40.0)
Overall effect on net assets	**-**

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 as the performance obligation to deliver goods to customers is satisfied and is recorded based on the amount of consideration expected to be received in exchange for satisfying the performance obligation. Revenue on the sale of goods is recognised when control of the goods has 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.

Sales related discounts and similar allowances comprise (commercial accruals):

- Volume rebates and similar allowances – which are sales incentives to customers to encourage them to purchase increased volumes and are related to total volumes purchased and sales growth.
- Advertising and marketing contributions – which are directly related to promotions run by customers.

For commercial accruals that must be earned, management make estimates related to customer performance, sales volume and agreed terms, to determine total amounts earned and to be recorded in deductions from revenue. (See significant estimates above, and Note 20).

The revenue accounting policy for the year ended 31 March 2018 was consistent with the requirements of IAS 18. Revenue was recognised when the significant risks and rewards of ownership of the goods had been passed to the buyer on despatch, rather than the satisfaction of the performance obligation to deliver the goods.

Alternative performance measures

The Board monitors performance principally through the adjusted performance measures. Adjusted profit and earnings per share measures exclude certain non-cash items including the net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, profit on sale of a business and goodwill impairment charges. Free cash flow is defined as net cash from operating activities less interest paid and like-for-like revenue excludes the impact of the 53rd week in the prior year.

The Board believes that such alternative measures are useful as they exclude volatile (net IAS 41 valuation movement on biological assets), one-off (impairment of goodwill and profit on sale of a business) and non-cash (amortisation of intangible assets) items which are normally disregarded by investors, analysts and brokers in gaining a clearer understanding of the underlying performance of the Group when making investment and other decisions. Equally, like-for-like revenue provides these same stakeholders with a clearer understanding of the organic sales growth of the business. (Reconciliations of alternative performance measures can be found in Note 31).

Taxation

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

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

i) except where the deferred income tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

ii) in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised:

i) except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised 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 profit or loss.

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 five 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	30-50 years
Short leasehold improvements	Remainder 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.

2. ACCOUNTING POLICIES CONTINUED

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.

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, where applicable, based on a normal level of activity.

Biological assets

The Group's biological assets consist of pigs in the form of breeding sows (classified as non-current assets) and their progeny for processing within the Group and externally (classified as current assets) and chickens in the form of breeder stocks (classified as non-current assets) and their progeny for processing within the Group and externally (classified as current assets). On initial recognition and at the balance sheet date biological assets have been measured at their fair value less costs to sell, in line with IAS 41. Gains and losses in relation to the fair value of biological assets are recognised in the income statement, within 'cost of sales', in the period in which they arise.

Cash and cash equivalents

Cash and cash equivalents are defined as cash at bank and in hand including short-term deposits with original maturity within three 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 IFRS 9 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 IFRS 9, 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.

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 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 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 Black-Scholes or stochastic option pricing models. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

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

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

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

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

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

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 principally through adjusted profit measures consistent with those disclosed in the Annual Report and Accounts.

For the purposes of managing the business, the Group is organised into one reportable segment, being Food: manufacture and supply of food products to UK grocery retailers, the food service sector and other UK and global food producers.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

The reportable segment 'Food' represents the aggregation of four operating segments which are aligned to the product categories of the Group; Fresh Pork, Convenience, Gourmet Products and Poultry, all of which manufacture and supply food products through the channels described above. These operating segments have been aggregated into one reportable segment as they share similar economic characteristics. The economic indicators which have been assessed in concluding that these operating segments should be aggregated include the similarity of long-term average margins; expected future financial performance; and operating and competitive risks. In addition, the operating segments are similar with regard to the nature of the products and production process, the type and class of customer, the method of distribution and the regulatory environment.

Geographical segments

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

	2019 £'m	2018 £'m
UK	**1,395.8**	1,419.3
Continental Europe	**22.6**	30.2
Rest of world	**18.7**	15.0
	1,437.1	1,464.5

In addition to the non-UK sales disclosed above the Group also made sales to export markets through UK-based meat trading agents totalling £56.3 million (2018: £51.0 million). Including these sales, total sales to export markets were £97.6 million for the year (2018: £96.2 million).

Customer concentration

The Group has two customers (2018: two) which individually account for more than 10 per cent of the Group's total revenue. These customers account for 23 per cent and 21 per cent respectively. In the prior year these same two customers accounted for 23 per cent and 21 per cent respectively.

The Group's non-current assets were all located within the UK during both 2019 and 2018.

4. GROUP OPERATING PROFIT

Group operating costs comprise:

	Total	
	2019 £'m	2018 £'m
Cost of sales excluding net IAS 41 valuation movement on biological assets	**1,250.6**	1,277.7
Net IAS 41 valuation movement on biological assets*	**2.8**	2.2
Cost of sales	**1,253.4**	1,279.9
Gross profit	**183.7**	184.6
Selling and distribution costs	**55.4**	55.7
Administrative expenses excluding amortisation of customer relationship intangible assets	**38.8**	38.3
Amortisation of customer relationship intangible assets	**2.7**	2.2
Administrative expenses	**41.5**	40.5
Total operating costs	**1,350.3**	1,376.1

* This represents the difference between operating profit prepared under IAS 41 and operating profit prepared under historical cost accounting, which forms part of the reconciliation to adjusted operating profit.

Group operating profit is stated after charging/(crediting):

	Total	
	2019 £'m	2018 £'m
Depreciation of property, plant and equipment	**28.9**	35.7
Amortisation of customer relationship intangible assets	**2.7**	2.2
Release of government grants	**(0.2)**	(0.2)
Operating lease payments – minimum lease payments	**7.0**	7.7
Net foreign currency differences	**(0.2)**	(0.1)
Cost of inventories recognised as an expense	**821.2**	844.7
Increase in provision for inventories	**2.0**	2.7
Research and development expenditure	**0.7**	1.0
Auditors' remuneration		
Fees payable to the Company's auditors in respect of the audit		
Audit of these financial statements	**0.1**	0.1
Local statutory audits of subsidiaries	**0.2**	0.2
Total audit remuneration	**0.3**	0.3
Other services	**–**	–
Total non-audit related remuneration	**–**	–

Further details of audit and non-audit fees can be found on page 62.

Fees paid to auditors 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		Company	
	2019 £'m	2018 £'m	**2019 £'m**	2018 £'m
Staff costs:				
Wages and salaries	**183.3**	177.6	**6.2**	8.1
Social security costs	**18.7**	17.4	**1.4**	1.6
Other pension costs	**4.9**	2.9	**0.1**	0.1
	206.9	197.9	**7.7**	9.8

Included within wages and salaries is a total expense for share-based payments of £4.8 million (2018: £4.3 million) all of which arises from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees during the year was:

	Group		Company	
	2019 Number	2018 Number	**2019 Number**	2018 Number
Production	**6,281**	5,686	**–**	–
Selling and distribution	**362**	330	**–**	–
Administration	**345**	322	**47**	40
	6,988	6,338	**47**	40

5. EMPLOYEES CONTINUED

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 Remuneration Committee Report on pages 65 to 81. The employee costs shown above include the following remuneration in respect of Directors of the Company:

Group and Company	2019 £'m	2018 £'m
Directors' remuneration	3.1	5.0
Pension contribution	–	–
	3.1	5.0
Aggregate gains made by Directors on exercise of share options	5.0	3.8
Number of Directors receiving pension contributions under money purchase schemes	2	2

Details of Directors' remuneration can be found in the Remuneration Committee Report on page 76. The total Directors' remuneration of £3.1 million (2018: £5.0 million) comprises salary and fees £2.0 million (2018: £1.9 million), benefits £0.1 million (2018: £0.1 million), bonus £0.6 million (2018: £2.6 million) and pension £0.4 million (2018: £0.4 million). The difference between pension contributions noted above and pension contributions on page 76 is cash paid in lieu of pension.

