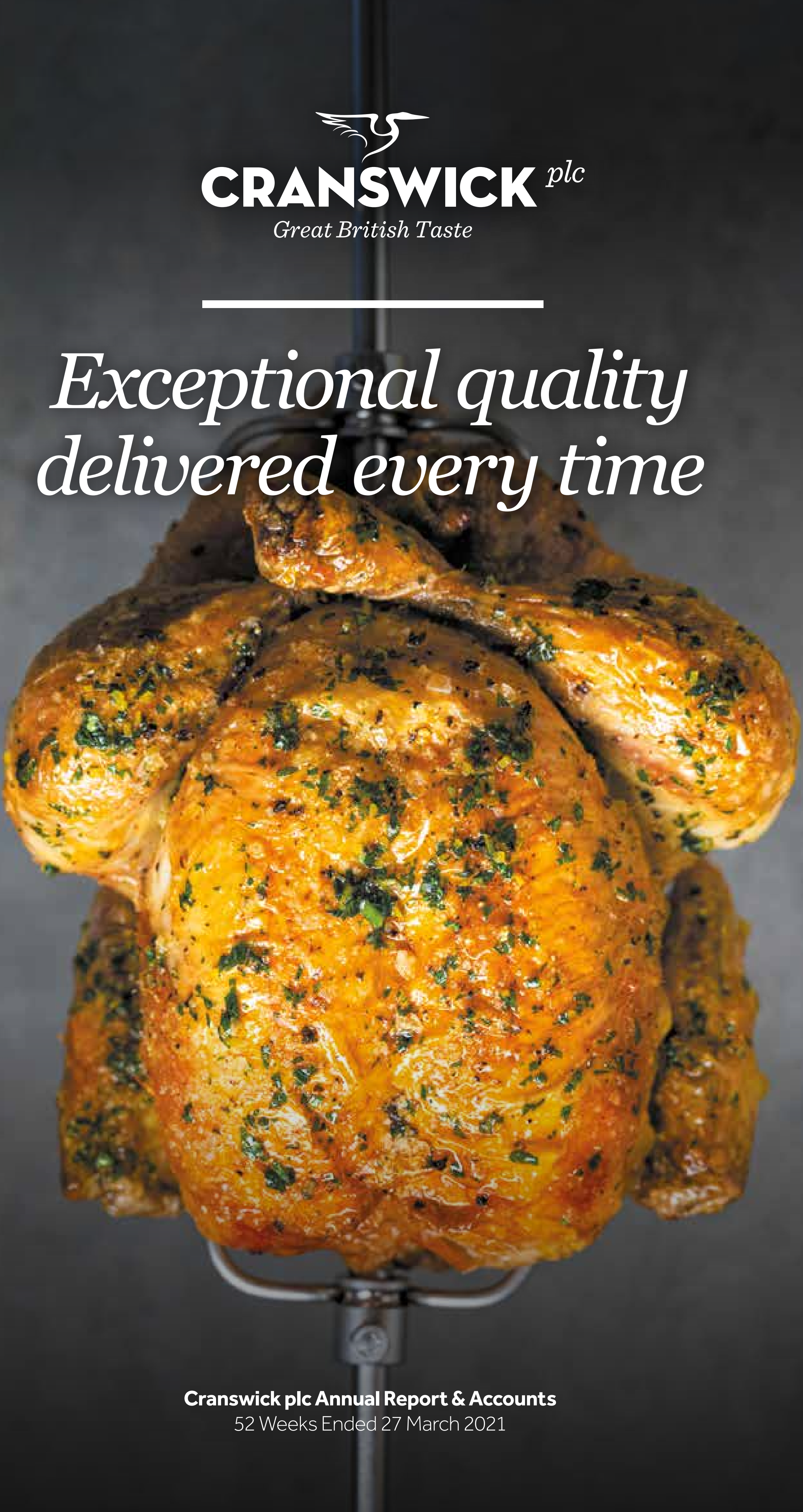
CRANSWICK plc

Great British Taste

Exceptional quality delivered every time



Cranswick plc Annual Report & Accounts

52 Weeks Ended 27 March 2021

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 customers with assurance over the integrity and traceability of our high quality, UK farm-assured pigs and chickens.

