CRANSWICK *plc*

Great British Taste

Feeding the Nation

Cranswick plc Annual Report & Accounts

52 Weeks Ended 28 March 2020

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

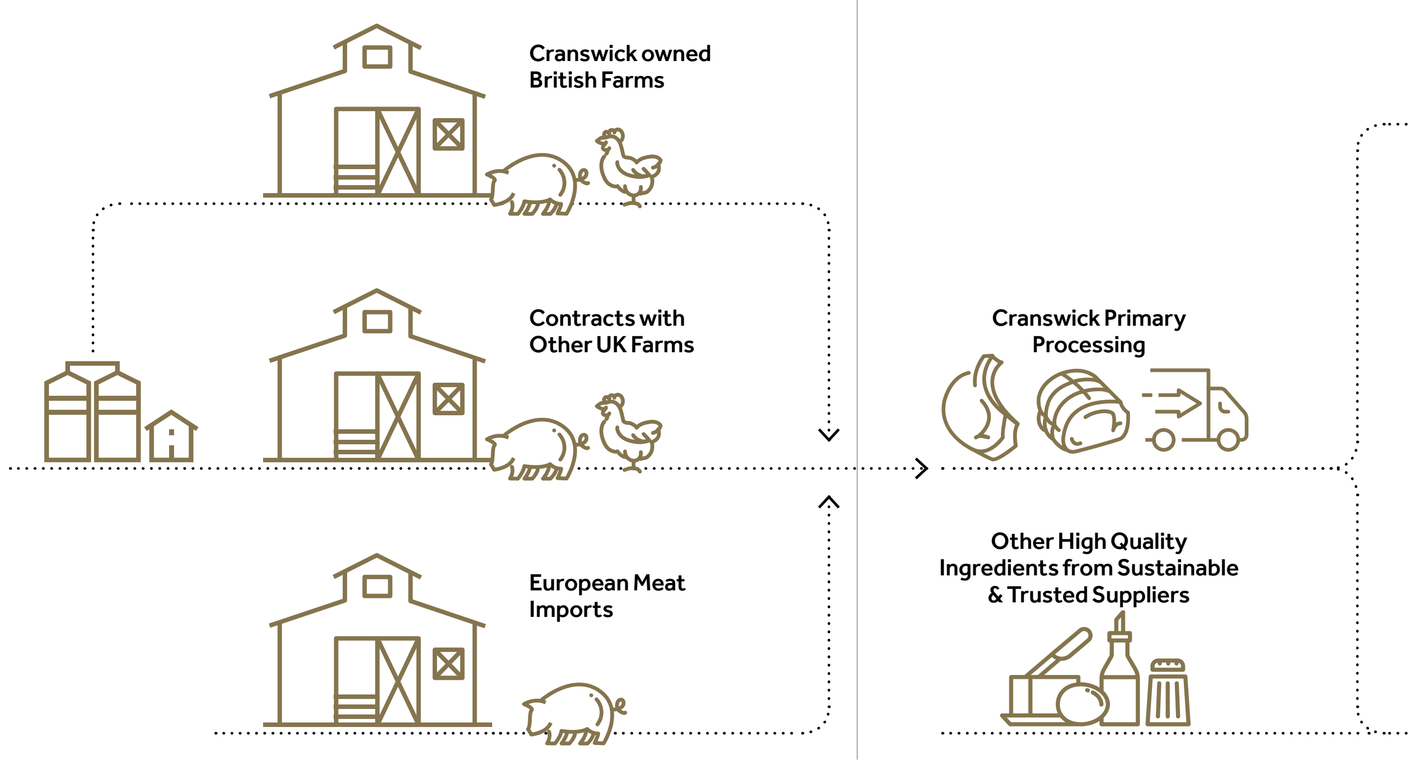
We have significant control over our supply chain through ownership of our pig breeding and rearing activities. Our chicken operation is fully integrated including feed mills, hatchery and broiler farms,

£36.1 million was invested during the year as we continue to strengthen our agricultural operations and reinforce our vertically integrated structure.

We produce

We produce a range of high quality, predominantly fresh food including fresh pork, poultry, convenience and gourmet products. We focus on premium products, technical integrity and the highest standards of animal welfare. Through our four primary processing and twelve added value processing facilities we develop innovative, great tasting food products to the highest standards of food safety whilst prioritising traceability.

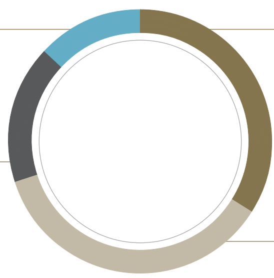
Our supply chain model



We supply

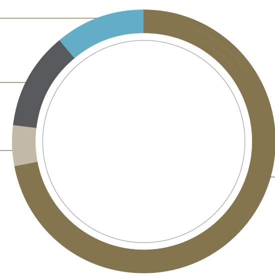
We supply into most of the UK grocery retailers and have a strong presence in the 'food-to-go' sector and other food service outlets, as well as a growing export business.

Revenue by Product Category
% of Group revenue



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

Revenue by Customer Type
% of Group revenue



Fresh Pork
Retail
Wholesale

Convenience
Cooked Meats
Continental and Mediterranean Products

Gourmet Products
Sausages
Bacon
Pastry

Poultry
Fresh Chicken
Premium Cooked Poultry

Retail

Convenience & Online

Food Service

Food-To-Go

Export

Manufacturing

About us

Cranswick is a leading UK food producer with revenue approaching £1.7 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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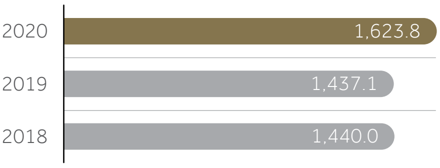
Highlights

Strong financial and strategic progress

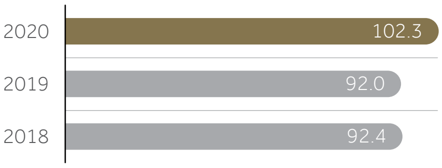
Like-for-like revenue +13.0%
£'m*

£1,623.8m



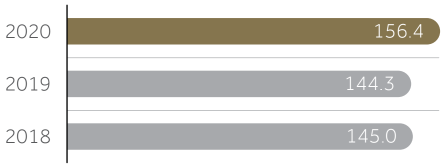
Adjusted profit before tax +11.2%
£'m†

£102.3m



Adjusted earnings per share +8.4%
p†

156.4p



Revenue

£1,667.2m
(FY19: £1,437.1m)

Profit before tax

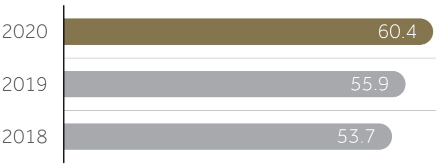
£104.0m
(FY19: £86.5m)

Earnings per share

159.1p
(FY19: 135.5p)

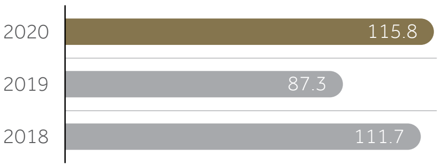
Dividend per share
p

60.4p



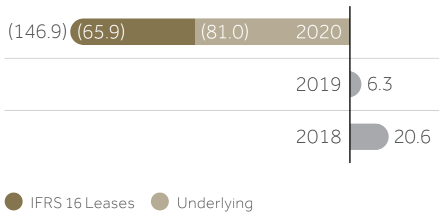
Free cash flow
£'m†

£115.8m



Net (debt)/funds◊
£'m

-£146.9m



Record capital expenditure

£101m

Spend on acquisitions

£69m

Far East export revenue

+122%

* References to like-for-like throughout the Report & Accounts exclude the impact of acquisitions during the year.
† Adjusted references throughout the Report & Accounts refer to non-IFRS measures or Alternative Performance Measures (APMs). Definitions and reconciliations of the APMs to IFRS measures are provided in Note 32.
◊ Net (debt)/funds includes first-time recognition of IFRS 16 Leases. Prior year comparatives have not been restated.

Chairman's Statement

Further strategic and commercial progress

In November, alongside our half year results, we reported that the Company had delivered a robust performance in the competitive domestic market along with the further development of key export markets. This continued through the second half which also saw further expansion of the Group's livestock herd and the successful commissioning of the new poultry facility at Eye in Suffolk.

This period though will be remembered more for the COVID-19 pandemic and the worldwide disruptive and tragic consequences it has brought. We have very sadly lost three of our valued colleagues to this virus and to their families we extend our deepest sympathy.

COVID-19

The health and economic implications of the COVID-19 outbreak and its impact at individual, family, cultural, commercial and financial levels were unimaginable just a few months ago. From a business perspective the wellbeing of our colleagues has been paramount throughout. They have performed incredibly in keeping operations flowing at all sites whilst observing appropriate health and safety guidance. This is being acknowledged with a 'thank you' bonus for their unstinting and selfless endeavours. The sites in turn have been very supportive in their local communities towards the most vulnerable, care workers and NHS staff on whom we all rely.

We have worked in close partnership with our supermarket customers to enable the optimisation of production and in maximising output to meet the surges in demand from consumers. The 'food-to-go' sector has been badly hit which has impacted production at a small number of sites. Any colleagues affected have relocated to our other local facilities avoiding any need to make use of the Government's Coronavirus Job Retention Scheme.

With all livestock sourced from within the UK, including our own pig herds and poultry flocks, supply to the primary processing sites has operated relatively smoothly and enabled raw material flow into further processing to continue uninterrupted. The investment in expanding the Company's pig herds and increasing our self-sufficiency in this and recent years has proved invaluable.

Business planning and forecasting continues to be rigorously tested to ensure the adequacy of financing facilities from pre-existing arrangements. Our balance sheet and cash flow remain strong and therefore we have had no need for recourse to Government-backed assistance.

We will continue to do all we can to safeguard the health and safety of our colleagues whilst meeting the requirements of our customers and consumers.

Results

Total revenue for the year of £1.7 billion represented an increase of 16.0 per cent on the previous year. Excluding turnover from Katsouris Brothers, acquired during the first half of the year, and that from the more recent livestock acquisitions, Packington Pork and White Rose Farms, revenue on a like-for-like basis was 13.0 per cent higher.

Adjusted profit before tax was £102.3 million, an increase of 11.2 per cent and adjusted earnings per share of 156.4 pence were up by 8.4 per cent year-on-year.

Cash flow and financial position

A net £69.4 million was spent on the acquisitions of Katsouris Brothers, Packington Pork and White Rose Farms during the year. In addition, a record level of investment was made in the Group's asset base. This year saw the commissioning of the new poultry facility at Eye in Suffolk as well as the expansion of the Group's cooked meats facility in Hull. Other projects were undertaken elsewhere in the business to improve efficiency, expand capacity and enhance the resources available for product development.

The Group's balance sheet remains in robust shape. Cranswick has significant unsecured banking facilities which were increased by £40 million, to a total of £200 million, during the year. At the year end, after a year of record investment and significant corporate activity, the Group's net debt stood at £146.9 million, including the first time recognition of £65.9 million of IFRS 16 lease liabilities.

Dividend

The Board is proposing a final dividend of 43.7 pence per share, an increase of 9.3 per cent on the 40.0 pence paid previously. Together with the interim dividend of 16.7 pence per share this is a total dividend for the year of 60.4 pence per share and compares to 55.9 pence per share previously. This is the 30th consecutive year of dividend growth.

The final dividend, if approved by Shareholders, will be paid on 4 September 2020 to Shareholders on the register at the close of business on 24 July 2020. Shares will go ex-dividend on 23 July 2020. Shareholders will again have the option to receive the dividend by way of scrip issue.

Sustainability

The Company's 'Second Nature' sustainability strategy reflects the ambition to be the leading sustainable meat business and is focused on key areas including food waste, plastic usage,

energy efficiency, water usage and carbon footprint. Our industry leading animal welfare standards are reflected in the award of the highest performance ranking of 'Tier One' in the global 'Business Benchmark on Farm Animal Welfare' for the fourth consecutive year, underlining Cranswick's position as a global leader in the sector.

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 61.

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 a training and development plan that delivers workforce capabilities, skills and competencies through apprenticeship schemes, development programmes and training courses. Internal promotions to meet the needs of the growing business prove its value.

The Board is committed to this and recognises that Cranswick'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 especially at this difficult time.

Outlook

There has been a positive start to the current year. Whilst the impact of COVID-19 will be ongoing for some time, we are confident we will continue to meet the challenges it presents.

Brexit negotiations are still to be finalised and trade deals with other countries concluded. Until we see the details it is difficult to assess how well the food industry will be positioned. That said, we are hopeful that the COVID-19 experience underlines and reinforces the importance of having a resilient and successful domestic food sector and that this is at the forefront of negotiators thoughts during discussions.

Notwithstanding this, the business has a strong balance sheet, comfortable financial headroom and has made tremendous strategic and commercial progress over the past year.

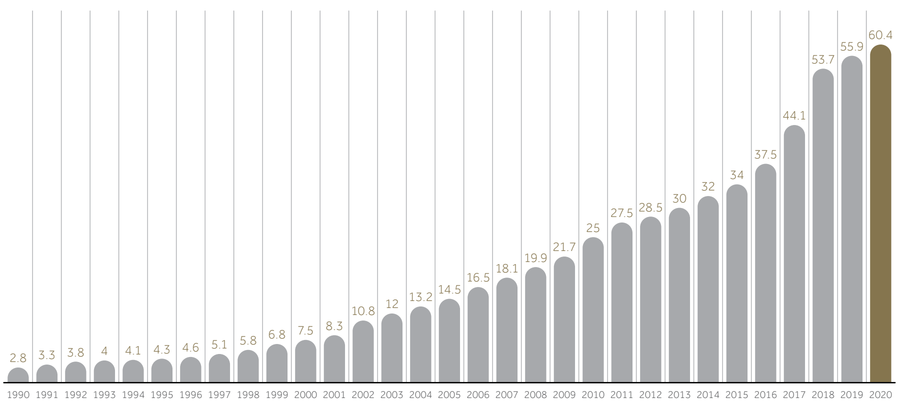
The successful commissioning of the major poultry investment at Eye and the broadening customer base provides a solid platform from which to continue Cranswick's successful long-term development.

Martin Davey

Martin Davey
Chairman

23 June 2020

30 consecutive years of growth
dividend per share (p)



Chief Executive's Review

Delivering for all our stakeholders

We continue to experience and operate in the most challenging of periods. Our business is founded on our people and I would like to thank all our colleagues for their professionalism, commitment, dedication and passion.

Our teams across the business have responded brilliantly during the COVID-19 crisis and I would like to thank them for their incredible support and hard work, which has enabled us to continue to deliver premium food products with outstanding service to our customers and, ultimately, the UK consumer.

The health and safety of all our people is our number one priority and we are doing everything we can to protect our workforce. Sadly, three of our colleagues have passed away from COVID-19. Our thoughts are with their families and we continue to support all Cranswick colleagues and their families affected by COVID-19.

From the outset of the pandemic and in line with Government guidance, we implemented additional measures to protect both the physical and mental wellbeing of our people, including social distancing measures across all of our sites, recommended PPE (Personal Protective Equipment) for all employees in line with PHE (Public Health England) and WHO (World Health Organisation) guidelines, including the use of optional visors to provide reassurance to colleagues. We also implemented additional cleaning and hygiene measures to those stringent procedures already in place. We have provided counselling and occupational health services for all colleagues who may be concerned about their health, either whilst they are at work, or from home. Throughout the pandemic we have remained in constant dialogue with the relevant regulatory authorities and we will continue to adapt our protective measures as required.

Cranswick employees are designated key workers and are at the forefront of maintaining vital supplies of fresh food into the supermarkets. We are doing everything we can to protect them while they carry out this critical role.

To recognise the outstanding contribution of our people we announced in April that we will pay a £500 bonus to each of our site-based colleagues at the end of June. We have also supported local communities through a number of initiatives including making and delivering sandwiches and sausage rolls to front line NHS staff, giving food hampers to the elderly and the vulnerable in our communities and care homes, as well as supporting local charities.

We have had an incredibly busy and productive 12 months, during which we have successfully commissioned our Eye poultry facility, completed three acquisitions and invested a record amount across our asset base whilst continuing to support our customers and consumers. Adjusted profit before tax increased by 11.2% to £102.3 million with reported revenue up 16.0 per cent to £1,667.2 million and up 13.0 per cent on a like-for-like basis. None of this would have been possible without the support and hard work of our colleagues and our supply chain partners. The strength of these relationships, allied to the firm foundations on which the business is built, have enabled us to meet head-on the incredible challenge posed by the COVID-19 outbreak.

During the year we spent a record £101 million across our asset base. This brings the total investment in our infrastructure over the last eight years to over £400 million. We commissioned our new £78 million poultry processing facility in Eye, Suffolk, during the second half of the year as planned and the ramp up phase has also been successfully navigated with the facility now processing in excess of 1 million birds each week. Start-up and commissioning costs were as anticipated. We also invested £14 million in our Hull cooked meats facility to accommodate a substantial new contract win with one of our leading retail customers which started during the 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.

We purchased three businesses during the year. In July 2019 we acquired Katsouris Brothers, a supplier of Continental and Mediterranean food products which further broadened our non-meat activities. In December 2019 we acquired Packington Pork which specialises in producing free range and outdoor bred pigs. Finally, in February 2020 we acquired the Buckle family's pig farming and rearing operations together with their 50 per cent share of the White Rose Farms joint venture we set up together in 2018. These latter two acquisitions have lifted our self-sufficiency in British pig production to over 30 per cent of our total requirements.

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. These close relationships have been invaluable in recent weeks and again I thank our supply chain partners for their outstanding support.

Animal welfare is of paramount importance to us and we continue to strengthen our leading position in this area. We retained our Tier One status in the Business Benchmark on Farm Animal Welfare for the fourth consecutive year. We are one of only six companies globally to be awarded this rating. We continue to invest in our pig and poultry operations to ensure that we meet and try to exceed the exacting standards we set ourselves.

We continue to build upon our groupwide sustainability programme. Earlier this year we launched our Second Nature microsite (**www.thisissecondnature.co.uk**). As one of the world's most responsible meat producers we want to inspire positive change, influence wider system change and promote the vital role meat can play in feeding the world sustainably and healthily.

The UK formally left the European Union (EU) on 31 January 2020 and we continue to make preparations during the transition period. We are less exposed than many UK business to the economic repercussions of the UK leaving the EU, but we remain concerned about labour availability and we continue to cultivate employee engagement, focus on attracting and retaining talent and improve the general working environment. We have also actively supported EU national colleagues to mitigate any effect that Brexit might have.

The strong growth and strategic progress we have made over the last 12 months has been made possible by the platform we have built and the pipeline we have laid down in recent years. Our positive momentum is a reflection of the continued investment we make in our infrastructure and the quality and capability of all our colleagues across the business.

There has been a positive start to trading in the new financial year, though we remain mindful of the uncertainty around the longer-term effects of the COVID-19 crisis and Brexit negotiations. Nonetheless, our outlook for the current year is unchanged.

As we move forward into the new financial year, notwithstanding the challenges we are currently facing into, I am confident that the strength of our business, with 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

23 June 2020

“I would like to thank all our colleagues for their incredible support and hard work, which has enabled us to continue to deliver outstanding service to our customers.”

Leading on farm-to-fork poultry

Strategic pillars

- Operating Excellence
- High Quality Products
- Sustainability

"The beauty of the facility at Eye is that it is an integral part of Cranswick's poultry business; fully integrated and the most efficient producer of chicken in the UK."

Barry Lock
Managing Director, Cranswick Poultry

Our new £78 million fresh chicken facility at Eye, Suffolk, is the most modern primary processing model for poultry in the UK. With this facility we can deliver a fully integrated process. Starting with milling our own feed, we have complete control over the hatching and rearing of our own chickens through to final processing, packing and supply. A high level of automation throughout the process leads to an increase in efficiency and a lower cost of manufacturing.

Eye has been built around our Second Nature ethos and incorporates state-of-the-art technology to ensure the highest welfare, sustainability, safety and efficiency standards. The site is located in the heart of Cranswick's chicken rearing operations to minimise travel times. When the birds arrive at the facility, they enter a temperature-controlled environment with modified lighting to help keep them calm and reduce stress levels before processing.

Food safety and odour control are assured with the installation of bio-oxygen air sterilisation systems across the facility's processing and storage areas. All operational environmental impacts are kept to a minimum – the site houses water recycling capabilities as well as a Combined Heat and Power (CHP) plant for on-site energy generation.

We are able to process more efficiently, with birds arriving at the factory and the associated finished product despatched in the same day. We are able to process up to 15,000 birds an hour on our lines, faster than any of our UK competitors. A combination of robotics, automated deboning, X-ray bone detection and fifth quarter harvesting through our unique offal chilling system means we can maintain the highest levels of product quality while ensuring nothing goes to waste.

Much of the throughput of the new facility is underpinned by a long-term supply agreement with Wm Morrison Supermarkets plc.

Eye represents the largest project the Group has ever undertaken, both in terms of vertical integration and capital investment. It has increased our poultry capacity by 140 per cent with the potential to expand the site further as demand for affordable, low impact protein grows.

Birds processed per hour

15,000

Increase in processing capacity

140%

Expanding our offer

Strategic pillars

Operating Excellence

High Quality Products

> *The acquisition of Katsouris Brothers strengthens our existing Continental Products business and broadens our offering in a number of fast-growing, plant-based, non-meat categories.*

Adam Couch,
Chief Executive Officer

The acquisition of Katsouris Brothers this year perfectly complements our Continental Foods offering while giving us a world of opportunity to diversify further into the growing Continental categories.

Headed up by two brothers, Louis and Costa Constantinou, Katsouris' 250-strong workforce operates out of North London, but has built a strong heritage working with long-standing Mediterranean suppliers. The team sources high quality Greek produce for its premium Cypressa brand and own-label ranges, which are supplied into the major supermarkets.

Katsouris' focus on tradition and 'from the tree to the pot' authenticity is very much in keeping with the values of our Second Nature strategy. The Company prides itself on sourcing superior ingredients and products such as pulses, nuts, olives, feta and halloumi cheeses that are produced by traditional Mediterranean farming operations.

As well as producing bespoke marinades for its olives, the Katsouris development chefs maintain an artisanal edge when it comes to creativity. This includes replicating recipes from old Greek cookbooks handed down through family generations, occasionally with a modern twist.

Katsouris' ability to work with retail customers and adapt established products to evolving trends was recently recognised by the business receiving the award of 'Brand partner of the year 2019' from their anchor customer. This is a tremendous achievement for the business.

Integrating Katsouris into the Group will bring new synergies, particularly for our Continental and antipasti product development teams. This allows us to capitalise on the trend for Mediterranean diets as consumers seek out more climate-friendly, healthier meal options.

We are delighted that both Constantinou brothers have agreed to stay on as Directors of Katsouris. This will ensure the business will continue to benefit from their knowledge and experience as we look to invest in the team and the facilities going forward.

Number of product lines at Katsouris

541

Unprecedented change

Strategic pillar

Operating Excellence

“Against a backdrop of African Swine Fever we’ve more than doubled our Far East export revenue this year, and it’s our dedication and experience that has helped us do this.”

Ed Wright,
Export Director

African Swine Fever (ASF) has caused considerable disruption in the global pork market. It has been described as the largest animal disease outbreak the world has ever seen.

The disease was first reported in China in August 2018, and quickly spread across the country, and to neighbouring regions, impacting both large scale and backyard farming operations. By Autumn 2019 losses were estimated to be 50 per cent* of the Chinese pig herd as the infection continued to spread. This represents a significant decline in the global herd since China had a 60 per cent* share of the worldwide pork market. The resulting impact is that China has become even more dependent on imported pork.

All three of the Group’s primary pork processing facilities are fully approved for exporting to China, with our Norfolk facility receiving approval to export trotters during the year. The Company has a dedicated export team with many years of experience, and this sets Cranswick apart from other companies in the industry. The Shanghai office is well established and has been looking after direct relationships with customers for six years.

Cranswick has been exceptionally well positioned to increase export sales in order to meet the unprecedented levels of demand. Far East export revenue has risen 122 per cent in the year. Production has been scaled up including additional processing at weekends, and there have been new recruits into the export team.

We have seen demand for prime cuts and whole carcasses of pork increase as well as the more traditional fifth quarter products that have previously been exported, and we have been able to capitalise on this to drive further growth in our export sales.

Strong export demand and pricing is expected to continue while the Chinese pig herd recovers. In the UK, we remain vigilant to the risk that ASF could continue to spread globally. Heightened bio-security measures are in place at all our farms. For further information see ‘Principal Risks and Uncertainties’ on page 48.

* Source: Rabobank

Far East export revenue growth

122%

Estimated loss of Chinese pig herd due to ASF

50%

Source: Rabobank

Winning on welfare with pork

Strategic pillars

Operating Excellence

High Quality Products

Sustainability

> *Our investment has reinforced our vertically integrated supply structure. We have enhanced our farming techniques to increase efficiency, modernise our farms and reduce our environmental impact.*

Chris Aldersley,
Chief Operating Officer

We are now the second largest outdoor pig farmer in the UK following our acquisitions in the year.

In December the Group acquired Packington Pork, a premium pig farming business that specialises in the production of British free range and outdoor bred pigs. The business, formally owned by fourth-generation pig farmers, the Mercer family, operates from a number of sites across Staffordshire, Nottinghamshire and Lincolnshire.

Having worked closely with both Packington Pork and the Mercer family for over 14 years, we have seen first-hand their commitment to sustainable farming, particularly the health and wellbeing of their animals. The pigs are bred and live outdoors on RSPCA accredited farms where they can roam freely.

The farms are engaged in numerous sustainability initiatives to improve biodiversity, soil health and water conservation. These include placing grass margins around fields to protect hedges, planting field corners with flora and fauna, and spreading wild bird seed, and pollen and nectar mixes, to encourage wildlife to thrive. We intend to build on this work, which is very much in keeping with our Second Nature philosophy.

In February the Group acquired the Buckle family's Red Tractor assured pig farming and rearing operations as well as the family's 50 per cent share of White Rose Farms, the joint venture set up by Cranswick in partnership with the Buckle family. We have worked closely with the Buckle family for over 25 years and are delighted to welcome Rick Buckle to the Cranswick team.

These acquisitions not only strengthen the Group's position as a high welfare pork supplier, but reinforces the vertically integrated structure. This ensures we can continue to deliver high quality, climate-friendly products to our customers that promote the best values of British farming, provenance and sustainability.

The Group's acquisitions also increase our self-sufficiency in UK pigs processed to over 30 per cent. This is significant as it will leave us less exposed to potentially disruptive forces such as the economic repercussions of Brexit and African Swine Fever.

Invested in agricultural operations

£36.1m

Self-sufficiency in pigs

>30%

Business Model

Our purpose is to feed the nation with authentically made, sustainably produced food that is created with passion. Our business model is the framework for delivering our purpose and strategy, enabling us to create value for our stakeholders.

Our Resources

People

Colleagues

>11,800

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

Natural Resources

Increase in size of pig herd

+95%

Increase in size of chicken flock

+61%

During the year we have invested £36.1 million in our farming operations to expand the pig herd and chicken flock and to support the future growth of the business.

Operating Network

Production facilities

16

The Group's production facilities are some of the best invested and most efficient in the UK food sector.

Guiding Principles

Our guiding principles set out the values that unite and inspire our people to deliver our purpose.

Quality

We are passionate about making great tasting food and we want to be recognised for the high quality of our products. 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 colleagues 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.

Strategic Pillars

Our Strategic Pillars underpin our strategy for long-term growth.

High Quality Produce

We focus on premium quality products, innovation, technical integrity, food safety and animal welfare. Provenance is a key priority and we care greatly about where ingredients come from. We create great tasting food that sets us apart from our competitors from our vertically integrated processing facilities.

Operating Excellence

Record capital investment shows our desire to produce food from the most well-invested facilities which helps us deliver our strategy and purpose. This also drives a competitive advantage over a generally under invested infrastructure in the UK food industry. The Group demonstrates technical excellence through compliance with the highest food standards and through excellent external audit scores.

Sustainability

Our vision is to become the most sustainable meat business in the world. As an industry leader, Cranswick embraces many opportunities to make a difference and business decisions are made with a clear focus on our commitment to both environmental and social responsibility. Our Second Nature sustainability initiative launched many projects that have delivered significant progress against our objectives.

Read more *on pages 26-29*

Long-term Growth Strategy

Read more: *Our Strategy see page 20*

1 Consolidation
Driving the Core

We are committed to growing revenue from our core pork products by consolidating existing market positions. Investment in our infrastructure supports future growth.

2 Diversification
Expanding our offer

As part of our long-term growth strategy we continue to expand our product range by diversifying and innovating. We aim to enter new markets and channels in our core UK market.

3 International
Developing new opportunities

We aim to grow our international operations and customer base. We continue to develop our export business to maximise the value of our products.

The value we create for stakeholders

Our People

People in leadership or management training

275

Training
Development
Mentoring

Customers and consumers

New product launches

583

Quality
Provenance
Choice

Producers and suppliers

Supplier audits

242

Assurance
Traceability
Compliance

Shareholders

Years of dividend growth

30

Dividend Growth
EPS Accretion
Value Creation

Communities

% of our colleagues who live within a 10 mile radius of their workplace

71%

Support
Engagement
Employment

NGOs

Reduction in edible food waste since 2018

58%

Policy Shaping
Awareness
Commitment

Macro & retail trends

Growth of chicken market (tonnes)*

+31,000

Growth of discount retailers*

9.9%

* Source: Kantar Worldpanel 52 weeks ending 22 March 2020.

A Global Perspective

COVID-19

The impact of COVID-19 has been felt across the globe. The first cases were reported in the UK in January 2020 but it wasn't until March that we saw a surge in retail demand as shoppers needed to create an extra 500 million meals a week at home as the lockdown took effect and eating out of home was no longer an option.

There was a shift to scratch cooking and strong demand for staple meals; sausage, bacon and chicken volumes especially have increased as a result of this behaviour. We were able to meet this spike in demand and our teams did a fantastic job of quickly increasing the volumes we could supply at short notice.

The food service industry remains impacted with the closure of many restaurants, hotels and food-to-go outlets. Sales in this category account for 5 per cent of Group sales but volume growth in retail has offset the losses we have seen as a result of these changes. We look forward to growing relationships with customers in this channel as the market begins to reopen.

African Swine Fever

African Swine Fever (ASF) is having a profound impact on the global pork market. Estimates suggest ASF has wiped out up to 50 per cent of the Chinese pig herd making China heavily reliant on pork imports. As a result, Far East export revenue has risen 122 per cent and Cranswick accounts for over 50 per cent of all British pork sold to the region. We are well-placed to capitalise on this growth going forward due to continued investment at our primary processing facilities, providing the necessary capacity to meet increases in demand from the region.

As the threat of ASF progressively expands into Europe, Cranswick and the UK pork industry remain vigilant. The upturn in pig prices, due to strong export demand from China, may strengthen further should ASF start to impact domestic pig supply in European countries.

We remain optimistic over future post-Brexit EU export opportunities as we develop products with which to access both new and existing channels. This includes exploring new export markets for poultry.

Closer to Home

Discounter Growth

In the UK, we continue to consolidate our existing market positions with retail sales accounting for 72 per cent of Group revenue. Whilst the growth of the discounters continued throughout the year, the relative growth versus the rest of the market has slowed as the Top 4 retailers have benefitted from the move back to visiting fewer stores and the return of the "big weekly shop".

Poultry Market Growth

The poultry segment represents a huge growth area with chicken seen as a healthy, convenient and competitively priced protein. Sales in this category are growing at eight times the volume of plant protein*, which still needs to overcome barriers of taste and affordability. Over the past year the Group has more than doubled its poultry capacity for retail customers with the opening of our £78 million poultry processing facility in Suffolk.

A Balanced Diet

The definition of health has become more complex and consumers have more access to information which is often conflicting with regards to what constitutes a healthy diet. We have based our guidance and plans around the concept of the Eatwell plate as created by Public Health England. The concept ensures a balanced diet and promotes the consumption of meat and protein. Chicken is naturally low in fat and offers a versatile and good value for money source of protein, whilst pork can be low in fat and high in vitamins and nutrients, both of which provides us with a good platform for growth.

Diet is primarily a matter of individual choice, and we believe people will continue to enjoy eating real meat for generations to come. There is a need for better education and transparency concerning the food we eat, especially around how it is produced, its impact, and where it comes from. As part of our radical transparency commitment, we believe we are leading the way on this with Second Nature.

> *"Sales of chicken products are growing at eight times the volume of plant protein*."*

Our Markets continued

Consumer trends

43%

of shoppers claim to always or mostly eat healthy food

*Source: IGD, February 2020

Consumer Trends
As consumer tastes and behaviours continue to change rapidly, we have identified four evolving trends that we need to address in order to underpin our growth, ensuring our products remain relevant and differentiated. The trends focus on healthy eating, premium products, convenient solutions and an increased focus on the sustainability and provenance of food which continues to be a hot topic for consumers.

Healthy Eating
Many consumers are increasingly basing their food choices around leading a healthier lifestyle and adapting their diets accordingly. Over the next 5-10 years, 63% of consumers say that eating healthily will be more important to them (IGD Nov 2019).

We continue to add value to our chicken and expand the usage of this meat across our other processes, for example, the ongoing development of chicken sausages, meatballs and burgers to provide some healthier alternatives within the portfolio.

In categories where we are also adding value, we continue to look at options to reduce the level of salt and sugar that we use to develop recipes, for example, in sauces and marinades used in pork and chicken dishes as well as our wider slow cook product offer. We are also working on a technical solution to remove added nitrites from our bacon and cooked meat ranges.

We actively work with the Agricultural and Horticultural Development Board (AHDB) who have set up a cross industry, consumer facing project to communicate the benefits of eating meat as part of a healthy, balanced and sustainable diet. They point to the nutrient deficiencies that can be highlighted if meat is removed from the diet.

There is incredible focus of the role of food in the mainstream media, and across all social media channels and it is imperative that the industry continues to promote the health benefits of naturally sourced meat. The AHDB campaign also highlights the highly processed nature of some of the emerging meat substitutes, which are often higher in fat, salt and preservatives than the equivalent natural meat product.

Premium Products
As the premium categories continue to drive strong market growth across the retailers, including the discounter channel, we need to ensure our products strike the right balance between quality, taste, and nutrition whilst remaining affordable. The role of promotions continues to be an important driver; actively encouraging consumers to trade up to the premium tier and experience the difference in product quality. Our investment in infrastructure means we continue to generate operational efficiencies with market leading quality whilst spearheading new product development to keep pace with such demands.

Our premium products continue to perform strongly and we have won new business with premium retailers during the year. We have also launched several new premium products, including maple cured bacon, pork fillets wrapped in prosciutto and charcuterie and antipasti selections. Our premium Cumberland sausages won the 'Best Supermarket Sausage: Traditional Category' at the UK sausage awards.

Convenience
The role of convenience food continues to evolve. It is no longer just about being quick; the products must deliver food inspiration, be healthy and be easy to prepare if they are going to fulfil the needs of time pressured consumers.

As consumers are often looking for quick, midweek meal inspiration, our range of added value pork products continue to grow. The addition of marinades or stir fry vegetables to our range meets this demand.

Growth continues in 'slow cook' and 'sous vide' products as they offer consumers restaurant style food with minimal preparation at home. The products are well suited to pork and chicken dishes and continue to be one of the fastest growing categories in which we operate.

In addition, we have continued to develop our business with the emerging meal kit providers, creating a new sales channel for the group in an area of increasing interest to consumers. As well as our core pork offer, we supply a range of sausages and charcuterie products as integral ingredients in the finished meal offer.

Eating out of home, or purchasing food on the go, offered the ultimate in convenience before the outbreak of the COVID-19 pandemic. We had gained business in this channel within our new and existing customer base and expect to work with these customers as the out of home market restarts.

Sustainability
Consumers are more interested than ever to understand where their food comes from, and what the impact of their food choices has on the planet. For the Group, addressing the sustainability challenges is now 'Second Nature'; an integral part of the consumer offer we develop from farm-to-fork.