6. FINANCE COSTS

	Total	
	2019 £'m	2018 £'m
Finance costs		
Bank interest paid and similar charges	0.3	0.2
Interest capitalised	(0.2)	–
Total interest expense for financial liabilities not at fair value through profit or loss	0.1	0.2
Net finance cost on defined benefit pension deficit (Note 26)	0.1	0.1
Movement in discount on provisions and financial liabilities	–	0.1
Total finance costs	0.2	0.4

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

7. TAXATION

a) Analysis of tax charge in the year

Tax charge based on the profit for the year:

	2019 £'m	2018 £'m
Current income tax:		
UK corporation tax on profit for the year	18.1	20.0
Adjustments in respect of prior years	(0.1)	0.4
Total current tax	18.0	20.4
Deferred tax:		
Origination and reversal of temporary differences	(1.0)	(2.4)
Deferred tax rate change	0.1	0.3
Adjustments in respect of prior years	(0.2)	(0.3)
Total deferred tax	(1.1)	(2.4)
Tax on profit on ordinary activities	16.9	18.0

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

Group	2019 £'m	2018 £'m
Recognised in Group statement of comprehensive income		
Deferred tax on revaluation of cash flow hedges	**(0.1)**	–
Deferred tax on actuarial (gains)/losses on defined benefit pension scheme	**0.3**	0.2
Corporation tax credit on actuarial (gains)/losses on defined benefit pension scheme	**(0.7)**	(0.3)
	(0.5)	(0.1)
Recognised in Group statement of changes in equity		
Deferred tax charge on share-based payments	**0.7**	0.3
Corporation tax credit on share options exercised	**(1.3)**	(1.4)
	(0.6)	(1.1)
Total tax credit recognised directly in equity	**(1.1)**	(1.2)

Company	2019 £'m	2018 £'m
Recognised in Company statement of changes in equity		
Deferred tax charge on share-based payments	**0.2**	0.1
Corporation tax credit on share options exercised	**(0.8)**	(0.3)
Total tax credit recognised directly in equity	**(0.6)**	(0.2)

b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £'m	2018 £'m
Profit on ordinary activities before tax	**86.5**	88.0
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19 per cent (2018: 19 per cent)	**16.4**	16.7
Effect of:		
Disallowed expenses	**0.7**	1.2
Deferred tax rate change	**0.1**	0.3
Non-taxable income	**–**	(0.3)
Adjustments in respect of prior years	**(0.3)**	0.1
Total tax charge for the year	**16.9**	18.0

c) Deferred tax

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

Group	2019 £'m	2018 £'m
Deferred tax liability in the balance sheet		
Accelerated capital allowances	**1.9**	1.7
Business combinations	**3.0**	3.3
Biological assets	**(0.9)**	(0.4)
Rollover and holdover relief	**0.1**	0.1
Other temporary differences	**(0.4)**	(0.3)
Share-based payments	**(2.1)**	(2.8)
Deferred tax on defined benefit pension scheme	**(1.1)**	(1.4)
Customer relationships intangibles	**0.3**	0.8
Deferred tax liability	**0.8**	1.0

7. TAXATION CONTINUED

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

	2019 £'m	2018 £'m
Deferred tax in the income statement		
Accelerated capital allowances	**0.3**	(1.2)
Business combinations	**(0.4)**	–
Biological assets	**(0.5)**	(0.4)
Other temporary differences	**–**	(0.1)
Share-based payments	**–**	(0.4)
Customer relationships intangibles	**(0.5)**	(0.4)
Deferred tax credit	**(1.1)**	(2.5)

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

Company	2019 £'m	2018 £'m
Deferred tax asset in the balance sheet		
Other temporary differences	**(0.2)**	–
Share-based payments	**(0.7)**	(1.0)
Deferred tax asset	**(0.9)**	(1.0)

d) Change in corporation tax rate

A reduction in the main rate of corporation tax in the UK from 19 per cent to 17 per cent from 1 April 2020 was enacted before the balance sheet date. Deferred tax is therefore provided at 17 per cent.

8. PROFIT ATTRIBUTABLE TO MEMBERS

Of the profit attributable to members, the sum of £24.6 million (2018: £21.9 million) has been dealt with in the accounts of Cranswick plc.

9. EQUITY DIVIDENDS

	2019 £'m	2018 £'m
Declared and paid during the year:		
Final dividend for 2018 – 38.6p per share (2017: 31.0p)	**19.8**	15.7
Interim dividend for 2019 – 15.9p per share (2018: 15.1p)	**8.2**	7.7
Dividends paid	**28.0**	23.4
Proposed for approval of Shareholders at the Annual General Meeting on 29 July 2019:		
Final dividend for 2019 – 40.0p per share (2018: 38.6p)	**20.7**	19.7

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 £69.6 million (2018: £70.0 million) 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:

	2019 Thousands	2018 Thousands
Basic weighted average number of shares	**51,385**	50,787
Dilutive potential ordinary shares – share options	**222**	238
	51,607	51,025

Adjusted earnings per share

Adjusted earnings per share are calculated using the weighted average number of shares for both basic and diluted amounts as detailed above (see Note 31).

11. INTANGIBLE ASSETS

Group	Goodwill £'m	Customer relationships £'m	Total £'m
Cost			
At 31 March 2017, 31 March 2018 and 31 March 2019	151.3	11.6	162.9
Amortisation			
At 31 March 2017	–	4.5	4.5
Amortisation	–	2.2	2.2
At 31 March 2018	–	6.7	6.7
Amortisation	–	2.7	2.7
At 31 March 2019	–	9.4	9.4
Net book value			
At 31 March 2017	151.3	7.1	158.4
At 31 March 2018	151.3	4.9	156.2
At 31 March 2019	**151.3**	**2.2**	**153.5**

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	2019 £'m	2018 £'m
Fresh Pork	**21.8**	21.8
Livestock	**1.7**	1.7
Cooked Meats	**90.2**	90.2
Continental Fine Foods	**11.0**	11.0
Premium Cooked Poultry	**9.2**	9.2
Fresh Chicken	**13.7**	13.7
Other	**3.7**	3.7
	151.3	151.3

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 two years calculated for the Viability Statement, extended for a further two years. Forecast replacement capital expenditure is included from budgets and thereafter capital expenditure is assumed to represent 100 per cent of depreciation, except where specific expansion plans are in place.

Subsequent cash flows are forecast to grow in line with the long-term rate of inflation of 2 per cent.

A pre-tax discount rate of 9.4 per cent has been used (2018: 7.2 per cent) being management's estimate of the weighted average cost of capital adjusted for risks specific to the CGUs. An adjustment has also been made in arriving at the pre-tax discount rate to reflect the fact that the weighted average cost of capital is a post-tax rate.