We farm

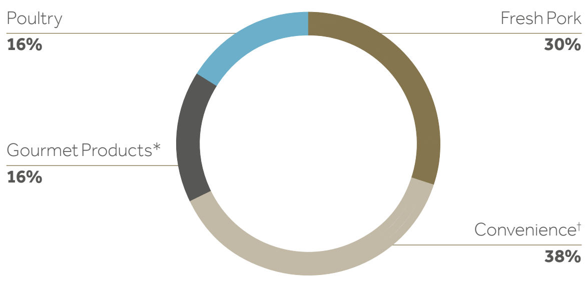
We have significant control over our pork supply chain through ownership of our pig breeding and rearing activities. Our fresh chicken operation is fully integrated including feed mills, hatchery and broiler farms.

A further £12.7 million was invested during the year in our agricultural operations as we continue to strengthen our position as a higher welfare pork and poultry supplier and reinforce our vertically integrated structure. Expansion of our farming activities also maintains our self-sufficiency in UK pigs at over 30 per cent and 100 per cent of the chickens processed at our Fresh Poultry facility in Eye, Suffolk, come from our own farms.

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.

Revenue by Product Category
% of Group revenue

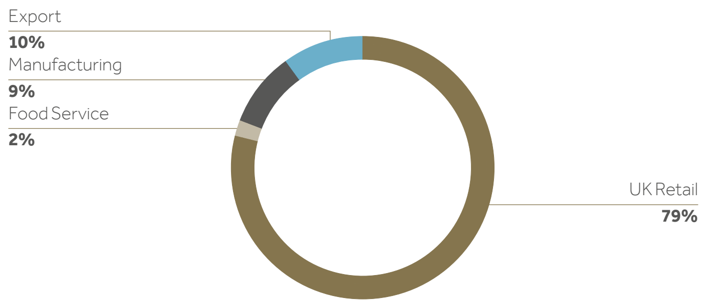


† Cooked Meats, Continental Products and Ingredients.
* Pastry, Sausage, Bacon and Gammon.

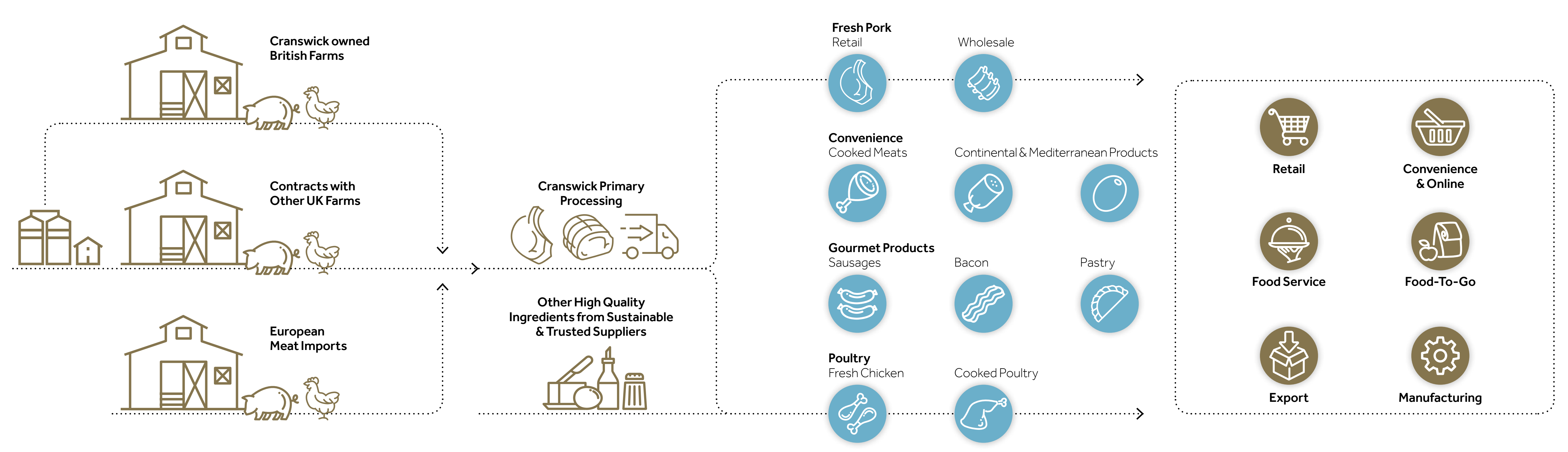
We supply

We supply 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 substantial export business.