There is continued pressure on the role of meat as a key contributor to climate change, and we are working across the industry to address the balance of this through demonstrating the role of chicken and pork as part of a healthy, sustainable and climate friendly diet.

Our approach to sustainability remains one of our key differentiators, both in the UK and export markets which we serve. Our new poultry processing plant at Eye in Suffolk, is a prime example of this. The facility can process up to 1.2 million chickens a week, sourced from our own local farms and allows us to tap into British values of buying local whilst serving demand for low impact, cost effective protein. More details about our new facility can be found on page 7.

Our Strategy

Our Purpose

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

Long-term growth strategy

1
Consolidation
Driving the core

Read more: *see page 21*

2
Diversification
Expanding our offer

Read more: *see page 22*

3
International
Developing new opportunities

Read more: *see page 23*

Our Strategic Pillars

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

High Quality Produce

Read more:
Our business model see page 15

Operating Excellence

Read more:
Our business model see page 15

Sustainability

Read more:
Our business model see page 15

Our Guiding Principles

Our guiding principles set out the values that unite and inspire our people to deliver our purpose.

Quality *Value* *Innovation* *People*

Read more: *Our business model see page 14*

We measure the success of our strategy against our key performance indicators which can be found on pages 24 and 25. The key risks to our strategy can be found on pages 52 to 54.

1 Consolidation

Driving the core

Like-for-like growth in Fresh Pork sales

22.3%

Our strategy

The Company's core pork portfolio consists of fresh and value added pork products, a gourmet category including bacon, sausages, burgers and pastry, and a convenience range comprising cooked meats and continental products.

Across our portfolio we focus on the premium end of the markets in which we operate, where the Group is renowned for quality.

Our aim is to grow revenue from these core products by working closely with customers to understand their requirements, build long-term relationships and deliver added value through relevant innovation. Our growth strategy is underpinned by continual investment in our infrastructure, helping us to deliver premium products at reasonable prices.

Performance in the year

Fresh Pork retail sales have increased year-on-year driven by a stronger mix of products sold. Higher EU pig prices resulted in growing demand for British products and we saw sales increase as our discount retail customers continued to expand their premium offerings. We have expanded our "Ready to Cook" range with new convenient meal solutions and undertaken development work on products that are quick and easy to prepare, such as marinated stir fry kits.

Cooked Meats sales performed well ahead of the market. We won new business with a premium retail customer in the first half of the year and gained trade following a key retail customer streamlining their supply base. We invested £31 million across our three Cooked Meats facilities including the commissioning of an extension to the Sutton Fields site in Hull to accommodate the additional business. The team also secured listings for a new range of 'Slow Cook' products with one of the Group's key customers.

Over the Christmas period some sites experienced record sales, with Continental meat platters and Pastry products in high demand. We launched a new range of seasonal products, such as 'chicks in blankets' and a Brie En Croute developed at the Gourmet Pastry site.

The premium category continued to drive strong growth at our pastry site. Building on the success of last year there have been many successful product launches with a premium retail customer during the year. Our Pastry business also won a new contract in the food service sector – pork and pancetta sausage rolls quickly became their best-selling product.

There were other food service wins within Bacon as new business started during the first half of the year, and we will be well-placed to support the re-opening of the out of home market.

For further information on our category performance and projects delivered throughout the year see the Operating and Financial Review on pages 44 to 47.

Future opportunities

We plan to invest further in our infrastructure to increase operational efficiencies.

Ensuring we strike the right balance between quality, premium products and affordability remains a priority as Cranswick continues to drive efficiencies while expanding our capabilities. Our continued focus on innovation means we can keep pace with, and respond to, changing consumer trends.

2 Diversification

Expanding our offer

Revenue from new product launches

8.7%

Chicken

Our strategy

During the past five years we have expanded our product range and customer base by entering the premium, fresh and cooked poultry market. This fast-growing market represents a huge growth opportunity as we look to develop new products and channels in this area. Our key business differentiator for customers is our vertically integrated poultry supply chain which we continue to heavily invest in.

Major Investment

This year, our new £78 million chicken processing facility in Eye, Suffolk, came on stream and is the largest project the Group has ever undertaken. The facility is the most modern end-to-end processing model for poultry in the UK. For more information on the new facility see page 7.

Production from the new facility commenced in November 2019, with volumes increasing in each of the following months. This enabled us to produce chicken fillets in a wider range of pack sizes and weights. Our retail pack range has been expanded and now includes mini fillets, bone-in and boneless thighs, drumsticks and wings.

In cooked poultry the Company reinforced it's retail proposition, gaining new business with a third retail customer and launching a new product range with an existing retail customer. Sales also benefitted from the annualisation of product launches in the previous year. Retail sales represent an increasing proportion of total cooked poultry sales, and promotional activity remained high across key retail customers. Cooked turkey volumes exceeded expectations over the Christmas period with festive food-to-go sales performing strongly.

Future opportunities

In the short-term, barbecue products will be launched from the Eye Fresh Poultry facility including seasonally marinated drumsticks, thighs, wings, steaks and mini fillets. We also plan to introduce new flavours to expand the range.

'Ready to Cook' and 'Cook in the bag' product ranges are also undergoing development. As the fresh poultry market continues to show growth we plan to explore new formats such as chicken mince and chicken meatballs in order to capitalise on this healthy and sustainable protein.

New categories

Our strategy

As part of the Group's long-term growth strategy we continue to expand product ranges by diversifying and innovating away from our core business.

Strategic acquisition

The Group's acquisition of Katsouris Brothers during the year gives us a world of opportunity to diversify into the growing flexitarian and fast-growing Mediterranean categories. The Company prides itself on sourcing high quality ingredients while the development chefs maintain an artisanal edge using traditional recipes with a modern twist.

This perfectly complements our principles of high quality, keeping the heritage and integrity of food, whilst innovating and delivering creative food concepts. Further information on the acquisition can be found on page 9.

During the year we have expanded our products in the non-meat category. We launched a range of vegan products from our Pastry site including vegan sausage rolls and a vegan root vegetable tarte tatin.

Cranswick's product development teams continue to devise innovative and creative concepts. This year 583 new products were launched, with 8.7 per cent of Group revenue derived from new product development. At the UK Sausage Awards we won the award for 'Best Supermarket Sausage: Innovative Category' for our honey and mustard flavoured sausage, which demonstrates the recognition we receive for our innovative product launches.

Future opportunities

Convenience and healthy-eating consumer trends will continue to dominate meal choices. In both pork and poultry we plan to expand our portfolio with value added products while investing in new technologies to deliver a more authentic taste and flavour experience using natural products.

Our product development teams will continue to work on plant-based alternatives following the success of product launches in the year. We believe many plant-based products still have some way to go to match their meat equivalents on taste and affordability.

3 International

Developing new opportunities

Far East export revenue growth

122%

Our strategy

Our ambition is to become a zero-waste food producer. Under our Second Nature initiative we want to maximise the value of our meat cuts and make sure all parts of the pig and chicken are sold so nothing goes to waste. International markets represent the opportunity to sell fifth quarter products that would generally not be consumed locally and may otherwise be wasted.

Export demand has been increasing for our higher welfare, premium cuts as well as the more traditional fifth quarter products. Our long-term growth strategy incorporates this trend as we aim to develop relationships and expand our reach in international markets.

Performance in the year

African Swine Fever (ASF) is having an unprecedented impact on the global pork market, see page 11 for more details. As a result, demand and prices for prime cuts, whole carcasses and fifth quarter products grew considerably and our Far East export revenue rose by 122 per cent year-on-year.

Cranswick was well-placed to capitalise on this as all three of our primary pork processing facilities are fully approved to export to China, with our Norfolk facility receiving approval to export trotters during the year. As a result of ASF, we increased pork production with additional processing at weekends. We have also recruited new members to our export team.

Higher tariffs were placed on pork meat exported to the US during the year, but we were able to sell higher volumes of loins and ribs to Canada to compensate for this. This was achieved as a direct result of our work undertaken in previous years to strengthen our customer relationships in Canada, and we continue to explore opportunities to establish a stronger base in North America.

Growing demand for outdoor bred pork in Japan has enabled us to build on our relationships with customers in the region. We continue to host customers from across the world , including Japan, to show the level of investment we are making in our operations and processes.

Future opportunities

Strong export demand and pricing is expected to continue while the Chinese pig herd recovers from ASF. The Group remains vigilant to the risk that ASF poses in terms of its potential spread and this has been upgraded in the risk register during the year, see 'Principal Risks and Uncertainties' on pages 52 to 54.

In the coming year we aim to pursue relationships with customers in emerging markets. Towards the end of this financial year we visited Mexico City to develop potential opportunities. The Group continues to explore other avenues to expand our offering where demand exists including new markets for poultry products.

Measuring our performance

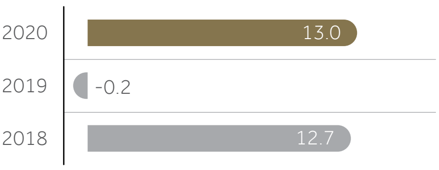
Long-term growth strategy

1 Driving the core

Like-for-like revenue growth

(%)

13.0%



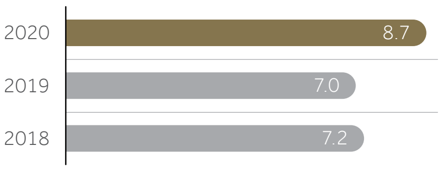
Like-for-like revenue increased 13.0 per cent compared to prior year reflecting significantly higher wholesale and export demand for Fresh Pork driving a rise in export volumes and prices. Substantial business wins with key retail customers, particularly across Cooked Meats and Poultry, have driven further increases in revenue.

2 Expanding our offer

Revenue from new products

(%)

8.7%



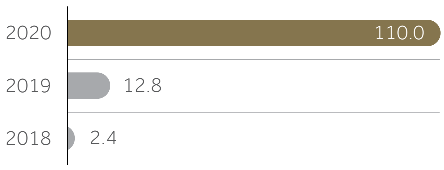
The Group's ongoing commitment to innovation continues as we expand product ranges and develop new products to strengthen relationships with customers. Sales from new products during the first six months following their launch accounted for £145.7 million of revenue in the current year.

3 Seeking new opportunities

Non-EU Export revenue growth

(%)

110.0%

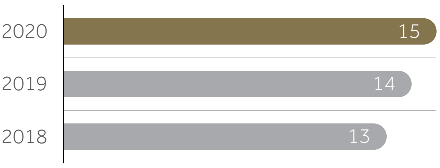


Non-EU export sales include sales made to non-EU markets through UK-based meat trading agents. These sales have shown unprecedented growth in the year reflecting the impact of African Swine Fever on the global pork market.

High Quality Products

Number of BRC Grade As

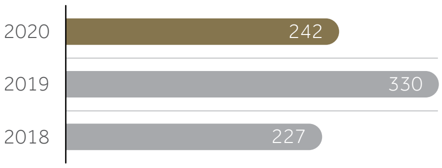
15



The number of Grade A ratings awarded by the British Retail Consortium (BRC) against Global Standards for Food Safety increased reflecting the acquisition of Katsouris Brothers. The new poultry site at Eye also received an 'AA' rating.

Number of supplier audits

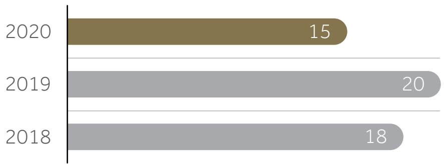
242



The raw materials used in the Group's production process are assured by the Group Technical Services team who undertake audits of suppliers. The decrease reflects fewer incidents requiring follow up visits. COVID-19 impacted the number of visits we could make which were substituted with the use of technology.

Complaints per million units sold

15



Cranswick's long-term commitment to producing food to the highest quality results in a very low number of complaints per million units sold. The decrease in the year reflects the Group's values and a passion for quality.

We recognise that consistency of information is important to our stakeholders, particularly our investors. The Group's key performance indicators have remained consistent year-on-year to allow comparability, with the exception of the sustainability category which has been updated this year.

We have updated our sustainability KPIs to include food waste. We want to eliminate avoidable food waste through site-led intervention programmes and our redistribution work with food charities.

Eliminating food waste is a key KPI for the Group as we continue to work with Champions 12.3 and Courtauld 2025.

Our Health and Safety team has been focused on the Reporting of Injuries, Diseases and Dangerous Occurences Regulations (RIDDOR) frequency rate per 100,000 hours worked rather than per 100 employees. This has allowed for better comparison between sites, particularly at busy times of the year.

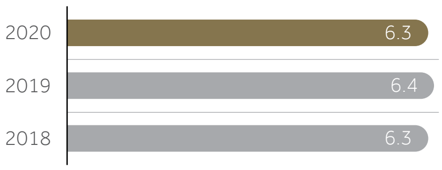
Our internal reviews and reporting have changed and now emphasise this KPI.
We have therefore reflected this update below.

Operating Excellence

Adjusted operating margin

(%)

6.3%

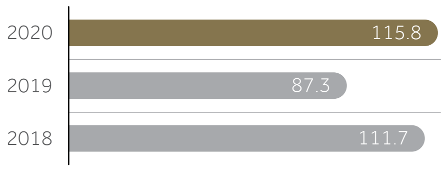


Adjusted operating margin reduced 12 basis points compared to the prior year to 6.3 per cent despite absorbing start-up costs during the commissioning phase of the new Eye poultry facility, and additional provisioning in response to COVID-19.

Free cash flow

(£'m)

£115.8m

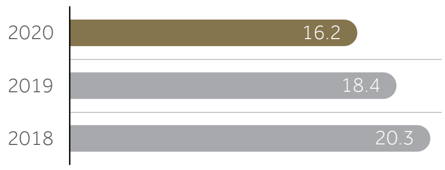


The increase in free cash flow reflects higher year-on-year EBITDA and a lower working capital outflow with the Group managing cash flows tightly. This was partially offset by higher interest paid due to increased borrowings to fund acquisitions and capital projects and higher tax paid, with six corporation tax payments made in the year (2019: four) as a result of the change to the timing of collection by HMRC

Return on capital employed*

(%)

16.2%



The Group's ongoing commitment to investing in its asset base ensures that facilities are industry leading and continue to drive efficiencies. Return on capital employed reduced reflecting the record levels of investment in the year, acquisitions and the impact of first-time recognition of IFRS 16 leases. Prior year comparatives have not been restated for IFRS 16. The impact on the current year reduces ROCE by 0.7%.

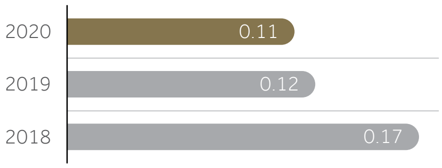
* Adjusted operating profit divided by the sum of average opening and closing net assets, net debt/(funds), pension liability and deferred tax.

Sustainability

Relative carbon footprint

tonnes of CO_2e per tonne sales

0.11

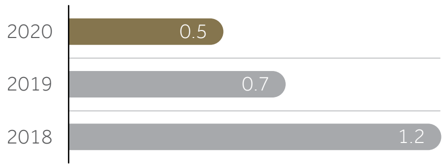


The Group's relative carbon footprint continues to decrease reflecting our Second Nature pledges as we aim to minimise our impact on the environment.

Edible food waste

(% of tonnes sold)

0.5%

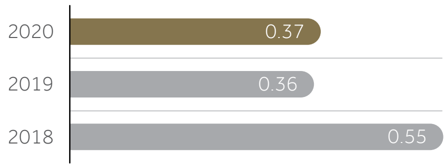


Cranswick has committed to eliminating edible food waste by 2030. The Group has invested in innovative processing techniques and staff training and has already seen results.

RIDDOR frequency rate

per 100,000 hours worked

0.37

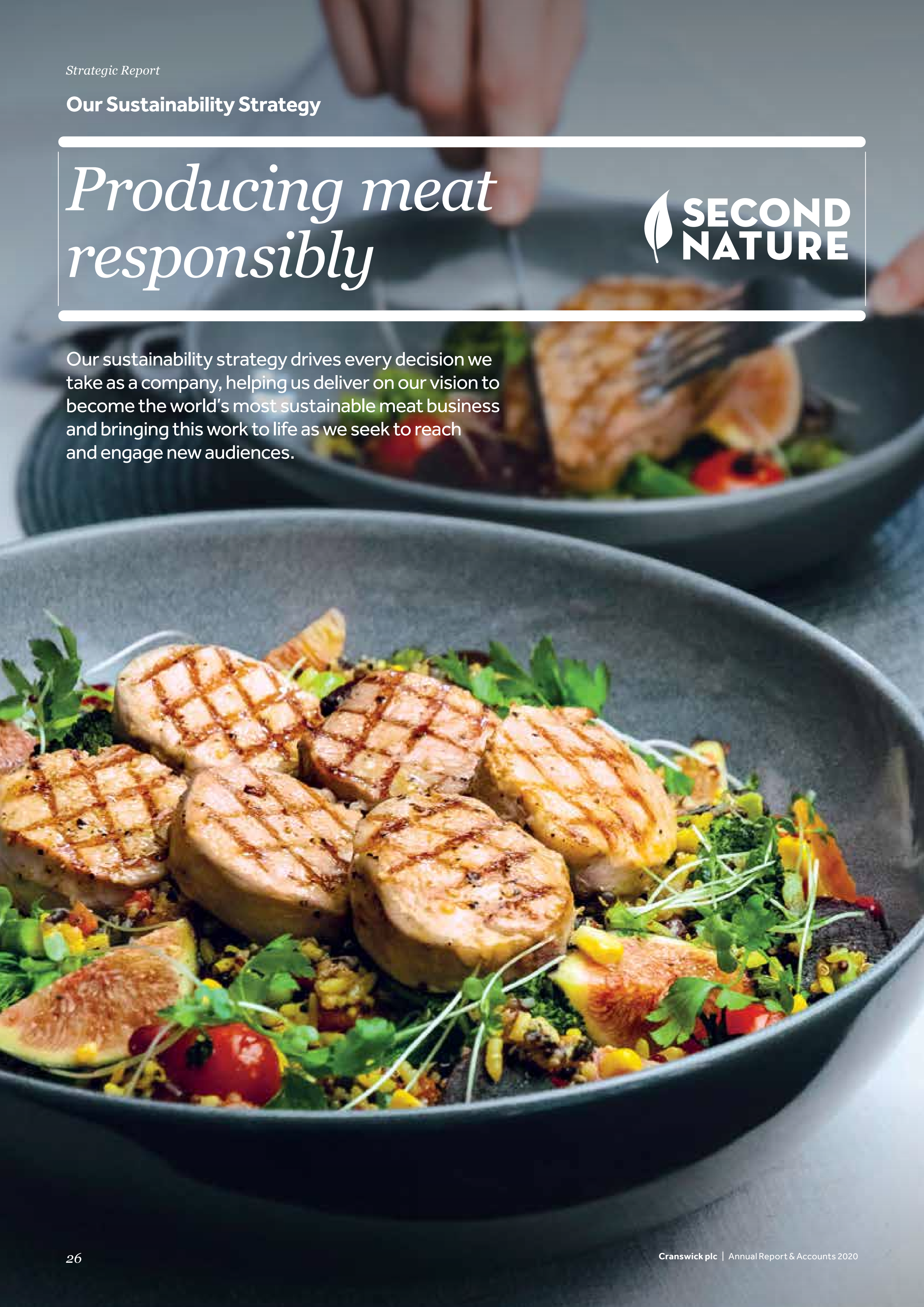


The accident rate reportable to the Health & Safety Executive increased slightly reflecting the expansion work across some sites as uninterrupted supply continued despite construction work. The Group continues to follow the enhanced five year Health & Safety strategy and the Total Accident Frequency Rate continues to reduce.

Producing meat responsibly

SECOND NATURE

Our sustainability strategy drives every decision we take as a company, helping us deliver on our vision to become the world's most sustainable meat business and bringing this work to life as we seek to reach and engage new audiences.



Our Second Nature 2030 strategy

Our Group-wide sustainability strategy Second Nature launched in February 2018. Since then we have worked hard to embed its ethos into the heart of decision-making, guided by the COO-led Second Nature steering committee and over 1,500 Second Nature Changemaker volunteers from across the business.

Our Second Nature strategy addresses five interconnected pillars, which reflect how Cranswick operates: Thinking, Farming, Sourcing, Producing and Living. Through these pillars we can address the key issues across the whole lifecycle of all products, from farm-to-fork, while aligning our commitments to global frameworks such as the UN Sustainable Development Goals (SDGs), the Science-Based Targets initiative (SBTi), the World Resources Institute Champions 12.3 platform, the UK Plastics Pact and Courtauld 2025.

Read more: *Action on the SDGs see page 29*

At a practical level, we have drawn up a Second Nature blueprint for action that focuses on four core areas: Climate, Farming, Animal Welfare and Community. We are using this blueprint to develop and roll out projects that will help the Group reach our Second Nature goals on carbon, renewable energy, plastic, food waste, water, and animal welfare. We have chosen to target these areas as they are the ones most material to us as a business.

Read more: *Progress to date see page 28*

Climate Mitigation

This year a new goal was launched under Second Nature to reach net zero greenhouse gas (GHG) emissions across our operations by 2040. To help achieve this, we have committed to setting a Science-Based Target (SBT) in line with efforts to limit global warming to 1.5°C under the Paris Agreement.

Risks from climate change are incorporated into the Group's corporate risk management strategy. This will allow the Group to consider and act upon any current and future climate risks, both within our own operations and supply chains. Our risk management work also includes benchmarking our activities against our peers using indexes like FAIRR (Farm Animal Investment Risk and Return) that highlight material risks and opportunities in animal protein production.

Collectively, these commitments will enable Cranswick to further activate and accelerate our climate change efforts. A large part of this work will focus on scaling up our agriculture initiatives and investing in nature based solutions to absorb more carbon while adopting circular solutions that prioritise clean energy, water conservation and waste prevention.

Read more: *Climate Smart Farming see page 29*

Our Sustainability Strategy continued

Progress to date

Eliminating Plastics

We have reduced plastic packaging use by 1,038 tonnes since 2017. We are making our food packaging more recyclable, replacing PVC films with PET and removing black plastic trays. Through the UK Plastics Pact we are scaling up work with retail customers and our suppliers to trial sustainable and innovative packaging solutions.

Read more: *'Phasing out plastic' on page 43*

Tonnes reduced since 2017

1,038

Food Waste Prevention

We have measured our food losses and waste across all sites using the international Food Loss and Waste Protocol and our edible food waste accounts for just 0.5 per cent of all tonnes sold. Through our work with Champions 12.3 and Courtauld 2025, we continue to eliminate avoidable food waste through site-led intervention programmes and our redistribution work with food charities.

Read more: *'Getting granular on food waste' on page 43*

Read more: *'Fighting hunger and waste with 100,000 meals' on page 40*

Sourcing Clean Energy

All of our sites are now powered by 100 per cent renewable grid electricity, and we are upscaling our Combined Heat & Power (CHP) infrastructure to increase on-site low-carbon energy generation. Our plan is for more sites to have CHP and we are also exploring the potential for solar and wind power on some of our farms and factories.

Sites powered by renewable grid electricity

100%

Water Stewardship

We have reduced our water intensity by more than our target for 2020. We are in the process of setting new targets to ensure our progress continues with a number of measures in place to reduce our water usage.

Read more: *"Environmental performance' on pages 42 and 43*

Reduction in water intensity since 2008

44%

Animal Welfare

For the fourth consecutive year the Group has been awarded Tier One in the global Business Benchmark on Farm Animal Welfare standards (BBFAW). This year we further strengthened the Group's position as a high welfare pork supplier with the acquisition of Packington Pork, for further information see page 13.

Cranswick continues to drive commercial farming welfare standards for the sector through wider collaboration with retailers, universities and industry bodies. We are undertaking trials to improve the wellbeing of newly hatched chicks and breeding sows, and to promote responsible use of antibiotics. The Company is involved in smart tech work to improve food safety, traceability and meat provenance, and reduce food fraud.

In 2019, Wayland Farms won the National Pig Awards Outdoor Pig Producer of the Year in recognition of not only high standards of animal welfare but for integrity, professionalism and a clear commitment to sustainability.

Telling our Story

This year we launched an online platform to showcase our Second Nature journey through transparent reporting. The website builds on our 2018 report 'Radical Transparency: The rise of disruptive consumerism' and will be used to engage with the food industry and other stakeholders in an honest dialogue about the future of meat and its role in the wider context of climate change, consumer trust and ethical eating. This can be found at **www.thisissecondnature.co.uk**.

Feedback from customers has been highly positive and we believe the platform will act as a key differentiator for us as the meat transparency agenda grows. This year we also won recognition for our Second Nature work with a number of accolades including Manufacturer of the Year at the Business Green Leader Awards.

Benchmarking and Disclosure

We continue to benchmark our operational site performance against our Second Nature operational targets aligned to 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. This year we were awarded a high C grade from the CDP (formerly the Carbon Disclosure Project).

We are also developing a Second Nature Supplier Sustainability Pledge, which will be used to benchmark our suppliers against key goals and timeframes. Going forward we will be moving towards reporting our environmental performance against the Meat, Poultry & Dairy Sustainability Accounting Standard which is a widely recognised international standard published by the Sustainability Accounting Standards Board.

Case Study

Climate Smart Farming

We believe farming is part of the solution when it comes to tackling climate change. The goal is for all Cranswick owned farms to be carbon-neutral by 2030. We aim to achieve this by adopting regenerative agricultural methods that improve soil health and organic matter levels, conserve water, sequester carbon, encourage biodiversity and recycle farm waste.

Over the past two years we have increased soil organic matter to support higher levels of CO_2 cycling as well as future crop yields and irrigation efficiency. We are investigating how we can reprocess manure from our finishing sheds, removing and cleaning the water to leave a more valuable organic fertiliser, ultimately helping our partner farms to reduce their reliance on artificial products.

We are increasing the meat that is sourced through our own farms. This means we can ensure our livestock get the best care while lowering our overall animal protein carbon footprint. We are scaling up work to measure the carbon footprint of our farms and livestock as well as shifting towards certified sources of soya for our animal feed. We are also exploring alternative protein sources such as UK grown peas, beans and soya to further improve our land use and carbon impacts.

We have planted wildflower grass margins around our outdoor pig units to encourage biodiversity. These margins also act as a buffer strip to slow water run-off, prevent soil erosion and leaching of field nutrients.

Action on the SDGs

Our sustainability challenges are mapped against one or more of the UN Sustainable Development Goals (SDGs) and we have identified 12 SDGs we can impact through our Second Nature work. These include fighting global hunger by redistributing surplus food and our involvement with the Champions 12.3 platform (SDG 2), producing meat in a responsible way and educating consumers on food waste (SDG 12), working towards net zero for our operations (SDGs 7 and 13) and engaging in climate friendly farming (SDGs 9, 14 and 15).

Our Stakeholders
Section 172 (1) Statement

Section 172(1) Statement

As a Board we continue to uphold the highest standards of conduct and make decisions for the long-term success of the business.

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

Our decision making process through the recent pandemic is one of many examples where we consider all stakeholders. The impact of COVID-19 has been widespread and we consider all our stakeholders and have consulted with them as we continue to feed the nation.

Sustainability is a key priority for us; our Second Nature strategy is at the forefront of every decision we make as we care about the impact of our business on the community and environment.

Engagement with our main stakeholder groups is summarised on this page. We explore further how we engage with our main stakeholders on pages 32 to 43.

Board Activities
The key activities of our Board are set out in the Corporate Governance Report which includes a summary of the key decisions made and the stakeholders considered.

Read more on pages 64 and 65.

Sustainability
The key activities we have undertaken to reduce our impact on the environment can be found on pages 42 and 43.

Progress on our Second Nature initiatives can be found on pages 26 to 29.

Stakeholder	Why we engage	How we engage
Our People **Read more:** *see page 32*	Our dedicated colleagues drive our business so it's important to understand what matters to them. We want our colleagues to feel valued so we can achieve our purpose together.	• Staff survey • "Flavour" intranet site and newsletter • Appraisal process • Works councils • Dedicated Non-Executive Director
Customers & Consumers **Read more:** *see page 36*	We need to understand consumer demands in order to create innovative products and respond to new trends. We can assess consumer satisfaction through regular engagement and ensure our products are of the highest quality. By engaging and sharing ideas with customers we can identify new ways of working together.	• Key teams such as product development, technical, agricultural and sales will all engage with customers to ensure communications are all encompassing • Site tours and visits • Online surveys • In store interviews • Focus groups • Digital platforms and social media
Producers & Suppliers **Read more:** *see page 38*	By working closely with suppliers who share our values and beliefs, we can focus on food safety, technical integrity, provenance and ultimately produce high quality products.	• Industry events and forums • Sedex • Audits and visits • Supplier surveys • Supplier policies
NGOs **Read more:** *see page 39*	We work with various non-governmental organisations (NGOs) including Agricultural and Horticultural Development Board (AHDB), British Poultry Council (BPC), WRAP (Waste and Resource Action Programme), Red Tractor and RSPCA. This allows us to help set policies and improve industry standards.	• Cranswick Directors and Managers sit on steering committees, groups and boards • Trial new standards • Industry events • Digital platforms and social media to share important information
Communities **Read more:** *see page 40*	We produce from 16 facilities across the UK covering multiple towns and cities. We want to be responsible neighbours and give back where possible.	• Foodbank donations • Working with local schools and Universities • Involvement in local projects • Farm open days and Norfolk Pork Stock festival • Charity fundraising
Shareholders **Read more:** *see page 41*	Our reporting should be fair, balanced and understandable. We want shareholders to understand and believe in our purpose and strategy so we can demonstrate how we create value.	• Presentations • One-to-one meetings • Annual report • Regular announcements and press releases • Visits to facilities • AGM • Website

What matters most to our stakeholders	How we are responding	COVID-19 specific considerations
Employee wellbeing matters most, encompassing mental and physical health, happiness and job satisfaction. Opportunities for career and personal development are very important along with the chance to learn new skills. Our colleagues appreciate the opportunity to have their say and share ideas. They also care about working in an inclusive and diverse environment.	More employees are enrolled on management and leadership courses each year to ensure career and personal development. Our employee engagement scores on the staff survey increased by three per cent this year, with particular areas of note being employee wellbeing and Second Nature awareness. 'You Said, We Did' boards have been installed at all sites to share the actions following the staff survey.	• Relocating employees to avoid furlough • Employee bonuses • Working from home • Social distancing • Additional PPE
Consumer trends research highlights that choices continue to be dominated by health-conscious options, convenience and premium products. Sustainability is also an important consideration as consumers focus on the overall impact of their food choices on the environment including minimising waste, food integrity and recycling packaging.	During the year we launched our 'Your Plate, Your Choice' campaign on social media, highlighting the nutritional benefits of eating meat. We aim to de-polarise the plant versus meat debate and present a balanced perspective. The Group continues to focus on new product development to address emerging consumer trends. We aim to meet sustainability expectations through our Second Nature efforts. We launched the microsite, thisissecondnature.co.uk to increase communication in this area.	• Working closely with retail customers to meet surges in demand
Suppliers want continual improvement with opportunities to innovate, grow their business and develop our relationship. We need to ensure raw materials, ingredients and packaging are supplied at the right time to the right place and that the supply chain is transparent and sustainable.	Cranswick's drive for continual improvement has seen our teams develop new risk assessments of suppliers for allergens, gluten-free and product specification. All our direct suppliers are registered on Sedex. We continue to undertake supplier audits to ensure the safety, traceability, quality and provenance of the raw materials and ingredients we use.	• Optimising production to maximise output • Support where needed • Rationalisation of ranges
AHDB encourages pork consumption and helps shape policies for pig farming. BPC sets policies for the poultry industry. WRAP is focused on sustainability and manages initiatives such as The Plastics Pact. Red Tractor provides assurance that products are traceable, safe and farmed with care and the RSPCA certifies higher welfare farming systems.	During the year we have contributed towards setting policies that help to direct the future of the pork and poultry industries. This included for example introducing new in shed hatching at our poultry farms where we then brought about a change in standards to allow the process to be adopted by others in the industry.	• Remote support to avoid face-to-face meetings
Local communities have a justifiable expectation that businesses operate safely and sustainably. This is especially the case with food producers; there is a need to reduce edible food waste to increase the amount of food that can be shared through the community.	We have partnered with a number of organisations such as Fareshare, through which we can feed people in need and tackle food poverty. We have also involved ourselves in a number of projects to provide sponsorship, education, mentoring and employment to those who need it in our communities.	• Additional food donations • Meals for NHS workers
Shareholders are increasingly concerned with environmental, social and corporate governance (ESG) matters and we continue to receive more enquiries relating to sustainability. Financial performance and commercial success are also key considerations for our shareholders.	We have increased our engagement on ESG matters and ensure we respond to enquiries we receive on this area. We provide results announcements and press releases to ensure all Shareholders remain up to date with our performance and results.	• Conservative cash management • Maintain dividend policy • Regular dialogue

Our Stakeholders continued

Our people

At Cranswick, we have always been proud of the people that we employ. They are the ones who have made the Company a success, and who continue to do so as we pursue our strategic aims and objectives.

COVID-19
The wellbeing of our colleagues has been our main priority throughout the pandemic. As food manufacturers, our people have been designated as key workers and have kept our sites operational in an effort to continue to feed the nation.

Communication and engagement are fundamental throughout these unprecedented times and we have regular update meetings across all levels to address any concerns our people have, and to ensure that any COVID-19 related information is communicated to them in a comprehensive manner. We recognise the physical health effects of contracting COVID-19, but we also understand the negative impact the pandemic could have on our employees' mental health and wellbeing and therefore we have made available the support of on-site third party counsellors to our staff, alongside our own Mental Health First Aiders.

We are also supporting our office staff, many of whom are working from home in line with government guidelines, through regular updates and communications to ensure that they do not feel isolated. The Group's well-developed IT and communications infrastructure has been fundamental in allowing our colleagues to continue to perform their roles efficiently and effectively from home.

We have performed risk assessments across all of our sites in order to ensure that we are taking the necessary precautions and preventative actions to protect our staff. We have implemented additional measures including increased cleaning and hygiene procedures, protective screens, social distancing where possible and the availability of visors. We also continue to work with the relevant regulatory bodies to ensure our responses are appropriate and timely.

People strategy
Continuous learning and development are central to our values and we have a career and talent pipeline that offers both lateral moves as well as fulfilling a comprehensive succession plan. We value and care about each of our employees in the same way that we did when the Company was started in the 1970s and despite our numbers growing we will continue to maintain this ethos which sets us apart from our competitors.

Across the Group we have nearly 12,000 colleagues – each and every one of them is critical to helping our business thrive. We recognise the importance of giving our colleagues a greater voice, especially as we look to build more inclusivity into our strategic decision-making. All employees are encouraged to express their views via works councils, union membership and site-specific committee groups, but beyond this, initiatives like our Changemaker programme aim to tap into their aptitude for breakthrough ideas and creative problem-solving.

Employee Engagement
Each year we undertake a Group-wide staff survey and the latest survey in October 2019 achieved an 83 per cent response rate. Highlights included corporate citizenship and leadership as well as our mental health and wellbeing initiatives. Survey findings are used to shape our ongoing staff engagement drives, which are communicated through various tools such as 'You Said, We Did' boards installed at each of our sites and via our monthly staff newsletter and intranet portal 'Flavour'.

We are in the process of rolling out a new rewards and benefits package which among other things, includes paid leave for voluntary work, employee discounts and Christmas vouchers.

During the year, in accordance with the 2018 Corporate Governance Code, Tim Smith was also appointed as the Group's designated Non-Executive Director to enhance employee engagement.

Securing our Workforce
Recruitment and retention has been a priority for us this year as we look to secure our colleagues against a backdrop of national shortages in people and skills. Our Group average employee turnover rate has decreased from 2.09 per cent in the previous year to 2.01 per cent. We have had to address the ongoing uncertainties presented by Brexit – especially for our EU workers.

Our EU Settlement Scheme has now been rolled out across every site to ensure we are in a position to support all eligible staff who wish to continue to work in the UK. We are also working with the Migration Advisory Committee to address any challenges that future immigration curbs may bring to the UK meat processing industry.