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 budgets and 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

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.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £'m	Leasehold improve-ments £'m	Plant, equipment and vehicles £'m	Assets in the course of construction £'m	Total £'m
Cost					
At 31 March 2017	124.8	1.0	251.6	6.3	383.7
Additions	1.9	–	31.8	25.5	59.2
Transfers between categories	0.1	–	8.4	(8.5)	–
Disposals	(1.2)	–	(4.0)	–	(5.2)
At 31 March 2018	125.6	1.0	287.8	23.3	437.7
Additions	6.8	–	39.4	37.3	83.5
Transfers between categories	17.9	–	8.6	(26.5)	–
Disposals	–	(1.0)	(28.2)	–	(29.2)
At 31 March 2019	150.3	–	307.6	34.1	492.0
Depreciation					
At 31 March 2017	18.6	1.0	148.4	–	168.0
Charge for the year	8.1	–	27.6	–	35.7
Relating to disposals	(0.1)	–	(3.2)	–	(3.3)
At 31 March 2018	26.6	1.0	172.8	–	200.4
Charge for the year	3.2	–	25.7	–	28.9
Relating to disposals	–	(1.0)	(27.5)	–	(28.5)
At 31 March 2019	29.8	–	171.0	–	200.8
Net book amounts					
At 31 March 2017	106.2	–	103.2	6.3	215.7
At 31 March 2018	99.0	–	115.0	23.3	237.3
At 31 March 2019	**120.5**	**–**	**136.6**	**34.1**	**291.2**

Included in freehold land and buildings is land with a cost of £14.6 million (2018: £9.2 million), which is not depreciated, relating to the Group, and £0.5 million (2018: £0.5 million) relating to the Company.

Cost includes £1.3 million (2018: £1.1 million) in respect of capitalised interest. Interest of £0.2 million was capitalised during the year (2018: £nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.75 per cent, which was 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.

Company	Freehold land and buildings £'m	Plant, equipment and vehicles £'m	Total £'m
Cost			
At 31 March 2017 and 31 March 2018	0.5	0.5	1.0
Additions	–	0.3	0.3
As at 31 March 2019	0.5	0.8	1.3
Depreciation			
At 31 March 2017	–	0.4	0.4
Charge for the year	–	0.1	0.1
At 31 March 2018	–	0.5	0.5
Charge for the year	–	–	–
At 31 March 2019	–	0.5	0.5
Net book amounts			
At 31 March 2017	0.5	0.1	0.6
At 31 March 2018	0.5	–	0.5
At 31 March 2019	**0.5**	**0.3**	**0.8**

13. INVESTMENTS

Company	Subsidiary undertakings £'m
Shares at cost:	
At 31 March 2017	161.5
Capital contribution relating to share options	3.0
At 31 March 2018	164.5
Capital contribution relating to share options	3.3
Entities dissolved	(1.7)
At 31 March 2019	**166.1**

The subsidiary undertakings as at 31 March 2019 were:

- Cranswick Country Foods plc
- Cranswick Gourmet Pastry Company Limited (100 per cent owned by Cranswick Country Foods plc) (2018: 90 per cent owned by Cranswick Country Foods plc)
- Wayland Farms Limited (100 per cent owned by Cranswick Country Foods plc)
- Wold Farms Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Convenience Foods Limited
- Kingston Foods Limited (100 per cent owned by Cranswick Convenience Foods Limited)
- Warwick One Limited (registered in Scotland, registered office 21 Jenny Moores Road, St. Boswells, Melrose, Roxburghshire, TD6 0AN)
- Benson Park Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Bio Limited (100 per cent owned by Cranswick Country Foods plc)
- Mulberry House Foods Limited (100 per cent owned by Cranswick Country Foods plc)
- Weeton Foods Limited (100 per cent owned by Cranswick Country Foods plc)
- Potterdale Foods Limited (100 per cent owned by Cranswick Country Foods plc)
- CCL Holdings Limited (100 per cent owned by Cranswick Country Foods plc)
- Crown Chicken Limited (100 per cent owned by CCL Holdings Limited)
- Cranswick Country Foods Ballymena (registered in Northern Ireland, registered office 146 Fenaghy Road, Cullybackey, County Antrim, Northern Ireland, BT42 1EA, 100 per cent owned by The Harts Corner Natural Sausage Company Limited)
- Cranswick Country Foods (Norfolk) Pension Trustees Limited (100 per cent owned by Cranswick Country Foods (Norfolk) Limited)
- Roma (No.1) plc
- Brookfield Foods Limited
- Continental Fine Foods Limited
- North Wales Foods Limited
- Cranswick Country Foods (Norfolk) Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Gourmet Bacon Company Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Gourmet Sausage Company Limited (100 per cent owned by Cranswick Country Foods plc)

13. INVESTMENTS CONTINUED
- Cranswick Mill Limited
- Cranswick Trustees Limited
- Cranswick Tuck Marketing Limited
- Delico Limited
- Friars 587 Limited (100 per cent owned by Cranswick Country Foods plc)
- The Harts Corner Natural Sausage Company Limited (100 per cent owned by Cranswick Country Foods plc)
- White Rose Farms Limited (Formerly known as Cranswick Buckle Farming Limited) (50 per cent owned by Cranswick Country Foods plc)

Except where otherwise stated, each of the companies is registered in England and Wales, with registered office Crane Court, Hesslewood Country Office Park, Ferriby Road, Hessle, East Yorkshire, HU13 0PA and Cranswick plc holds directly 100 per cent of the shares and voting rights of each subsidiary undertaking.

14. INVESTMENT IN JOINT VENTURE
The Group has a 50 per cent interest in White Rose Farms, a joint venture involved in the production of pigs. During the year a loan of £2.2m was made to the entity to fund working capital.

The Group's interest in White Rose Farms is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

Group	£'m
Current assets	1.5
Non-current assets	3.3
Current liabilities	(0.5)
Non-current liabilities	(4.5)
Equity	**(0.2)**
Group's share in equity – 50%	(0.1)
Group's carrying amount of the investment	**(0.1)**

	£'m
Revenue	2.2
Cost of sales	(2.3)
Admin expenses	(0.1)
Loss before tax	**(0.2)**
Group's share of the loss for the year – 50%	(0.1)

The joint venture had no other contingent liabilities or capital commitments as at 31 March 2019. White Rose Farms cannot distribute its profits without consent from the two venture partners.

15. ACQUISITIONS
2017 – Cranswick Country Foods Ballymena
On 16 November 2016, the Group acquired 100 per cent of the issued share capital of Dunbia Ballymena (renamed Cranswick Country Foods Ballymena) for a total consideration of £18.1 million including £3.4 million settlement of intercompany creditors due to the previous owner and a deferred consideration of £1.3 million.

Intercompany loans were repaid on completion giving a total consideration for the acquisition of £18.1 million.

Included in the £9.5 million of goodwill recognised 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.

Contingent consideration
The agreement included contingent consideration payable in cash to the previous owners of Cranswick Country Foods Ballymena based on obtaining a licence to export to China. The amount paid during the prior year was £1.3 million.

2015 – Benson Park

Contingent consideration

On 22 October 2014, the Group acquired 100 per cent of the issued share capital of Benson Park Limited for a total consideration of £23.8 million.

The agreement included contingent consideration payable in cash to the previous owners of Benson Park Limited based on the performance of the business over a 2.5 year period. The amount payable was to be between £nil and £4.0 million dependant on the average profit before interest and tax of the business during the 2.5 year period versus an agreed target level.

During the prior year the full £4.0 million contingent consideration was paid.

2015 – Yorkshire Baker

On 2 April 2014, the Group acquired the goodwill associated with the Yorkshire Baker business in exchange for certain property, plant and equipment and 10 per cent of the issued share capital of Cranswick Gourmet Pastry Company Limited. Goodwill of £0.4 million was recognised on acquisition representing 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 the assembled workforce.

There was a put and call option in place over the 10 per cent shareholding, exercisable at fixed points over a three year period to 31 October 2018, based on the results of Cranswick Gourmet Pastry Company Limited for the preceding financial year.

Total contingent consideration of £0.8 million has been paid in the year in relation to the option.

16. BIOLOGICAL ASSETS

The Group's biological assets consist of pigs in the form of breeding sows (classified as non-current assets) and their progeny for processing within the Group and externally (classified as current assets) and chickens in the form of breeder stocks (classified as non-current assets) and their progeny for processing within the Group and externally (classified as current assets).