Revenue by Customer Type
% of Group revenue



Our supply chain model



About Us

Cranswick is a leading UK food producer with revenue approaching £1.9 billion. We produce and supply premium food to UK grocery retailers, the food service sector and other UK and global food producers.

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Highlights

A resilient and sustainable business model

Like-for-like revenue*
£'m
£1,869.5m +12.1%

	£'m
2021	1,869.5
2020	1,667.2
2019	1,437.1

Adjusted profit before tax†
£'m
£129.7m +26.8%

	£'m
2021	129.7
2020	102.3
2019	92.0

Adjusted earnings per share†
p
199.3p +27.4%

	p
2021	199.3
2020	156.4
2019	144.3

Dividend per share
p
70.0p +15.9%

	p
2021	70.0
2020	60.4
2019	55.9

Free cash flow†
£'m
£180.9m +£65.1m

	£'m
2021	180.9
2020	115.8
2019	87.3

Net (debt)/funds◊
£'m
-£92.4m +£54.5m

	Total	IFRS 16 Leases	Underlying
2021	(92.4)	(71.6)	(20.8)
2020	(146.9)	(65.9)	(81.0)
2019			6.3

Revenue
£1,898.4m
(FY20: £1,667.2m)

Profit before tax
£114.8m
(FY20: £104.0m)

Earnings per share
176.4p
(FY20: 159.1p)

Capital expenditure
£71.9m

Growth in Fresh Poultry sales
+138.9%

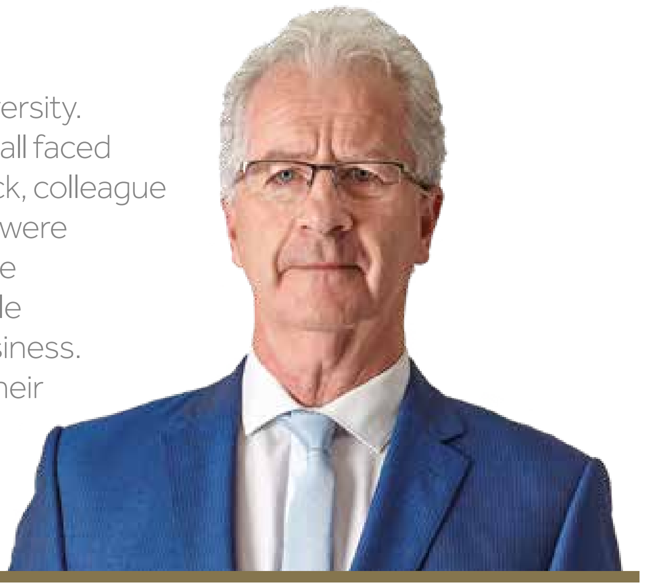
Reduction in relative carbon footprint
-18.2%

* References to like-for-like throughout the Annual Report & Accounts exclude the current year contribution from prior year acquisitions prior to the anniversary of their purchase.
† Adjusted and like-for-like references throughout the Annual 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 recognition of IFRS 16 Leases in 2021 and 2020. The 2019 comparative has not been restated.

Chairman's Statement

Resolute performance delivers record results

Personal character comes to the fore at times of adversity. It was especially the case during this period when we all faced the challenges brought on by COVID-19. At Cranswick, colleague safety and wellbeing are a priority. Working practices were adapted, challenges were met and the business came through to deliver a record set of results. A remarkable performance from everyone associated with the business. On behalf of the Board I thank all our colleagues for their tremendous contribution.



Results
Total revenue for the year of £1.9 billion represented an increase of 13.9 per cent. Adjusting for acquisitions made during the previous year, but included for the full year this time, revenue on a like-for-like basis was 12.1 per cent higher. All product categories performed well and recorded growth in volumes.

Adjusted profit before tax was £129.7 million, an increase of 26.8 per cent. Adjusted earnings per share of 199.3 pence per share were ahead by 27.4 per cent year-on-year.