Professional Development
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. We remain focused on creating leaders of the future and this year 275 people went through some form of leadership and/or management training. As a result, our internal succession rates continue to increase with several individuals moving into more senior positions and directorships.

We are also investing in and developing young people through our apprenticeship and graduate schemes to support our long-term succession planning. We have over 100 apprentices from Level 2 (GCSE) to Level 7 (Degree) working across several disciplines, with a strong focus on butchery and engineering. In 2019 our Hull primary processing site won Best Butchery Apprenticeship Scheme from the Institute of Meat (IOM). Two of our apprentices also picked up IOM awards, including Best New Apprentice.

Our graduate programmes continue to be highly effective, with nine new graduates placed this year across Group locations. Since 2013 we have recruited 30 graduates and found permanent roles for them all – some of our earlier recruits are now in Senior Management positions. We have also established an additional commercial graduate scheme, geared towards our sales and marketing functions, as we look to take the business forward through succession planning within our commercial teams.

In addition to this, we are working with Harper Adams University to offer agriculture and food marketing scholarships to students wanting to kickstart their career in the agri-food sector. This year we have committed to fund two students throughout their studies at University, as well as a guaranteed 12 month placement within our Marketing and Agriculture teams.

Diversity and inclusion
Our workplace culture strives to be a diverse and inclusive one, in which we generate equal opportunities for everyone regardless of gender, age, race, disability or sexual orientation. There are no differences in the pay structure for males and females performing the same or similar roles. Our 2019 Gender Pay Gap report can be found on the Group's website **www.cranswick.plc.uk**. Our gender breakdown can be found on page 73.

Our Stakeholders continued

We continue to champion diversity in the workplace, reflected by our workforce which encompasses 52 nationalities. We remain vigilant when it comes to eliminating modern slavery and human trafficking from our supply chains and business, and 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, see "Supplier Performance and Risk' on page 38.

Employee wellbeing

The mental and physical wellbeing of our staff is key to our understanding of how we manage our workforce. We continue to be sector-leading on mental health issues; this year we became a signatory of the Time to Change employer pledge, joining over 1,400 organisations working to change the way people think about and act on mental health issues.

We have trained Mental Health First Aiders at each of our sites and to date have recruited 109 employees to become mental health champions. Our champions will help us drive positive change internally within the business as we look to tackle the stigma of mental illness. Mental health and physical wellbeing are often interconnected, and all of our sites are now affiliated with gyms to encourage a healthy work-life balance.

Health & Safety

We are halfway into our five-year Health & Safety (H&S) strategy and continue to make excellent progress in reducing risk and accident rates. Over the past 12 months we have been working hard to embed our H&S strategy at farm-level and have conducted H&S verification audits at new sites to bring them in line with our strategy.

Our Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) increased slightly year-on-year driven by acquisitions and expansion work across our sites. Our RIDDOR frequency rate per 100,000 hours worked increased marginally to 0.37 from 0.36 in 2019, but has fallen 32.7 per cent since 2018. Our Total Accident Frequency Rate per 100,000 hours worked continues to decrease and fell by 5.8 per cent compared to the previous year.

Performance is tracked through our business analytics platform, enabling hotspot targeting and comparison of site-by-site data. Increasing the granularity of this information means we can link reduction targets, share best practice and engage in standardised reporting. Annual H&S audits are undertaken at each site, followed up by a 12-month action plan.

We continue to upskill our H&S staff. Our Group H&S Manager is now a Chartered Member of the Institution of Occupational Safety and Health (IOSH), which is industry-leading for our sector.

This year the Group engaged Deloitte LLP to review the robustness of key Health & Safety processes. Overall, the review concluded that no significant issues were noted, rather opportunities existed to further enhance existing ways of working; the most important of which was ensuring a consistent approach is adopted across the Group.

Under Second Nature, our target is for all sites to be accredited to the ISO45001 Health and Safety management system by March 2021. Our Valley Park site in Barnsley has become the first to achieve this.

Innovative thinking

We have partnered with leading Universities to work collaboratively with students on current challenges we face and how they can assist us to deliver solutions.

The Food Innovation Consultancy challenge is a project with Sheffield Hallam University, whereby we have asked Food Science students to think of new concepts to expand our retail 'out-of-home' lunch product range. Through a mixture of site visits, colleague engagement and study sessions, the students will present their ideas to members of the business.

A group of students from Leeds Beckett University are currently undertaking a thorough sustainability study at our largest cooked meats facility, focusing on water waste, energy waste, food waste and recycling. The students will have an opportunity to present their findings and voice their opinions on how current practices can be enhanced, ultimately making recommendations as to how we can improve our waste management practises.

We want to encourage students to apply their skills and thinking in a real working environment, while also benefiting the business through new ideas and concepts from those in academia.

Targeting zero harm

Second Nature will drive our H&S performance further as we look to introduce a 'Target Zero' culture. As well as targeting zero accidents, all sites will have accident reduction programmes in place supported by effective leadership so they can take a proactive approach when it comes to managing risk.

The benchmark gap

Benchmarking our H&S performance against our peers remains challenging due to a lack of comparable data. We are working with the British Meat Processors Association and other industry bodies to try and encourage more transparent accident data reporting between members.

Georgina Corbett, Butchery Academy Area Leader

Inspiring the next Generation

Georgina joined the business as a Marketing graduate in 2017 through the Graduate Scheme and throughout her journey expressed a strong interest in working within our Operations function. Georgina now manages the Butchery Apprenticeship Academy at our largest processing facility, managing cohorts of Butchery Apprentices. Her desire and passion to achieve was easily recognised, which has enabled Georgina to progress quickly at such an early stage in her career.

More and more young people want to work for us, attracted by our values and vision. With sustainability embedded in every job function, the opportunity for them to make a difference is clear. Those who enrol on our two-year graduate scheme get to work across every aspect of the business so they can learn about different roles and decide which one suits them best. Here are just a few of the things our young people are saying about working at Cranswick:

"The graduate scheme is people-focused and tailored to help you achieve your full potential."

"People are really willing to give you their time. After being at Cranswick for only three months, I was proud of the opportunity to present to the Directors."

"It's the type of company that if you work hard and put the time in, doors will open."

> *"The graduate scheme is people-focused and tailored to help you achieve your full potential."*

Customers and Consumers

Our Second Nature platform gives us the perfect opportunity to showcase the work we are doing to meet demands around food integrity and product innovation in a more transparent and engaging way. This will strengthen our customer relationships and ensure we can meet the changing needs of consumers.

Who we serve

Around 72 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 continue to consolidate our presence in the food-to-go sector and in the food service sector. Many of our products are listed by UK hotel, pub and other food service outlet chains. However, only 5 per cent of our revenue is generated from this sector, limiting our exposure to the impact of COVID-19 in this area.

With a significant increase in overseas sales, particularly to the Far East, our export sales have contributed to a larger proportion of our total revenue and we continue to build relationships with our export customers.

We work collaboratively with our customers to develop products that address current trends. A number of different teams are responsible for engaging with customers on different topics including our new product development, technical, agricultural and marketing teams. This ensures the best product is created, meeting exacting standards.

We also engage frequently with consumers through regular focus groups, in-store interviews and online surveys. This year we have launched more content on social media. Our campaign 'Your Plate, Your Choice' highlights the nutritional benefits of meat, particularly pork and chicken.

Future fit farming

The expansion of our agricultural operations is enabling us to work more strategically with customers by investing in cutting-edge research, paving the way for future collaborations in the retail food market. For example, our Second Nature work to measure the carbon footprint of our animals and farms is attracting interest among retailers keen to apply better sustainability metrics to the food they sell.

As customer and consumer expectations on meat provenance continue to rise, we are working with universities and other establishments to pilot breakthrough technologies that could improve carcass traceability and rapid blood diagnostics for infectious disease control.

One of our Agriculture Managers is a member of Tesco's supplier R&D committee and also sits on the judging panel of Tesco's Agri T-Jam, an annual competition that recognises and rewards agrifood ideas for improving supply chain efficiency, sustainability, health and welfare.

Product innovation

Our proactive approach to product development means we can respond swiftly to market trends as they emerge. This Christmas we launched a 'chicks in blankets' lower calorie alternative to the traditional 'pigs in blankets' product, and expanded our 'Best Ever' range with a premium retailer.

We continue to work closely with customers to improve the taste, texture, flavour and appearance of our products.

Leading on pork provenance

We are working with Queen's University, Belfast to test a new technology in our Ballymena site that can analyse each pig we process to determine specific measurements relating to meat quality, such as species type, genetics and method of rearing. The samples we collect during this trial will be used to build a database to help combat fraud in the pork sector.

Safeguarding integrity

We have strengthened our supplier audit and compliance work to assure the safety, traceability, quality and provenance of our raw materials. This year we established a formal platform that will enable us to work more closely with key suppliers to mitigate risks relating to food safety, fraud and animal welfare. More detail on our technical compliance and auditing process can be found in the producers and suppliers section on page 38.

As food safety requirements become more stringent we have put in place comprehensive risk mitigation measures, many of which go beyond the requirements of the latest BRC Food Safety global standard. We risk rate suppliers on a points-based system and continue to raise awareness of the importance of food integrity to customers and consumers through our Second Nature platform and 'What Makes my Products Safe' campaigns.

We are pleased to report that we had no product recalls or market bans during the year which further demonstrates our commitment to food safety.

Producers and Suppliers

We care deeply about where our ingredients come from and how our products are made. By working closely with suppliers who share our beliefs, we can build a fairer and more transparent food system that benefits everyone.

Supply chain audits

242

Suppliers approved

775

Responsible sourcing
As demand for food integrity and provenance grows, it is important that our suppliers apply the same principles of value, transparency and respect as we do. From the ingredients we source, through the meat we produce to the packaging we use in making our products, we are constantly looking for new ways of working with suppliers to innovate and add value whilst demonstrating full compliance.

We approve and control 775 raw material suppliers, and 7,577 products and associated specifications through our Group Technical Services (GTS) team. Suppliers are approved through audits carried out by GTS or through independent third party audits such as the Supplier Ethical Data Exchange (Sedex) and BRC Global Standard for Food Safety.

Supplier performance and risk
We monitor supplier performance through Foods Connected, our supplier management system, undertaking vulnerability risk assessments for every supplier and ingredient. All of our suppliers remain fully compliant with our Foods Connected requirements.

We have formatted our Foods Connected system to help automate risk assessments relating to food fraud as we look to increase vigilance in this area. We are also using Mintec food commodity price data and insights to track prices, trends and market movements to support this work. This type of horizon scanning, combined with our supply chain mapping work, is enabling our GTS team to gather more granular data and intelligence using software tools.

We risk rate suppliers on a points-based system using seven criteria based on food safety. This year we have developed new risk assessments for allergens, gluten-free and speciation. We have also established a formal platform that will enable us to work more closely with key suppliers to mitigate risks relating to food safety, fraud and animal welfare.

Supply chain risk management

The rise in climate and animal activism is presenting new risks to agricultural supply chains. Over the past 12 months, we have established a platform to engage more deeply with our suppliers on issues relating to food safety, fraud and animal welfare. We have issued supplier guidance notes highlighting key areas to focus upon and continue to engage with stakeholders to influence industry standards and policy to mitigate these risks.

We have a code of practice in place outlining guidelines for best practice and site security across farms. This will be supported by staff training, and we have set up a whistleblowing number for our in-house farming operations.

During the past 12 months, 242 supply chain audits were carried out to assure the safety, traceability, quality and provenance of the raw materials we use. We continue to prioritise and drive ethical standards within our supply chains. Currently 707 (91 per cent) of our 775 total suppliers are registered on Sedex, including all 529 direct suppliers and more than half (72 per cent) of indirect suppliers. This represents an improvement on the prior year as we continue to work closely with our suppliers.

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**.

Site compliance
During the past year, a total of 738 audits were carried out across the Group. These comprised GTS, third party and customer audits. GTS audits are carried out internally across our sites and demonstrate our commitment to high standards and compliance.

Fifteen production facilities were audited against Issue 8 of the BRC Global Standard for Food Safety during the year. Eight of our sites achieved the highest AA+ rating, up from six the previous year. Four sites were awarded A+, up from three the previous year. Two sites achieved an AA rating, including our new poultry facility at Eye, Suffolk, and one site was awarded an A rating.

We are especially proud that three of our sites – Pastry, Fresh Pork Hull and Cooked Poultry – have been rated a Gold status supplier by M&S this year. Multiple sustainability indicators are factored into the overall rating, making Gold status extremely hard to achieve.

The GTS team continues to invest in upskilling staff across our sites to ensure we maintain the highest standards of site compliance, reporting and analysis. Representatives from the team also sit on various meat industry technical committees to help inform sector thinking on standards, legislation and welfare issues.

NGOs

Animal Welfare
Our work on animal welfare is industry-leading and sets us apart from our peers. We are one of two Business Benchmark on Farm Animal Welfare (BBFAW) Tier One recognised meat processors, just one of six companies worldwide to have achieved this rating. We are extremely proud to have received this accolade for the fourth year running. More information can be found at: **www.bbfaw.com**.

Many of the pigs supplied to us are reared to the higher welfare standards associated with outdoor breeding methods. Our acquisition this year of Packington Pork will further strengthen our position as a high welfare pork supplier. For more details see page 13. 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 assured 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 continue to work with these assurance schemes to improve welfare outcomes wherever possible.

All of our poultry sheds have fresh bales, perches with toys and windows to allow in natural light. LED blue lighting is 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 wellbeing.

We continue to promote best available techniques in commercial farming welfare practice and antibiotic use, working in partnership with NGOs, retailers and universities. We are progressing in-shed hatching trials across half of our chicken farms to improve the wellbeing of newly hatched chicks and we are implementing free farrowing systems to allow more space for breeding sows. We are also working with our European pork supply base to improve overall welfare standards.

One of our long-term objectives is to reduce and avoid antibiotics for prophylactic use. We are developing best practice guidance on antibiotic use and adopting a range of alternative management and health control strategies. Our own pig farms have reduced antibiotic usage by over 60 per cent since 2015. Our poultry business has reduced usage by ten per cent in the last year. Antibiotic usage in our herds and flocks is well below the industry target for 2020 set by Responsible Use of Medicines in Agriculture.

We are also working with FIIA (Food Industry Initiative on Antimicrobials) which brings together retailers, manufacturers, processors and food service companies to promote and support responsible antimicrobial use. Their policy is formulated to reduce antibiotic use without compromising standards of animal welfare.

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

EYE
100% within 25 miles

Sourcing sustainable soya

We are looking to move towards certified sources of soya for our animal feed and are a member of the UK Roundtable on Sustainable Soya. Our goal is to source from verified zero deforestation areas by 2025. More information on our soya policy can be found at: **www.cranswick.plc.uk**.

Our vertically integrated model helps to reduce the distance travelled from farm to processing facility for our animals, resulting in welfare and food mile reduction benefits. Our livestock transportation distances from farms to processing sites are shown at the bottom of this page.

Farming with integrity
We are running several farming initiatives to help improve our disclosure and reporting efforts as we seek to provide ever greater clarity on the provenance of our meat. These are primarily communicated through our new online Second Nature platform, which is accessible to everyone.

One of our aims is to deliver a lower carbon footprint rotation while maintaining the highest standards of quality. At Wayland Farms we are working with other food producers to improve soil health. Our outdoor pig breeding units have increased soil organic matter by an average of 10 per cent over two years, enabling us to sequester carbon and cycle CO_2 by an additional eight tonnes per hectare.

Wayland is also applying science-based management plans to pig breeding units to better manage water quality and promote biodiversity. We have been proactive in sharing this practice to other outdoor pig producers and land users via industry events.

We were one of the first outdoor pig producers to map our carbon footprint back in 2017. We are now developing a web portal to enable other producers to understand their carbon impacts, providing them with guidance and advice. In time, this will give us greater visibility of our supply chain impacts.

We are working to end deforestation in our supply chain by becoming more self-sufficient with our animal feed and less reliant on imported Soya. We have two feed mills, one for poultry and one for pigs. This allows us to formulate our own feed products to optimise diet and protein levels, reducing the build-up of ammonia and other excessive nutrients in the stomachs of our animals. This keeps them healthier while reducing their emissions.

Our Stakeholders continued

Communities

We want to create a better life for those communities that are touched by our business. We are amplifying our engagement and support, particularly for the most vulnerable in society, using Second Nature as a springboard for further action.

COVID-19

The impact of the COVID-19 outbreak is unparalleled and we continue to supply the nation with food to meet the unprecedented levels of retail demand.

At times of great need our sites continue to support local charities with funding and food donations. This work has never been more crucial and it's essential that we continue to support those in need.

Teams from across our sites came together to help make 800 sandwiches per day for NHS workers at two hospitals in Hull. Butter was donated from our Pastry site, sandwich fillings were provided from our Cooked Meats site and we collaborated with Jackson's Bakery who provided bread. We are very proud of our colleagues who came together to support the NHS at such a critical time. Meat hampers were delivered to those over the age of 70 who struggled to get hold of food.

Community Engagement

Across all our locations throughout the year we work with various organisations to provide sponsorship, education and mentoring whilst raising awareness of the food industry. In Hull, we have partnered with local colleges and universities to offer students career advice through our World of Work course. We have recently partnered with Hull College where we can provide opportunities for students who are looking to undertake Industry Placements within IT, HR and Business Administration functions.

It is important that our engagement efforts remain inclusive. We have sponsored a young mothers unit at Bell Academy: a group of schools that work with young people who have been excluded from mainstream education. The unit provides childcare facilities for young mothers so they can attend classes.

While uncertainty remains as to when large-scale outdoor events will safely be able to take place again, we continue to partner with the Freedom Festival, the UK's leading International Arts Festival. The event has become a prime opportunity for us to educate festival goers on food poverty and food waste, two priority commitments under Second Nature and on which we are leading as a meat producer.

Charity Work

Across the Group we support a number of charities, many of which are nominated by our employees. These include the 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, with several of our sites running local initiatives.

In Milton Keynes we continue to work with food donation platform Plan Zheroes. In Hull we work with food and fuel poverty charity EMS and also Fareshare. Our Gourmet Pastry site is also involved in a local community fridge initiative.

This year we provided food for army veterans at Middleton Barracks in Hull, which was donated to veteran charities.

We continue to support GroceryAid, donating food for its annual event which in 2019 raised a record £113,000 for the charity. Cranswick has two members of the management team on the GroceryAid committee, helping to steer the charity and increase awareness of its work. As a result of our focused input we have recently been awarded the GroceryAid supporters Gold Award.

A positive force for change

We have recruited over 1,500 Second Nature Changemaker volunteers from across our sites to help inform our thinking on how we can make an even deeper contribution.

Each Changemaker is personally connected to the issues they want to resolve, whether that's fighting hunger, ending food waste or winning the war on plastic. This year we hosted a Changemakers volunteer day in which we planted 500 trees to help regenerate green spaces across Hull as part of the 'One Hull of a Forest' initiative.

Fighting hunger and waste with 100,000 meals

Improving access to healthy, nutritious food is a key aim under Second Nature. Since 2017, we have provided 100,000 meals to feed people in need through our partnership with FareShare.

Any surplus meat products we generate are redistributed via FareShare's regional centres in Hull & Humber and Yorkshire. The products are then delivered to various food charities including homeless hostels, school breakfast clubs, domestic violence refuges, and older people's lunch clubs.

This work is also helping our factories identify new ways to drive food waste up the hierarchy. We used to send sausage meat left at the end of a production run to anaerobic digestion, but we realised we could turn this residual meat into sausages to help feed hungry mouths. We accessed FareShare's Surplus with Purpose fund to help cover the operational and labour costs of piping the residual meat into casings before packaging, labelling and freezing it. This action alone enabled FareShare to scale up its impact by sending enough sausages to help create over 80,000 additional meals.

As a food producer, we are constantly looking for ways to align our people, products and partnerships to help eliminate hunger whilst eradicating food waste. On a national level we work with the Trussell Trust, FareShare and other redistribution charities to ensure our surplus food products reach those most in need.

In 2018 we launched the Hull Food Save Project to tackle food poverty in Hull. We teamed up with a number of charities including EMS Yorkshire, OLIO, FareShare and Hull Food Partnership to create a major food sharing network.

In the first year, we provided 22,308 meals and prevented 9,369kg of food from going to waste. Inspired by the success of this project, one of our Changemakers – a divisional managing director – has since become a trustee with EMS.

We continue to support these charities in other ways to scale up the impact of their work. Our sites provide meat to the EMS Freedom Foods ready meals project, helping to deliver around 160 fresh meals each week via community fridges across Hull. Each meal contains enough food to feed a family of four.

Shareholders

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.

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.

WAYS WE ENGAGE WITH SHAREHOLDERS

AGM	The AGM will take place on Monday 17 August 2020 at the Company's registered office, Crane Court, Hesslewood Country Office Park, Ferriby Road, Hessle HU13 0PA at 10.30 am. Unfortunately, due to restrictions imposed in connection with the COVID-19 pandemic this year's AGM will simply be functional, attended only by the minimum number of shareholders required to form a quorum. In accordance with the UK's social distancing measures shareholders are prohibited from attending in person. However, we will be making presentations available through our website and an online Q&A to keep shareholders informed about the Group and to enable them to ask questions. We encourage shareholders to vote by proxy on all resolutions proposed.
Annual Report	We publish our Annual Report & 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 ordinarily release full financial and operational results at the interim and full year stage in November and May respectively. (This year as a result of restrictions imposed in consequence of the COVID-19 outbreak we required additional time to complete our audit which resulted in our full financial year results being released in June). 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	Our 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.

Environmental performance

Reducing our environmental impact

We continue to reduce our environmental impacts by using natural resources as efficiently as possible. Our long-term aim is to put more back into the environment than we take out and this year we have established a new set of ambitious goals.

Net Zero
Through Second Nature we are taking a leading position on climate for our sector. We have set a goal of reaching net zero greenhouse gas (GHG) emissions across the whole of our operations by 2040. This is aligned with the National Farmers Union's net zero 2040 target for British agriculture, and will ensure we play our part in contributing to the UK's ambition of net zero by 2050.

Achieving net zero will mean our activities result in no net impact on the climate from greenhouse gas emissions. To drive the level of action needed we have committed to setting a Science-Based Target (SBT). Our SBT will be in line with efforts to limit global warming to 1.5°C.

We are also aware of the increasing importance of sustainability reporting. Going forward we will move towards reporting against the Meat, Poultry & Dairy Sustainability Accounting Standard published by the Sustainability Accounting Standards Board.

Carbon
We measure our overall environmental performance by our carbon footprint profile which includes Scope 1 and Scope 2 GHG emissions. This year we achieved our goal to reduce our relative carbon footprint by 30 per cent by 2020 (against a 2010 baseline) and have set a new target to halve our energy, waste and water related emissions by 2030.

We have reduced our carbon footprint by switching to 100 per cent renewable grid electricity for all our sites in 2018. Our latest certification of the origin of our electricity supply shows our renewable standard fuel mix consists of 69.1 per cent solar, 21.3 per cent hydro, 7.3 per cent thermal, 1.5 per cent anaerobic digestion and 0.8 per cent wind.

We continue to improve our refrigeration systems to use ammonia or CO_2 rather than F-Gas in order to reduce our carbon footprint. £3.0 million has been spent in upgrading our refrigeration at our Hull Fresh Pork site to create further efficiency savings.

We plan to install Combined Heat & Power (CHP) plants across more of our sites based on successful CHP installations at our Milton Keynes and Hull Fresh Pork facilities. Feasibility studies are underway to determine the practicality of a CHP plant at each site. For a typical site, CHP represents a 50 per cent saving on our current energy spend and hence lowers our carbon emissions.

The majority of our measured GHG emissions come from electricity and gas, but our livestock also account for a significant amount and we are working to further quantify those impacts as part of our Second Nature climate mitigation work. This includes scaling up carbon footprint assessments of all our farms and livestock.

We have undertaken a new carbon footprint assessment of our Wayland Farms operation to update our estimate of the carbon footprint of our pigs at each stage of their development. We achieved a B-rating for carbon performance per finished pig (3.31 kg CO_2e/Kg LW), better than the average B-rating (3.34 kg CO_2e/Kg LW) for our industry.

Energy
Increasing the energy efficiency of our operations and products remains a priority, and to help us do this twelve sites are now accredited to ISO50001. Our overall energy intensity decreased during the year by 7.1%. We have installed sub-metering on all new builds and significant site extensions to improve our buildings management systems.

We have switched to LED lighting for 75 per cent of our operations and will reach 100 per cent by the end of the next financial year in order to reduce our electricity use for lighting. As well as reclaiming heat generated from our operations through CHP plants to reduce heating and cooling demands, we are exploring the potential to install solar panels and wind turbines at some of our sites.

Environmental performance data	2019/20	2018/19#
Scope 1 emissions (tonnes CO_2e)	**66,204**	59,757
Scope 2 emissions (tonnes CO_2e)	**38,241**	39,011
Total scope 1 and scope 2 emissions (tonnes CO_2e)	**104,445**	98,768
Green Tariff (tonnes CO_2e)	**(31,482)**	(30,383)
Total annual net emissions (tonnes CO_2e)	**72,963**	68,385
Relative carbon footprint (tonnes CO_2e/sales tonnes*)	**0.11**	0.12
Absolute energy use (kWh million)	**299**	286
Energy intensity (kWh/sales tonnes*)	**316.57**	340.85
Absolute water use (m^3 millions)	**1.67**	1.45
Water intensity (m^3/sales tonnes*)	**1.77**	1.73

* Sales tonnes includes intercompany sales.
\# Prior year figures have been restated to reflect the revised basis on which data has been recorded in the current year.

Reduction in energy intensity
(kWh/sales tonnes)

2019/20
316.57

2018/19
340.85

Reduction in energy intensity

7.1%

Waste
Our Second Nature pledges demonstrate our commitment to making absolute reductions in food waste and plastics across our value chain. Read more in 'Phasing out plastic' and 'Getting granular on food waste' on this page.

We have already halved food waste across the business, well ahead of our target of doing so by 2030. In the current financial year, our food losses and waste accounted for 0.5 per cent of total tonnes sold, down from 1.2 per cent in 2017/2018.

We have also removed 1,038 tonnes of plastic across our operations since 2017 in line with our plastic commitments.

Water
Our water usage has increased year-on-year reflecting additional hygiene measures in response to exacting technical standards. We targeted a 20 per cent reduction in water intensity by 2020 (against a 2008 baseline) and we exceeded this target as our water intensity has actually reduced by 44 per cent. We are looking to conserve and reuse water where possible.

Our new poultry site in Suffolk has been designed to be more efficient in terms of water usage. The site also features a rainwater harvesting system and an effluent treatment plant for waste water recycling.

On a wider level, we are a signatory of the Courtauld 2025 Water Ambition partnership, working to improve water efficiency in key sourcing areas to help reduce water stresses and return water back to communities and nature.

Getting granular on food waste

We were the first meat manufacturer to publish baseline food loss and waste figures in the public domain. Our edible food waste accounts for just 0.5 per cent of tonnes sold and we remain on track to become a zero edible food waste producer by 2030.

We have mapped out our food loss and waste hotspots to understand where and why we are wasting food. We have identified that our edible food loss and waste comprises raw and cooked meat, salt and cure, flour, pastry and vegetables.

Most of this waste occurs during production due to human error such as spillages, process issues and equipment failures.

We are taking action to resolve these issues through a combination of investing in innovative processing techniques to reduce wastage and increasing staff training. Our Waste Warriors programme is central to this, enabling us to drive action on the shop floor. Tesco recently recognised us as a supplier taking significant action on food waste – something we are very proud of.

Phasing out plastic

Since 2017 we have removed more than 1,038 tonnes of plastic from our business and are on track to halve our plastic usage by 2025. This year we eliminated PVC films from all of our food packaging, switching to more sustainable alternatives such as PET.

We have invested in new machinery to manage the transition from non-recycled to recyclable materials. We have phased out the use of black plastic and all of our preformed food trays now contain a minimum of 65 per cent recycled content.

Going forward, in line with our Plastics Pact commitment, we are working towards all of our plastic packaging being fully recyclable by 2025 and are working with our customers and suppliers to achieve this. We are also undertaking trials on substitute packaging materials using barrier technologies that can increase shelf life to reduce food waste. Another area we are exploring is the potential to return food packaging to stores for recycling where packaging can't be easily recycled at home.

Tones of plastic removed

1,038

Operating and financial review

Strong financial and strategic progress

Revenue and Adjusted Operating Profit

	2020	2019	Change (Reported)	Change (Like-for-like*)
Revenue	£1,667.2m	£1,437.1m	+16.0%	+13.0%
Adjusted Group Operating Profit*	£105.1m	£92.3m	+13.9%	
Adjusted Group Operating Margin*	6.3%	6.4%	-12bps	

*See Note 32.

Operating review

Impact of COVID-19

Given the timing of the virus outbreak in the UK, the Group's results to 28 March 2020 have not been significantly impacted by COVID-19.

Revenue

Reported revenue increased by 16.0 per cent to £1,667.2 million. Like-for-like revenue of £1,623.8 million, excluding the contribution from acquisitions in the year, increased by 13.0 per cent, with corresponding volumes up by 3.4 per cent. A combination of new contract wins, strong export demand, an uplift in poultry revenue following the successful commissioning of the new Eye facility and pass through of higher pig prices contributed to robust revenue growth across all categories.

Total export revenue increased by 91.9 per cent year-on-year with Far East export revenue 122.0 per cent ahead. Total export revenue represented 11 per cent of total Group revenue, up from 7 per cent a year earlier.

Adjusted Group operating profit

Reported adjusted Group operating profit increased by 13.9 per cent to £105.1 million, with adjusted Group operating margin just 12 basis points lower at 6.3 per cent despite absorbing start-up costs during the commissioning phase of the new Eye poultry facility and modest COVID-19 costs in quarter 4.

Category review

Fresh Pork

Fresh Pork includes the three primary processing facilities and associated farming operations and represented 34 per cent of Group revenue. Like-for-like Fresh Pork revenue increased by 22.3 per cent reflecting strong wholesale and export volumes. The average numbers of pigs processed each week during the year increased by 7.9 per cent to 60,000 and reached record levels in March due to ongoing export demand and increased retail demand during the early stages of the COVID-19 outbreak in the UK. Fresh Pork retail volumes across the year were ahead of the prior year.

African Swine Fever (ASF) had a material impact on the price of, and demand for, exports to the Far East in the year. By year end, the widespread outbreak in China had resulted in a reduction of nearly 50 per cent in the Chinese herd and an increase of almost 150 per cent in the country's pig price from January 2019. We were well positioned to capitalise on the increased demand from China with our in-depth local knowledge of the Chinese market and our operational expertise enabling us to increase the supply of a wide range of products including prime cuts and full carcasses into the region. This capability was further enhanced by the Norfolk facility being awarded approval to export trotters to China from October. All three pork primary processing facilities now have full export approval. We process approximately one third of all British pigs but accounted for in excess of 50 per cent of UK exports to the region during the year. Restocking of the Chinese herd has started but it is expected that it will take several years to return to pre ASF levels with the COVID-19 pandemic putting further pressure on this recovery. ASF outbreaks continue in both the wild boar and commercial pig populations in Eastern Europe. Strict controls have been put in place in both Poland and Germany to try to limit the spread of the virus. We are acutely aware of the impact an outbreak of ASF would have on the UK pig industry including its ability to continue to export. The UK industry remains on high alert with intensive biosecurity protocols in place. We have introduced a raft of preventative measures to minimise our exposure to the disease. We will continue to reach out to our industry bodies and government agencies to ensure that the risk posed by ASF to the UK farming sector is fully understood and brought to the attention of the wider public.

During the year we invested heavily in our farming infrastructure, increasing our self-sufficiency in both British free range and outdoor pigs through the acquisition of Packington Pork in December and British Red Tractor assured pigs through the acquisition of the Buckle family's pig farming and rearing operations and the remaining 50 per cent of our White Rose Farms joint venture in February. Whilst neither acquisition will have a material impact on revenue, given the majority of their sales are now Inter-Group, these acquisitions reinforce our commitment to build a sustainable and traceable farm-to-fork operation in line with our Second Nature strategy and they have increased our self-sufficiency in UK pigs to over 30 per cent.

We also invested £9 million across the three pork primary processing facilities during the year including investment in robotics, automation and the refrigeration system upgrade at our Hull facility. We also continued to invest in our farming infrastructure across both our Wayland and Wold farming operations.

The average UK pig price (EU-spec SPP) was 7 per cent higher year-on-year. By the end of March, the UK pig price had increased by 19 per cent compared to a year earlier, reaching a two-year high. The EU reference pig price increased by 33 per cent during the year, with the average price up 29 per cent year on year reflecting strong demand from China.

Convenience

Convenience, which comprises Cooked Meats and Continental Products, represented 36 per cent of Group revenue. Like-for-like Convenience revenue, excluding the impact of the Katsouris Brothers acquisition in July 2019, increased by 10.5 per cent reflecting strong growth in both Cooked Meats and Continental Products. Including the contribution from Katsouris Brothers, Convenience revenue was 18.8 per cent ahead of the prior year.

Cooked Meats revenue increased strongly, underpinned by contract wins with two of the Group's key retail customers. A £13.9 million extension to the Sutton Fields site was completed during the early part of the year to accommodate a new premium retail contract.

The extension was built and commissioned incredibly quickly to take on the new business. This proved operationally challenging in the pre-Christmas period, but by year end these difficulties had been addressed with the site performing more in line with expectations. Further investment of £17.0 million across the three Cooked Meats facilities will enable us to continue to develop key retail partnerships and cement long-term supply agreements.

These supply agreements now extend to over 90 per cent of the Cooked Meats business. Growth has also been strong in our 'Sous Vide' products, within the growing 'Slow Cook' category, which delivered double-digit growth during the year.

The Continental Products business was augmented, in July 2019, by the acquisition of Katsouris Brothers, a leading processor and multi-channel supplier of Continental and Mediterranean food products. The acquisition broadened our offering in several fast-growing non-meat categories. Like-for-like Continental Products revenue improved year-on year, underpinned by growth in corned beef, olive and pre-pack ranges. Christmas trading was particularly strong following the launch of multi-component platters into the premium tiers of three of our key retail customers and into one of the discounters. These platters included a range of olives, antipasti, cheeses, biscuits, dips and charcuterie. Ongoing investment in the new Bury facility, alongside a reinforced management team helped drive labour and yield efficiencies as well as environmental benefits. Further investment in the automation of olive packing has increased throughput and created capacity to accommodate future volume growth. During the year the freehold site at Trafford Park, Manchester, which was vacated when the Continental business moved to its new location in Bury, was sold for £3.2 million, generating a profit on disposal of £0.4 million.

> *"The financial results reflect a year of outstanding growth and development."*

Operating and financial review continued

Katsouris Brothers has performed in line with expectations since acquisition. Strong growth has been achieved across several niche product ranges, and we have worked closely with the site's retail customers to adapt established products to evolving retail trends. This work was recognised by the business receiving the award of 'Brand Partner of the year 2019' from the site's anchor customer, a tremendous achievement for the business and indicative of the close and successful working relationship the two businesses have.

Gourmet Products

Gourmet Products, which comprise Sausage, Bacon and Pastry, represented 17 per cent of Group revenue. Gourmet Products revenue increased 6.5 per cent on the prior year with strong growth in pastry products complemented by more modest growth in bacon and sausage products.

Modest Sausage revenue growth was due in part to a very strong barbecue season in the prior year and the loss of a retail contract part way through the current financial year. This offset growth achieved through continued success in retail led new product development, growth in the food service channel and a strong Christmas trading period.

Positive volume and revenue growth in Bacon reflected new food service business coming on stream during the period and increased promotional activity with a key retail customer. Product mix also had a positive impact with strong sales of 'Ready to Cook' gammon products.

Strong growth in Pastry was driven by new contract wins and sales of the 'Best Ever' and 'En-Croute' ranges, which are supplied to the site's anchor retail customer, performing ahead of expectations. Food Service contract wins in the year included the successful launch of the pork and pancetta sausage roll with a leading coffee shop chain which became its best-selling product. Other highlights included growth of vegan ranges for both retail and food service channels including sausage rolls and a tarte tatin. Further investment in the Malton site during the year helped support product innovation and led to improved operational efficiency.