Reconciliation of carrying amounts of livestock:

Group	Pigs £'m	Chickens £'m	Total £'m
At 31 March 2017	14.4	5.2	19.6
Increases due to purchases	15.8	1.0	16.8
Decrease attributable to harvest	(63.6)	(44.2)	(107.8)
Decreases attributable to sales	(0.8)	(4.4)	(5.2)
Changes in fair value less estimated costs to sell	47.4	47.0	94.4
At 31 March 2018	13.2	4.6	17.8
Increases due to purchases	19.7	1.6	21.3
Decrease attributable to harvest	(68.5)	(45.7)	(114.2)
Decreases attributable to sales	(0.5)	(9.5)	(10.0)
Changes in fair value less estimated costs to sell	52.7	53.7	106.4
At 31 March 2019	**16.6**	**4.7**	**21.3**

Group	2019 £'m	2018 £'m
Non-current biological assets:		
Pigs	**0.6**	0.5
Chickens	**0.1**	0.3
	0.7	0.8
Current biological assets:		
Pigs	**16.0**	12.7
Chickens	**4.6**	4.3
	20.6	17.0

16. BIOLOGICAL ASSETS CONTINUED

Group	2019 £'m	2018 £'m
Net IAS 41 valuation movement on biological assets*		
Changes in fair value of biological assets	**106.4**	94.4
Biological assets transferred to cost of sales	**(109.2)**	(96.6)
	(2.8)	(2.2)

* This represents the difference between operating profit prepared under IAS 41 and operating profit prepared under historical cost accounting, which forms part of the reconciliation to adjusted operating profit.

The Group's valuation model for biological assets utilises quoted (unadjusted) prices in an active market for the valuation of finished pigs, sucklers, weaners and broilers (Level 1 in the fair value hierarchy as detailed in Note 23). The valuation of sows, boars and breeder chickens is based on recent transactions for similar assets (Level 2 in the fair value hierarchy).

The main assumption used in relation to the valuation is mortality which has been based on historical data for each category of pig and chicken.

Additional information:

Group	2019 Number	2018 Number
Quantities at year end:		
Breeding sows (Bearer biological assets)	**12,763**	12,826
Boars	**255**	235
Pigs (Consumable biological assets)	**248,781**	190,921
Breeder chickens (Bearer biological assets)	**267,389**	268,334
Broiler chickens (Consumable biological assets)	**3,255,208**	2,957,415
Number of pigs produced in the year	**496,006**	448,740
Number of chickens produced in the year	**26,116,813**	29,204,400

17. INVENTORIES

Group	2019 £'m	2018 £'m
Raw materials and work in progress	**47.3**	39.9
Finished goods and goods for resale	**20.1**	19.3
	67.4	59.2

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 £'m	2018 £'m	**2019 £'m**	2018 £'m
Financial assets:				
Trade receivables	**147.3**	146.8	**–**	–
Amounts owed by Group undertakings	**–**	–	**76.7**	37.4
Other receivables	**8.7**	5.5	**0.7**	0.5
	156.0	152.3	**77.4**	37.9
Non-financial assets:				
Prepayments and accrued income	**5.7**	7.8	**0.5**	0.4
	161.7	160.1	**77.9**	38.3

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

Group	Trade receivables £'m	Of which: Not due £'m	Past due date in the following periods: Less than 30 days £'m	Between 30 and 60 days £'m	More than 60 days £'m
2019	**147.3**	**131.2**	**13.3**	**1.6**	**1.2**
2018	146.8	129.4	14.3	1.6	1.5

Trade receivables are non-interest-bearing and are generally on 30 to 60 day terms and are shown net of any provision for impairment. As at 31 March 2019, trade receivables at nominal value of £0.7 million (2018: £2.2 million) were impaired and fully provided for. The provision is calculated by reviewing the lifetime expected credit losses using both historic and forward looking data. Balances are written off when the probability of recovery is assessed as being remote. The provision held at 31 March 2019 and 1 April 2018 (on adoption of the IFRS) uses expected future loss rates of 0.0% – 0.7% generating a future credit loss provision of <£0.1m (1 April 2018 <£0.1m).

Movements in the provision for impairment of receivables were as follows:

Group	£'m
Bad debt provision	
At 31 March 2017	1.0
Provided in year	1.7
Utilised	(0.5)
At 31 March 2018	2.2
Provided in year	0.2
Utilised	(1.2)
Released	(0.5)
At 31 March 2019	**0.7**

There are no bad debt provisions against other receivables.

19. FINANCIAL ASSETS

Group	2019 £'m	2018 £'m
Current		
Forward currency contracts	**0.1**	0.1
Loan to joint venture	**2.2**	–
	2.3	0.1

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 £'m	2018 £'m	**2019 £'m**	2018 £'m
Current				
Trade payables	**107.6**	98.1	**0.6**	0.2
Amounts owed to Group undertakings	**–**	–	**61.8**	49.8
Tax and social security	**4.8**	5.4	**1.8**	2.6
Other creditors	**6.0**	9.9	**2.5**	6.8
Commercial accruals*	**7.9**	8.9	**–**	–
Other accruals	**23.3**	25.3	**1.4**	1.6
Deferred income – Government grants	**0.6**	0.2	**–**	–
	150.2	147.8	**68.1**	61.0
Non-current				
Deferred income – Government grants	**0.7**	0.9	**–**	–

* See breakdown on page 118

20. TRADE AND OTHER PAYABLES CONTINUED

Government grants received relate to Regional Growth Fund, Rural Development Programme for England and Business Investment Scheme payments. The amounts received have been used to fund fixed asset investment with the objective of creating and safeguarding jobs at the Group's facilities.

For the Company, amounts owed to Group undertakings reflect the net of the financial liabilities disclosed in Note 23 of £276.6 million (2018: £261.1 million) and non-interest bearing amounts owed by the same entities to the Company.

For the Group, commercial accruals consist of:

	Volume rebates and similar allowances £'m	Advertising and marketing contributions £'m	Total £'m
At 31 March 2017	7.1	3.1	10.2
Paid	(10.9)	(4.8)	(15.7)
Charged to income statement	10.6	3.8	14.4
At 31 March 2018	6.8	2.1	8.9
Paid	(9.8)	(3.6)	(13.4)
Charged to income statement	8.9	3.5	12.4
At 31 March 2019	**5.9**	**2.0**	**7.9**

21. FINANCIAL LIABILITIES

	Group		Company	
	2019 £'m	2018 £'m	**2019 £'m**	2018 £'m
Current				
Forward currency contracts	**0.6**	0.1	**–**	–
Contingent consideration (Note 15)	**–**	0.8	**–**	–
Bank overdraft	**–**	–	**5.4**	–
	0.6	0.9	**5.4**	–
Non-current				
Amounts outstanding under revolving credit facility	**15.0**	1.0	**15.0**	1.0
Unamortised issue costs	**(0.8)**	(1.0)	**(0.8)**	(1.0)
	14.2	–	**14.2**	–

	Group	
	2019 £'m	2018 £'m
Movement on hedged items:		
Gains arising in the year	**–**	0.1
Reclassification adjustment for gains included in the income statement	**(0.5)**	(0.3)
	(0.5)	(0.2)

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

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 23.

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

Banking facility
During the year, the Group extended the period of its banking facility by one year. The facility, which now runs to November 2023, currently comprises a revolving credit facility of £160 million (reducing to £120 million in November 2022), including a committed overdraft facility of £20 million. £5.4 million (2018: £nil) of the overdraft facility was utilised at 31 March 2019. Interest is payable at a margin over base rate. £15.0 million (2018: £1.0 million) of the revolving credit facility was utilised as at 31 March 2019. Interest is payable at a margin over LIBOR.