COVID-19 brought additional costs of working and a change in sales mix. This saw a reduction in sales into food service, on the back of lockdown restrictions, and an increase in sales to food retail. Working closely with customers we were able to optimise service levels to meet this increased demand and the rising prominence of the online channel. Employment levels were maintained and there has been no call on the Government's Coronavirus Job Retention Scheme or other Government-backed assistance.

A colleague "thank you" bonus was paid during the year and this, along with provision made for a further payment, totalled £9.8 million.

It was particularly pleasing to see positive performances from operations in which there has been substantial recent investment, including the Eye poultry facility, convenience foods and continental products.

Progress has also been made in various other areas of the business to provide for future growth. Investments included last month's commissioning of Cranswick Gourmet Kitchen, the cooked bacon facility in Hull; commencement of work on the new site for the supply of breaded poultry products; expansion of farming activities; and further initiatives undertaken as part of the 'Second Nature' sustainability strategy.

Cash flow and financial position
Net debt, including IFRS 16 lease liabilities, at the end of the year fell to £92.4 million (2020: £146.9 million) reflecting the strong operational performance of the Group. Net debt, excluding IFRS 16 lease liabilities, was £20.8 million compared to £81.0 million previously. The Group's unsecured bank facilities, totalling £200 million, provide comfortable headroom for future growth.

Dividend
The Board is proposing a final dividend of 51.3 pence per share, an increase of 17.4 per cent on the 43.7 pence paid previously. Together with the interim dividend of 18.7 pence per share this is a total dividend for the year of 70.0 pence per share. That compares to 60.4 pence per share previously, an increase of 15.9 per cent, and extends the period of consecutive years of dividend growth to 31 years.

The final dividend, if approved by Shareholders, will be paid on 3 September 2021 to Shareholders on the register at the close of business on 23 July 2021. Shares will go ex-dividend on 22 July 2021. Shareholders will again have the option to receive the dividend by way of scrip issue.

Second Nature
Cranswick's Second Nature sustainability strategy reflects the ambition to be the world's most sustainable meat business and is focused on key areas including food waste, plastics usage, greenhouse gases, deforestation, renewable energy, animal welfare and support for local communities.

Amongst the achievements during the year was the carbon neutral certification of many of our sites, remaining sites will be certified over the next few months; retention of the global Business Benchmark on Farm Animal Welfare (BBFAW) Tier One status – backed by Compassion in World Farming and World Animal Protection; and local community support through food donations and laptops for local schoolchildren.

Progress was made in all areas of the Second Nature strategy. Sustainability and community are integral to the Cranswick way of doing business.

Corporate Governance
The Board embraces the UK Corporate Governance Code as part of its culture. A statement relating to compliance with the Code is included within the Corporate Governance Report on page 79.

Culture
Cranswick's activities are decentralised across product categories 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 apprenticeships, development programmes and training courses. Internal promotions to meet the growing needs of the business underlines its value.

The Board is committed to this and recognises that Cranswick's growth and continued success would not be possible without talented and motivated management teams supported by skilled and enthusiastic colleagues at each site.

Board
As announced separately today, I will be standing down as Chairman at this year's AGM and will continue in an advisory capacity until May next year. It has been an absolute pleasure and a privilege to have been part of the development of this fabulous company for over 36 years from its origins as a local farmer-owned feed milling business in East Yorkshire into the FTSE 250 food producer that it is today.

The Board engaged external advisers to assist in the recruitment of a new Chairman. Potential external candidates were identified and considered alongside an internal candidate, Tim Smith. Tim, who has served as an independent Non-Executive Director for the past three years, was the preferred candidate and will take over the role following the AGM.

Liz Barber was recently appointed as an independent Non-Executive Director. Liz, a Chartered Accountant and CEO of Kelda Group plc, provides appropriate cover for NED succession planning on the Audit Committee. Mark Reckitt, current chair of that committee, is into his final three year term.

I wish Tim and Liz every success in their roles and in contributing to the ongoing growth and success of Cranswick.

Outlook
The start to the current year has been particularly positive and the outlook for the Group is very encouraging.

The business has a strong balance sheet and comfortable financial headroom to support plans for growth that include further broadening of the range of products, increasing capacity and maintaining the asset base as the most modern and efficient in the sector. The Board is confident in its strategy and looks forward to the continuation of the successful long-term development of the business.