Poultry

Poultry, which includes Fresh and Cooked Poultry represented 13 per cent of Group revenue. Poultry revenue increased by 8.6 per cent in the year.

Commissioning of the new £78 million poultry primary processing facility in Eye, Suffolk, started in November and was completed prior to the year end. The completion of one of Europe's most advanced poultry primary processing facilities also marked the closure of the old Weybread facility, with the customer base being realigned prior to transfer of production to Eye. Following the rapid commissioning period in the third quarter and subsequent ramp-up phase in the fourth quarter, birds processed have now reached 1.1 million per week. The Eye facility is the most technologically advanced and efficient poultry processing plant in the UK. In addition to this, significant environmental benefits will be generated with the facility being industry leading in terms of water and power usage per bird. An integrated Combined Heat and Power plant and effluent plant, which allows up to 60 per cent of the daily water requirement for the site to be recycled, is on track to be fully commissioned shortly.

Further investment continues to be made in the upstream agricultural operations, including the commissioning of a second feed mill in Hoxne, Suffolk and the successful trial of 'in shed' hatching to ensure increased primary processing volumes can be met from our fully vertically integrated supply chain. In establishing a supply chain of 1.1 million birds per week prior to the new Eye facility fully coming on stream, we needed to sell some of these birds out into the open market and so were exposed to subdued bird pricing. Also, above average summer temperatures adversely affected bird growing performance albeit the impact of this was not as severe as in the previous financial year. The supply chain has now rebalanced to reflect the ongoing uplift in demand from the Eye facility.

Sales of premium Cooked poultry grew modestly during the year with a new retail contract win and continued growth across the business' other retail customers as well as a strong Christmas period offsetting soft manufacturing and food service demand.

Finance review

Revenue

Reported revenue at £1,667.2 million (2019: £1,437.1 million) increased by 16.0 per cent compared to the previous year, with growth across all categories. On a like-for-like basis, excluding the contribution from acquisitions, revenues were 13.0 per cent higher.

Adjusted gross profit and adjusted EBITDA

Adjusted gross profit of £221.3 million (2019: £186.5 million) increased by 18.7 per cent with adjusted gross profit margin increasing to 13.3 per cent (2019: 13.0 per cent). Adjusted EBITDA increased by 28.1 per cent to £155.3 million (2019: £121.2 million) and adjusted EBITDA margin increased to 9.3 per cent (2019: 8.4 per cent).

Adjusted Group operating profit

Adjusted Group operating profit of £105.1 million (2019: £92.3 million) increased by 13.9 per cent and adjusted Group operating margin was 6.3 per cent of sales compared to 6.4 per cent last year. The first time application of IFRS 16 Leases increased adjusted Group operating profit by £1.2 million in the current year. See page 114.

Share of loss of joint venture

Share of loss of joint venture of £0.1 million (2019: £0.1 million) represents the start-up losses of White Rose Farms. The remaining 50 per cent share of the business was acquired during the year as part of the Group's longer-term strategy to secure commercial pig supply.

Finance costs and additional funding

Net financing costs of £2.8 million included £1.6 million of IFRS 16 Lease interest, recognised within finance costs for the first time in the year. Underlying net finance costs were £1.0 million higher than the prior year, with higher average borrowings used to fund record capital expenditure and the acquisition of Katsouris Brothers, Packington Pork and White Rose Farms.

The Group's core 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.

During the year the Group arranged an additional £40 million of short-term, unsecured funding, split evenly across two of its incumbent banking partners, which runs to December 2020. This increases the Group's overall facilities to £200 million, providing the business with over £100 million of headroom at 28 March 2020. The adequacy of this facility has been considered as part of robust scenario testing performed over the 3 year viability period for the Group.

Adjusted profit before tax

Adjusted profit before tax was 11.2 per cent higher at £102.3 million (2019: £92.0 million).

Taxation

The tax charge of £21.3 million (2019: £16.9 million) was 20.5 per cent of profit before tax (2019: 19.5 per cent). The standard rate of UK corporation tax was 19.0 per cent (2019: 19.0 per cent). The effective corporation tax rate in both years was higher than the standard rate due to non-qualifying depreciation and disallowable expenses, and, in the current year, due to a change in the rate of deferred tax from 17 per cent to 19 per cent.

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 fall 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 30 years (see page 3). Our dividend policy can be found on our website: **www.cranswick.plc.uk**.

Adjusted earnings per share
Adjusted earnings per share increased by 8.4 per cent to 156.4 pence (2019: 144.3 pence). The average number of shares in issue was 51,966,000 (2019: 51,385,000).

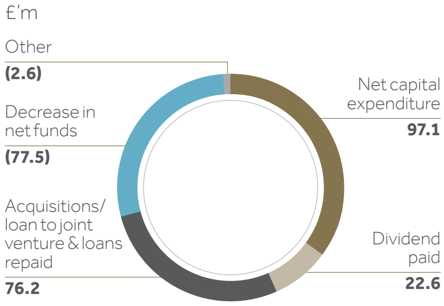
Statutory profit measures
Statutory profit before tax was £104.0 million (2019: £86.5 million), with statutory Group operating profit at £106.8 million (2019: £86.8 million) and statutory earnings per share of 159.1 pence (2019: 135.5 pence). Statutory gross profit was £226.7 million (2019: £183.7 million). Full reconciliations of these results to the adjusted measures can be found in Note 32.

Acquisition of Katsouris Brothers
On 26 July 2019, we acquired the whole of the issued share capital of Katsouris Brothers Limited, a leading Continental and Mediterranean food products supplier, which further broadened our non-meat activities. The initial cash consideration was £41.3 million net of cash acquired with a further fixed payment of £0.7 million paid in October 2019. Contingent consideration of up to £7.0 million is due during the new financial year. Further details of the transaction are set out in Note 16.

Acquisitions of farming operations
On 16 December 2019, the Group acquired the whole of the issued share capital of Packington Pork Limited, which comprises pig farming and rearing operations and specialises in the production of British free range and outdoor bred pigs. On 10 February 2020, the Group acquired the Buckle family's pig farming and rearing operations as well as the family's 50 per cent share of the White Rose Farms Limited pig production joint venture set up by Cranswick and the Buckle family in 2018. The enlarged White Rose Farms pig enterprise specialises in the production of Red Tractor assured pigs. The initial cash consideration for both farming operations combined was £27.4 million net of cash acquired, with deferred consideration of £3.9 million paid in April. Further details of the transactions are set out in Note 16.

Cash flow and net debt
The net cash inflow from operating activities in the year was £117.0 million (2019: £87.7 million) reflecting the increase in Group operating profit and a lower working capital outflow of £13.2 million (2019: £17.8 million). Net debt at the end of the year was £146.9 million (2019: net funds of £6.3 million) with the inflow from operating activities offset by £65.9 million of IFRS 16 lease liabilities recognised for the first time (Note 13), a net £69.4 million cash outflow on acquisitions (Note 16), £97.1 million invested in our asset base, net of disposal proceeds and £22.6 million of dividends paid to the Group's Shareholders.

Allocation of resources
Free cash flow: £115.8 million



IFRS 16: 'Leases'
The Group has adopted IFRS 16 'Leases' during the year, recognising an initial £40.2 million of right-of-use assets and lease liabilities on the transition date of 31 March 2019. Lease liabilities were £65.9 million at the end of the year. Right-of-use assets include £8.5 million recognised as a result of acquisitions and £25.0 million of leases taken out in the year. The income statement impact was modest with a £1.2 million increase in adjusted Group Operating Profit being offset by £1.6 million of additional interest costs driving an overall £0.4 million reduction in adjusted profit before tax. Further details of the impact of IFRS 16 are given in Note 2 and 13.

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 surplus on this scheme at 28 March 2020 was £7.2 million, compared to a deficit of £6.5 million at 30 March 2019, reflecting, in part, a long-term commitment to increased funding for the scheme. Cash contributions to the scheme during the year, as part of the programme to fully fund the scheme, were £1.8 million. The present value of funded obligations was £33.4 million, and the fair value of plan assets was £40.6 million.

COVID-19
Towards the year end the Group incurred certain costs relating to the COVID-19 pandemic. These costs primarily consist of inventory write-downs and an increase in the provision for bad debts relating, respectively, to products destined for and receivables due from certain customers. See Notes 18 and 19.

UK Referendum on EU Membership
The continued uncertainty over the outcome of trade and other negotiations in respect 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; import tariffs on EU pork and continental food products; and the valuation of Sterling versus the Euro and other world currencies.

The Group's Brexit taskforce, made up of key internal stakeholders and supported by external advisers, continues to meet regularly to review Brexit related risks and develop and deliver mitigating plans.

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

Summary
The financial results reflect a year of outstanding growth and development underpinned by earnings enhancing and strategically important acquisitions, as well as a record level of capital investment to drive continued growth, particularly within our poultry category. Whilst the current COVID-19 outbreak presents significant challenges for all businesses, we have continued to perform strongly through the crisis. Our robust financial position, conservatively managed balance sheet and class leading asset base leave us well placed to deliver operationally during this difficult time and will support our continued growth and development going forward.

Mark Bottomley
Finance Director
23 June 2020

Risk management

As a leading UK food manufacturer in a competitive environment it is important that the Group identifies, assesses and prioritises its risks to help manage and mitigate the probability and impact of these risks occurring.

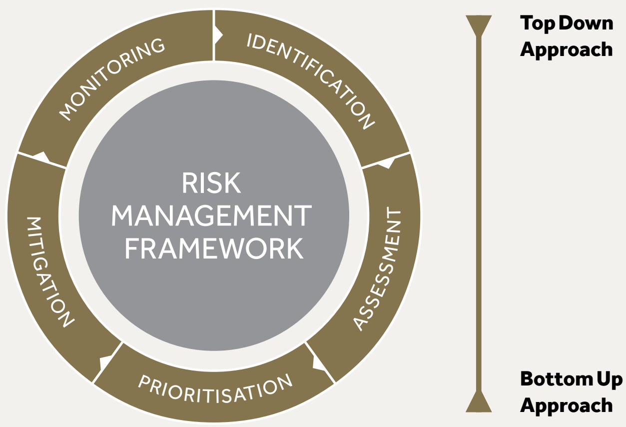
Our approach to risk management
In common with other businesses we face a variety of risks and uncertainties. It is through a structured approach to risk management that we are able to mitigate these risks, which supports the successful delivery of our strategic objectives and also enables us to pursue new business opportunities as and when they arise. The Group has an established risk management framework in place to; identify, evaluate, mitigate and monitor the risks the business faces, which incorporates both a "top-down approach" to identifying our principal risks and a "bottom-up approach" to identify our operational risks.

The Board has the overall responsibility for the risk management framework however, the Board delegates the ongoing review of this to the Group Risk Committee, which is chaired by the Group Finance Director and consisting of key Senior Managers, has met four times over the course of the year.

The outputs from the Group Risk Committee are reviewed by the Audit Committee with regular updates being provided to the Board. This includes understanding the movement in risks, the status of mitigating actions and importantly highlighting emerging risks. The Group also has a well-established and effective in house Internal Audit team which reports to the Audit Committee and provides further independent assurance that the Group's risk management framework, governance and internal control procedures are operating effectively.

During the course of the year a review of the maturity and effectiveness of the Group's risk management framework was completed by Aon plc. This concluded that overall the Group's risk management framework was embedded and robust, with supporting risk management processes also being appropriate.

An overview of the Group's risk management framework is shown below.



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 potential future risk exposures and mitigation strategies.

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

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

Key areas of focus this year
During the course of the year there has been focus on a range of risks such as competitor activity, the continued threat of cyber-attacks, labour availability and the risks associated with Brexit, African Swine Fever and COVID-19.

Brexit
As commented upon in prior years, there are a number of risks associated with the UK leaving the EU. The Group continues to plan, during the current "transition period", for the UK's exit from the EU with new arrangements and regulations

currently planned to take effect from 1 January 2021. The Group has a Brexit Taskforce in place which is led by the Group Finance Director and consisting of Senior Managers and key internal stakeholders, has regularly met over the course of the year to review the risks associated with Brexit and develop mitigating plans. Specific areas of focus have included; labour availability, raw material sourcing, the financial implications of adopting World Trade Organisation tariffs in the event of Free Trade Agreements not being agreed and assessing the issues facing the Group's Ballymena site in Northern Ireland.

Regarding labour, the Group over the course of the year has experienced pressure on the availability of specialist labour skills from a reduction of labour migration from EU countries. However, the Group is continually reviewing and improving its recruitment processes and relationships with third party agency providers to reflect changing market conditions. In addition, over the short to medium term the announcement by the UK Government that EU citizens are allowed to remain within the UK, even in the absence of Free Trade Agreements, also helps to mitigate this risk.

In terms of raw material sourcing, an analysis has been completed of key import product flows specifically in relation to the Group's Continental Fine Foods and Katsouris Brothers businesses, which require high volumes of product from EU countries such as Spain and Greece. To date no significant issues have been identified however, as the UK moves further through the "transition period" the Group will work with key EU suppliers to ensure that the necessary arrangements to trade with the UK, after the UK has left the EU, have been made therefore ensuring continuity of supply is in place to meet the demands of the Group.

Finally the Group has calculated the cost of adopting World Trade Organisation tariffs in the event of Free Trade Agreements not being agreed to be significant, but this is not uncommon within the food sector due to the high duty costs associated with food products. However, to lessen the associated potential financial impact, the Group is progressing a range of mitigation strategies to include; ensuring HMRC tariff product codes are correctly applied across the business, reviewing the routes and countries the EU raw materials are sourced from, utilising a range of available custom reliefs and quantifying the likely residual level of tariff costs to be recovered through existing customer pricing models.

African Swine Fever

The Group continues to monitor the risk of African Swine Fever spreading from China and Eastern Europe, which if it arrived in the UK could significantly impact the Group's operations. During the year the Group refreshed existing farm unit bio-security protocols to include; procedures for visitors accessing farm units, rolled out guidance across the Group on the need for all employees to be constantly aware of the threat of African Swine Fever and proactively engaging with industry bodies on this matter such as the National Pig Association and the World Organisation for Animal Health.

Risk appetite

The UK Corporate Governance Code requires companies to determine their risk appetite, which is an expression of the amount and type of risk that the business is willing to accept in order to achieve its strategic and operational objectives. Over the course of the year, the Board initiated work to formalise our approach to developing and reporting our risk appetite statements for our five principal risk categories and importantly to validate ongoing activities required to manage our reported risks. The Group considers a risk that can significantly affect the performance, future prospects or reputation of the business is deemed to be a principal risk.

Overall 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 "risk/reward trade-off" which allows for specific decisions, such as business acquisitions or capital expenditure, to be progressed where a higher level of risk may be accepted.

COVID – 19 Risk

In late January 2020, the COVID-19 outbreak arrived in the UK and emerged as a significant issue to not only the Group but businesses around the world and presented a number of unprecedented challenges. Throughout the COVID-19 outbreak the situation has been extremely fluid and as such the Group put in place a number of actions to mitigate the associated potential impacts to the business.

Unlike other businesses which have been severely impacted by the COVID-19 outbreak such as the aviation, hospitality and tourism sectors, the Group and more broadly the food

Risk Report continued

sector, remains resilient and fundamental to consumers and ultimately the health and wellbeing of the country.

Following the emergence of COVID-19 in the UK, the Group immediately established a coronavirus crisis team which is led by the Chief Operating Officer and Commercial Director and includes a number of other Directors, Senior Managers and key internal stakeholders. Utilising existing Group crisis management procedures and business continuity plans, the coronavirus crisis team ensures all emerging risks and issues are effectively addressed to include; focusing on the health and general wellbeing of all our employees, ensuring all our sites remained operational through this challenging time thus enabling the Group to continue to meet customer demand, effectively managing fluctuating staff absenteeism levels, working with our key suppliers to maintain a continued supply of raw materials and importantly developing a suite of guidance to ensure consistent and timely communication with employees across the Group.

The impact of COVID-19 has been modelled in the Viability Statement which was based on an assessment of various severe but plausible scenarios including; current Government national lockdown being further extended, future Government national lockdowns due to spikes in COVID-19 infection rates, future regional hot spots arising leading to specific site operational challenges and through the extension of social distancing rules. Currently the level of uncertainty relating to the potential short to medium term impact of COVID-19 remains high, however, the Group is in a strong financial, strategic and operational position to address the uncertainties of the outbreak as and when they arise.

It is evident that COVID-19 impacts upon many of the Group's principal risks firstly "*Growth & Change*", whereby the outbreak has impacted on the Group's activities specifically within the food service sector, where demand has declined with the introduction of Government lockdown measures, although this has been offset by compensating increases in retail volume. Secondly regarding "*IT Systems & Cyber Security*", the COVID-19 outbreak has impacted on the Group's operations specifically with an unprecedented UK and global increase in the levels of phishing attempts and cyber-attacks. In addition, changing working practices with an unprecedented number of employees working from home presents new risks and challenges. Finally regarding "*Interest rates, foreign exchange and liquidity*", in common with other businesses in the UK the Group is mindful of the increased risk for customer bad debts, specifically within the food service sector, and the general tightening of liquidity within the banking sector.

As a result of the COVID-19 outbreak there are several key areas where the Group has put in place a number of immediate actions to mitigate emerging risks to the business which are summarised below.

People Management
Should the business suffer a significant loss of core staff or Senior Management through infection of COVID-19 or the need for employees to self-isolate, there is the potential for production at sites to be impacted. As people have been clearly affected the most by the COVID-19 outbreak, the Group has ensured that employee safety has been at the forefront of all decisions made which include; new hygiene protocols being introduced, additional handwashing stations and sanitisation of communal areas. The Group has also introduced a number of new social distancing measures to include; staggered shift patterns, additional breaks, new communal areas, restrictions when operating machinery and importantly ensuring that there is constant communication with employees during this challenging time through the use of the Group's intranet site, coupled with increased site visits from the Group's occupational nurse for those employees who have medical issues or wellbeing concerns.

Consumer Demand
Through the forced closure of the food service sector, the COVID-19 outbreak saw an unprecedented change to consumer buying habits, with the Group seeing an increase in retail sales and a decline in food service sector sales. The Group has a number of customers in the food service sector and there is a risk that demand for our products in this area could fall if consumers change their buying preferences over the short to medium term. Although, market data over recent weeks is suggesting that there are signs that consumer habits are beginning to stabilise. Going forward the Group will be working with both customers and consumers to establish "the new normal".

Supply Chain
There is a risk to the business that delays or shortfalls of key supplies such as PPE (personal protective equipment) for factory staff could adversely impact upon the ability of our sites to produce and meet consumer demands. Following the COVID-19 outbreak, the Group has taken a number of mitigating actions and has worked closely with key suppliers to ensure continuity of supply. Specifically, where stock holding levels were required to be increased, future orders were brought forward and contingency arrangements with alternative suppliers were sought which is controlled by frequent reviews of areas of supply chain risk by the Group Purchasing Team.

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 both the principal risks outlined on pages 52 to 54 of the Annual Report and a prolonged outbreak of COVID-19. The Board have determined that a three-year period to March 2023 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 as well as considering both the current and potential future impact of COVID-19 on the business.

Principal risks which were assessed to have the highest likelihood of occurrence or the severest impact, crystallising both individually and in combination, as well as a subset of risks associated specifically with COVID-19, were considered. These risks included: a significant decline in consumer demand; Brexit disruption; labour availability and cost; an outbreak of African Swine Fever (ASF) in the UK and Europe; and the further potential impact of COVID-19.

Having considered the magnitude of the risks, the linkage between them and potential mitigation, as well as the level of uncertainty surrounding the risk, extensive modelling was performed focussing on both the impact of COVID-19 and the risk of an outbreak of ASF in the UK and Europe.

In addition, the Board acknowledges that there are a number of uncertainties and risks associated with Brexit. These risks have been considered in making this assessment of viability including; labour availability, raw material sourcing, the unique issues of the Northern Ireland Protocol and importantly the financial implications of adopting World Trade Organisation tariffs in the event of Free Trade Agreements not being agreed. However, to lessen the potential financial impact of Brexit, and reduce the risk to an acceptable level, the Group is already progressing a range of mitigation strategies to include; ensuring HMRC tariff product codes are correctly applied across the business, reviewing the trade routes and the countries that EU raw materials are sourced from, utilising a range of available customs reliefs and quantifying the likely residual level of tariff costs to be recovered through existing arrangements with customers.

In establishing relevant severe but plausible downside scenarios, the Board has explored a number of possible outcomes consulting extensively with internal experts and has continued to closely monitor Government guidance.

Modelled COVID-19 scenarios include:

- A prolonged closure of food service outlets in 2020 leading to reduced food service sales, mitigated by increased retail demand
- Repeated but less severe closures of food service outlets in future years, leading to reduced food service sales mitigated by increased retail demand
- The impact of potential future localised lockdowns on our ability to operate individual factories
- Increased labour inefficiency as a result of additional measures to increase employee safety in the workplace

In respect of the specific COVID-19 scenarios, the Board has been able to utilise the benefit of the experience of the business over the past three months, which has demonstrated significant resilience due to its retail focus, as well as the detailed guidance issued to date by the Government to be able to model these scenarios with sufficient certainty to draw a reasonable conclusion.

In respect of ASF the most severe but plausible downside scenario identified was the inability to sell pork products in the UK for a sustained period of time. This scenario also included the loss of our export licence and the resulting temporary closures of our fresh pork and farming operations whilst also considering the mitigation expected as a result of increased sales of other proteins and actions which would be taken to manage discretionary expenditure.

The sensitivity analysis carried out utilised the Group's robust three year budget and forecasting process to quantify the financial impact on the strategic plan and on the Group's viability against specific measures including liquidity, credit rating and bank covenants.

Given the strong liquidity of the Group and the committed banking facilities in place; the diversity of operations; and the limited exposure to food service customers, 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 discretionary expenditure, with strong headroom against available facilities and full covenant compliance in all modelled scenarios. Based on the results of this analysis, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2023.

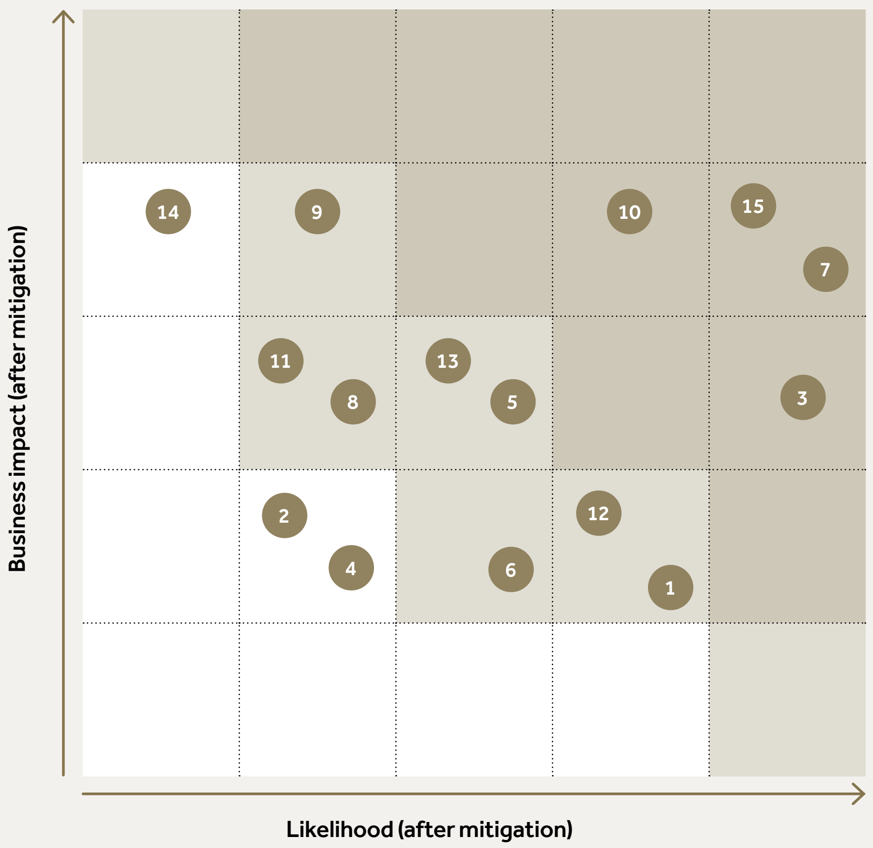
Our principal risks and uncertainties

The Group Risk Committee have carried out a robust assessment of the principal risks together with emerging risks facing the Group, which has been validated by the Board, including those that would threaten its business model, future performance, solvency and liquidity. The Group is exposed to a variety of risks, but we report those which are likely to have the greatest current or near-term impact on our strategic and operational objectives. A risk assessment map is shown below illustrating the Group's principal risk profile.

More detail on the Group's principal risks is shown on pages 52 to 54, which link to the Group's strategic pillars and highlight key mitigating actions and a risk rating.

Going forward, given the unprecedented challenges caused by the COVID-19 outbreak and the fact that it is not currently known when the outbreak will recede, there is the potential for further movement within existing reported risks, together with the opportunity for new emerging risks to arise, which will be closely monitored by the Group Risk Committee and Board. An update on the Group's risk profile will be provided within the interim report in November 2020.

Risk Assessment Map



Principal Risks		Risk Trend
1.	Competitor Activity	↔
2.	Growth & Change	↔
3.	Consumer Demand	↔
4.	Pig Meat Availability & Price	↔
5.	Reliance on Key Customer & Exports	↔
6.	Interest Rate, Currency, Liquidity & Credit Risk	↑
7.	Labour Availability & Cost	↔
8.	IT Systems & Cyber Security	↔
9.	Food Scares & Product Contamination	↔
10.	Disease & Infection within livestock	↑
11.	Climate Change	↑
12.	Health & Safety	↔
13.	Recruitment & Retention of Key Personnel	↔
14.	Disruption to Group Operations	↔
15.	Brexit Disruption	↑

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are summarised below. Given that we cannot currently predict the ultimate impact that COVID-19 will have on the UK economy, these risks may change over the short to medium term.

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
COMMERCIAL				
Consumer demand (High Quality Products)	A significant deterioration in the UK economy or a 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.	High. Whilst the risk in this area has not changed, following the COVID-19 outbreak, the Group is experiencing a change in the mix of sales from eating out-of-home to retail sales, which going forward will be monitored.	Risk unchanged
Pig meat – availability & price (Sustainability)	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 our key customers.	The Group has a trusted long-standing farming supply base which is complemented by supply from the Group's own farms, and has been increased following the recent acquisition of Packington Pork Farms and White Rose Farms. These arrangements help to mitigate the risks associated with pig price volatility and the availability of supply.	Low. The risk has stayed the same.	Risk unchanged
Reliance on key customers & exports (Sustainability)	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.	Medium. The risk in this area has not changed. However, the Group is mindful of the specific issues associated with exports to China such as the implications of the loss of the UK's export licence or potential changes in Chinese Government policy following the COVID-19 outbreak.	Risk unchanged

RISK AREA	DESCRIPTION OF RISK	MITIGATION	NET RISK	DIRECTION
OPERATIONAL				
Health & safety	A significant breach of Health & Safety legislation could lead to reputational damage and regulatory penalties, including restrictions on operations, fines or personal litigation claims.	The Group has robust Health & Safety processes and procedures in place which have been independently reviewed during the course of the year and which conform 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.	Amber. Whilst the risk in this area has not changed, following the COVID-19 outbreak the Group is mindful of the need to continue to ensure the operational safety of our production staff and all other employees, e.g. through the introduction of social distancing measures.	↔
Brexit disruption	Failure to prepare for the UK's departure from the EU and future trading relationships could result in disruption to Group operations, and potentially affect financial performance and impact on our ability to supply our customers.	The Group has a longstanding Brexit Taskforce in place which ensures Brexit risks and issues are effectively identified and addressed. Working with a leading third-party specialist, a detailed analysis of the potential implications and costs of leaving the EU without Free Trade Agreements together with appropriate mitigating actions is being developed.	Red. This is a new risk. Elements of Brexit were previously embedded within other principal risks.	↑
IT systems & cyber security	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 significant cyber incident.	Amber. Whilst the risk in this area has not changed following the COVID-19 outbreak the Group is mindful of the risks in this area due to the global unprecedented level of phishing attempts and cyber-attacks. In addition the changing working environment such as employees working from home, presents new risks and issues.	↔
Food scares & product contamination	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 impacts and improve communication to key stakeholders.	Amber. The risk has stayed the same.	↔
Disease & infection within livestock	A significant infection or disease outbreak such as African Swine Fever or Avian Influenza could result in the loss of supply of pig or poultry meat or affect the free movement of livestock which could 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 housed indoors therefore reducing the risk of disease. In addition, robust vaccination and bio-security procedures mitigate the risk of disease and infections within pig and poultry farms.	Red. The risk in this area has increased due to the spread of African Swine Fever from China across Eastern Europe.	↑
Climate change	The Group operates within the context of having to evaluate the effects that both climate change/sustainability issues from its operations and regulatory requirements will have on both its financial performance and operational activities to include; supply chain, operations both farming and manufacturing, communities and customers.	The Group has enhanced its Second Nature programme with a focus on improving production efficiency, reducing carbon footprint, reducing weight of packaging, investing in the development of alternative proteins to respond to growing demands for plant-based diets and identifying alternative options to decrease reliance on imported soya for feed.	Amber. This is a new risk. Elements of climate change / sustainability were previously embedded within other principal risks.	↑
Disruption to Group operations	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.	Robust 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. Following the commissioning of the Eye poultry processing facility, a business continuity plan has been developed given the importance of the site to the Group's poultry processing capabilities.	Green. The risk has stayed the same.	↔

Risk Report continued

RISK AREA	DESCRIPTION OF RISK	MITIGATION	NET RISK	DIRECTION
PEOPLE				
Recruitment & retention of key personnel	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 particularly in Senior Management roles.	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.	The risk has stayed the same.	↔
Labour availability & cost	Due to political and economic pressures, 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.	The Group is continually reviewing and improving its recruitment processes and relationships with third party agency providers to reflect changing market conditions. 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.	Whilst the risk in this area has not changed, the Group over the course of the year has continued to experience pressures on the availability of labour and specific skills shortages at various sites.	↔
FINANCIAL				
Interest rate, currency, liquidity & credit risk	In common with other businesses, 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.	The risk in this area has increased due to the increased potential for customer bad debts and the general tightening of liquidity within the banking sector.	↑
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.	The risk has stayed the same.	↔
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. In addition, 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 receives regular updates on the contractual position of all key customers and where required implements necessary actions. Regarding business acquisitions, rigorous pre-acquisition due diligence reviews are carried out. Internal and external change are appropriately considered to ensure operational excellence and compliance with performance is monitored by Senior Management and operational staff.	The risk in this area has not changed. However, following the COVID-19 outbreak the Board is reviewing both the Group's medium term strategy through monitoring changes to customer behaviour and potential strategic acquisition opportunities.	↔

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	References
Environmental matters	**Group Corporate Responsibility Policy**	**A description of the Group's work on our sustainability strategy Second Nature can be found on pages 26 to 29. Disclosures required on environmental performance can be found on pages 42 and 43.**
Employees	**Group Equal Opportunities, Harassment and Dignity at Work Health & Safety Policy**	**A description of the Group's activities in relation to employees, including our Health & Safety activities can be found on pages 32 to 35.**
Human Rights	**Anti-slavery and Human Trafficking Policy Group Equal Opportunities, Harassment and Dignity at Work**	**We remain vigilant when it comes to excluding modern slavery and human trafficking from our supply chains. For further information see pages 32 to 35.**
Social Matters	**Group Ethical Trading Policy Group Corporate Responsibility Policy**	**Cranswick is committed to doing business in an ethical way and our policies apply to all operations. For more details see pages 30 to 43.**
Anti-corruption and anti-bribery	**Anti-Bribery Policy Group Ethical Trading Policy**	**The Group's policies set out the high standards expected when it comes to doing business fairly and interacting with stakeholders. See pages 66 to 71 for further information.**
Description of principal risks and impact of business activity		**See pages 48 to 54**
Description of the business model		**See pages 14 and 15**
Non-financial key performance indicators		**See pages 24 and 25**

Our Strategic Report for the 52 weeks ending 28 March 2020, from the inside front cover to page 55, has been reviewed and approved by the Board.

Steven Glover
Company Secretary
23 June 2020

Chairman's Governance Overview

Rising to the Challenge

The Board is committed to reflecting the interests of the Group's stakeholders and delivering its long-term success and strategy whilst applying high standards of corporate governance.

In July 2018 the Financial Reporting Council published a new UK Corporate Governance Code ("Code") which applied to the Group for the first time during the 2019/20 financial year currently being reported on. The new Code raised standards of corporate governance for the benefit of all of the Company's stakeholders and requires the Board to focus on the long-term success of the Group and delivery of its strategy. Many of the requirements of the Code reflected principles already adopted by the Company and consequently, where possible, we presented last year's Annual Report and Accounts based on the new Code.

The Board is responsible for corporate governance and this report describes how we have built upon the approach adopted last year and applied the principles of the new Code. On behalf of the Board, I am pleased to confirm that the Group has complied with the requirements of the 2018 UK Corporate Governance Code throughout the year, with the exception of the requirement that the Chairman should not remain in post beyond nine years from appointment. 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 its composition needs to support the Company's long-term strategic objectives and the interests of its stakeholders and, consequently, reviews annually all directors, succession planning for key roles and the need to refresh the Board (which includes consultation with our institutional shareholders where appropriate).

During the year, the Remuneration Committee also considered the alignment of Executive Director pension contributions with the rest of the workforce and Executive Director post-employment shareholding requirements in accordance with the requirements of the new Code. Further details of the planned approach in relation to these matters are set out in the Remuneration Committee Report on page 77.

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. This has been brought into sharp focus by the recent COVID-19 outbreak where the Board has been acutely aware of its responsibilities in relation to keeping the country supplied with food during the crisis, whilst ensuring the safety of its workers and supporting them and their families. The Group has also supported the wider communities in which we operate in numerous ways including donating PPE to hospice facilities, providing food to NHS staff at our local hospitals and donating significant amounts of food to charities focused on helping the vulnerable in our society. Further details of the challenges presented by the COVID-19 outbreak and ways in which the Group has responded to these are set out on page 31. Details of our strategy, stakeholder alignment and engagement and how these relate to our duties under section 172 of the Companies Act and influenced our decisions throughout the year are also set out on pages 30 and 31.

We are also very conscious of their need to promote sustainability in the Group's businesses and to limit their impact on the environment, which is reflected in Second Nature – our Group wide sustainability strategy described in more detail on pages 26 to 29. However, the Board is aware that the investment community is keen to see companies reporting in relation to their environmental impact against a consistent standard. We have therefore decided that, going forward, the Group will move towards reporting against the Meat, Poultry & Dairy Sustainability Accounting Standard published by the Sustainability Accounting Standards Board, which is a widely recognised international standard adopted by many global companies. We already report on environmental performance (see pages 42 to 43) and will be taking actions to ensure more comprehensive reporting against the standard in future years.

The Board is also responsible for assessing and monitoring the culture of the Group to ensure this is aligned with our purpose, values and strategy. Last year we appointed 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, in compliance with the Code. During the year Tim held a number of workshops at various sites with workers drawn from across the business, without management present. I am pleased to report that our employees engaged with Tim openly and constructively and that a number of management actions have resulted from suggestions made. We consider the approach adopted to have been an effective way of engaging and intend to build on this approach over the coming year. A more detailed report on Tim's workforce engagement is set out in "Board Effectiveness" on page 65. In addition, during the year we have also undertaken our Group-wide employee survey, Directors' site visits, strategy days and have regularly reviewed HR and H&S reports, more details of which are set out on pages 32 to 34.

The Board and its Committees undertake a performance review every year and this year in accordance with the Code an independent external review was conducted by Clare Chalmers, who is a very experienced provider of Board evaluations, with no connections to the Group. The review involved individual interviews with Board members, the Chief Operating Officer, the Company Secretary and various advisers. Clare also attended Board and Committee meetings as an observer and reviewed the preparation of Board packs and minutes. Clare's evaluation was robust and thorough and provided a number of recommendations to be considered by the Board. Further details of the review undertaken and actions to be taken are set out in the Nomination Committee Report on pages 73 and 74.