The arrangement fees of £1.4 million (2018: £1.3 million) are being amortised over the period of the facility.

The maturity profile of bank loans is as follows:

	Group		Company	
	2019 £'m	2018 £'m	**2019 £'m**	2018 £'m
In one year or less	**–**	–	**–**	–
Between one year and two years	**–**	–	**–**	–
Between two years and five years	**15.0**	1.0	**15.0**	1.0
	15.0	1.0	**15.0**	1.0
Unamortised issue costs	**(0.8)**	(1.0)	**(0.8)**	(1.0)
	14.2	–	**14.2**	–

The bank facility for both years was unsecured and subject to interest cover and debt leverage covenants.

Unamortised issue costs relate to the revolving credit facility which expires in November 2023. £15.0 million (2018: £1.0 million) was drawn down under the facility at the year end.

22. PROVISIONS

	Group	Company
	Lease provisions £'m	**Lease provisions £'m**
At 31 March 2018	2.5	0.7
Utilised in the year	(0.3)	–
Movement on discount	–	–
At 31 March 2019	**2.2**	**0.7**

Analysed as:

	Group		Company	
	2019 £'m	2018 £'m	**2019 £'m**	2018 £'m
Current liabilities	**0.2**	0.2	**0.1**	0.1
Non-current liabilities	**2.0**	2.3	**0.6**	0.6
	2.2	2.5	**0.7**	0.7

Lease provisions are held against dilapidation obligations on leased properties and onerous leases. These provisions are expected to be utilised over the next ten years.

23. FINANCIAL INSTRUMENTS

An explanation of the Company and Group's financial instruments risk management strategy is set out on page 84 in the Directors' Report.

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 2019 and their weighted average interest rates is set out below.

As at 31 March 2019

Group	Weighted average effective interest rate %	Total £'m	At floating interest rates £'m	Fixed interest 1 year or less £'m	Fixed interest 1-2 years £'m	Fixed interest 2-3 years £'m
Financial liabilities:						
Revolving credit facility	**1.3%**	**(15.0)**	**(15.0)**	**–**	**–**	**–**
Financial assets:						
Cash at bank	**0.0%**	**20.5**	**20.5**	**–**	**–**	**–**
		5.5	**5.5**	**–**	**–**	**–**

As at 31 March 2018

Group	Weighted average effective interest rate %	Total £'m	At floating interest rates £'m	Fixed interest 1 year or less £'m	Fixed interest 1-2 years £'m	Fixed interest 2-3 years £'m
Financial liabilities:						
Revolving credit facility	1.0%	(1.0)	(1.0)	–	–	–
Financial assets:						
Cash at bank	0.0%	20.6	20.6	–	–	–
		19.6	19.6	–	–	–

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

The interest rate profile of the interest-earning financial assets and interest-bearing liabilities of the Company as at 31 March 2019 and their weighted average interest rates is set out below:

As at 31 March 2019

Company	Weighted average effective interest rate %	Total £'m	At floating interest rates £'m	Fixed interest 1 year or less £'m	Fixed interest 1-2 years £'m	Fixed interest 2-3 years £'m
Financial liabilities:						
Amounts owed to Group undertakings	**1.9%**	**(276.6)**	**(276.6)**	**–**	**–**	**–**
Revolving credit facility	**1.3%**	**(15.0)**	**(15.0)**	**–**	**–**	**–**
Overdraft	**1.9%**	**(5.4)**	**(5.4)**	**–**	**–**	**–**
		(297.0)	**(297.0)**	**–**	**–**	**–**
Financial assets:						
Cash at bank	**0.0%**	**–**	**–**	**–**	**–**	**–**
		(297.0)	**(297.0)**	**–**	**–**	**–**

As at 31 March 2018

Company	Weighted average effective interest rate %	Total £'m	At floating interest rates £'m	Fixed interest 1 year or less £'m	Fixed interest 1-2 years £'m	Fixed interest 2-3 years £'m
Financial liabilities:						
Amounts owed to Group undertakings	1.6%	(261.1)	(261.1)	–	–	–
Revolving credit facility	1.0%	(1.0)	(1.0)	–	–	–
		(262.1)	(262.1)	–	–	–
Financial assets:						
Cash at bank	0.0%	5.1	5.1	–	–	–
		(257.0)	(257.0)	–	–	–

Currency profile
The Group's financial assets at 31 March 2019 include Sterling denominated cash balances of £4.8 million (2018: £20.4 million), Euro £15.7 million (2018: £0.5 million), and US Dollar £nil (2018: (£0.3 million)) 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.
Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

The Group's forward currency contracts are measured using Level 2 of the fair value hierarchy. The valuations are provided by the Group's bankers from their proprietary valuation models and are based on mid-market levels as at close of business on the Group's year end reporting date.

Contingent consideration is measured using Level 3 of the fair value hierarchy and relates to future amounts payable on acquisitions. Amounts payable are based on agreements within purchase contracts, management's expectations of the future profitability of the acquired entity and the timings of payments.

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	**2019 Book value £'m**	**2019 Fair value £'m**	2018 Book value £'m	2018 Fair value £'m
Forward currency contracts (Note 19 and Note 21)	**0.5**	**0.5**	–	–
Contingent consideration (Note 15 and Note 21)	**–**	**–**	(0.8)	(0.8)

The book value of trade and other receivables, trade and other payables, cash balances, loans receivable, overdrafts, amounts outstanding under revolving credit facility and finance leases and hire purchase contracts equates to fair value for the Group and Company.

23. 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 IFRS 9, changes in fair value are posted directly to other comprehensive income and subsequently reclassified through the income statement at the time that the hedged item affects profit or loss.

Group

Currency	Amount	Maturities	Exchange rates	Fair value £'m
Euros	28.1m	1 April 2019–16 December 2019	€1.10–€1.17	(0.5)

ii) Forward contracts to hedge expected future sales

The Group hedges a proportion of its near-term expected sales denominated in overseas currencies. Where these hedges meet the hedge criteria of IFRS 9, changes in fair value are posted directly to other comprehensive income and subsequently reclassified through the income statement at the time that the hedged item affects profit or loss.

Group

Currency	Amount	Maturities	Exchange rates	Fair value £'m
US Dollars	17.8m	1 April 2019–3 December 2019	£0.75–£0.79	0.1
Euros	9.4m	10 April 2019–20 December 2019	£0.85–£0.90	–

These contracts were effective cash flow hedges under the criteria set out in IFRS 9 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 £'m
2019		
Sterling	**+100**	**(0.1)**
	–100	**0.1**
2018		
Sterling	+100	(0.2)
	–100	0.2

Liquidity risk

The tables below summarise the maturity profile of the Group's financial liabilities at 31 March 2019 and 2018 based on contractual undiscounted payments:

At 31 March 2019

Group	Less than 1 year £'m	1 to 2 years £'m	2 to 5 years £'m	Total £'m
Revolving credit facility	**–**	**–**	**15.0**	**15.0**
Trade and other payables	**149.6**	**–**	**–**	**149.6**
Derivative financial instruments	**0.6**	**–**	**–**	**0.6**
	150.2	**–**	**15.0**	**165.2**

At 31 March 2018

Group	Less than 1 year £'m	1 to 2 years £'m	2 to 5 years £'m	Total £'m
Revolving credit facility	–	–	1.0	1.0
Contingent consideration (Note 21)	0.8	–	–	0.8
Trade and other payables	147.6	–	–	147.6
Derivative financial instruments	0.1	–	–	0.1
	148.5	–	1.0	149.5

At 31 March 2019

Company	**Less than 1 year £'m**	**1 to 2 years £'m**	**2 to 5 years £'m**	**Total £'m**
Revolving credit facility	**–**	**–**	**15.0**	**15.0**
Trade and other payables	**68.1**	**–**	**–**	**68.1**
	68.1	**–**	**15.0**	**83.1**

At 31 March 2018

Company	Less than 1 year £'m	1 to 2 years £'m	2 to 5 years £'m	Total £'m
Revolving credit facility	–	–	1.0	1.0
Trade and other payables	61.0	–	–	61.0
	61.0	–	1.0	62.0

The impact of liquidity risk on the Group is discussed in detail in the Directors' Report on page 84.