Unfortunately, due to restrictions imposed in connection with the COVID-19 outbreak we have had to change the format of our AGM, which is explained in more detail in the notice of AGM accompanying the Report & Accounts. This means the Board will not be able to engage with our shareholders this year in our traditional format of a shareholders meeting, however, we will be making presentations available through our website and an online Q&A to keep shareholders informed about the Group and enable them to ask questions. Whilst this change in format is regrettable, I hope you will appreciate the safety of shareholders and staff are our primary concern and that we hope to be able to return to our usual approach in 2021.

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 and have aligned these during the year to our strategic plans and the interests of Shareholders.

Martin Davey

Martin Davey
Chairman

23 June 2020

Board of Directors

Executive Directors

Martin Davey
Chairman

Adam Couch
Chief Executive

Mark Bottomley
Finance Director

Jim Brisby
Commercial Director

Term of Office

Martin Davey	Adam Couch	Mark Bottomley	Jim Brisby
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

Martin Davey	Adam Couch	Mark Bottomley	Jim Brisby
Not applicable	Not applicable	Not applicable	Not applicable

Skills and Experience

Martin Davey: 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 35 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 Couch: 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 Bottomley: 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.

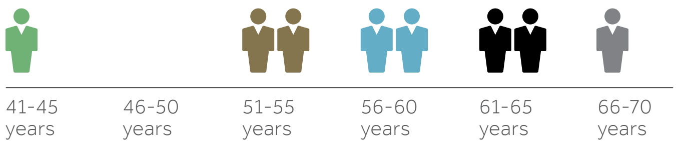
Jim Brisby: Jim joined Cranswick in 1995. He was appointed Sales and Marketing Director in 2010 and Commercial Director in 2014 and has been a key member of the team responsible for the growth of the Group and the development of its commercial strategy.

External Appointments and Commitments

Martin Davey	Adam Couch	Mark Bottomley	Jim Brisby
None	None	None	None

Board by tenure

Board by age



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. Previous roles have included Chief Executive of CeDo Limited and First Milk Limited and prior to that 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.	Non-Executive Director of Origin Enterprises plc, Stock Spirits Group PLC and SIG 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

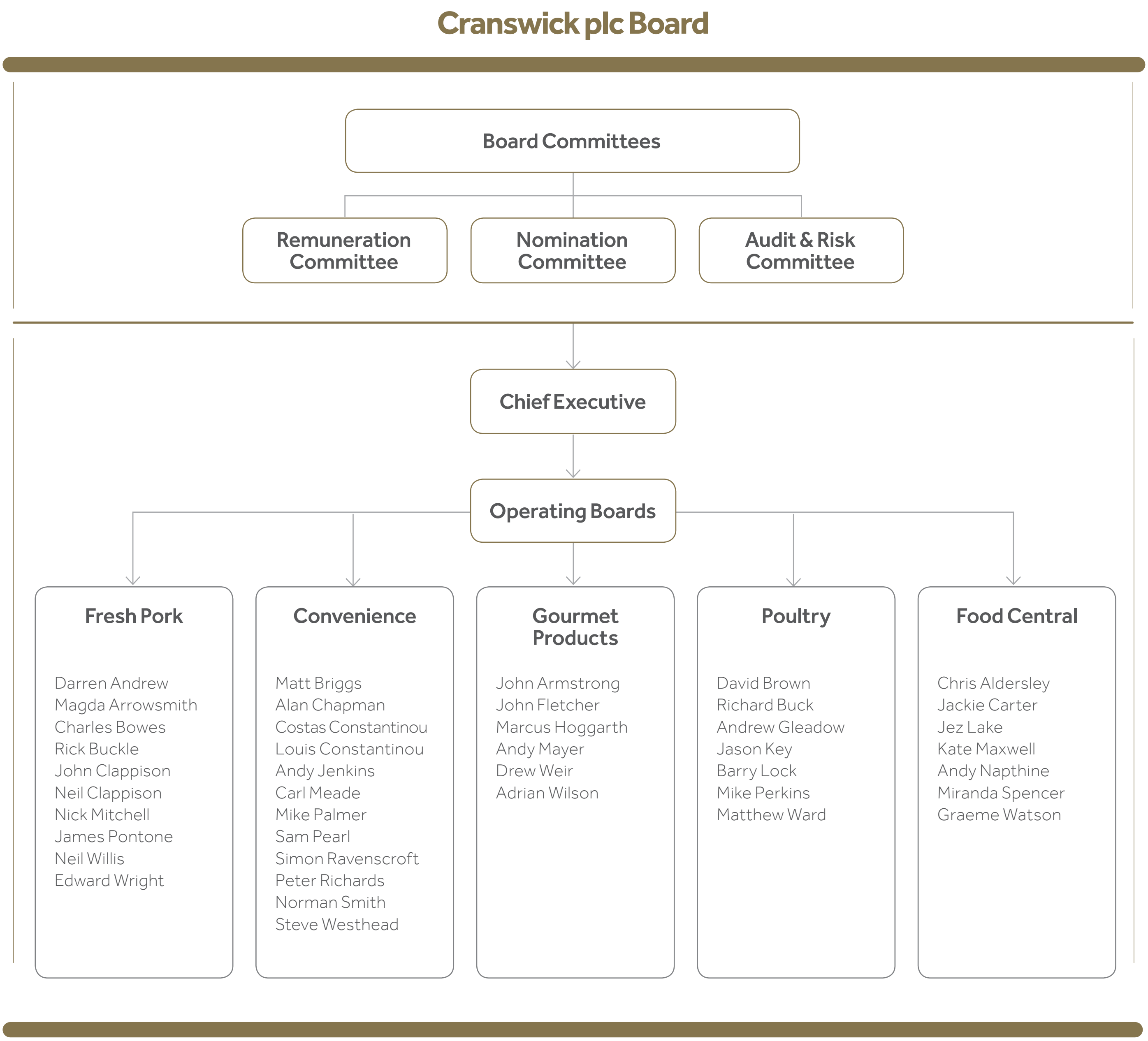
Male   Female

COMMITTEE MEMBERSHIP

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

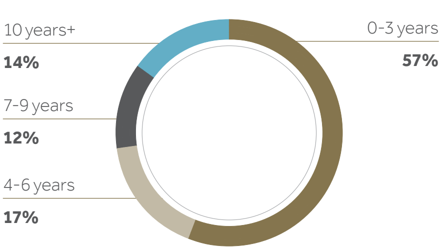
Corporate Governance

How we are governed

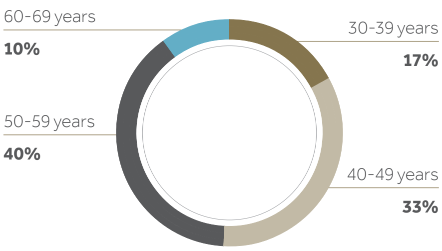


Diversity

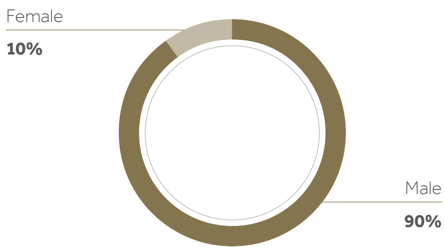
Group Directors by tenure



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 66 to 71, the Nomination Committee Report on pages 72 and 74, and the Remuneration Committee Report on pages 75 to 92, describes how the Board applies the principles of good governance and best practice as set out in the 2018 UK Corporate Governance Code (the 'Code') which can be found on the Financial Reporting Council's website: **www.frc.org.uk**

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, prior to the COVID-19 outbreak, Board meetings were 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.

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 2018 UK Corporate Governance Code during the 52 weeks ended 28 March 2020 with the exception of the requirement that the Chairman should not remain in post beyond 9 years from appointment.

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 considers the Chairman remaining in post is appropriate given his knowledge of the Group and experience of the sector. A further explanation of Board's view is set out on page 56.

The Remuneration Committee considered the alignment of Executive Director pension contributions with the workforce and post-employment shareholding requirements, further details of which are set out on page 77.

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.

Corporate Governance continued

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, treasury, tax 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.
- Engage with employees through designated Non-Executive Director (Tim Smith).

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 nine 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	9	4	2	4
	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Executive Directors				
Martin Davey	9/9	N/A	2/2	N/A
Adam Couch	9/9	N/A	N/A	N/A
Mark Bottomley	9/9	N/A	N/A	N/A
Jim Brisby	9/9	N/A	N/A	N/A
Non-Executive Directors				
Mark Reckitt	9/9	4/4	2/2	4/4
Kate Allum	9/9	4/4	2/2	4/4
Pam Powell	9/9	4/4	2/2	4/4
Tim Smith	9/9	4/4	2/2	4/4

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.

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 African Swine Fever, Health & Safety, Animal Welfare and COVID-19 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 attended a number of Group Risk Committee meetings and also met with management to increase their understanding of the business through various informal visits and briefing sessions.

Conflicts of interest
The Board has completed its annual review of the register relating to potential conflicts of interest with its Directors and has approved Tim Smith's potential conflict of interest arising as a result of his directorship of Pret a Manger (Europe) Limited (which is a customer of the Group) and has agreed appropriate controls with Tim to manage any conflict which arises. The Board confirms that otherwise no such conflicts exist.

Corporate Governance continued

Board Effectiveness continued

Strategic Leadership

- Regularly discussing strategy at Board meetings throughout the year.
- Receiving presentations from operational management on future strategic opportunities.
- Reviewing the acquisition of Katsouris Brothers, Packington Pork and the Buckle pig farming business.
- Reviewing the acquisition of joint venture partner's 50% interest in White Rose Farms.
- Considering other potential acquisition opportunities and other strategic initiatives.
- Reviewing the commissioning of the Group's new £78 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.
- Considering the Group's response to the COVID-19 outbreak.

Governance and Risk

- Reviewing the three year forecasts and other factors in support of the Viability Statement. (Viability is considered in detail on pages 50 and 51).
- Considering the Group's Risk Appetite Statement.
- 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 COVID-19, Brexit and African Swine Fever, to which the Group is exposed (supported by the Audit Committee).
- Oversight of the Group's whistleblowing arrangements and reports.

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).
- Reviewing reports from the designated Non-Executive Director (Tim Smith) relating to workforce engagement.

Performance Monitoring

- Approving the Group's tax strategy.
- Approving the Company's dividend strategy.
- Recommending the 2018/19 final dividend and the 2019/20 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, Commercial Director and Chief Operating Officer.
- 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 (increased to £2 million from January 2020).

Views of stakeholder groups considered

Strategic Leadership	Governance and Risk	People and Succession	Performance Monitoring
• Shareholders	• Shareholders	• Shareholders	• Shareholders
• Customers & Consumers	• Customers & Consumers	• Communities	• Our People
• Communities	• Communities	• Our People	
• NGOs	• NGOs		
• Producers & Suppliers	• Producers & Suppliers		
• Our People	• Our People		

Employee engagement
The Board appointed Tim Smith as the Group's designated Non-Executive Director to enhance existing legacy engagement through works committees, employee surveys and other site specific methods and to comply with the requirements of the 2018 Corporate Governance Code. The principal purpose of the designated Non-Executive Director is to ensure that the voice of the workforce is heard and considered by the Board in its deliberations enabling the workforce to contribute to the long-term success of the Group and delivery of its strategy.

During 2019, Tim had discussions with members of the workforce from across the Group. Workshops were held at five of our sites with workers from 16 sites across a range of levels and functions, without management present. The workshops were structured around employees understanding of the Group's strategy, investments, growth and Second Nature strategy and ways in which workers can engage with these. The meetings did not cover matters covered by existing collective bargaining arrangements or workers' pay and conditions. Following the workshops participants were also invited to comment on a summary reflecting observations, criticisms and other comments made.

Employees participating in the workshops engaged openly and constructively. Whilst employee feedback was generally positive about the Group, in particular in relation to its Second Nature strategy, understanding of the Group's strategy beyond the immediate experience and role of employees was more varied. A number of participants also suggested that the Group should be more proactive in its use of social media in its communications. The feedback from the workshops has been provided to the Board and the Group will be reviewing its internal communications strategy and use of social media to address the comments made.

Having reviewed the approach taken, the Board considers that the appointment of Tim and format adopted has been an effective way of enhancing employee engagement. The Board intends to develop the role of the designated Non-Executive Director and format further to enable workforce engagement to continue having regard to restrictions in place in relation to the COVID-19 outbreak.

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 66 to 71 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 80 to 86 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 41. Details of the Company's major Shareholders are set out on page 93.

By order of the Board

Steven Glover
Company Secretary
23 June 2020

Board consideration of stakeholder interests: Case study

During the year the Board approved the acquisition of Katsouris Brothers (see page 9) and the expansion of our integrated supply chain through the acquisition of Packington Pork, the Buckle family pig farming and rearing business and the family's 50 per cent share of the White Rose joint venture (see page 13). As well as the interests of shareholders, the Board considered other stakeholders including Customers and Consumers and, in particular, the trend towards health-conscious options, premium products and food integrity, which were supported by the acquisitions. The Board also considered the impact on our People and the Communities in which the acquired businesses operate and concluded that they would benefit from the additional investment, support and enhanced career opportunities provided by the enlarged Group. Taking all factors into account and following extensive due diligence the Board concluded that the acquisitions were in the best interests of the Company.

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	4/4
Kate Allum	4/4
Tim Smith	4/4
Pam Powell	4/4

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 attend 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. The Committee also meets privately with the Group Head of Internal Audit & Risk and the External Auditor.

Independence
All Members of the Committee are independent.

Key Activities in 2019/20

Integrity of Financial Statements
- Reviewed and challenged the key financial reporting judgements and estimates and concluded that accounting treatments were appropriate.
- Reviewed and concluded that the Financial Statements and narrative reporting are fair, balanced and understandable.
- Reviewed and concluded that the Group is both a going concern over a one year period and viable over the three-year review period, including consideration of the impact of COVID-19 and Brexit, and that the relevant 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 the new accounting standard in the current year, IFRS 16 'Leases' 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 finance department resource across the Group.
- Reviewed and challenged the work, and associated reporting, of the Group Risk Committee including its response to COVID-19.
- Supported the Board in their assessment of risk appetite and development of a Group Risk Appetite Statement
- Reviewed and challenged the Group's Brexit readiness planning and COVID-19 response.
- Reviewed and updated, where necessary, the Committee's terms of reference.

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, including the impact of COVID-19 and a potential outbreak of African Swine Fever in the UK pig herd, 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 52 weeks ended 28 March 2020.
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. This year has been unusual with a particular focus on a few key risks, including the impact of a 'disorderly Brexit' and of an outbreak of African Swine Fever in the UK. Finally, towards the end of the financial year, the Committee focused its attention on challenging and supporting management's response to the COVID-19 pandemic by ensuring that the on-going risk and impact of mitigating actions have been appropriately modelled. 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 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 judgements and estimations, 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 provisions against doubtful accounts receivable and commercial accruals;
- the accounting treatment and disclosure of the transactions to acquire Katsouris Brothers Limited, Packington Pork Limited and White Rose Farms Limited; 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. During the year the Committee reviewed and strongly challenged the external auditor PwC on their proposed increase in the annual fee for their work from £267,000 to £419,000. PwC believes that there have been significant increases in the costs that they incur, partly driven by changes in the audit regulatory environment, and that these should be reflected in an increase in the fee for their work. The Committee believed it was imperative that the external audit continued to be effective and agreed to accept the majority of the increase sought by PwC. The Committee was satisfied with the performance of the Group's internal audit function and the external auditor.

The impact of COVID-19 has placed an immense additional burden on all those involved in financial processes and management at Cranswick as well as those carrying out internal and external audit functions. On behalf of the Committee I would like to thank them for their work and commitment during this difficult period.

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.

Mark Reckitt
Chair of the Audit Committee

23 June 2020

Audit Committee Report continued

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 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 January in preparation for the half year and year-end processes. In the current year, the Group's results announcement, and hence the year end Audit Committee meeting, were delayed until June as a result of the on-going COVID-19 outbreak in order to allow additional time for the preparation of financial information and for the Group's auditors to carry out the necessary audit process in light of travel and social distancing restrictions.

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 59.

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, Group 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 Group 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 the Group Head of Internal Audit & Risk 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 finance department 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;
- ensuring the impact of COVID-19 has been fully considered and disclosed where necessary;
- holding discussions with both the Group Head of Internal Audit & Risk and the external auditor; 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 COVID-19 pandemic and 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 (in the current year focusing on the impact of COVID-19, Brexit and the potential impact of an African Swine Fever outbreak in the UK pig herd); 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 pages 50 and 51).

Performance evaluation of the Audit Committee
During the year, an independent, external evaluation of the effectiveness of the Committee was carried out by Clare Chalmers Limited. The evaluation indicated that the Committee was working well. Further details of the evaluation are included under 'Board performance evaluation' on pages 73 and 74.

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 2020 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 71 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 IFRS 15 in the prior year, the Group reviewed its accounting practice in respect of aged commercial accruals and 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 21).
Trade receivables and inventories	At the year end the inventory and credit risk in relation to non-retail customers and specifically those in the food-to-go and food service sectors had increased significantly as a result of the COVID-19 pandemic, with a number of our customer's businesses being closed or materially curtailed as a result of the lockdown, putting significant pressure on their liquidity. This increased uncertainty has been incorporated into the Group's expected future loss rates when calculating its IFRS 9 trade receivables provision. The provision is calculated by reviewing lifetime expected credit losses using both historic and forward-looking data. Expected future loss rates of between 0.0% – 3.5% at 31 March 2020 generated a future credit loss provision of £3.6 million (2019: <£0.1 million). Including specifically provided debts, as at 31 March 2020, trade receivables with a nominal value of £4.3 million (2019: £0.7 million) were impaired and fully provided. In addition, management reviewed the Group's provision for slow moving and obsolete inventory in relation to those same customers. As at 28 March 2020, the provision against inventory was £8.4m (2019: £3.9m), of which £3.6m resulted from COVID-19 considerations. The Committee reviewed both the historic and forward-looking information supporting the expected future loss rates and the supporting information for the inventory provision and after robustly challenging the available evidence concluded that the level of provision was appropriate in the current circumstances. (See Notes 18 and 19).
Acquisitions	During the year, the Group acquired Katsouris Brothers Limited, a leading Mediterranean food products business, for initial net cash consideration of £41.3 million, pig farming and rearing business Packington Pork Limited and the remaining 50 per cent of its joint venture pig farming and rearing operation White Rose Farms Limited, as well as the other pig rearing activities previously performed by the JV partner, for a combined net cash consideration of £27.4 million. In each case, the Committee reviewed management's proposed accounting treatment and the valuation methodology applied to the acquired assets and liabilities which was based on internal due diligence work and reports by external advisers and consultants. The allocation of the provisional purchase price between tangible assets, intangible assets and goodwill was subject to particular scrutiny. The external auditors also challenged the key assumptions used in the allocation methodology. The Committee specifically reviewed the judgements and assumptions management had made on the valuation of customer relationship intangible assets acquired as part of the Katsouris Brothers acquisition, and after a thorough review of all the information, agreed with management's approach to the allocation of the purchase price and the Committee will continue to consider this during the measurement period prior to the allocations ceasing to be provisional. (See Note 16).
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 17).

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. The Audit Committee also considered the impact of remote working during the COVID-19 crisis, the guidance provided to colleagues around financial and other controls and concluded that the Group's internal control environment has remained adequate during this period.

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 Audit Committee and updating the Board accordingly. Members of the Audit Committee are invited to attend Risk Committee meetings to gain an understanding of how the Risk Committee operates and to assess its performance, with the Audit Committee Chair and one other member of the Committee taking up the opportunity to attend a meeting during the year.

During the 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 were subsequently incorporated into the Group's Risk Management Framework.

Audit Committee Report continued

During the year, the Committee supported the Board in their assessment of risk appetite and development of the disclosures provided in the Group Risk Appetite Statement (see page 49). The structured approach to the assessment, which is facilitated by the Group Risk Committee, documents the level of risk the Group is willing to tolerate in order to achieve its strategic objectives, which in turn determines the depth and extent of actions and resources required to mitigate risks to the agreed acceptable level. The results are mapped to each of the Group's strategic pillars in order to determine how each group risk is operating in relation to risk appetite, with action plans being put in place to bring risk scores in line with the accepted level.

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 and the attendant HR and Commercial Risks, plus the Group's response to the COVID-19 crisis. The Committee was satisfied that all principal risks, including emerging risks, had been identified (see pages 48 to 54) 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 largely achieved, with a small element of the plan towards the end of the year being postponed to the next financial year as a result of the COVID-19 pandemic. 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 but 2 of the Group's sites (with the exceptions being due to the COVID-19 crisis) 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 Audit Committee concluded that, in spite of the curtailment of the Internal Audit plan as a result of COVID-19 travel restrictions, a high proportion of the plan had been completed in order to provide the necessary assurance it required in relation to the Group's internal control framework.

In light of the on-going COVID-19 outbreak, the Internal Audit team is facing unique challenges due to Government imposed and Group specific travel restrictions. To address this issue and ensure the 2020/21 Internal Audit Plan can be fully delivered, new ways of working will be adopted where necessary. These will include; remote working to perform site audit reviews, use of video conference, screen and workspace sharing technologies and, importantly, further progressing the use of analytical tools to deliver audit reviews. The Internal Audit team will also plan to work more closely with other assurance providers such as External Audit and internal compliance functions to reduce disruption to the business whilst ensuring that key risks and issues continue to be appropriately addressed. It is also anticipated that the 2020/21 Internal Audit plan will be frequently refreshed over the course of the year, to direct available resource to emerging risks and issues, as the implications of COVID-19 evolve over the coming months. The Committee has reviewed all changes to the plan for 2020/21 and will review all further changes.

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.

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. Overall, in common with prior years, in all material areas the Internal Audit function is compliant with Institute of Internal Audit (IIA) standards and in the view of the Committee is appropriately resourced, 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. The Internal Audit team continues to implement the recommendations from the independent assessment of the function carried out by Deloitte LLP in 2018 and reports on progress to the Committee.

Over the course of the coming year following the publication of the revised Internal Audit Code of Practice, which provides guidance on effective internal audit and aims to raise standards across the profession, a self-assessment exercise of areas of compliance and potential gaps will be completed by the Group Head of Internal Audit & Risk and the outcome reported to the Audit Committee.

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 assessing audit quality, the Committee evaluates four key areas, being; the mindset and culture of the auditor, the auditor's approach to quality control, the skills, character and knowledge of audit staff and the judgments they make during 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.

For the 52 weeks ended 28 March 2020, as a result of the COVID-19 outbreak, PwC were limited to carrying out their audit procedures remotely, rather than in-person. The Committee reviewed these limitations on the work of the external auditor and challenged the external audit partner on the effectiveness of the additional steps taken as a result. The Committee was satisfied that the scope of the audit and the work carried out remained adequate in spite of the difficult circumstances.

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.

In assessing the auditor's professional scepticism, the Committee noted in the current year that PwC had robustly challenged management's viability assumptions and conclusions, their judgements on trade receivable and inventory provisions as well as their acquisition accounting and biological asset valuation assumptions. The Committee also challenged management in these key areas and concluded that the relevant accounting treatments were appropriate.

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. The Committee does not encourage the external auditor to carry out any non-audit work, with the exception of their review of the interim financial statements. 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 and in practice all non-audit services are reviewed and agreed by the Audit Committee. Any such work will be on an exceptional basis only and additionally subject to PwC's own rules on ethical standards.

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	16
Other services	–
Total Non-Audit Fees	16
Total Audit Fees	**419**
Ratio of Non-Audit Fees to Audit Fees*	0.04:1

* The average ratio of non-audit fees to audit fees over the last three years is 0.05:1.

The ratio of non-audit fees to audit fees on average over the last three years has been 5 per cent, 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.

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 June 2020, 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 2020 Annual General Meeting.

Mark Reckitt
Chair of the Audit Committee

23 June 2020

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 28 March 2020.

Composition of the Nomination Committee

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

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 2019/20

Board composition

- Reviewed Board composition.
- Reviewed ongoing training requirements for Non-Executive Directors and development of industry knowledge.

Succession planning

- Reviewed and updated succession plans for the Board and Senior Management.
- Reviewed the management contingency plan in light of the COVID-19 outbreak.
- 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.
- Reviewed compliance with the 2018 UK Corporate Governance Code for the Group.

Governance and evaluation

- Reviewed the Governance Section of the 2020 Annual Report and recommended it to the Board for approval.
- Reviewed the Committee's terms of reference.
- Appointment of consultants to undertake external Board evaluation.
- Review of external Board Evaluation Report and consideration of recommendations.

Board appointments
I can confirm that in compliance with the requirements of the 2018 UK Corporate Governance Code at least half of the Board are independent Non-Executive Directors.

During the year Kate Allum came to the end of her current 3-year term of appointment as a Non-Executive Director of the Company, which the Board decided to renew for a further 3-year term. In deciding to reappoint Kate, the Board were satisfied that Kate remained independent and continues to provide challenge within the Board and possesses the skill, experience and knowledge to continue to add value to the Board's decision making. At the end of her new 3-year term, Kate will have served for 9 years as a Non-Executive Director and will then retire in accordance with the principles of corporate governance.

Last year, the Board decided to further engage with the Group's workforce and appointed Tim Smith as the Group's Designated Non-Executive Director to undertake this role. Tim has been holding meetings with the workforce throughout the year, a more detailed review of which is set out in Board Effectiveness on page 65.

All directors 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 58 and 59 demonstrate the range of experience and skills which each brings to the benefit of the Company.

Succession
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 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.

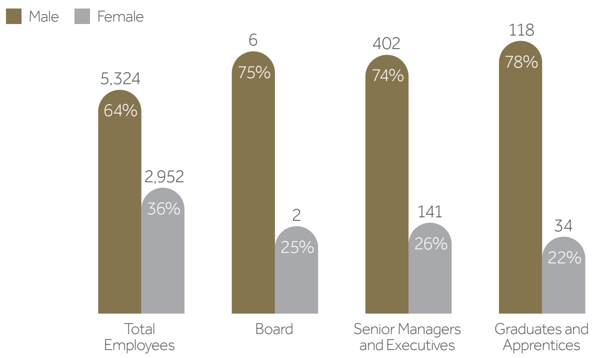
A number of senior executives retired from the Group during the year, following long service, and the Committee has overseen the successful promotion of candidates from within the Group and the recruitment of external candidates to ensure an orderly succession. The Committee has also overseen transitional arrangements with retiring executives to ensure that their expertise and experience remains available to the Group.

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.

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 SIG plc as a Non-Executive Director, however, Kate has also relinquished her executive responsibilities at CeDo Limited and, consequently, 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.

Gender breakdown



Diversity policy
Cranswick recognises the potential benefits of bringing together a wide variety of backgrounds and experiences and is pursuing the development of a diverse workforce that is 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 considers that diversity can strengthen 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 potential benefits of a more diverse management and has a policy of increasing diversity at all levels. The Board is mindful of the Hampton-Alexander and Parker Reviews when considering future appointments and, in particular, the Hampton-Alexander target that by 2020, at least 33 per cent of board members and wider senior management teams in FTSE 350 companies are women.

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 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. In relation to both senior managers and executives and graduates and apprentices the proportion of females has increased from last year.

Board performance evaluation
During Autumn 2019, the Board conducted its triennial external evaluation of its own performance and that of its Committees and individual Directors in accordance with the requirements of the 2018 Corporate Governance Code and recommendations of the Financial Reporting Council's Guidance on Board Effectiveness.

The Company conducted a tender process led by the Chairman and the Company Secretary to appoint consultants to conduct the Board Performance Evaluation, with support from the Non-Executive Directors. The Company appointed Clare Chalmers, who is a highly experienced and independent provider of board evaluations and who has not previously provided any services to the Company or otherwise has any other connections to the Group.

Nomination Committee Report continued

The evaluation exercise undertaken by Clare was agreed with the Chairman and involved individual meetings with all members of the Board, the Chief Operating Officer and Company Secretary. Clare also interviewed the Company's auditors and remuneration consultants, attended Board and Committee meetings and reviewed board packs and minutes of meetings.

Clare Chalmers' evaluation report was robust and informative and provided a valuable independent external perspective on the Group's governance. In connection with the presentation of the evaluation report Clare made a number of recommendations which the Board considered and intends to implement once practical to do so in light of COVID-19 related restrictions, including the following:

Recommendation	Actions
Greater focus by the Board as a whole on succession planning and broader talent management.	Further Committee discussion will be undertaken during the year on succession and likely retirements to formalise the Company's succession planning. Talent management programmes to be reviewed by Group HR Director supported by external consultants.
Consideration of enhancing governance best practice by reviewing board structure and operation.	Further Committee discussion will be undertaken in relation to the structure and operation of the Board, which will involve greater participation by the Company Secretary.
Board to conduct a review of Board skills.	Review to be undertaken during the year culminating in a Board skills matrix which will be reviewed annually.
Greater focus by the Board as a whole on strategic matters and avoiding unnecessary operational detail.	The format and duration of Board meetings has been reviewed with a greater use of Board presentations and dinners proposed to enable more discussion of strategic matters. The Company will also undertake a dedicated annual strategy review day with Non-Executive Directors.
Further consideration of stakeholder engagement framework and dialogue with pressure groups.	The Board proposes undertaking a full review of its engagement with stakeholders and pressure groups later this year.
Improvements to the content and presentation of Board packs.	Format of Board Reports and management of agenda reviewed and an enhanced online board portal has been adopted to facilitate improved board reporting.

The Company expects to update shareholders on the progress made in relation to the matters identified above in its 2021 Annual Report.

The summary of the Board Performance Evaluation set out above has been reviewed and approved by Clare Chalmers.

The Board also reviewed performance against the areas identified in the 2019 evaluation which recognised the need for continued focus on succession planning and strategy given the complexity of the Group and dynamic markets it operates in. It was recognised that progress had been made in relation to succession planning although this required additional focus and that a number of Board briefing sessions had been held on key areas including Brexit and ASF at which relevant parts of the Group's strategy had been reviewed.

Governance

The Committee's terms of reference were reviewed by the Committee and updated during 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 Committee

Martin Davey

Martin Davey
Chairman

23 June 2020

Remuneration

The Remuneration Committee

The Remuneration Committee establishes the remuneration 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

The attendance of members at the meetings was as follows:

Committee Members	Meetings attended
Kate Allum – Chair	4/4
Mark Reckitt	4/4
Pam Powell	4/4
Tim Smith	4/4

Other regular attendees

- The Chairman, Chief Executive, Finance Director and Group HR 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 2019/20

Review of 2018 Corporate Governance Code

- Further review of the requirements of the new Corporate Governance Code.

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 2020 for Executive Directors and Senior Executives.
- Reviewed 2019 bonus targets following the acquisition of Katsouris Brothers, Packington Pork and the Buckle pig farming business.
- Reviewed the achievement of the Executive Directors' bonus arrangements against upward adjusted 2019 targets.

LTIP awards

- Reviewed the outcome of performance conditions for the LTIP awards which were granted in 2017.
- Approved LTIP awards granted in 2019.

Shareholder engagement

- Engaged with major Shareholders in relation to remuneration.

Other activities

- Reviewed the Annual Remuneration Report for 2019.
- Reviewed employee benefit structures and approved the issue of the SAYE share scheme for 2019.
- Approved the Committee's terms of reference.

Remuneration continued

Statement by the Chair of the Remuneration Committee
On behalf of the Remuneration Committee and the Board, I am pleased to present the Remuneration Committee Report for the year ended 28 March 2020.

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 (AGM).

Company performance
Cranswick has experienced impressive long-term growth in both 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 over the years. However, in 2018/19 the Group faced challenging conditions which resulted in a marginal decline in revenue and a decline in the Company's share price which was reflected in the Executive Directors' reduced remuneration. Over the course of 2019/20 the Group's strong performance has resumed with revenue increasing (on a like-for-like basis) by 13.0 per cent and the Company's share price increasing by 27.8 per cent. 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.

The Remuneration Committee has carefully considered the impact of the COVID-19 outbreak when reviewing remuneration outcomes. The Group has continued to perform well notwithstanding the challenges faced and has not furloughed any employees or accessed any other Government financial assistance. In addition, the Company is proposing an increased dividend payment to shareholders and will pay a bonus of £500 to all colleagues in operational roles who have worked during the four-month period to the end of June. The total amount payable is expected to exceed £4 million. The Committee also considered movements in the share price over the period noting that the Company has not suffered the significant share price depreciation suffered by many companies over the period. 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 80 to 86 remain appropriate and reflect the performance of the Group throughout the period under review.

This report contains the following separate sections;
- **Part 1** – The Chair's annual statement on pages 76 and 77.
- **Part 2** – Remuneration at a glance on pages 78 and 79.
- **Part 3** – Full details of our remuneration policy approved at the 2018 AGM on pages 80 to 86.
- **Part 4** – The Annual Report on Remuneration on pages 87 to 92 which discloses how the existing policy has been applied during the year. Those elements of part 4 subject to external audit are clearly identified.

2020 bonuses
Bonus awards for 2020 reflect the performance delivered in the year outlined below*. A bonus of 100 per cent of maximum (i.e. 150 per cent of base salary) has been awarded to each of the Executive Directors. The bonus targets were adjusted upwards during the year to reflect the impact of the acquisition of Katsouris Brothers, Packington Pork and the Buckle pig farming business. The Committee is satisfied that the recalibrated targets are appropriate, having regard to changes in the Group, and are no less stretching than the original targets. In comparison, bonus awards for 2019 were 38 per cent of base salary for each of the Executive Directors. Further details are shown on page 87. The Committee considers the level of payout is reflective of the overall performance of the Group in the year and is appropriate.

LTIP awards vesting in respect of the year ended 28 March 2020
The LTIP Awards granted in 2017 were based on the three-year performance period from April 2017 to March 2020 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 strong with performance 6.9 per cent over the average increase in RPI and vesting at 98 per cent of the maximum. Performance in relation to TSR has also been strong with the Company being ranked in the 75th percentile of its comparator group and, consequently, 100 per cent of the TSR element of the award vesting. Overall 99 per cent of the maximum award will vest in June 2020 (i.e. 148.5 per cent of salary) for each Executive Director, versus 80.5 per cent of the maximum award which vested in June 2019 (i.e. 121 per cent of salary). This is reflected in the table on page 88. The Committee considers the level of payout is reflective of the overall performance of the Group over the three-year performance period ended 28 March 2020 and is appropriate.

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 June 2019). These awards are reflected in the table on page 88.

Remuneration in respect of the year ending 27 March 2021
Executive Directors (other than Martin Davey who waived his contractual entitlement to an increase this year) were awarded a pay increase of 2.8 per cent effective from 1 May 2020 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 27 March 2021. 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.

As part of the planned transition of Martin Davey's executive responsibilities he did not participate in any new LTIP awards in 2019 or in the Group's 2020 bonus awards and will not be receiving a bonus or LTIP award in the current year.

Remuneration Policy

Last year, the Committee agreed a number of changes to its terms of reference and the way in which the Company's Remuneration Policy would be applied going forward to reflect the requirements of the 2018 Corporate Governance Code, which were explained in detail in our 2019 Remuneration Report. These were also applied to the financial year now being reported on and will continue to be applied going forward. Subject to Shareholder approval, these will be formally adopted into the Company's Remuneration Policy when this is next approved by Shareholders (anticipated to be in 2021). The Committee gave further consideration during the year to the following matters:

Directors pension contributions: Last year the Committee agreed that the maximum employer pension contribution and/or cash payment in lieu for new Executive Directors would be aligned to those applicable to other employees of the Group. The Committee considered whether any further changes were required in relation to current Executive Directors existing contractual entitlements, noting external guidance, and agreed that it would keep emerging practice under review ahead of the formal review of the Company's Remuneration Policy in 2021.