24. CALLED-UP SHARE CAPITAL
Allotted, called-up and fully paid – Ordinary shares of 10 pence each:

Group and Company	**2019 Number**	2018 Number	**2019 £'m**	2018 £'m
At 1 April	**51,078,201**	50,465,544	**5.1**	5.0
On exercise of share options	**417,117**	432,405	**0.1**	0.1
Scrip dividends	**184,607**	180,252	**–**	–
At 31 March	**51,679,925**	51,078,201	**5.2**	5.1

On 9 September 2018, 163,250 ordinary shares were issued at 3,276.8 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2018 final dividend.

On 25 January 2019, 21,357 ordinary shares were issued at 2,787.2 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2019 interim dividend.

During the course of the year, 417,117 ordinary shares were issued to employees exercising SAYE and LTIP options at prices between nil and 3,350.0 pence.

24. CALLED-UP SHARE CAPITAL CONTINUED

On 1 September 2017, 134,742 ordinary shares were issued at 2,787.4 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2017 final dividend.

On 26 January 2018, 45,510 ordinary shares were issued at 3,100.2 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2018 interim dividend.

During the course of the prior year, 432,405 ordinary shares were issued to employees exercising SAYE and LTIP options at prices between nil and 1,788.0 pence.

Ordinary share capital of £42,768 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	2,424	579p	March 2015–October 2019
Savings related	2,421	916p	March 2017–October 2019
Savings related	66,292	1,187p	March 2018–October 2020
Savings related	51,474	1,456p	March 2019–October 2021
Savings related	150,865	1,788p	March 2020–October 2022
Savings related	174,153	2,565p	March 2021–October 2023
Savings related	259,572	2,239p	March 2022–October 2024
LTIP	578,800	Nil	August 2019–August 2028

25. SHARE-BASED PAYMENTS

The Group operates two share option schemes, a Revenue approved scheme (SAYE) and a Long Term Incentive Plan (LTIP), both of which are equity-settled. The total expense charged to the income statement during the year in relation to share-based payments was £4.8 million (2018: £4.3 million).

Long Term Incentive Plan (LTIP)

During the course of the year 211,800 options at nil cost were granted to Directors and Senior Executives, the share price at that time was 3,308.0 pence. Details of the performance criteria relating to the LTIP scheme can be found in the Remuneration Committee report on page 72. The maximum term of LTIP options is ten years.

Group	2019 Number	2019 WAEP (£)	2018 Number	2018 WAEP (£)
Outstanding as at 1 April	**685,144**	**–**	790,656	–
Granted during the year (i)	**211,800**	**–**	176,260	–
Lapsed during the year	**(27,996)**	**–**	–	–
Exercised during the year (ii)	**(290,148)**	**–**	(281,772)	–
Outstanding as at 31 March (iii)	**578,800**	**–**	685,144	–
Exercisable at 31 March	**5,450**	**–**	8,000	–

Company	2019 Number	2019 WAEP (£)	2018 Number	2018 WAEP (£)
Outstanding as at 1 April	**368,825**	**–**	421,113	–
Granted during the year (i)	**111,000**	**–**	94,175	–
Lapsed during the year	**(3,767)**	**–**	–	–
Exercised during the year (ii)	**(154,700)**	**–**	(146,463)	–
Outstanding as at 31 March (iii)	**321,358**	**–**	368,825	–
Exercisable at 31 March	**–**	**–**	–	–

i) The weighted average fair value of options granted during the year was £31.51 (2018: £27.96). The share options granted during the year were at £nil per share. The share price at the date of grant was £33.08 (2018: £29.60).

ii) The weighted average share price at the date of exercise for the options exercised was £32.32 (2018: £27.84).

iii) For the share options outstanding as at 31 March 2019, the weighted average remaining contractual life is 8.22 years (2018: 8.05 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 one year 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 three, five or seven 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	2019 Number	2019 WAEP (£)	2018 Number	2018 WAEP (£)
Outstanding as at 1 April	**645,815**	**18.67**	606,012	13.97
Granted during the year (i)	**266,289**	**22.39**	229,595	25.65
Lapsed during the year	**(77,934)**	**23.08**	(39,159)	16.73
Exercised during the year (ii)	**(126,969)**	**13.34**	(150,633)	10.90
Outstanding as at 31 March (iii)	**707,201**	**20.55**	645,815	18.67
Exercisable at 31 March	**33,319**	**13.57**	26,989	11.30

Company	2019 Number	2019 WAEP (£)	2018 Number	2018 WAEP (£)
Outstanding as at 1 April	**22,078**	**16.18**	26,735	12.09
Granted during the year (i)	**7,301**	**22.39**	4,717	25.65
Lapsed during the year	**(4,666)**	**25.35**	(263)	6.15
Exercised during the year (ii)	**(5,493)**	**13.78**	(9,111)	10.00
Outstanding as at 31 March (iii)	**19,220**	**19.15**	22,078	16.18
Exercisable at 31 March	**1,615**	**9.48**	2,196	11.87

i) The share options granted during the year were at £22.39 (2018: £25.65), representing a 20 per cent discount on the price at the relevant date. The share price at the date of grant was £27.96 (2018: £33.37).

ii) The weighted average share price at the date of exercise for the options exercised was £26.95 (2018: £28.08).

iii) For the share options outstanding as at 31 March 2019, the weighted average remaining contractual life is 2.65 years (2018: 2.72 years).

The weighted average fair value of options granted during the year was £4.69 (2018: £9.94). The range of exercise prices for options outstanding at the end of the year was £5.79-£25.65 (2018: £5.79-£25.65).

In the prior year the fair value of the SAYE and LTIP equity-settled options granted was 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 same methodology was used to estimate the fair value of the SAYE options granted in the current year. The current year LTIP equity settled options have been calculated using a Stochastic option pricing model. The following table lists the inputs to the model used for the years ended 31 March 2019 and 31 March 2018:

Group and Company	2019 LTIP	2019 SAYE	2018 LTIP	2018 SAYE
Dividend yield	**1.62%**	**2.16%**	1.68%	1.68%
Expected share price volatility	**18.07%-21.45%**	**21.84%-23.24%**	31.0%	31.0%
Risk-free interest rate	**0.84%-1.11%**	**0.83%-0.97%**	0.49%	0.49%-0.73%
Expected life of option	**3 years**	**3.25, 5.25 years**	3 years	3, 5 years
Exercise prices	**£nil**	**£22.39**	£nil	£25.65

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

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

26. PENSION SCHEMES

Defined benefit pension scheme

The Group acquired a defined benefit final salary pension scheme during 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 31 December 2015. 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.