Post-employment shareholding requirements: The Committee reviewed existing "good leaver provisions" in relation to the Group's incentive arrangements which do not result in accelerated vesting and considers that these provide continuing alignment with Shareholders interests' post employment. Under the Group's LTIP, Executive Directors are required to retain vested shares for a period of two years which would continue to apply on an Executive Director's departure. As at 28 March 2020 a total of 128,640 ordinary shares of the Company (valued at £4,474,099 using the share price of 3,478p per ordinary share at 28 March 2020) were subject to such retention arrangements in relation to Executive Directors. The Committee will keep emerging practice under review and will reconsider developing a post-employment shareholding policy, which encompasses vested and unvested shares, as part of the formal review of the Company's Remuneration Policy in 2021.

When determining the application of the remuneration policy, the Committee considered clarity, simplicity, risk, predictability and proportionality, and alignment to culture as set out in the 2018 Corporate Governance Code. We operate simple variable pay arrangements, which are subject to clear performance measures aligned with the Group's strategy and the interests of all stakeholders. The application of recovery provisions (malus and clawback) enables the Committee to have appropriate regard to risk considerations. In addition, the large shareholdings of the Executive Directors and "good leaver provisions" in the Group's incentive arrangements further align the interests of our Executive Directors to serve the long-term interests of the Company and Shareholders. As part of our culture, in determining the remuneration policy, the Committee was clear that it should drive the right behaviours, reflect the Group's values and support its purpose and strategy.

Executive Director pay and the broader workforce

The Committee recognises that an understanding of broader workforce pay and conditions can be helpful in relation to considering executive pay along with other relevant factors. The Committee receives information on the annual salary review across the Group, gender pay and CEO pay ratios together with the principles that are applied in relation to broader incentive schemes operated in the Group. The Committee also considers outcomes in relation to the wider senior management team when considering outcomes for the Executive Directors. The Group also operates works committees and employee surveys to obtain employee feedback on all areas of the Group's business and has appointed Tim Smith as its designated Non-Executive Director to enhance existing engagement methods.

CEO pay ratios

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 CEO median pay ratio is consistent with the Company's wider policies on employee pay, reward and progression and is reflective of the sector that the Company operates in. Further information is given on page 90.

Shareholder approval and engagement

Our Remuneration Report was approved by Shareholders at the 2019 AGM with over 98 per cent of the votes cast in favour of it, further information is given on page 92.

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.

The Committee's terms of reference were reviewed by the Committee and updated during 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

23 June 2020

***2020 bonuses**

Measure	Threshold	Maximum	Actual
Adjusted Group profit before tax	£90.9m	£102.9m	£106.7m
Bonus payable (% of salary)	20%	150%	150%

Note: Adjusted Group profit before tax targets are stated before deduction of bonuses paid to Executive Directors and the Chief Operating Officer, associated employers NI and non-trading items.

Remuneration continued

Remuneration at a Glance

Our performance during the year

+13.0%

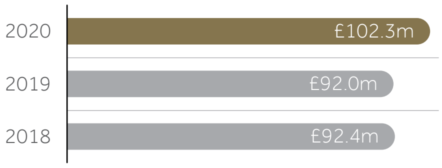
Like-for-like revenue increase to £1,623.8m.

+27.8%

Share price increase to 3,478p at 28 March 2020.

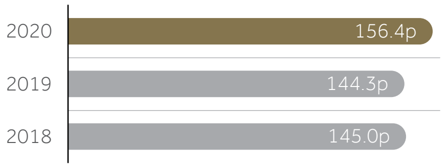
Adjusted profit before tax
(£'m)

£102.3m

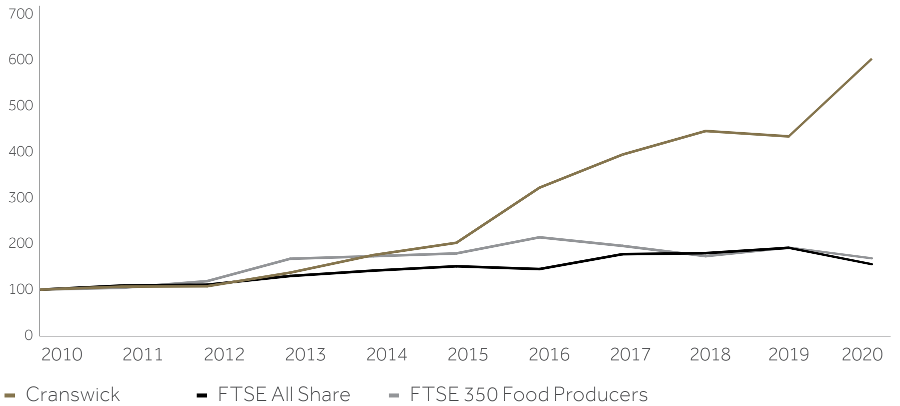


Adjusted earnings per share
(p)

156.4p



Total shareholder return



Remuneration in 2020

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

Read more: see page 87 for more details.

	Martin Davey	Adam Couch	Mark Bottomley	Jim Brisby
Salary	314	651	430	430
Benefits	33	34	33	32
Pension	63	130	86	86
Bonus	–	979	646	646
LTIP	552	1,082	717	717
SAYE	–	49	27	–
Total	**962**	**2,925**	**1,939**	**1,911**

Outcomes

Achieved Adjusted Group profit before tax of £102.3 million – 100 per cent of the maximum bonus opportunity achieved (150 per cent of salary). Performance measured over the three-year period ended 28 March 2020, EPS growth was RPI +6.9 per cent, and TSR was ranked in the 75th percentile of its comparator group. LTIP awards made in June 2017 will therefore vest in June 2020 in full in respect of the TSR element and at 98 per cent of the maximum in respect of the EPS element, in aggregate 99 per cent of the maximum (148.5 per cent of salary).

Remuneration for 2021

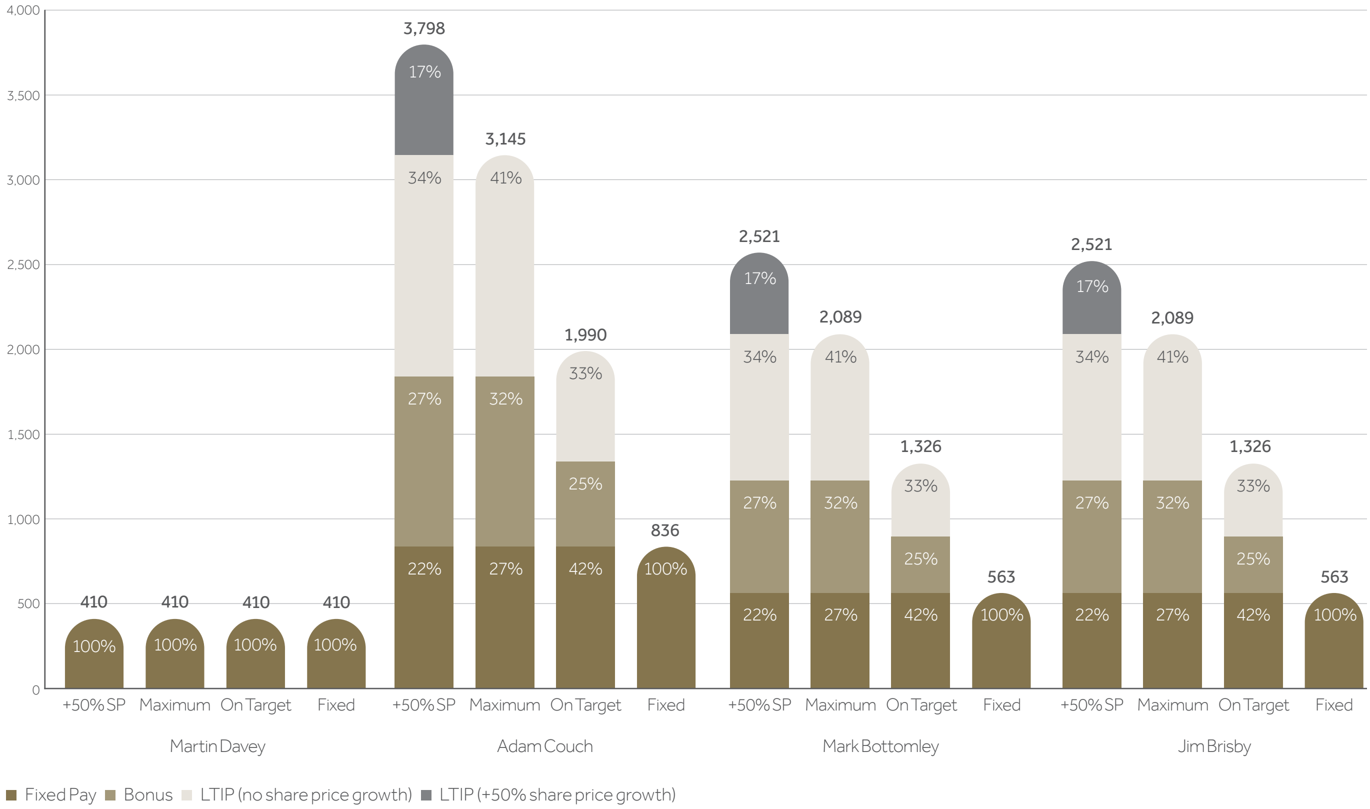
Salary	2.8% increase to Directors' salaries (other than Martin Davey) in line with Senior Executives and the wider workforce.
Bonus	Opportunities unchanged at 150% of salary for 2020/21. Stretching target – unchanged from previous years at 100% on Adjusted Group profit before tax.
LTIP awards	Opportunities unchanged at 200% of salary for 2020/21. Stretching target – unchanged from previous years at 50% on EPS and 50% on relative TSR.

98%

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

Illustration of Application of Remuneration Policy for 2020/21

The following chart illustrates the potential pay opportunities for the Executive Directors under three different performance scenarios for the year ending 27 March 2021. 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 2020, employer pension contributions of 20% of that salary, and benefits disclosed in the single figure table for the year ended 28 March 2020.	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 continued

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.

Purpose and link to strategy	Operation	Performance metrics	Maximum entitlement
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.

Remuneration continued

Purpose and link to strategy	Operation	Performance metrics	Maximum entitlement
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.

Purpose and link to strategy	Operation	Performance metrics	Maximum entitlement
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.

Remuneration continued

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; and
  - 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.

Remuneration continued

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 2019, Mark Reckitt for three years from 1 May 2020, 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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Executive Directors														
Mark Bottomley	430	420	33	33	646	159	717	555	86	84	27	–	1,939	1,251
Jim Brisby	430	420	32	31	646	159	717	555	86	84	–	–	1,911	1,249
Adam Couch	651	635	34	33	979	240	1,082	840	130	127	49	–	2,925	1,875
Martin Davey	314	314	33	33	–	50	552	428	63	63	–	7	962	895
	1,825	1,789	132	130	2,271	608	3,068	2,378	365	358	76	7	7,737	5,270
Non-Executive Directors														
Kate Allum	59	53	–	–	–	–	–	–	–	–	–	–	59	53
Mark Reckitt	59	58	–	–	–	–	–	–	–	–	–	–	59	58
Pam Powell	51	51	–	–	–	–	–	–	–	–	–	–	51	51
Tim Smith	58	51	–	–	–	–	–	–	–	–	–	–	58	51
	227	213	–	–	–	–	–	–	–	–	–	–	227	213
Total	**2,052**	**2,002**	**132**	**130**	**2,271**	**608**	**3,068**	**2,378**	**365**	**358**	**76**	**7**	**7,964**	**5,483**

* The values of the LTIP awards which vested in June 2019 have been updated for the actual share price on the date of vesting. In line with the regulations the values for 2020 are based on the average share price over the three month period to 28 March 2020 as these awards will not vest until June 2020 (see tables on page 88).

As reported last year the Executive Directors had pay awards in the year effective from 1 May 2019 of:

	From 1 May 2019		
Adam Couch	£652,450	2.5%	In line with wider workforce
Jim Brisby	£431,300	2.5%	In line with wider workforce
Mark Bottomley	£431,300	2.5%	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 (2019: 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. The basic fee for Non-Executive Directors is £51,000. Additional fees of £8,000 are paid for chairing committees, for the role of Senior Independent Director and Non-Executive Director designated to undertake workforce engagement. Where a Non-Executive Director undertakes more than one additional role a single fee of £8,000 is paid in respect of such roles.

Annual bonus arrangement (audited)

The bonus scheme in operation is based on the achievement of Adjusted Group profit before tax 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.

Bonus targets were adjusted upwards during the year to reflect the impact of the acquisition of Katsouris Brothers, Packington Pork and the Buckle family pig farming business. The Committee is satisfied that the recalibrated targets are appropriate, having regard to changes in the Group, and are no less stretching than the original targets.

The performance in the year, before charging bonus awards made to the Executive Directors and the Chief Operating Officer, was £106.7 million. This resulted in a bonus award of 150 per cent of salary as shown below. The Committee considers the level of payout is reflective of the overall performance of the Group in the year and is appropriate.

	Threshold	On Target		Maximum	Actual
Adjusted Group profit targets	£90.9m	£95.5m	£99.9m	£102.9m	£106.7m
Bonus payable	20%	50%	100%	150%	150%

This award is reflected in the table above.

Remuneration continued

LTIP award vesting in respect of the year ended 28 March 2020 (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 2017 LTIP awards that will vest in June 2020 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, 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 decides whether performance conditions have been met and 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 28 March 2020 relates to awards made in June 2017 with a performance criteria based on the three years ended 28 March 2020 that will vest in June 2020 calculated at the average price for the three months ended on 28 March 2020 of 3,482 pence. Over the three-year performance period the EPS element of the award, based on the criteria set above, gave an outperformance of 6.9 per cent over the average increase in RPI so achieving a 98 per cent award. For the TSR element of the award, measured against a comparable group of companies, the business achieved an increase of 100 per cent and put the Company second in its comparative group which was at the 75th percentile achieving an award of 100 per cent. The total award of 99 per cent of maximum (148.5 per cent of salary) is reflected in the table on page 87, and below.
The Committee considers the level of payout is reflective of the overall performance of the Group over the three-year performance period ended 28 March 2020 and is appropriate.

	Date of grant	Options granted	Vesting performance	Shares awarded	Average share price	Value of shares
Mark Bottomley	1 June 2017	20,800	99%	20,592	3,482p	£717,013
Jim Brisby	1 June 2017	20,800	99%	20,592	3,482p	£717,013
Adam Couch	1 June 2017	31,400	99%	31,086	3,482p	£1,082,415
Martin Davey	1 June 2017	16,000	99%	15,840	3,482p	£551,549

The 2017 LTIP awards with performance period ended 28 March 2020, was granted on 1 June 2017 when the share price was 2,960p. The three month average share price ended on 28 March 2020 was 3,482p. This equated to an increase in value of 522 pence per share due to vest in June 2020. The proportion of the value attributable to share price growth is therefore 15%. The Committee did not exercise discretion in respect of the share price appreciation.

True-up of awards vested in respect of the year ended 30 March 2019 for share price on vesting date (audited)
The value of the LTIP for the year ended 30 March 2019 relates to awards, made in 2016, with a performance criteria based on the three years ended 30 March 2019 that vested in June 2019, updated for the actual vesting share price of 2,684p. The EPS element of the award achieved 100 per cent of its performance target and 61 per cent was achieved under the TSR measure giving an overall award of 80.5 per cent (121 per cent of salary) and this is reflected in the 2019 column of the table on page 87 and in the table below.

	Date of grant	Options awarded	Value of award as at 30 March 2019 based on an average price of 2,678p	Value of award when vested in June 2019 at the market price of 2,684p
Mark Bottomley	1 June 2016	20,688	£554,025	£555,266
Jim Brisby	1 June 2016	20,688	£554,025	£555,266
Adam Couch	1 June 2016	31,314	£838,589	£840,468
Martin Davey	1 June 2016	15,939	£426,846	£427,803

LTIP awards granted during the year ended 28 March 2020 (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 June 2019	200% of salary	31,800	2,728p	£867,504	20.6%	26 March 2022
Jim Brisby	1 June 2019	200% of salary	31,800	2,728p	£867,504	20.6%	26 March 2022
Adam Couch	1 June 2019	200% of salary	48,100	2,728p	£1,312,168	20.6%	26 March 2022

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

Details of the performance targets for the LTIP granted during the year ended 2020 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 Committee has discretion to reduce the extent of vesting in the event that it considers that performance against either measure is inconsistent with the overall financial or non-financial performance of the Group over the performance period.

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 Director and have been exercised in the year. The awards exercised in 2019 and 2020 by Adam Couch had exercise prices of 579 pence and 1,187 pence respectively and a market value of 2,644 pence and 3,534 pence respectively. The awards exercised by Mark Bottomley in 2020 had an exercise price of 1,187 pence and a market value of 3,330 pence. The notional gains are shown in the 2020 column of the table on page 91.

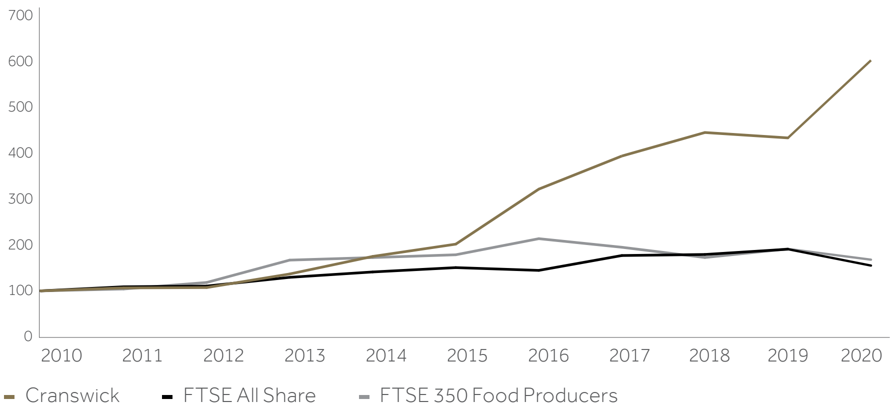
Payments to past Directors (audited)

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 2010) 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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Base salary	483	508	505	542	562	588	599	616	635	651
Benefits	25	28	28	31	29	29	31	32	33	34
Pension	97	102	86	108	112	118	120	123	127	130
Bonus	107	453	639	252	843	882	898	925	240	979
LTIP	207	243	171	149	825	1,148	1,341	1,793	840	1,082
SAYE	–	6	7	–	–	38	–	–	–	49
CEO total remuneration	919	1,340	1,436	1,082	2,371	2,803	2,989	3,489	1,875	2,925
Bonus award against maximum opportunity	14%	56%	80%	31%	100%	100%	100%	100%	25%	100%
LTIP vesting against maximum opportunity	100%	93%	43%	25%	87%	100%	100%	100%	80.5%	99%

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 2019 to 2020 in the Chief Executive's salary compared to the change for all permanent employees of the business (excluding all Board Directors).

	Salary	Benefits	Bonus
Chief executive	+2.5%	+3.0%	+307.1%
All other employees* (excluding all Board Directors)	+10.1%	+3.8%	+239.0%

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

Remuneration continued

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
2020	Option A	120:1	101:1	79:1

2019	Chief Executive	25th percentile	Median	75th percentile
Salary	635	18	21	28
Total Remuneration	1,875	21	24	30

2020	Chief Executive	25th percentile	Median	75th percentile
Salary	651	19	23	32
Total Remuneration	2,923	24	29	37

* 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 financial year end and incorporated all components of employee remuneration. Employees' involvement in the Group's performance is encouraged, with all employees employed on the relevant offer date eligible to participate in the SAYE schemes. Certain employees also participate in discretionary bonus schemes.

The Chief Executive remuneration for the year ended 30 March 2019 is the total single figure remuneration figure as disclosed on page 87, which has been adjusted to reflect the actual LTIP vesting (further information on page 88). This adjustment has not affected the CEO pay ratios for the year ended 30 March 2019 in respect of the 25th, 50th and 75th percentile.

The workforce comparison is based on the payroll data for the financial year for all employees (including the Chief Executive but excluding Non-Executive Directors). The workforce comparison has not excluded any component of total pay and benefits.

2020 has been an excellent year for Cranswick resulting in an increase for 'pay for performance' remuneration for employees, including the Executive Directors. A substantial proportion of the Chief Executive's total remuneration is performance related. The ratios will therefore depend significantly on the Chief Executive's annual bonus and LTIP outcome, and may fluctuate year-to-year, because of this, the CEO pay comparator for 2020 has increased. In respect of the median employee (50th percentile) total remuneration has increased from £24k to £29k.

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 2020 and the preceding financial year. There have been no share buybacks during 2020 and 2019.

Pay against distributions	2020 £'m	2019 £'m	Change %
Remuneration paid to all employees*	208.7	183.3	+13.8%
Total dividends paid and share buybacks in the year	29.4	28.0	+5.0%

* 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 31 March 2019 Number	Granted in the year Number	Exercised in the year Number	Lapsed in the year Number	At 28 March 2020 Number	Exercise price p	Market price at grant p
Mark Bottomley	2016	25,700	–	(20,688)	(5,012)	–	nil	2,333
	2017	20,800	–	–	–	20,800	nil	2,960
	*2018	25,500	–	–	–	25,500	nil	3,308
	2019	–	31,800	–	–	31,800	nil	2,674
Jim Brisby	2016	25,700	–	(20,688)	(5,012)	–	nil	2,333
	2017	20,800	–	–	–	20,800	nil	2,960
	*2018	25,500	–	–	–	25,500	nil	3,308
	2019	–	31,800	–	–	31,800	nil	2,674
Adam Couch	2016	38,900	–	(31,314)	(7,586)	–	nil	2,333
	2017	31,400	–	–	–	31,400	nil	2,960
	*2018	38,600	–	–	–	38,600	nil	3,308
	2019	–	48,100	–	–	48,100	nil	2,674
Martin Davey	2016	19,800	–	(15,939)	(3,861)	–	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 the commencement of each financial year and conclude at the end of the financial year three years later and are exercisable on the attainment of certain performance criteria detailed on page 88. The range of exercise dates are 1 June 2020 to 1 June 2029.

The LTIP, issued in 2017, which vests in June 2020, will achieve 98 per cent of the EPS target and 100 per cent of the TSR target giving a share award of 99 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	20,688	28 June 2019	nil	2,565	531
Jim Brisby	20,688	28 June 2019	nil	2,565	531
Adam Couch	31,314	28 June 2019	nil	2,565	803
Martin Davey	15,939	28 June 2019	nil	2,565	409

Savings related share option scheme (audited)

	Year of award	At 31 March 2019 Number	Granted in the year Number	Exercised in the year Number	Lapsed in the year Number	At 28 March 2020 Number	Exercise price p	Range of exercise dates
Mark Bottomley	2014	1,276	–	1,276	–	–	1,187	1 Mar 2020–1 Sep 2020
	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
	2019	–	591	–	–	591	2,534	1 Mar 2025–1 Sep 2025
Martin Davey	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 Directors exercised savings related share options during the year:

	Number	Date exercised	Exercise price p	Market price p	Gain on exercise £'000
Adam Couch	936	6 June 2019	579	2,644	19.3
	1,276	5 March 2020	1,187	3,534	30.0
Mark Bottomley	1,276	1 March 2020	1,187	3,330	27.3

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 28 March 2020	Value of shares held as a % of base salary	Target %
Mark Bottomley	57,300	20,592	1,677	89,830	724	200
Jim Brisby	57,300	20,592	1,945	96,258	776	200
Adam Couch	86,700	31,086	3,084	162,482	866	200
Martin Davey	45,400	15,840	751	169,611	1,877	200
Mark Reckitt	–	–	–	1,300	–	–
Tim Smith	–	–	–	1,500	–	–
Pam Powell	–	–	–	1,000	–	–

* Not including tax qualifying options granted to each of the Executive Directors.
** LTIP awards are due to vest in June 2020 with the performance criteria now completed.

The share price at 28 March 2020 of 3,478p was used in calculating the percentage figures shown above. Kate Allum has no interests in the Company at the present time. There have been no further changes to the above interests in the period from 29 March 2020 to 23 June 2020.

Remuneration continued

Remuneration for the year ending 27 March 2021
The Executive Directors (other than Martin Davey who waived his contractual entitlement to an increase) were awarded an increase of 2.8 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 2020, the Executive Directors' base salaries will be:

Director	New salary	Rationale
Mark Bottomley	£443,400	Increase in line with workforce
Jim Brisby	£443,400	Increase in line with workforce
Adam Couch	£670,750	Increase in line with workforce
Martin Davey	£314,250	No change

The 2021 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 2021 targets are not disclosed as they are considered to be commercially sensitive. The targets will be declared retrospectively in the 2021 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 August 2021 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 88.

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 2020 and has provided general remuneration advice and share scheme advice to the Company. Deloitte's fees for providing remuneration advice to the Committee were £6,120 for the year ended 28 March 2020. 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 resolution to approve 2019 Remuneration Committee Report was passed on a poll at the Company's last AGM held on 29 July 2019. The votes cast in respect of the resolution were:

Remuneration Committee Report	Number	%
For	40,795,320	98.35
Against	685,449	1.65
Withheld	238,789	–

The resolution to approve the 2020 remuneration policy was passed on a show of hands at the Company's 2018 AGM held on 30 July 2018. The votes cast in respect of the resolution were:

Remuneration policy	Number	%
For	37,739,458	98.07
Against	743,793	1.93
Withheld	19,966	–

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 Companies (Miscellaneous Reporting) Regulations 2018, the principles of the 2018 UK Corporate Governance Code and the Listing Rules of the Financial Conduct Authority.

Kate Allum
Chair of the Remuneration Committee

23 June 2020

Directors' Report

The Directors present their Annual Report and the audited financial statements of the Company and the Group for the year ended 28 March 2020. The Directors' Report consists of pages 93 to 96 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 58 and 59 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 75 to 92.

In accordance with the recommendations of the UK Corporate Governance Code, all Directors 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.

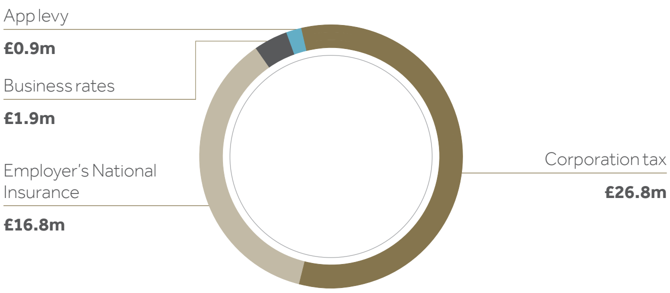
Profit and dividends
The profit from continuing operations for the financial year, after taxation amounts to £82.7 million (2019: £69.6 million). The Directors have declared dividends as follows:

	2020	2019
Interim dividend per share paid on 24 January 2019	**16.7p**	15.9p
Final dividend per share proposed	**43.7p**	40.0p
Total dividend	**£31.5m**	£28.9m

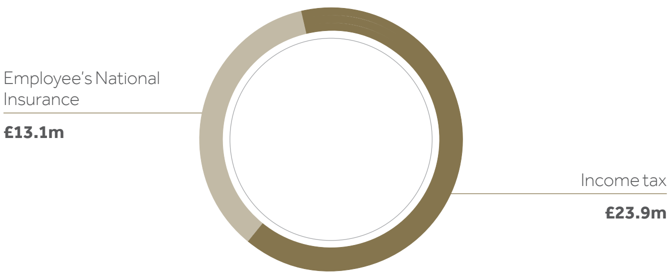
Subject to approval at the Annual General Meeting, the final dividend will be paid in cash or scrip form on 4 September 2020 to members on the register at the close of business on 24 July 2020. The shares will go ex-dividend on 23 July 2020. The proposed final dividend for 2020 together with the interim paid in January 2020 amount to 60.4 pence per share which is 8.1 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 £83.4 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 25 on page 138. During the year the share capital increased by 592,079 shares. The increase comprised 337,267 of shares issued relating to share options exercised during the year and 254,812 of shares issued in respect of scrip dividends.

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 28 March 2020		
	Number of shares	% of issued share capital	Nature of holding
Fidelity Management & Research	4,399,262	8.42	Direct & Indirect
Invesco Perpetual	3,947,726	7.55	Direct & Indirect
Standard Life Aberdeen	3,171,316	6.07	Direct & Indirect
Wellington Management	2,911,678	5.57	Direct & Indirect
Black Rock Inc	2,262,241	4.33	Direct & Indirect
The Vanguard Group Inc	2,204,054	4.22	Direct & Indirect
Franklin Resources	2,085,198	3.99	Direct & Indirect
Legal & General Group	1,769,563	3.39	Direct & Indirect

On 21 May 2020, Invesco Perpetual notified the Company that it had reduced its shareholding to 2,386,412 shares (representing 4.56% of the share capital). There have been no other notifications of any significant changes, a different whole percentage movement, to these shareholdings as at 23 June 2020.

Directors' Report continued

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 17 August 2020 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 17 August 2020, is limited to £1,723,400 which represented approximately 33 per cent of the issued share capital as at 7 June 2019.

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 17 August 2020.

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 £258,500 representing 5 per cent of the Company's issued share capital as at 7 June 2019 and up to an additional aggregate nominal amount of £258,500 representing 5 per cent of the Company's issued share capital as at 7 June 2019 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 17 August 2020.

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 17 August 2020. 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 Crane Court, Hesslewood Country Office Park, Ferriby Road Hessle HU13 0PA on Monday 17 August 2020. 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.

Independent 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 66 to 71.

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 30 March 2019 and 28 March 2020.

The Group's capital structure is as follows:

	2020 £'m	2019 £'m
Net debt/(funds) (Note 28)	**146.9**	(6.3)
Cranswick plc Shareholders' equity	**614.5**	534.9
Capital employed	**761.4**	528.6

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 85, 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 28 March 2020.

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 increased its borrowings over the past 12 months to fund capital expenditure and acquisitions, although this remains modest relative to the Group, and at 28 March 2020 gearing was 23.9% (2019: nil). Given this conservative debt structure and low market interest rates 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 historical 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 increased to £2 million from January 2020 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 core 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. The facility also includes an accordion feature which allows an additional £40 million to be drawn down on the same terms at any point during the term of the facility This was extended during 2018/19 to November 2023 by way of a reduced credit facility of £120.0 million including a committed overdraft facility of £20.0 million and in December 2019 by two additional short term 1-year facilities of £20 million each. 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 facilities at 28 March 2020 was £95.2 million (2019: £134.4 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 in the Operating and Financial review. 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 above.

The UK Corporate Governance Code 2018 requires the Directors to assess and report on the prospects of the Group and whether the Group is a going concern. Management has produced forecasts that have been sensitised to reflect severe yet plausible downside scenarios which considers the principal risks faced by the Group, including but not limited to COVID-19, as well the Group's considerable financial resources and strong trading relationships with its key customers and suppliers. These forecasts, which have been reviewed by the Directors, lead the Directors to believe that the Group is well placed to manage its business risk successfully. The assumptions supporting these sensitivities have been set out in more detail in the viability statement on page 50. After reviewing the available information, including business plans and downside scenario modelling 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 for preparing these financial statements.

Other statutory disclosures
The Corporate Governance Report on pages 60 to 65, the Statement of Directors' Responsibilities on page 97 of the Annual Report and Note 24 (Financial Instruments) 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 55
Viability Statement	Page 50
Greenhouse Gas Emissions	Page 42
Employment Policies	Pages 32 to 35
Directors in office during the year and up to the date of signing the financial statement	Pages 58 and 59

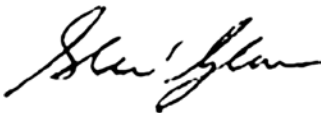
The only information required to be disclosed pursuant to Listing Rule 9.8.4R are the details of the Company's Long Term Incentive Plan which can be found in the Remuneration Committee Report on pages 75 to 92.

Directors' Report continued

Section 172 (1) Considerations

Under section 172 (1) of the Companies Act 2006, the Directors must act in a way they consider in good faith would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so must have regard for a range of other matters. The Directors have regard to the interests of the Company's employees and other stakeholders including its impact on the community and the environment and its reputation when making decisions. The Directors consider what is likely to promote the success of the Company and its members in the long term in all their decision making. For further information on section 172 (1) see pages 30 and 31, and for an example case study on Board considerations of stakeholders see page 65.

The Directors' Report was approved by a duly authorised committee of the Board on 23 June 2020 and signed on its behalf by:



Steven Glover
Company Secretary

23 June 2020
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 on pages 58 and 59 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 profit 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 J M Bottomley

Martin Davey
Chairman

Mark Bottomley
Finance Director

23 June 2020

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 28 March 2020 and of the Group's profit and the Group's and the Company's cash flows for the 52 week period 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 28 March 2020; 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 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

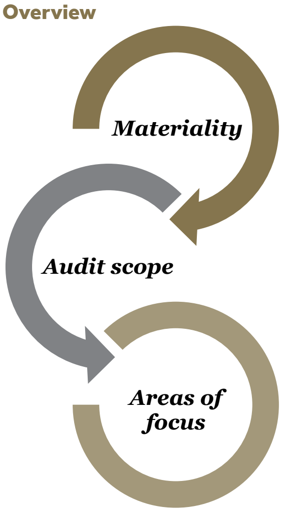
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities 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 Directors' Report, we have provided no non-audit services to the Group or the Company in the period from 31 March 2019 to 28 March 2020.

Our audit approach

Overview



- Overall Group materiality: £5.1 million (2019: £4.5 Million), based on 5% of Adjusted profit before tax.
- Overall Company materiality: £2.4 million (2019: £2.4 million), based on 1% of total assets capped due to group materiality allocation.

- The Group is organised into 22 reporting units, all within the UK. The Group financial statements are a consolidation of these reporting units.
- Of the 22 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 £1,660.1m (99 per cent) of the Group's external revenues and £98.7m (96 per cent) of the Group's Adjusted profit before tax.
- Specific audit procedures over biological assets were performed for a further 4 reporting units due to their contribution towards the overall biological assets financial statement line item.

- Complex customer arrangements (Group)
- IAS 41 – Biological assets (Group)
- Acquisition accounting (Group)
- Impact of COVID-19 (Group and 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;
- Understanding and evaluation 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 28 March 2020 commercial accruals in relation to these arrangements total £6.5 million (2019: £7.9 million). Due to the varying terms of these agreements and given that activity may span a period 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 period 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 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 sales volume data where relevant; • Agreement of the amounts raised and settled with customers, for claims which have arisen within the current or next financial period, to date; • Look back at the accuracy of the prior period (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 period is a benefit of £5.4 million (2019: cost of £2.8 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.

Independent auditors' report to the members of Cranswick plc continued

Key audit matter	How our audit addressed the key audit matter
Acquisition accounting – Group During the period the Group acquired Katsouris Brothers Limited, Packington Pork Limited and White Rose Farms Limited for a total consideration of £93.1m, including deferred consideration of £3.9m and contingent consideration of £6.8m. The allocation of consideration over net assets recognised intangibles to the value of £13.1m for customer lists, £2.5m for trademarks and £41.9m for goodwill. We focused on this area because there is a level of judgement involved in identifying the intangibles upon acquisition and given the material values involved.	Our audit work over the acquisitions comprised of a review of the signed Share Purchase Agreements (SPAs) to ensure all terms were fully understood and appropriately accounted for and the point at which control was achieved has been identified correctly. We utilised our internal valuation experts to assess the reasonableness of the valuation methodology and other key assumptions driving the valuation, including the discount rate applied. We evaluated management's assessment of the assumptions used in the valuation of the intangible assets as follows: • The discount rate has been tested for mathematical accuracy, calculation inputs agreed to Company forecast data and benchmarked against comparable companies. • Royalty rate used in determining the trademark valuation has been assessed for reasonableness through comparison to market data. • Growth rates and customer attrition have been tested through analysis against historical and forecast Company data. • The intangibles useful economic lives have been evaluated based on our understanding of the business and similar historical acquisitions. We also assessed the fair value adjustments made on acquisition in the completion balance sheet and tested the deferred tax arising on such adjustments and the intangibles acquired. We found, based on our audit work, that the key assumptions and calculations used by management were supportable and appropriate.
Impact of COVID-19 (Group and Company) As a result of the emergence of the COVID-19 pandemic in early 2020, and the significant impact this has had on the UK and global economies, management, including the Board and Audit Committee, have invested a significant amount of time to fully consider the implications on Cranswick plc. Given the timing of the outbreak which occurred prior to the financial period end, management have considered the implications across the business, including the going concern assessment, the impact on asset impairment assessments, and appropriate disclosures in the Annual Report. In respect of the going concern assessment, management have prepared detailed analyses to assess the potential impact on revenue, profit and cash flows of a number of downside risk scenarios as described on page 50. These analyses have also included consideration of the Group's liquidity and loan covenants, which are based on the ratio of net debt to adjusted EBITDA and interest cover. In doing so, management have made assumptions that are critical to the outcome of these considerations. In relation to the carrying value of assets, management have considered the impact of COVID-19 in their impairment assessments of each category of assets, and made any adjustments that they considered to be required. As a result of the impact of COVID-19 on the wider financial markets, we have determined that management's consideration of the potential impact of COVID-19 (including their associated assumptions) to be a key audit matter.	We have re-evaluated our risk assessment, including the going concern risk of the Group. Based on the Directors' assessment and our audit procedures thereon as described below, we consider our original risk assessment to remain appropriate and therefore consider going concern and asset impairment to be normal risks for both the Group and the Company. In assessing management's consideration of the potential impact of COVID-19, we have undertaken the following audit procedures: • We obtained from management their latest assessments that support the Board's conclusions with respect to the going concern basis of preparation of the financial statements. • We evaluated management's base case forecast and downside scenarios, and challenged the adequacy and appropriateness of the underlying assumptions, including impact on revenue of an extended period of restrictions in the food services sector, the potential for site closures as a result of the outbreak, and the cost implications of introducing further social distancing measures. Our evaluation also included incorporating further sensitivities to management's downside scenarios. • In conjunction with the above we have also reviewed management's analysis of both liquidity and covenant compliance to satisfy ourselves that no breaches are anticipated over the period of assessment. • We reviewed management accounts for the financial period to date and checked that these were consistent with the starting point of management's forecasts, and supported the key assumptions included in the assessment. Our conclusion in respect of going concern is included in the "Going concern" section on page 101. We have reviewed management's assessment of the impact of COVID-19 on the carrying value of each category of assets and any adjustments made. We evaluated and challenged management on how they reflected the impact on future cash flows, of COVID-19, in their impairment analyses and the consistency of their assumptions with the forecasts used in their going concern assessment. We have reviewed management's disclosures in the financial statements in relation to COVID-19 and are satisfied that they are consistent with the risks affecting the Group, their impact assessment and the procedures that we have performed.

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 22 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.

Specific audit procedures over biological assets were performed for a further 4 reporting units due to their contribution towards the overall biological assets financial statement line item.

The components where we performed an audit of their complete financial information accounted for 96 per cent of the Group's Adjusted profit before tax and 99 per cent of the Group's revenue.

The work was performed by a component audit team on 6 of the 15 components. All other work was completed by the Group audit team.

On the remaining 3 components 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	£5.1 million (2019: £4.5 million).	£2.4 million (2019: £2.4 million).
How we determined it	5% of Adjusted profit before tax.	1% of total assets capped due to Group materiality allocation.
Rationale for benchmark applied	Adjusted profit before tax excludes the net IAS 41 valuation movement on biological assets and amortisation of customer relationship intangible assets. We have chosen this as our benchmark as it is a key performance measure disclosed to users of the financial statements. This figure takes prominence in the Annual Report, as well as the communications to both the shareholders and the market, and an element of management remuneration is linked to this performance. Based on this it is considered appropriate to use the Adjusted profit before tax figure for the period as an appropriate 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 £0.4 million and £4.8 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 £0.3 million (Group audit) (2019: £0.2 million) and £0.2 million (Company audit) (2019: £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.
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.

Independent auditors' report to the members of Cranswick plc continued

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) require 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 52 week period ended 28 March 2020 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 56 to 65) 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 56 to 65) 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 48 to 55 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 pages 48 to 55 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 97, 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 pages 66 to 71 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 Directors' Responsibilities Statement, 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/auditors responsibilities. 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 to 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 53 week period ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the 53 week period ended 31 March 2018 to the 52 week period ended 28 March 2020.

Ian Morrison

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

23 June 2020

Group Income Statement
For the 52 weeks ended 28 March 2020

	Notes	2020 £'m	2019 £'m
Revenue	3	**1,667.2**	1,437.1
Adjusted Group operating profit		**105.1**	92.3
Net IAS 41 valuation movement on biological assets	17	**5.4**	(2.8)
Amortisation of intangible assets	11	**(3.7)**	(2.7)
Group operating profit	4	**106.8**	86.8
Share of loss of joint venture	15	**(0.1)**	(0.1)
Profit on disposal of joint venture	15	**0.1**	–
Finance costs	6	**(2.8)**	(0.2)
Profit before tax		**104.0**	86.5
Taxation	7	**(21.3)**	(16.9)
Profit for the year		**82.7**	69.6
Earnings per share			
Basic	10	**159.1p**	135.5p
Diluted	10	**158.6p**	134.9p

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

Group Statement of Comprehensive Income
For the 52 weeks ended 28 March 2020

	Notes	2020 £'m	2019 £'m
Profit for the year		**82.7**	69.6
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	22	**0.4**	–
Reclassification adjustments for losses/(gains) included in the income statement	22	**0.2**	(0.5)
Income tax effect	7	**(0.1)**	0.1
Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods		**0.5**	(0.4)
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains on defined benefit pension scheme	27	**11.9**	0.3
Income tax effect	7	**(2.2)**	0.4
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**9.7**	0.7
Other comprehensive income, net of tax		**10.2**	0.3
Total comprehensive income, net of tax		**92.9**	69.9

Company profit for the 52 weeks ended 28 March 2020 of £29.2 million (2019: £24.6 million) was equal to total comprehensive income for the year attributable to owners of the parent in both years.

Group Balance Sheet
At 28 March 2020

	Notes	**2020 £'m**	2019 £'m
Non-current assets			
Intangible assets	11	**207.3**	153.5
Defined benefit pension scheme surplus	27	**7.2**	–
Property, plant and equipment	12	**357.7**	291.2
Right-of-use assets	13	**64.8**	–
Biological assets	17	**3.8**	0.7
Total non-current assets		**640.8**	445.4
Current assets			
Biological assets	17	**41.9**	20.6
Inventories	18	**75.5**	67.4
Trade and other receivables	19	**213.6**	161.7
Income tax receivable		**0.7**	–
Financial assets	20	**1.5**	2.3
Cash and short-term deposits	28	**21.5**	20.5
Total current assets		**354.7**	272.5
Total assets		**995.5**	717.9
Current liabilities			
Trade and other payables	21	**(191.4)**	(150.2)
Financial liabilities	22	**(12.0)**	(0.6)
Lease liabilities	13	**(10.3)**	–
Provisions	23	**(0.1)**	(0.2)
Income tax payable		**–**	(7.7)
Total current liabilities		**(213.8)**	(158.7)
Non-current liabilities			
Other payables	21	**(0.8)**	(0.7)
Financial liabilities	22	**(102.5)**	(14.2)
Lease liabilities	13	**(55.6)**	–
Deferred tax liabilities	7	**(7.2)**	(0.8)
Provisions	23	**(1.1)**	(2.0)
Share of joint venture	15	**–**	(0.1)
Defined benefit pension scheme deficit	27	**–**	(6.5)
Total non-current liabilities		**(167.2)**	(24.3)
Total liabilities		**(381.0)**	(183.0)
Net assets		**614.5**	534.9
Equity			
Called-up share capital	25	**5.2**	5.2
Share premium account		**98.5**	89.1
Share-based payments		**31.6**	25.8
Hedging reserve		**0.1**	(0.4)
Retained earnings		**479.1**	415.2
Equity attributable to owners of the parent		**614.5**	534.9

On behalf of the Board

Martin Davey　　J M Bottomley

Martin Davey
Chairman

Mark Bottomley
Finance Director

23 June 2020

Company Balance Sheet
At 28 March 2020

	Notes	2020 £'m	2019 £'m
Non-current assets			
Property, plant and equipment	12	**0.7**	0.8
Investments in subsidiary undertakings	14	**170.0**	166.1
Right-of-use assets	13	**0.7**	–
Deferred tax assets	7	**1.0**	0.9
Total non-current assets		**172.4**	167.8
Current assets			
Trade and other receivables	19	**137.9**	77.9
Cash and short-term deposits	28	**3.1**	–
Total current assets		**141.0**	77.9
Total assets		**313.4**	245.7
Current liabilities			
Trade and other payables	21	**(35.9)**	(68.1)
Financial liabilities	22	**–**	(5.4)
Lease liabilities	13	**(0.1)**	–
Provisions	23	**(0.1)**	(0.1)
Income tax payable		**(2.0)**	(1.0)
Total current liabilities		**(38.1)**	(74.6)
Non-current liabilities			
Financial liabilities	22	**(102.5)**	(14.2)
Lease liabilities	13	**(0.6)**	–
Provisions	23	**(0.7)**	(0.6)
Total non-current liabilities		**(103.8)**	(14.8)
Total liabilities		**(141.9)**	(89.4)
Net assets		**171.5**	156.3
Equity			
Called-up share capital	25	**5.2**	5.2
Share premium account		**98.5**	89.1
General reserve		**4.0**	4.0
Merger reserve		**1.8**	1.8
Share-based payments		**31.6**	25.8
Retained earnings		**30.4**	30.4
		171.5	156.3

The Company's profit for the 52 weeks ended 28 March 2020 was £29.2 million (2019: £24.6 million).

On behalf of the Board

Martin Davey
Chairman

Mark Bottomley
Finance Director

23 June 2020

Group Statement of Cash Flows
For the 52 weeks ended 28 March 2020

	Notes	2020 £'m	2019 £'m
Operating activities			
Profit for the year		**82.7**	69.6
Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:			
Share of loss of joint venture		**0.1**	0.1
Income tax expense	7	**21.3**	16.9
Net finance costs	6	**2.8**	0.2
Gain on disposal of joint venture		**(0.1)**	–
Gain on sale of property, plant and equipment		**(1.1)**	(0.2)
Depreciation of property, plant and equipment	12	**42.0**	28.9
Depreciation of right-of-use assets	13	**8.2**	–
Amortisation of intangible assets	11	**3.7**	2.7
Share-based payments		**5.8**	4.8
Difference between pension contributions paid and amounts recognised in the income statement		**(1.8)**	(1.3)
Release of government grants		**(0.3)**	(0.2)
Net IAS 41 valuation movement on biological assets	17	**(5.4)**	2.8
Increase in biological assets		**(3.9)**	(6.3)
Increase in inventories		**(2.6)**	(8.2)
Increase in trade and other receivables		**(39.5)**	(1.1)
Increase/(decrease) in trade and other payables		**32.8**	(2.2)
Cash generated from operations		**144.7**	106.5
Tax paid		**(27.7)**	(18.8)
Net cash from operating activities		**117.0**	87.7
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	16	**(69.4)**	(0.8)
Loan to joint venture		**2.2**	(2.2)
Purchase of property, plant and equipment		**(101.2)**	(79.2)
Proceeds from sale of property, plant and equipment		**4.1**	0.8
Receipt of government grants		**–**	0.4
Net cash used in investing activities		**(164.3)**	(81.0)
Cash flows from financing activities			
Interest paid		**(1.2)**	(0.4)
Proceeds from issue of share capital		**2.6**	1.8
Issue costs of long-term borrowings		**(0.1)**	(0.1)
Proceeds from borrowings		**88.0**	14.0
Repayment of borrowings		**(9.0)**	–
Dividends paid		**(22.6)**	(22.1)
Payment of lease capital		**(7.8)**	–
Payment of lease interest		**(1.6)**	–
Net cash received from/(used in) financing activities		**48.3**	(6.8)
Net increase/(decrease) in cash and cash equivalents	28	**1.0**	(0.1)
Cash and cash equivalents at beginning of year	28	**20.5**	20.6
Cash and cash equivalents at end of year	28	**21.5**	20.5

Company Statement of Cash Flows
For the 52 weeks ended 28 March 2020

	Notes	2020 £'m	2019 £'m
Operating activities			
Profit for the year		**29.2**	24.6
Adjustments to reconcile Company profit for the year to net cash inflows from operating activities:			
Dividends received		**(22.6)**	(22.1)
Income tax expense		**1.8**	1.8
Net finance cost		**6.7**	5.8
Depreciation of property, plant and equipment	12	**0.1**	–
Depreciation of right-of-use assets	13	**0.1**	–
Share-based payments		**1.9**	1.5
Increase in trade and other receivables		**(59.7)**	(37.6)
(Decrease)/increase in trade and other payables		**(32.1)**	7.1
Cash used in operations		**(74.6)**	(18.9)
Tax paid		**(0.6)**	(1.3)
Net cash used in operating activities		**(75.2)**	(20.2)
Cash flows from investing activities			
Dividends received		**22.6**	22.1
Purchase of property, plant and equipment		**–**	(0.2)
Net cash received from investing activities		**22.6**	21.9
Cash flows from financing activities			
Interest paid		**(6.7)**	(5.8)
Proceeds from issue of share capital		**2.6**	1.8
Issue costs of long-term borrowings		**(0.1)**	(0.1)
Proceeds from borrowings		**88.0**	14.0
Dividends paid		**(22.6)**	(22.1)
Payment of lease liabilities		**(0.1)**	–
Net cash received from/(used in) financing activities		**61.1**	(12.2)
Net increase/(decrease) in cash and cash equivalents	28	**8.5**	(10.5)
Cash and cash equivalents at beginning of year	28	**(5.4)**	5.1
Cash and cash equivalents at end of year	28	**3.1**	(5.4)

Group Statement of Changes in Equity
For the 52 weeks ended 28 March 2020

	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 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	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 30 March 2019	5.2	89.1	25.8	(0.4)	415.2	534.9
Profit for the year	–	–	–	–	82.7	82.7
Other comprehensive income	–	–	–	0.5	9.7	10.2
Total comprehensive income	–	–	–	0.5	92.4	92.9
Share-based payments	–	–	5.8	–	–	5.8
Scrip dividend	–	6.8	–	–	–	6.8
Share options exercised	–	2.6	–	–	–	2.6
Dividends	–	–	–	–	(29.4)	(29.4)
Deferred tax related to changes in equity	–	–	–	–	0.3	0.3
Current tax related to changes in equity	–	–	–	–	0.6	0.6
At 28 March 2020	5.2	98.5	31.6	0.1	479.1	614.5

Company Statement of Changes in Equity
For the 52 weeks ended 28 March 2020

	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 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	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 30 March 2019	5.2	89.1	4.0	1.8	25.8	30.4	156.3
Profit for the year, being total comprehensive income	–	–	–	–	–	29.2	29.2
Share-based payments	–	–	–	–	5.8	–	5.8
Scrip dividend	–	6.8	–	–	–	–	6.8
Share options exercised	–	2.6	–	–	–	–	2.6
Dividends	–	–	–	–	–	(29.4)	(29.4)
Deferred tax related to changes in equity	–	–	–	–	–	0.1	0.1
Current tax related to changes in equity	–	–	–	–	–	0.1	0.1
At 28 March 2020	5.2	98.5	4.0	1.8	31.6	30.4	171.5

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 26).

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 52 weeks ended 28 March 2020 were authorised for issue by the Board of Directors on 23 June 2020 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 under the historical cost convention, in accordance with IFRS as adopted by the European Union and in accordance with the Companies Act 2006.

The UK Corporate Governance Code 2018 requires the Directors to assess and report on the prospects of the Group and whether the Group is a going concern. Management has produced forecasts that have been sensitised to reflect severe yet plausible downside scenarios which considers the principal risks faced by the Group, including but not limited to COVID-19, as well the Group's considerable financial resources and strong trading relationships with its key customers and suppliers. These forecasts, which have been reviewed by the Directors, lead the Directors to believe that the Group is well placed to manage its business risk successfully. The assumptions supporting these sensitivities have been set out in more detail in the longer-term viability statement on pages 50 to 51. After reviewing the available information, including business plans and downside scenario modelling 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 for preparing these financial statements.

The Financial Statements of the Group are prepared to the Saturday nearest to 31 March. Accordingly, these Financial Statements are prepared for the 52 week period ended 28 March 2020. Comparatives are for the 52 week period ended 30 March 2019. The Balance Sheets for 2020 and 2019 have been prepared as at 28 March 2020 and 30 March 2019 respectively.

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 28 March 2020. 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:

2. Accounting Policies continued

Significant estimates and assumptions:

Share-based payments	Note 26 – 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. This estimate is not expected to have a material impact on the next twelve months.
Pensions	Note 27 – pension scheme actuarial assumptions. The valuation of the defined benefit pension scheme is determined using assumptions including mortality, discount rates and inflation. The assumptions are not expected to have a material impact on the next twelve months.
Acquisitions	Note 16 – fair value adjustments on acquisition include the valuation of intangible assets with inputs based on discount rate, sales growth and customer churn assumptions. The assumptions are not expected to have a material impact on the next twelve months.
Biological assets	Note 17 – valuation includes assumptions in relation to mortality and growth rate. The assumptions are not expected to have a material impact on the next twelve months.
Commercial accruals (Advertising and marketing contributions)	Note 21 – trade and other payables. 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. This estimate is not expected to have a material impact on the next twelve months.
Impact of COVID-19	Note 11 – intangible assets, Note 18 – inventories & Note 19 – trade and other receivables. In light of the COVID-19 outbreak, a number of additional considerations have been made. These include considering the impact of COVID-19 when preparing updated forecast information to use within impairment testing, reviewing the level of inventory provision required and updating the forward-looking rate within the expected credit loss model used for the provision for impairment of trade receivables. These considerations are not expected to have a material impact on the next twelve months.

Significant judgements:

Share-based payments	Note 26 – 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. This judgement is not expected to have a material impact on the next twelve months.
Alternative measures	Note 32 – 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 & Accounts including, but not limited to, depreciation and amortisation rates. 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 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
IAS 19 Plan Amendment, Curtailment or Settlement (amendment)	1 January 2019

The application of these standards has not had a material effect on the net assets, results and disclosures of the Group, with the exception of IFRS 16 which is considered on page 114.

Notes to the Accounts continued

2. Accounting Policies continued

IFRS 16 – Leases

The Group has adopted IFRS 16 retrospectively from 31 March 2019 but has not restated comparatives for the 52 weeks to 30 March 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 31 March 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate as of 31 March 2019 of 3.0 per cent.

Balance sheet Impact

	£'m
Operating lease commitments disclosed as at 30 March 2019	45.8
Discounted using the Group's weighted average incremental borrowing rate at the date of initial application	40.5
Less short-term and low value leases recognised on a straight-line basis as an expense	(0.3)
Lease liability recognised as at 31 March 2019	**40.2**

	28 March 2020 £'m	31 March 2019 £'m
Total lease liability	**65.9**	40.2
Of which:		
Current lease liability	**10.3**	7.7
Non-current lease liability	**55.6**	32.5

The recognised right-of-use assets relate to the following asset classes:	**28 March 2020 £'m**	31 March 2019 £'m
Properties	**60.4**	36.1
Plant, equipment and vehicles	**4.4**	4.1
Total right-of-use assets	**64.8**	40.2

Income statement impact

	52 weeks ended 28 March 2020 £'m
Reduction in lease rental charges	9.4
Increase in right-of-use asset depreciation	(8.2)
Impact on Group operating profit/Adjusted Group operating profit	**1.2**
Increase in lease related interest cost	(1.6)
Overall impact on Group profit before tax/Adjusted profit before tax	**(0.4)**

Impact on earnings per share

Earnings per share decreased by 0.7 pence per share for the 52 weeks ended 28 March 2020 as a result of the adoption of IFRS 16.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 31 March 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group's leasing activities and how these are accounted for

The Group leases various offices, farming units, equipment and motor vehicles. Rental contracts are typically made for fixed periods of 2 to 15 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 30 March 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

From 31 March 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2. Accounting Policies continued

IFRS 16 – Leases continued

The Group's leasing activities and how these are accounted for continued

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's weighted average incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets and any impairment is provided for by writing down the asset value.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets primarily comprise IT-equipment.

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 3 Business Combinations (amendment)	1 January 2020
IAS 1 & IAS 8 Definition of Material (amendment)	1 January 2020
IFRS 9 Financial Instruments (amendment)	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021
IFRS 3 Reference to the Conceptual Framework in IFRS Standards	1 January 2022

None of these are expected to have a significant effect on the Financial Statements of the Group.

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 21).

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 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 benefit of acquisitions in the current 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 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 32).

Notes to the Accounts continued

2. Accounting Policies continued

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.

For each business acquired during the year separate disclosure will be made detailing the name of each business, the market sector served, the date of acquisition and the percentage of share capital acquired. Further disclosures will be detailed separately for those acquisitions that are considered to be material, and disclosures will be given in aggregate for any individually immaterial acquisitions. An acquisition would generally be considered individually material if the acquisition has been treated as a class 2 or class 1 transaction under the Listing Rules.

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 and trademarks are amortised evenly over their expected useful lives of five years, with amortisation charged through administration expenses in the income statement.

2. Accounting Policies continued

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.

Accounting for leases

As explained above the Group has changed its accounting policy for leases where the Group is the lessee. The new policy and the impact of the change is explained above.

Until 30 March 2019 the policy was:

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.

Notes to the Accounts continued

2. Accounting Policies continued

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 asset 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.

2. Accounting Policies continued

Employee benefits continued

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.

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:

	2020 £'m	2019 £'m
UK	**1,556.8**	1,395.8
Continental Europe	**47.4**	22.6
Rest of world	**63.0**	18.7
	1,667.2	1,437.1

In addition to the non-UK sales disclosed above the Group also made sales to export markets through UK-based meat trading agents totalling £77.0 million (2019: £56.3 million). Including these sales, total sales to export markets were £187.4 million for the year (2019: £97.6 million).

Notes to the Accounts continued

3. Business and Geographical Segments continued

Customer concentration

The Group has two customers (2019: two) which individually account for more than 10 per cent of the Group's total revenue. These customers account for 23 per cent and 18 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 2020 and 2019.

4. Group Operating Profit

Group operating costs comprise:

	Total	
	2020 £'m	2019 £'m
Cost of sales excluding net IAS 41 valuation movement on biological assets	**1,445.9**	1,250.6
Net IAS 41 valuation movement on biological assets*	**(5.4)**	2.8
Cost of sales	**1,440.5**	1,253.4
Gross profit	**226.7**	183.7
Selling and distribution costs	**65.8**	55.4
Administrative expenses excluding amortisation of intangible assets	**50.4**	38.8
Amortisation of intangible assets	**3.7**	2.7
Administrative expenses	**54.1**	41.5
Total operating costs	**1,560.4**	1,350.3

* 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	
	2020 £'m	2019 £'m
Depreciation of property, plant and equipment	**42.0**	28.9
Depreciation of right-of-use assets	**8.2**	–
Amortisation of intangible assets	**3.7**	2.7
Release of government grants	**(0.3)**	(0.2)
Operating lease payments – minimum lease payments	**–**	7.0
Net foreign currency differences	**(0.4)**	(0.2)
Cost of inventories recognised as an expense	**929.5**	821.2
Increase in provision for inventories	**4.5**	2.0
Research and development expenditure	**2.5**	0.7
Auditors' remuneration		
Fees payable to the Company's auditors in respect of the audit		
Audit of these financial statements	**0.2**	0.1
Local statutory audits of subsidiaries	**0.2**	0.2
Total audit remuneration	**0.4**	0.3
Other services	**–**	–
Total non-audit related remuneration	**–**	–

Further details of audit and non-audit fees can be found on page 71.

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 2020 £'m	Group 2019 £'m	Company 2020 £'m	Company 2019 £'m
Staff costs:				
Wages and salaries	**208.7**	183.3	**8.7**	6.2
Social security costs	**20.2**	18.7	**1.5**	1.4
Other pension costs	**5.8**	4.9	**0.1**	0.1
	234.7	206.9	**10.3**	7.7

Included within wages and salaries is a total expense for share-based payments of £5.8 million (2019: £4.8 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 2020 Number	Group 2019 Number	Company 2020 Number	Company 2019 Number
Production	**6,670**	6,281	**–**	–
Selling and distribution	**392**	362	**–**	–
Administration	**402**	345	**57**	47
	7,464	6,988	**57**	47

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 75 to 92. The employee costs shown above include the following remuneration in respect of Directors of the Company:

Group and Company	2020 £'m	2019 £'m
Directors' remuneration	**4.8**	3.1
Pension contribution	**–**	–
	4.8	3.1
Aggregate gains made by Directors on exercise of share options	**2.3**	5.0
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 87. The total Directors' remuneration of £4.8 million (2019: £3.1 million) comprises salary and fees £2.0 million (2019: £2.0 million), benefits £0.1 million (2019: £0.1 million), bonus £2.3 million (2019: £0.6 million) and pension £0.4 million (2019: £0.4 million). The difference between pension contributions noted above and pension contributions on page 87 is cash paid in lieu of pension.

6. Finance Costs

	Total 2020 £'m	Total 2019 £'m
Finance costs		
Bank interest paid and similar charges	**1.5**	0.3
Interest capitalised	**(0.3)**	(0.2)
Total interest expense for financial liabilities not at fair value through profit or loss	**1.2**	0.1
Net finance cost on defined benefit pension surplus/(deficit) (Note 27)	**–**	0.1
Lease interest	**1.6**	–
Total finance costs	**2.8**	0.2

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

Notes to the Accounts continued

7. Taxation

a) Analysis of tax charge in the year

Tax charge based on the profit for the year:

	2020 £'m	2019 £'m
Current income tax:		
UK corporation tax on profit for the year	**20.9**	18.1
Adjustments in respect of prior years	**(0.5)**	(0.1)
Total current tax	**20.4**	18.0
Deferred tax:		
Origination and reversal of temporary differences	**0.5**	(1.0)
Deferred tax rate change	**0.7**	0.1
Adjustments in respect of prior years	**(0.3)**	(0.2)
Total deferred tax	**0.9**	(1.1)
Tax on profit	**21.3**	16.9

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

Group	2020 £'m	2019 £'m
Recognised in Group statement of comprehensive income		
Deferred tax on revaluation of cash flow hedges	**0.1**	(0.1)
Deferred tax on actuarial gains on defined benefit pension scheme	**2.2**	0.3
Corporation tax credit on actuarial gains on defined benefit pension scheme	**–**	(0.7)
	2.3	(0.5)
Recognised in Group statement of changes in equity		
Deferred tax (credit)/charge on share-based payments	**(0.3)**	0.7
Corporation tax credit on share options exercised	**(0.6)**	(1.3)
	(0.9)	(0.6)
Total tax charge/(credit) recognised directly in equity	**1.4**	(1.1)

Company	2020 £'m	2019 £'m
Recognised in Company statement of changes in equity		
Deferred tax (credit)/charge on share-based payments	**(0.1)**	0.2
Corporation tax credit on share options exercised	**(0.1)**	(0.8)
Total tax credit recognised directly in equity	**(0.2)**	(0.6)

b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2020 £'m	2019 £'m
Profit before tax	**104.0**	86.5
Profit multiplied by standard rate of corporation tax in the UK of 19 per cent (2019: 19 per cent)	**19.8**	16.4
Effect of:		
Disallowed expenses	**1.8**	0.7
Consortium relief	**(0.1)**	–
Deferred tax rate change	**0.7**	0.1
Non-taxable income	**(0.2)**	–
Adjustments in respect of prior years	**(0.8)**	(0.3)
Share based payments	**0.1**	–
Total tax charge for the year	**21.3**	16.9

7. Taxation continued

c) Deferred tax

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

Group	2020 £'m	2019 £'m
Deferred tax liability in the balance sheet		
Accelerated capital allowances	**2.7**	1.9
Business combinations	**3.2**	3.0
Losses	**(0.1)**	–
Biological assets	**0.4**	(0.9)
Rollover and holdover relief	**0.1**	0.1
Other temporary differences	**(0.2)**	(0.4)
Share-based payments	**(3.0)**	(2.1)
Deferred tax on defined benefit pension scheme	**1.4**	(1.1)
Customer relationships intangibles	**2.7**	0.3
Deferred tax liability	**7.2**	0.8

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

	2020 £'m	2019 £'m
Deferred tax in the income statement		
Accelerated capital allowances	**–**	0.3
Business combinations	**0.2**	(0.4)
Biological assets	**1.1**	(0.5)
Other temporary differences	**–**	–
Share-based payments	**(0.4)**	–
Deferred tax on defined benefit pension scheme	**0.3**	–
Customer relationships intangibles	**(0.3)**	(0.5)
Deferred tax charge/(credit)	**0.9**	(1.1)

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

Company	2020 £'m	2019 £'m
Deferred tax asset in the balance sheet		
Other temporary differences	**(0.1)**	(0.2)
Share-based payments	**(0.9)**	(0.7)
Deferred tax asset	**(1.0)**	(0.9)

d) Change in corporation tax rate

The prevailing UK corporation tax rate of 19 per cent was substantively enacted as part of the Finance Act 2019 on 12 March 2019. This rate was due to reduce to 17 per cent from April 2020, however, in the budget on 12 March 2020 it was announced that the main rate of UK corporation tax will be held at 19 per cent. Deferred tax is therefore provided at 19 per cent (2019: 17 per cent).

8. Profit Attributable to Members

Of the profit attributable to members, the sum of £29.2 million (2019: £24.6 million) has been dealt with in the accounts of Cranswick plc.

9. Equity Dividends

	2020 £'m	2019 £'m
Declared and paid during the year:		
Final dividend for 2019 – 40.0p per share (2018: 38.6p)	**20.7**	19.8
Interim dividend for 2020 – 16.7p per share (2019: 15.9p)	**8.7**	8.2
Dividends paid	**29.4**	28.0
Proposed for approval of Shareholders at the Annual General Meeting on 17 August 2020:		
Final dividend for 2020 – 43.7p per share (2019: 40.0p)	**22.8**	20.7

Notes to the Accounts continued

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 £82.7 million (2019: £69.6 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:

	2020 Thousands	2019 Thousands
Basic weighted average number of shares	**51,966**	51,385
Dilutive potential ordinary shares – share options	**162**	222
	52,128	51,607

Adjusted earnings per share

Adjusted earnings per share are calculated using the above weighted average number of shares for both basic and diluted amounts (see Note 32).

11. Intangible Assets

Group	Goodwill £'m	Trademark £'m	Customer relationships £'m	Total £'m
Cost				
At 31 March 2018 and 30 March 2019	151.3	–	11.6	162.9
Additions	41.9	2.5	13.1	57.5
At 28 March 2020	193.2	2.5	24.7	220.4
Amortisation				
At 31 March 2018	–	–	6.7	6.7
Amortisation	–	–	2.7	2.7
At 30 March 2019	–	–	9.4	9.4
Amortisation	–	0.3	3.4	3.7
At 28 March 2020	–	0.3	12.8	13.1
Net book value				
At 31 March 2018	151.3	–	4.9	156.2
At 30 March 2019	151.3	–	2.2	153.5
At 28 March 2020	193.2	2.2	11.9	207.3

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	**2020 £'m**	2019 £'m
Fresh Pork	**21.8**	21.8
Livestock	**20.2**	1.7
Cooked Meats	**90.2**	90.2
Continental Fine Foods	**34.4**	11.0
Premium Cooked Poultry	**9.2**	9.2
Fresh Chicken	**13.7**	13.7
Other	**3.7**	3.7
	193.2	151.3

11. Intangible Assets continued

Impairment testing continued

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. The budgets have been updated in light of COVID-19. 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 8.1 per cent has been used (2019: 9.4 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 improvements £'m	Plant, equipment and vehicles £'m	Assets in the course of construction £'m	Total £'m
Cost					
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 30 March 2019	150.3	–	307.6	34.1	492.0
Additions	6.1	–	40.0	51.4	97.5
On acquisition	8.0	–	3.8	2.2	14.0
Transfers between categories	46.7	–	31.3	(78.0)	–
Disposals	(4.2)	–	(28.3)	–	(32.5)
At 28 March 2020	206.9	–	354.4	9.7	571.0
Depreciation					
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 30 March 2019	29.8	–	171.0	–	200.8
Charge for the year	4.8	–	37.2	–	42.0
Relating to disposals	(1.5)	–	(28.0)	–	(29.5)
At 28 March 2020	33.1	–	180.2	–	213.3
Net book amounts					
At 31 March 2018	99.0	–	115.0	23.3	237.3
At 30 March 2019	120.5	–	136.6	34.1	291.2
At 28 March 2020	173.8	–	174.2	9.7	357.7

Notes to the Accounts continued

12. Property, Plant and Equipment continued

Included in freehold land and buildings is land with a cost of £22.7 million (2019: £14.6 million), which is not depreciated, relating to the Group, and £0.5 million (2019: £0.5 million) relating to the Company.

Cost includes £1.6 million (2019: £1.3 million) in respect of capitalised interest. Interest of £0.3 million was capitalised during the year (2019: £0.2 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.1 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 2018	0.5	0.5	1.0
Additions	–	0.3	0.3
At 30 March 2019	0.5	0.8	1.3
Disposals	–	(0.4)	(0.4)
At 28 March 2020	0.5	0.4	0.9
Depreciation			
At 31 March 2018	–	0.5	0.5
Charge for the year	–	–	–
At 30 March 2019	–	0.5	0.5
Disposal	–	(0.4)	(0.4)
Charge for the year	–	0.1	0.1
At 28 March 2020	–	0.2	0.2
Net book amounts			
At 31 March 2018	0.5	–	0.5
At 30 March 2019	0.5	0.3	0.8
At 28 March 2020	0.5	0.2	0.7

13. Right-of-use Assets

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Group	Land and buildings £'m	Plant, equipment and vehicles £'m	Total £'m
Cost			
At 31 March 2019*	36.1	4.1	40.2
Additions	23.2	1.8	25.0
On acquisition	8.4	0.1	8.5
At 28 March 2020	67.7	6.0	73.7
Depreciation			
At 31 March 2019*	–	–	–
Charge for the year	6.6	1.6	8.2
Impairment (onerous lease provision)	0.7	–	0.7
At 28 March 2020	7.3	1.6	8.9
Net book amounts			
At 31 March 2019*	36.1	4.1	40.2
At 28 March 2020	60.4	4.4	64.8

13. Right-of-use Assets continued

Amounts recognised in the balance sheet continued

Company	Land and buildings £'m	Plant, equipment and vehicles £'m	Total £'m
Cost			
At 31 March 2019* and 28 March 2020	0.7	0.1	0.8
Depreciation			
At 31 March 2019*	–	–	–
Charge for the year	0.1	–	0.1
At 28 March 2020	0.1	–	0.1
Net book amounts			
At 31 March 2019*	0.7	0.1	0.8
At 28 March 2020	0.6	0.1	0.7

	Group		Company	
	2020 £'m	2019* £'m	**2020 £'m**	2019* £'m
Lease liabilities				
Current	**10.3**	7.7	**0.1**	0.1
Non-current	**55.6**	32.5	**0.6**	0.6
	65.9	40.2	**0.7**	0.7

* In the prior year, the Group and Company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under *IAS 17 Leases*. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 31 March 2019, please see to Note 2.

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases

	2020 £'m	2019 £'m
Depreciation charge on right-of-use assets		
Land buildings	**6.6**	–
Plant, equipment and vehicles	**1.6**	–
	8.2	–
Interest expense (included in finance cost)	**1.6**	–

14. Investments

Company	Subsidiary undertakings £'m
Shares at cost:	
At 31 March 2018	164.5
Capital contribution relating to share options	3.3
Entities dissolved	(1.7)
At 30 March 2019	166.1
Capital contribution relating to share options	3.9
At 28 March 2020	170.0

Notes to the Accounts continued

14. Investments continued

The subsidiary undertakings as at 28 March 2020 were:

- Cranswick Country Foods plc
- Cranswick Gourmet Pastry Company Limited (100 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)
- 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 (100 per cent owned by Cranswick Country Foods plc) (2019: 50 per cent owned by Cranswick Country Foods plc)
- CHL Pigs Limited (100 per cent owned by White Rose Farms Limited)
- Packington Pork Limited (100 per cent owned by Cranswick Country Foods plc)
- Katsouris Brothers Limited (100 per cent owned by Cranswick Country Foods plc)
- Katsouris Bros Limited (Registered in Cyprus, registered office 28 October Street, 313, Limassol, 3105, Cyprus) (100 per cent owned by Cranswick Country Foods plc)
- Cypresa Products Limited (100 per cent owned by Katsouris Brothers Limited)

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.