a) Change in benefit obligation	**2019 £'m**	2018 £'m
Benefit obligation at the beginning of the year	**37.5**	36.1
Interest cost	**0.8**	0.8
Remeasurement (gains)/losses:		
Actuarial losses/(gains) arising from changes in financial assumptions	**1.3**	(0.9)
Movement on additional liability recognised due to minimum funding requirement	**0.2**	1.9
Past service cost	**0.4**	–
Benefits paid from plan	**(0.5)**	(0.4)
Benefit obligation at the end of the year	**39.7**	37.5

b) Change in plan assets	**2019 £'m**	2018 £'m
Fair value of plan assets at the beginning of the year	**29.4**	26.6
Interest income	**0.7**	0.7
Return on plan assets	**1.8**	0.7
Employer contributions	**1.8**	1.8
Benefits paid from plan	**(0.5)**	(0.4)
Fair value of plan assets at the end of the year	**33.2**	29.4

c) Amounts recognised in the balance sheet	**2019 £'m**	2018 £'m
Present value of funded obligations	**(39.7)**	(37.5)
Fair value of plan assets	**33.2**	29.4
Net liability recorded in the balance sheet	**(6.5)**	(8.1)

d) Components of pension cost	**2019 £'m**	2018 £'m
Amounts recognised in the income statement:		
Interest cost	**0.8**	0.8
Expected return on plan assets	**(0.7)**	(0.7)
Past service cost	**0.4**	–
Total pension cost recognised in the income statement	**0.5**	0.1
Actual return on assets		
Actual return on plan assets	**2.5**	1.4
Amounts recognised in the Group statement of comprehensive income		
Actuarial gains/(losses) immediately recognised	**0.3**	(0.2)
Cumulative amount of actuarial losses recognised	**(12.6)**	(12.9)

The weighted average actuarial assumptions used in the valuation of the scheme were as follows:

e) Principal actuarial assumptions	**2019**	2018
Discount rate	**2.40%**	2.50%
Rate of price inflation	**3.20%**	3.10%
Revaluation of deferred pensions:		
Benefits accrued prior to 1 January 1998	**5.00%**	5.00%
Benefits accrued after 1 January 1998	**3.20%**	3.10%
Rate of compensation increase:		
Benefits accrued prior to 1 January 1997	**3.00%**	3.00%
Benefits accrued after 1 January 1997	**3.20%**	3.10%

Future expected lifetime of pensioner at age 65:	**2019**	2018
Current pensioners		
Male	**22.7**	22.6
Female	**24.8**	24.7
Future pensioners		
Male	**24.9**	24.8
Female	**27.1**	27.0

The mortality rates used have been taken from Base tables S2PA (CMI 2015 improvements 1.5 per cent long-term rate of improvement) (2018: S2PA (CMI 2015 improvements 1.5 per cent long-term rate of improvement)).

At 31 March 2019, the average duration of the scheme liabilities was 23 years (2018: 24 years). For deferred pensions the average duration was 26 years (2018: 27 years) and for pensions in payment the average duration was 12 years (2018: 13 years).

The Group's deficit as measured under IFRIC 14 is £6.5 million (2018: £8.1 million) as a result of the Group's commitment to future contributions to the scheme. This compares to an underlying IAS 19 deficit of £1.1 million (2018: £2.9 million).

A 0.1 per cent increase/decrease in the discount rate would give rise to a £11,000 decrease/£12,000 increase (2018: £19,000 decrease/£18,000 increase) in the deficit at 31 March 2019.

A 0.1 per cent increase/decrease in the inflation assumption would give rise to a £nil increase/£nil decrease (2018: £nil increase/£nil decrease) in the deficit at 31 March 2019.

A one year increase/decrease in the life expectancy assumption would give rise to a £nil increase/£nil decrease (2018: £nil increase/£nil decrease) in the deficit at 31 March 2019.

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	**2019 Fair value of plan assets £'m**	2018 Fair value of plan assets £'m
Return seeking:		
Diversified growth funds	**7.4**	8.7
Debt instruments:		
Corporate bonds	**5.3**	5.1
Other:		
Cash	**0.3**	1.0
Derivatives	**–**	2.7
LDI strategies	**20.2**	11.9
Total	**33.2**	29.4

26. PENSION SCHEMES CONTINUED

All of the plan assets have a quoted price in an active market except for cash.

The underlying liabilities of the scheme have increased by £0.4m during the year due to an adjustment to equalise Guaranteed Minimum Pensions (GMP) between males and females. The £0.4m charge has been recognised in the income statement. The adjustment has no effect on the reported pension liability as the liability reported under IFRIC 14 is significantly higher than the underlying IAS 19 deficit.

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.

The Group expects to contribute approximately £1.8 million to the scheme during the year ending 31 March 2019 in respect of regular contributions, and intends to contribute the same amount annually through to September 2022.

The risks to which the plan exposes the entity have been minimised by investing the assets of the scheme across a broad range of return seeking funds and debt instruments.

Defined contribution pension schemes

The Group also operates 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 £0.6 million (2018: £0.3 million). Contributions during the year totalled £4.9 million (2018: £2.9 million).

27. ADDITIONAL CASH FLOW INFORMATION

Analysis of changes in net (debt)/funds:

Group	At 31 March 2018 £'m	Cash flow £'m	Other non-cash changes £'m	**At 31 March 2019 £'m**
Cash and cash equivalents	20.6	(0.1)	–	**20.5**
Revolving credit	–	(13.9)	(0.3)	**(14.2)**
Net funds	20.6	(14.0)	(0.3)	**6.3**

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

Group	At 31 March 2017 £'m	Cash flow £'m	Other non-cash changes £'m	At 31 March 2018 £'m
Cash and cash equivalents	4.1	16.5	–	20.6
Revolving credit	(15.0)	15.2	(0.2)	–
Finance lease and hire purchase contracts	(0.1)	0.1	–	–
Net (debt)/funds	(11.0)	31.8	(0.2)	20.6

Analysis of changes in net (debt)/funds:

Company	At 31 March 2018 £'m	Cash flow £'m	Other non-cash changes £'m	**At 31 March 2019 £'m**
Cash and cash equivalents	5.1	(5.1)	–	**–**
Overdraft	–	(5.4)	–	**(5.4)**
	5.1	(10.5)	–	**(5.4)**
Revolving credit	–	(13.9)	(0.3)	**(14.2)**
Net funds/(debt)	5.1	(24.4)	(0.3)	**(19.6)**

Company	At 31 March 2017 £'m	Cash flow £'m	Other non-cash changes £'m	At 31 March 2018 £'m
Cash and cash equivalents	2.0	3.1	–	5.1
Revolving credit	(15.0)	15.2	(0.2)	–
Net (debt)/funds	(13.0)	18.3	(0.2)	5.1

28. CONTINGENT LIABILITIES

The Company, together with its subsidiary undertakings, has entered into a cross guarantee with Lloyds Banking Group plc, The Royal Bank of Scotland plc, HSBC UK plc and Santander UK plc in respect of the Group's facility with those banks. Drawn down amounts totalled £15.0 million as at 31 March 2019 (2018: £1.0 million).

During the year the Group entered into a Letter of Credit agreement with HSBC UK plc in favour of Marel Stork Poultry Processing B.V. ('Marel') for supply of equipment in relation to the new poultry processing facility in Eye, Suffolk. The €20.2 million facility expires on 5 April 2020, with a balance outstanding to Marel under the letter of credit at 31 March 2019 of €12.3 million.

For the Company, the amounts drawn down by other Group companies which were guaranteed by the Company at the year end totalled £nil (2018: £nil).

29. COMMITMENTS

(a) The Directors have contracted for future capital expenditure for property, plant and equipment totalling £47.5 million (2018: £12.1 million).