15. Investment in Joint Venture

On 10 February 2020, the Group disposed of its 50 per cent interest in White Rose Farms Limited, a joint venture involved in the production of pigs. On the same date the Group acquired 100 per cent of White Rose Farms Limited enlarged pig enterprise, see Note 16.

The Group's interest in White Rose Farms in the prior year and up to the point of disposal was accounted for using the equity method in the consolidated financial statements.

Details of the assets disposed, and the consideration received are as follows:

Group	£'m
Book value of associate	(0.2)
Group's share – 50%	(0.1)
Consideration – £1	–
Profit on disposal	0.1

16. Acquisitions

During the year, the following acquisitions were completed:

i) On 10 February 2020, the Group acquired 100 per cent of the issued share capital of the Buckle family's pig farming and rearing operations as well as the family's 50 per cent share of the White Rose Farms Limited pig production joint venture set up by Cranswick and the Buckle family in 2018. The enlarged pig enterprise, to be known as White Rose Farms, specialises in the production of Red Tractor assured pigs in Yorkshire. On 16 December 2019, the Group acquired 100 per cent of the issued share capital of Packington Pork Limited. Packington Pork Limited comprises pig farming and rearing operations and specialises in the production of British free range and outdoor bred pigs. The business operates predominantly from a range of sites across Staffordshire, Nottinghamshire and Lincolnshire. The two farming businesses were acquired for a combined initial net cash consideration of £27.4 million.

ii) On 26 July 2019, the Group acquired 100 per cent of the issued share capital of Katsouris Brothers Limited for an initial net cash consideration of £41.3 million. Katsouris Brothers Limited is a leading processor and multi-channel supplier of Continental and Mediterranean non-meat food products.

Packington Pork Limited and White Rose Farms Limited

The following table sets out the fair values of the identifiable assets and liabilities acquired by the Group in relation to White Rose Farms and Packington Pork. The fair values have been provisionally determined at the balance sheet date.

	Provisional fair value £'m
Net assets acquired:	
Goodwill	3.9
Right-of-use assets	3.6
Property, plant and equipment	7.7
Biological assets	15.1
Inventories	0.9
Trade and other receivables	1.8
Bank and cash balances	(0.2)
Trade and other payables	(4.0)
Corporation tax liability	0.2
Deferred tax liability	(0.6)
Other borrowings	(7.0)
Bank loan	(1.3)
Lease liabilities	(3.6)
	16.5
Goodwill arising on acquisition	14.6
Total consideration	31.1
Satisfied by:	
Initial cash consideration	27.2
Deferred consideration	3.9
	31.1
Net cash outflow arising on acquisition:	
Cash consideration paid	27.2
Cash and cash equivalents acquired	0.2
	27.4

In respect of White Rose Farms, the consideration for the acquisition was £4.8 million higher than presented above, due to the settlement of a pre-existing relationship liability of £4.8 million which was effectively treated as settled on acquisition. Note that the numbers included in the table above include the consideration net of this settlement, and the liability of £4.8m is included in "other borrowings". This presentation is to reflect the cash paid and included within the cash flow statement.

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

All of the trade receivables acquired are expected to be collected in full.

Included in the £14.6 million of goodwill recognised above are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce.

Transaction costs in relation to the acquisitions of £0.3 million have been expensed within administrative expenses.

From the date of acquisition to 28 March 2020, the combined external revenues of Packington Pork Limited and White Rose Farms Limited were £1.0 million and the businesses contributed net profit after tax of £1.4 million to the Group. Had the acquisitions taken place at the beginning of the financial year revenue would have been £6.1 million with profit after tax of £3.4 million.

Notes to the Accounts continued

16. Acquisitions continued

Katsouris Brothers Limited

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

	Provisional fair value £'m
Net assets acquired:	
Customer relationships	13.1
Trademark	2.5
Right-of-use assets	4.9
Property, plant and equipment	6.3
Inventories	4.6
Trade and other receivables	10.5
Bank and cash balances	13.2
Trade and other payables	(7.4)
Corporation tax liability	(0.4)
Deferred tax liability	(3.1)
Bank loan	(0.7)
Lease liabilities	(4.9)
	38.6
Goodwill arising on acquisition	23.4
Total consideration	62.0
Satisfied by:	
Initial cash consideration	54.5
Deferred consideration	0.7
Deferred contingent consideration	6.8
	62.0
Net cash outflow arising on acquisition:	
Cash consideration paid	55.2
Cash and cash equivalents acquired	(13.2)
	42.0

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

All of the trade receivables acquired are expected to be collected in full.

Included in the £23.4 million of goodwill recognised above are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce.

Transaction costs in relation to the acquisition of £0.3 million have been expensed within administrative expenses.

From the date of acquisition to 28 March 2020, the external revenues of Katsouris Brothers were £42.4 million and the business contributed net profit after tax of £2.9 million to the Group. Had the acquisition taken place at the beginning of the financial year revenue would have been £65.7 million with profit after tax of £4.4 million.

Contingent Consideration

The agreement includes contingent consideration payable in cash to the previous owners of Katsouris Brothers Limited based on the performance of the business in the 12 month period ending 30 September 2020. The amount payable will be between £nil and £7 million.

The fair value of the contingent consideration on acquisition was estimated at £6.8 million.

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 was paid in the prior year in relation to the option.

17. 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 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 30 March 2019	16.6	4.7	21.3
Increases due to purchases	21.3	5.3	26.6
Increase due to acquisition	15.1	–	15.1
Decrease attributable to harvest	(98.0)	(80.5)	(178.5)
Decreases attributable to sales	(2.7)	(13.3)	(16.0)
Changes in fair value less estimated costs to sell	87.3	89.9	177.2
At 28 March 2020	39.6	6.1	45.7

Group	**2020 £'m**	2019 £'m
Non-current biological assets:		
Pigs	**3.5**	0.6
Chickens	**0.3**	0.1
	3.8	0.7
Current biological assets:		
Pigs	**36.1**	16.0
Chickens	**5.8**	4.6
	41.9	20.6

Group	**2020 £'m**	2019 £'m
Net IAS 41 valuation movement on biological assets*		
Changes in fair value of biological assets	**177.2**	106.4
Biological assets transferred to cost of sales	**(171.8)**	(109.2)
	5.4	(2.8)

* 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 24). 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	**2020 Number**	2019 Number
Quantities at year end:		
Breeding sows (Bearer biological assets)	**41,346**	12,763
Boars	**928**	255
Pigs (Consumable biological assets)	**468,567**	248,781
Breeder chickens (Bearer biological assets)	**317,736**	267,389
Broiler chickens (Consumable biological assets)	**5,353,558**	3,255,208
Number of pigs produced in the year	**1,358,513**	496,006
Number of chickens produced in the year	**32,858,862**	26,116,813

Notes to the Accounts continued

18. Inventories

Group	**2020 £'m**	2019 £'m
Raw materials and work in progress	**52.1**	47.3
Finished goods and goods for resale	**23.4**	20.1
	75.5	67.4

Inventories are shown net of any provision for slow-moving or obsolete inventory. As at 28 March 2020 the provision against inventory was £8.4 million (2019: £3.9 million), of which £3.6 million resulted from COVID-19 considerations.

19. Trade and Other Receivables

	Group		Company	
	2020 £'m	2019 £'m	**2020 £'m**	2019 £'m
Financial assets:				
Trade receivables	**200.1**	147.3	**–**	–
Amounts owed by Group undertakings	**–**	–	**136.9**	76.7
Other receivables	**6.8**	8.7	**0.3**	0.7
	206.9	156.0	**137.2**	77.4
Non-financial assets:				
Prepayments and accrued income	**6.7**	5.7	**0.7**	0.5
	213.6	161.7	**137.9**	77.9

The above financial assets are carried at amortised cost. As at 28 March 2020 and 30 March 2019, the analysis of trade receivables that were past due but not impaired was as follows:

	Trade receivables	Of which: Not due	Past due date in the following periods:		
Group	£'m	£'m	Less than 30 days £'m	Between 30 and 60 days £'m	More than 60 days £'m
2020	**200.1**	**178.5**	**17.4**	**3.1**	**1.1**
2019	147.3	131.2	13.3	1.6	1.2

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 28 March 2020, trade receivables at nominal value of £4.3 million (2019: £0.7 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 uncertainty around the ability of non-retail customers to pay has been impacted by COVID-19 and this uncertainty has been incorporated into the expected future loss rates. The provision held at 28 March 2020 and 30 March 2019 uses expected future loss rates of 0.0% – 3.5% generating a future credit loss provision of £3.6 million (30 March 2019 <£0.1 million).

Movements in the provision for impairment of receivables were as follows:

Group	£'m
Bad debt provision	
At 31 March 2018	2.2
Provided in year	0.2
Utilised	(1.2)
Released	(0.5)
At 30 March 2019	0.7
Provided in year	3.9
Utilised	(0.3)
At 28 March 2020	4.3

There are no bad debt provisions against other receivables.

20. Financial Assets

Group	**2020 £'m**	2019 £'m
Current		
Forward currency contracts	**1.5**	0.1
Loan to joint venture	**–**	2.2
	1.5	2.3

21. Trade and Other Payables

	Group 2020 £'m	Group 2019 £'m	Company 2020 £'m	Company 2019 £'m
Current				
Trade payables	**122.6**	107.6	**0.8**	0.6
Amounts owed to Group undertakings	**–**	–	**21.2**	61.8
Tax and social security	**6.8**	4.8	**3.1**	1.8
Other creditors	**12.5**	6.0	**8.0**	2.5
Commercial accruals*	**6.5**	7.9	**–**	–
Other accruals	**42.8**	23.3	**2.8**	1.4
Deferred income – Government grants	**0.2**	0.6	**–**	–
	191.4	150.2	**35.9**	68.1
Non-current				
Deferred income – Government grants	**0.8**	0.7	**–**	–

* See breakdown below.

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 24 of £396.0 million (2019: £276.6 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 2018	6.8	2.1	8.9
Charged to income statement	8.9	3.5	12.4
Paid	(9.8)	(3.6)	(13.4)
At 30 March 2019	5.9	2.0	7.9
Charged to income statement	6.4	2.8	9.2
Paid	(7.6)	(3.0)	(10.6)
At 28 March 2020	4.7	1.8	6.5

22. Financial Liabilities

	Group 2020 £'m	Group 2019 £'m	Company 2020 £'m	Company 2019 £'m
Current				
Forward currency contracts	**1.3**	0.6	**–**	–
Contingent consideration (Note 16)	**10.7**	–	**–**	–
Bank overdraft	**–**	–	**–**	5.4
	12.0	0.6	**–**	5.4
Non-current				
Amounts outstanding under revolving credit facility	**103.0**	15.0	**103.0**	15.0
Unamortised issue costs	**(0.5)**	(0.8)	**(0.5)**	(0.8)
	102.5	14.2	**102.5**	14.2

	Group 2020 £'m	Group 2019 £'m
Movement on hedging instruments:		
Gains arising in the year	**0.4**	–
Reclassification adjustment for losses/(gains) included in the income statement	**0.2**	(0.5)
	0.6	(0.5)

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

Notes to the Accounts continued

22. Financial Liabilities continued

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 24.

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

Banking facility

During the year, the Group took out an additional bi-lateral facility running for a period of 12 months from 11 December 2019. The facility is a revolving credit facility of £40 million and was unutilised at 28 March 2020. The main Group banking facility, which 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. £nil million (2019: £5.4 million) of the overdraft facility was utilised at 28 March 2020. Interest is payable at a margin over base rate. £103.0 million (2019: £15.0 million) of the revolving credit facility was utilised as at 28 March 2020. Interest is payable at a margin over LIBOR.

The arrangement fees of £1.5 million (2019: £1.4 million) are being amortised over the period of the facility.

The maturity profile of bank loans is as follows:

	Group		Company	
	2020 £'m	2019 £'m	**2020 £'m**	2019 £'m
In one year or less	**–**	–	**–**	–
Between one year and two years	**–**	–	**–**	–
Between two years and five years	**103.0**	15.0	**103.0**	15.0
	103.0	15.0	**103.0**	15.0
Unamortised issue costs	**(0.5)**	(0.8)	**(0.5)**	(0.8)
	102.5	14.2	**102.5**	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. £103.0 million (2019: £15.0 million) was drawn down under the facility at the year end.

23. Provisions

	Group	Company
	Lease provisions £'m	Lease provisions £'m
At 30 March 2019	2.2	0.7
Created in the year	0.1	–
Utilised in the year	(0.5)	–
Utilisation in right-of-use asset impairment	(0.7)	–
Movement on discount	0.1	0.1
At 28 March 2020	1.2	0.8

Analysed as:

	Group		Company	
	2020 £'m	2019 £'m	**2020 £'m**	2019 £'m
Current liabilities	**0.1**	0.2	**0.1**	0.1
Non-current liabilities	**1.1**	2.0	**0.7**	0.6
	1.2	2.2	**0.8**	0.7

Lease provisions are held against dilapidation obligations on leased properties. These provisions are expected to be utilised over the next ten years. In the prior year, provisions were also held against onerous lease obligations. These have been utilised in the period to reduce the carrying value of the right of use assets recognised under IFRS 16 (see Note 13).

24. Financial Instruments

An explanation of the Company and Group's financial instruments risk management strategy is set out on page 95 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 28 March 2020 and their weighted average interest rates is set out below.

As at 28 March 2020

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%	(103.0)	(103.0)	–	–	–
Financial assets:						
Cash at bank	0.0%	21.5	21.5	–	–	–
		(81.5)	(81.5)	–	–	–

As at 30 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	–	–	–

The maturity profile of bank loans is set out in Note 22.

The interest rate profile of the interest-earning financial assets and interest-bearing liabilities of the Company as at 28 March 2020 and their weighted average interest rates is set out below:

As at 28 March 2020

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%	(396.0)	(396.0)	–	–	–
Revolving credit facility	1.3%	(103.0)	(103.0)	–	–	–
		(499.0)	(499.0)	–	–	–
Financial assets:						
Cash at bank	0.0%	3.1	3.1	–	–	–
		(495.9)	(495.9)	–	–	–

As at 30 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)	–	–	–

Notes to the Accounts continued

24. Financial Instruments continued

Currency profile

The Group's financial assets at 28 March 2020 include Sterling denominated cash balances of £11.5 million (2019: £4.8 million), Euro £9.1 million (2019: £15.7 million), and US Dollar £0.9 million (2019: £nil) all of which are held in the UK.

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

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

Credit risk

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

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

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.
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.

	2020		2019	
Group	**Book value £'m**	**Fair value £'m**	Book value £'m	Fair value £'m
Forward currency contracts (asset)/liability (Note 20 and Note 22)	**(0.2)**	**(0.2)**	0.5	0.5
Contingent consideration (Note 16 and Note 22)	**10.7**	**10.7**	–	–

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.

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	34.7m	1 April 2020-21 December 2020	€1.10-€1.20	1.5
US Dollars	0.4m	1 April 2020-29 May 2020	$1.29-$1.31	–

24. Financial Instruments continued

Hedges continued

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	28.0m	16 April 2020–17 September 2020	£0.75–£0.85	(0.9)
Euros	11.0m	17 April 2020–16 December 2020	£0.86–£0.88	(0.4)
Canadian Dollars	5.6m	27 April 2020-2 July 2020	£0.58	–

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
2020		
Sterling	+100	(1.0)
	–100	1.0
2019		
Sterling	+100	(0.1)
	–100	0.1

Liquidity risk

The tables below summarise the maturity profile of the Group's financial liabilities at 28 March 2020 and 30 March 2019 based on contractual undiscounted payments:

At 28 March 2020

Group	Less than 1 year £'m	1 to 2 years £'m	2 to 5 years £'m	Over 5 years £'m	Total £'m
Revolving credit facility	–	–	103.0	–	103.0
Contingent consideration	10.7	–	–	–	10.7
Trade and other payables	191.2	–	–	–	191.2
Derivative financial instruments	1.3	–	–	–	1.3
Lease liabilities	10.3	9.0	23.4	23.2	65.9
	213.5	9.0	126.4	23.2	372.1

At 30 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 28 March 2020

Company	Less than 1 year £'m	1 to 2 years £'m	2 to 5 years £'m	Over 5 years £'m	Total £'m
Revolving credit facility	–	–	103.0	–	103.0
Trade and other payables	35.9	–	–	–	35.9
Lease liabilities	0.1	0.1	0.3	0.2	0.7
	36.0	0.1	103.3	0.2	139.6

Notes to the Accounts continued

24. Financial Instruments continued

Liquidity risk continued

At 30 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

The impact of liquidity risk on the Group is discussed in detail in the Directors' Report on page 95.

25. Called-up Share Capital

Allotted, called-up and fully paid – Ordinary shares of 10 pence each:

Group and Company	**2020 Number**	2019 Number	**2020 £'m**	2019 £'m
At beginning of year	**51,679,925**	51,078,201	**5.2**	5.1
On exercise of share options	**337,267**	417,117	**–**	0.1
Scrip dividends	**254,812**	184,607	**–**	–
At end of year	**52,272,004**	51,679,925	**5.2**	5.2

On 6 September 2019, 203,335 ordinary shares were issued at 2,514.0 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2019 final dividend.

On 24 January 2020, 51,477 ordinary shares were issued at 3,277.6 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2020 interim dividend.

During the course of the year, 337,267 ordinary shares were issued to employees exercising SAYE and LTIP options at prices between nil and 2239.0 pence.

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 prior year, 417,117 ordinary shares were issued to employees exercising SAYE and LTIP options at prices between nil and 2,565.0 pence.

Ordinary share capital of £45,411 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	11,305	1,187p	March 2018–October 2020
Savings related	16,538	1,456p	March 2019–October 2021
Savings related	58,087	1,788p	March 2020–October 2022
Savings related	146,192	2,565p	March 2021–October 2023
Savings related	226,612	2,239p	March 2022–October 2024
Savings related	246,027	2,534p	March 2023–October 2025
LTIP	633,800	Nil	August 2020–August 2029

26. 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 £5.8 million (2019: £4.8 million).

Long Term Incentive Plan (LTIP)

During the course of the year 258,700 options at nil cost were granted to Directors and Senior Executives, the share price at that time was 2,684.00 pence. Details of the performance criteria relating to the LTIP scheme can be found in the Remuneration Committee report on page 82. The maximum term of LTIP options is ten years.

Group	2020 Number	2020 WAEP (£)	2019 Number	2019 WAEP (£)
Outstanding as at beginning of year	**578,800**	**–**	685,144	–
Granted during the year (i)	**258,700**	**–**	211,800	–
Lapsed during the year	**(38,360)**	**–**	(27,996)	–
Exercised during the year (ii)	**(165,340)**	**–**	(290,148)	–
Outstanding as at end of year (iii)	**633,800**	**–**	578,800	–
Exercisable at end of year	**6,210**	**–**	5,450	–

Company	2020 Number	2020 WAEP (£)	2019 Number	2019 WAEP (£)
Outstanding as at beginning of year	**321,358**	**–**	368,825	–
Granted during the year (i)	**114,500**	**–**	111,000	–
Lapsed during the year	**–**	**–**	(3,767)	–
Exercised during the year (ii)	**(112,273)**	**–**	(154,700)	–
Outstanding as at end of year (iii)	**323,585**	**–**	321,358	–
Exercisable at end of year	**–**	**–**	–	–

i) The weighted average fair value of options granted during the year was £24.38 (2019: £31.51). The share options granted during the year were at £nil per share. The share price at the date of grant was £26.84 (2019: £33.08).
ii) The weighted average share price at the date of exercise for the options exercised was £26.29 (2019: £32.32).
iii) For the share options outstanding as at 28 March 2020, the weighted average remaining contractual life is 8.34 years (2019: 8.22 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 eligible to participate in the SAYE scheme if they are in employment with the Group on the relevant invitation date. The exercise price is equal to the market price of the shares less 20 per cent on the relevant date. The contractual life of the options is three or five years. The maximum term of SAYE options is 3.5 or 5.5 years.

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

Group	2020 Number	2020 WAEP (£)	2019 Number	2019 WAEP (£)
Outstanding as at beginning of year	**707,201**	**20.55**	645,815	18.67
Granted during the year (i)	**247,499**	**25.34**	266,289	22.39
Lapsed during the year	**(78,012)**	**22.23**	(77,934)	23.08
Exercised during the year (ii)	**(171,927)**	**15.28**	(126,969)	13.34
Outstanding as at end of year (iii)	**704,761**	**23.37**	707,201	20.55
Exercisable at end of year	**25,434**	**15.57**	33,319	13.57

Company	2020 Number	2020 WAEP (£)	2019 Number	2019 WAEP (£)
Outstanding as at beginning of year	**19,220**	**19.15**	22,078	16.18
Granted during the year (i)	**10,555**	**25.34**	7,301	22.39
Lapsed during the year	**(140)**	**12.83**	(4,666)	25.35
Exercised during the year (ii)	**(5,645)**	**14.76**	(5,493)	13.78
Outstanding as at end of year (iii)	**23,990**	**23.76**	19,220	19.15
Exercisable at end of year	**1,056**	**17.88**	1,615	9.48

i) The share options granted during the year were at £25.34 (2019: £22.39), representing a 20 per cent discount on the price at the relevant date. The share price at the date of grant was £33.26 (2019: £27.96).
ii) The weighted average share price at the date of exercise for the options exercised was £33.58 (2019: £26.95).
iii) For the share options outstanding as at 28 March 2020, the weighted average remaining contractual life is 2.69 years (2019: 2.65 years).

Notes to the Accounts continued

26. Share-based Payments continued

All Employee Share Option Scheme (SAYE) continued

The weighted average fair value of options granted during the year was £8.52 (2019: £4.69). The range of exercise prices for options outstanding at the end of the year was £11.87-£25.65 (2019: £5.79-£25.65).

The fair value of the SAYE options has been 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 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 28 March 2020 and 30 March 2019:

Group and Company	**2020 LTIP**	**2020 SAYE**	2019 LTIP	2019 SAYE
Dividend yield	**2.08%**	**1.70%**	1.62%	2.16%
Expected share price volatility	**21.23%-22.11%**	**22.02%-22.62%**	18.07%-21.45%	21.84%-23.24%
Risk-free interest rate	**0.59%-0.63%**	**0.51%-0.57%**	0.84%-1.11%	0.83%-0.97%
Expected life of option	**3 years**	**3.25, 5.25 years**	3 years	3.25, 5.25 years
Exercise prices	**£nil**	**£25.34**	£nil	£22.39

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.

27. 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 2018. 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	**2020 £'m**	2019 £'m
Benefit obligation at the beginning of the year	**39.7**	37.5
Interest cost	**0.8**	0.8
Remeasurement (gains)/losses:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(5.4)**	1.3
Movement on additional liability recognised due to minimum funding requirement	**(0.6)**	0.2
Past service cost	**–**	0.4
Benefits paid from plan	**(1.1)**	(0.5)
Benefit obligation at the end of the year	**33.4**	39.7

b) Change in plan assets	**2020 £'m**	2019 £'m
Fair value of plan assets at the beginning of the year	**33.2**	29.4
Interest income	**0.8**	0.7
Return on plan assets	**5.9**	1.8
Employer contributions	**1.8**	1.8
Benefits paid from plan	**(1.1)**	(0.5)
Fair value of plan assets at the end of the year	**40.6**	33.2

c) Amounts recognised in the balance sheet	**2020 £'m**	2019 £'m
Present value of funded obligations	**(33.4)**	(39.7)
Fair value of plan assets	**40.6**	33.2
Net asset/(liability) recorded in the balance sheet	**7.2**	(6.5)

27. Pension Schemes continued

Defined benefit pension scheme continued

d) Components of pension cost	2020 £'m	2019 £'m
Amounts recognised in the income statement:		
Interest cost	**0.8**	0.8
Expected return on plan assets	**(0.8)**	(0.7)
Past service cost	**–**	0.4
Total pension cost recognised in the income statement	**–**	0.5
Actual return on assets		
Actual return on plan assets	**6.7**	2.5
Amounts recognised in the Group statement of comprehensive income		
Actuarial gains immediately recognised	**11.9**	0.3
Cumulative amount of actuarial losses recognised	**(0.7)**	(12.6)

The weighted average actuarial assumptions used in the valuation of the scheme were as follows:

e) Principal actuarial assumptions	2020	2019
Discount rate	**2.30%**	2.40%
Rate of price inflation	**2.60%**	3.20%
Revaluation of deferred pensions:		
Benefits accrued prior to 1 January 1998	**5.00%**	5.00%
Benefits accrued after 1 January 1998	**2.60%**	3.20%
Rate of compensation increase:		
Benefits accrued prior to 1 January 1997	**3.00%**	3.00%
Benefits accrued after 1 January 1997	**2.60%**	3.20%

Future expected lifetime of pensioner at age 65:	2020	2019
Current pensioners		
Male	**21.2**	22.7
Female	**23.8**	24.8
Future pensioners		
Male	**22.3**	24.9
Female	**25.1**	27.1

The mortality rates used have been taken from Base tables S2PA (CMI 2017 improvements 1.0 per cent long-term rate of improvement) (2019: S2PA (CMI 2015 improvements 1.5 per cent long-term rate of improvement)).

At 28 March 2020, the average duration of the scheme liabilities was 23 years (2019: 23 years). For deferred pensions the average duration was 26 years (2019: 26 years) and for pensions in payment the average duration was 12 years (2019: 12 years).

The Group's pension scheme asset as measured under IFRIC 14 is £7.2 million (2019: £6.5 million liability) as a result of the Group's commitment to future contributions to the scheme. This compares to an underlying IAS 19 pension scheme asset of £12.0 million (2019: £1.1 million liability).

A 0.1 per cent increase/decrease in the discount rate would give rise to a £646,000 decrease/£661,000 increase (2019: £11,000 decrease/ £12,000 increase) in the surplus at 28 March 2020.

A 0.1 per cent increase/decrease in the inflation assumption would give rise to a £262,000 increase/£260,000 decrease (2019: £nil increase/ £nil decrease) in the surplus at 28 March 2020.

A one year increase/decrease in the life expectancy assumption would give rise to a £1,071,000 increase/£1,100,000 decrease (2019: £nil increase/£nil decrease) in the surplus at 28 March 2020.

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.

Notes to the Accounts continued

27. Pension Schemes continued

Defined benefit pension scheme continued

f) Plan assets	**2020 Fair value of plan assets £'m**	2019 Fair value of plan assets £'m
Return seeking:		
Diversified growth funds	**–**	7.4
Debt instruments:		
Corporate bonds	**5.8**	5.3
Other:		
Cash	**16.3**	0.3
LDI strategies	**18.5**	20.2
Total	**40.6**	33.2

All of the plan assets have a quoted price in an active market except for cash.

The underlying liabilities of the scheme increased by £0.4m during the prior year due to an adjustment to equalise Guaranteed Minimum Pensions (GMP) between males and females. The £0.4m charge was recognised in the income statement in the prior year. The adjustment had no effect on the reported pension liability as the liability reported under IFRIC 14 was significantly higher than the underlying IAS 19 deficit. There has been no adjustment required in the current year.

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 2021 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 £1.0 million (2019: £0.6 million). Contributions during the year totalled £5.8 million (2019: £4.9 million).

28. Additional Cash Flow Information

Analysis of changes in net (debt)/funds:

Group	At 30 March 2019 £'m	Cash flow £'m	Other non-cash changes £'m	**At 28 March 2020 £'m**
Cash and cash equivalents	20.5	1.0	–	**21.5**
Revolving credit	(14.2)	(87.9)	(0.4)	**(102.5)**
Lease liabilities	–	9.4	(75.3)	**(65.9)**
Net funds/(debt)	6.3	(77.5)	(75.7)	**(146.9)**

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 2018 £'m	Cash flow £'m	Other non-cash changes £'m	At 30 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

28. Additional Cash Flow Information continued

Analysis of changes in net (debt)/funds:

Company	At 30 March 2019 £'m	Cash flow £'m	Other non-cash changes £'m	**At 28 March 2020 £'m**
Cash and cash equivalents	–	3.1	–	**3.1**
Overdraft	(5.4)	5.4	–	**–**
	(5.4)	8.5	–	**3.1**
Revolving credit	(14.2)	(87.9)	(0.4)	**(102.5)**
Lease liability	–	0.1	(0.8)	**(0.7)**
Net debt	(19.6)	(79.3)	(1.2)	**(100.1)**

Company	At 31 March 2018 £'m	Cash flow £'m	Other non-cash changes £'m	At 30 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)

29. 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 £103.0 million as at 28 March 2020 (2019: £15.0 million).

During the prior 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 28 March 2020 of €2.0 million (2019: €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 (2019: £nil).

30. Commitments

(a) The Directors have contracted for future capital expenditure for property, plant and equipment totalling £14.2 million (2019: £47.5 million).

(b) The Group's lease arrangements mainly consist of agricultural properties. From 31 March 2019 the Group adopted IFRS 16 but has not restated comparatives for the year to 30 March 2019, as permitted under the specific transitional provisions in the standard. On adoption of IFRS 16 the Group has recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principals of IAS 17, see Note 13. The future minimum rentals payable under non-cancellable operating leases that do not meet the criteria for IFRS 16 (e.g. low value leases) are as follows:

Group	**2020 £'m**	2019 £'m
Not later than one year	**1.0**	7.8
After one year but not more than five years	**1.4**	22.1
After five years	**–**	15.9
	2.4	45.8

Company	**2020 £'m**	2019 £'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

Notes to the Accounts continued

31. 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			
2020	29.5	4.5	22.6
2019	22.4	4.7	22.1

Amounts owed by or to subsidiary undertakings are disclosed in Notes 19 and 21. Any such amounts are unsecured and repayable on demand.

Remuneration of key management personnel:

Group	**2020 £'m**	2019 £'m
Short-term employee benefits	**5.8**	4.5
Post-employment benefits	**–**	–
Share-based payments	**2.3**	1.9
	8.1	6.4

32. 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 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 benefit of acquisitions in the current 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 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

	2020 £'m	2019 £'m	Change
Revenue	**1,667.2**	1,437.1	+16.0%
Katsouris	**(42.4)**		
Packington Pork and White Rose Farms	**(1.0)**		
Like-for-like revenue	**1,623.8**	1,437.1	+13.0%

Adjusted gross profit

	2020 £'m	2019 £'m	Change
Gross profit	**226.7**	183.7	+23.4%
Net IAS 41 valuation movement	**(5.4)**	2.8	
Adjusted gross profit	**221.3**	186.5	+18.7%

Adjusted Group operating profit and adjusted EBITDA

	2020 £'m	2019 £'m	Change
Group operating profit	**106.8**	86.8	+23.0%
Net IAS 41 valuation movement	**(5.4)**	2.8	
Amortisation of intangible assets	**3.7**	2.7	
Adjusted Group operating profit	**105.1**	92.3	+13.9%
Depreciation of property, plant and equipment	**42.0**	28.9	
Depreciation of right-of-use assets	**8.2**	–	
Adjusted EBITDA	**155.3**	121.2	+28.1%

32. Alternative Performance Measures continued

Adjusted profit before tax

	2020 £'m	2019 £'m	Change
Profit before tax	**104.0**	86.5	+20.2%
Net IAS 41 valuation movement	**(5.4)**	2.8	
Amortisation of intangible assets	**3.7**	2.7	
Adjusted profit before tax	**102.3**	92.0	+11.2%

Adjusted earnings per share

	2020 £'m	2020 Basic pence	2020 Diluted pence	2019 £'m	2019 Basic pence	2019 Diluted pence
On profit for the year	**82.7**	**159.1**	**158.6**	69.6	135.5	134.9
Amortisation of intangible assets	**3.7**	**7.2**	**7.2**	2.7	5.4	5.4
Tax on amortisation of intangible assets	**(0.7)**	**(1.4)**	**(1.4)**	(0.5)	(1.0)	(1.0)
Net IAS 41 valuation movement	**(5.4)**	**(10.5)**	**(10.5)**	2.8	5.4	5.4
Tax on net IAS 41 valuation movement	**1.0**	**2.0**	**2.0**	(0.5)	(1.0)	(1.0)
On adjusted profit for the year	**81.3**	**156.4**	**155.9**	74.1	144.3	143.7

Free cash flow

	2020 £'m	2019 £'m	Change
Net cash from operating activities	**117.0**	87.7	+33.4%
Net interest paid	**(1.2)**	(0.4)	
Free cash flow	**115.8**	87.3	+32.6%

Five Year Statement

	2020 £'m	2019 £'m	2018 £'m	2017 £'m	2016 £'m
Revenue^	**1,667.2**	1,437.1	1,464.5	1,245.1	1,016.3
Profit before tax^	**104.0**	86.5	88.0	77.5	62.1
Adjusted profit before tax*^	**102.3**	92.0	92.4	75.5	64.4
Earnings per share^	**159.1p**	135.5p	137.8p	124.2p	98.9p
Adjusted earnings per share*^	**156.4p**	144.3p	145.0p	120.9p	102.8p
Dividends per share	**60.4p**	55.9p	53.7p	44.1p	37.5p
Capital expenditure	**97.5**	83.5	59.2	48.6	34.1
Net (debt)/funds	**(146.9)**	6.3	20.6	(11.0)	17.8
Net assets	**614.5**	534.9	479.9	421.4	368.0

* Adjusted profit before tax and earnings per share exclude the effects of net IAS 41 valuation movement and acquisition related amortisation in 2020, 2019, 2018 and 2017 and the effects of net IAS 41 valuation movement, acquisition related amortisation and impairment of goodwill in 2016. 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 28 to the accounts.

Financial Calendar

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

Shareholder Analysis at 5 June 2020

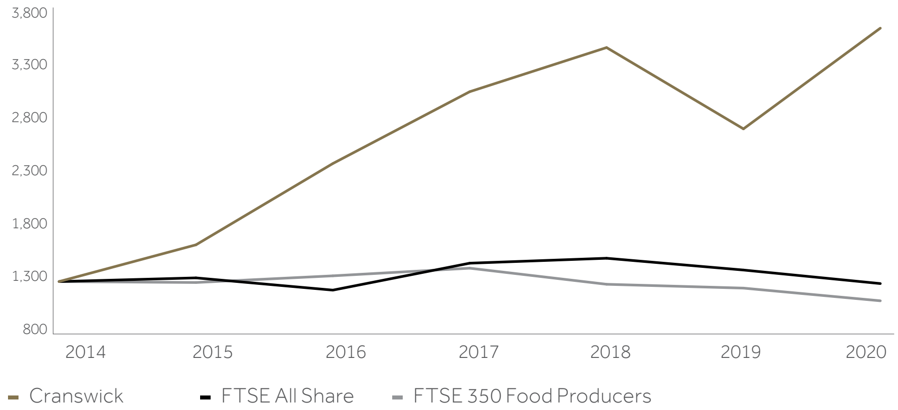
	Number of holdings	Number of shares
Classification		
Private Shareholders	1,242	4,123,915
Corporate bodies and nominees	755	48,164,526
	1,997	52,288,441

Size of holding (shares)		
1–1,000	1,179	404,500
1,001–5,000	417	964,307
5,001–10,000	108	764,864
10,001–50,000	150	3,636,854
50,001–100,000	49	3,507,890
Above 100,000	94	43,010,026
	1,997	52,288,441

Share price	
Share price at 30 March 2019	2,722p
Share price at 28 March 2020	3,478p
High in the year	4,000p
Low in the year	2,488p

SHARE PRICE MOVEMENT

Cranswick's share price movement over the six year period to May 2020 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 4 June 2014 (1,263p), is shown below:



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Tax advisers	KPMG – Leeds
Solicitors	Rollits LLP – Hull Eversheds Sutherland (International) LLP – Leeds
Bankers	Lloyds Banking Group plc The Royal Bank of Scotland plc HSBC Bank plc Santander UK plc
Merchant bankers	N M Rothschild & Sons – Leeds

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