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

Group	2019 £'m	2018 £'m
Not later than one year	**7.8**	6.1
After one year but not more than five years	**22.1**	13.7
After five years	**15.9**	7.0
	45.8	26.8

Company	2019 £'m	2018 £'m
Not later than one year	**0.1**	–
After one year but not more than five years	**0.4**	–
After five years	**0.4**	–
	0.9	–

30. RELATED PARTY TRANSACTIONS

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

Company	Services rendered to related party £'m	Interest paid to related party £'m	Dividends received from related party £'m
Related party – Subsidiaries			
2019	**22.4**	**4.7**	**22.1**
2018	25.7	3.9	18.2

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

Remuneration of key management personnel:

Group	2019 £'m	2018 £'m
Short-term employee benefits	**4.5**	6.2
Post-employment benefits	**–**	–
Share-based payments	**1.9**	1.8
	6.4	8.0

31. ALTERNATIVE PERFORMANCE MEASURES

The Board monitors performance principally through adjusted and like-for-like performance measures. Adjusted profit and earnings per share measures exclude certain non-cash items including the net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, profit on sale of a business and goodwill impairment charges. Free cash flow is defined as net cash from operating activities less net interest paid and like-for-like revenue excludes the impact of the 53rd week in the prior year.

The Board believes that such alternative measures are useful as they exclude volatile (net IAS 41 valuation movement on biological assets), one-off (impairment of goodwill and profit on sale of a business) and non-cash (amortisation of intangible assets) items which are normally disregarded by investors, analysts and brokers in gaining a clearer understanding of the underlying performance of the Group when making investment and other decisions. Equally, like-for-like revenue provides these same stakeholders with a clearer understanding of the organic sales growth of the business.

Like-for-like revenue

	2019 £'m	2018 £'m	Change
Revenue	**1,437.1**	1,464.5	-1.9%
Impact of 53rd week	**–**	(24.5)	
Like-for-like revenue	**1,437.1**	1,440.0	-0.2%

Adjusted Group operating profit

	2019 £'m	2018 £'m	Change
Group operating profit	**86.8**	88.4	-1.8%
Net IAS 41 valuation movement	**2.8**	2.2	
Amortisation of customer relationship intangible assets	**2.7**	2.2	
Adjusted Group operating profit	**92.3**	92.8	-0.5%

Adjusted profit before tax

	2019 £'m	2018 £'m	Change
Profit before tax	**86.5**	88.0	-1.7%
Net IAS 41 valuation movement	**2.8**	2.2	
Amortisation of customer relationship intangible assets	**2.7**	2.2	
Adjusted profit before tax	**92.0**	92.4	-0.4%

Adjusted earnings per share

	2019 £'m	**2019 Basic pence**	**2019 Diluted pence**	2018 £'m	2018 Basic pence	2018 Diluted pence
On profit for the year	**69.6**	**135.5**	**134.9**	70.0	137.8	137.1
Amortisation of customer relationship intangible assets	**2.7**	**5.4**	**5.4**	2.2	4.3	4.3
Tax on amortisation of customer relationship intangible assets	**(0.5)**	**(1.0)**	**(1.0)**	(0.4)	(0.7)	(0.7)
Net IAS 41 valuation movement	**2.8**	**5.4**	**5.4**	2.2	4.3	4.3
Tax on net IAS 41 valuation movement	**(0.5)**	**(1.0)**	**(1.0)**	(0.4)	(0.7)	(0.7)
On adjusted profit for the year	**74.1**	**144.3**	**143.7**	73.6	145.0	144.3

Free cash flow

	2019 £'m	2018 £'m	Change
Net cash from operating activities	**87.7**	112.1	-21.8%
Net interest paid	**(0.4)**	(0.4)	
Free cash flow	**87.3**	111.7	-21.8%

FIVE YEAR STATEMENT

	2019 £'m	2018 £'m	2017 £'m	2016 £'m	2015 £'m
Turnover^	**1,437.1**	1,464.5	1,245.1	1,016.3	1,003.3
Profit before tax^	**86.5**	88.0	77.5	62.1	52.8
Adjusted profit before tax*^	**92.0**	92.4	75.5	64.4	57.8
Earnings per share^	**135.5p**	137.8p	124.2p	98.9p	84.1p
Adjusted earnings per share*^	**144.3p**	145.0p	120.9p	102.8p	92.1p
Dividends per share	**55.9p**	53.7p	44.1p	37.5p	34.0p
Capital expenditure	**83.5**	59.2	48.6	34.1	23.3
Net funds/(debt)	**6.3**	20.6	(11.0)	17.8	(17.3)
Net assets	**534.9**	479.9	421.4	368.0	332.4

* Adjusted profit before tax and earnings per share exclude the effects of net IAS 41 valuation movement and acquisition related amortisation in 2019, 2018 and 2017; the effects of net IAS 41 valuation movement, acquisition related amortisation and impairment of goodwill in 2016 and net IAS 41 valuation movement and acquisition related amortisation in 2015. These are the measures used by the Board to assess the Group's underlying performance.

^ 2017 and 2016 reflect continuing operations only.

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

Net funds/(debt) is defined as per Note 27 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

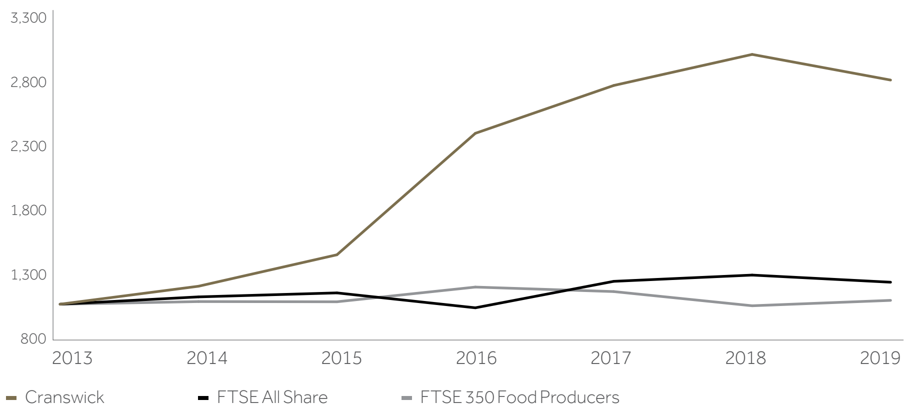
SHAREHOLDER ANALYSIS AT 8 MAY 2019

	Number of holdings	Number of shares
Classification		
Private Shareholders	1,277	4,348,595
Corporate bodies and nominees	696	47,345,806
	1,973	51,694,401
Size of holding (shares)		
1–1,000	1,187	413,760
1,001–5,000	424	952,390
5,001–10,000	109	769,302
10,001–50,000	132	3,373,967
50,001–100,000	44	3,339,619
Above 100,000	77	42,845,363
	1,973	51,694,401

Share price	
Share price at 31 March 2018	2,844p
Share price at 31 March 2019	2,722p
High in the year	3,460p
Low in the year	2,472p

SHARE PRICE MOVEMENT

Cranswick's share price movement over the six year period to May 2019 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 Cranswick's share price at 7 May 2013 (1,076p), is shown below:



ADVISERS

Secretary	Steven Glover LLB
Company number	1074383
Registered office	Crane Court Hesslewood Country Office Park Ferriby Road Hessle East Yorkshire HU13 0PA
Stockbrokers	Investec Investment Banking – London Shore Capital Stockbrokers – Liverpool
Registrars	Link Asset Services The Registry 34 Beckenham Road Kent BR3 4TU Tel: 0871 664 0300 (calls cost 10 pence 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: shareholderenquiries@linkgroup.co.uk www.linkassetservices.com
Auditors	PricewaterhouseCoopers LLP – Leeds
Tax advisers	KPMG – Leeds
Solicitors	Rollits LLP – Hull
Bankers	Lloyds Banking Group plc The Royal Bank of Scotland plc HSBC Bank plc Santander UK plc
Merchant bankers	N M Rothschild & Sons – Leeds

NOTES

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