Martin Davey

Martin Davey
Chairman
18 May 2021

"At times of adversity, spirit and character come to the fore and we have seen this in abundance from all at Cranswick during the year.

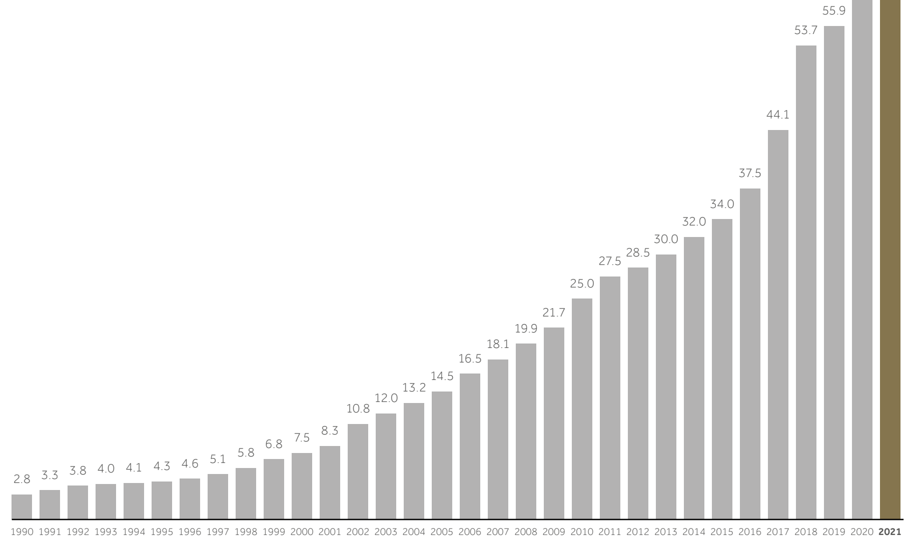
Adjusted profit before tax

+26.8%

31 consecutive years of growth
dividend per share (p)

Full year dividend increase in FY21

+15.9%



Chief Executive's Review

A resilient and sustainable business model

We have delivered strong growth and made further strategic progress in a year of unparalleled challenge and complexity.

We have supported our customers throughout the COVID-19 pandemic by delivering excellent service levels, to ensure full availability of our products both in store and through the fast-growing online channel.

Our outstanding performance would not have been possible without the incredible support of our colleagues across the business and on behalf of the Board I thank them for their continued commitment and dedication. The safety and wellbeing of our colleagues remains our priority. Our thoughts are with the families of those colleagues we lost during the year and with all colleagues and their loved ones affected by COVID-19, who we continue to support in these most difficult times.

The impact of COVID-19 on the business over the past year has been significant and wide reaching. The pandemic has had a meaningful impact on domestic volumes as consumers were forced to switch to greater in-home consumption whilst also causing challenges with exports and having a significant impact on the way we operate and how we work with our colleagues.

In our drive to keep our colleagues safe we rapidly invested in detection and physical protection measures at our sites, in support services to ensure the physical and mental wellbeing of our colleagues and in recognising our colleagues for their relentless efforts in continuing to meet customer demand throughout the pandemic. New systems and processes were introduced across all sites to reduce physical contact between staff including investment in larger site amenity facilities, new staggered shift patterns and additional cleaning and hygiene measures, above and beyond the stringent procedures already in place. We have continued to build on and enhance these measures throughout the year.

Despite this investment and continued focus on employee wellbeing, outbreaks have continued to arise nationwide, including in the communities in which we operate. These localised outbreaks disrupted operations, for short periods, at a small number of our sites. In August, we closed our Ballymena facility for 14 days to protect our colleagues following an outbreak in the local community which affected a small number of our site team. In October, production at our Norfolk primary processing site was briefly curtailed following a further community driven COVID-19 outbreak. We immediately, and voluntarily, suspended the site's China export licence to safeguard export trade for the rest of our business and the wider UK industry. Frustratingly, whilst the necessary technical audits were passed just after the start of the calendar year, we are still awaiting final reapproval. We continue to liaise with and lobby the UK Government to assist with reinstatement.

Importantly, the measures we put in place to protect our employees and our business have been extremely effective and have allowed us to run our business safely and efficiently through periods of extremely challenging and unpredictable demand. Service levels to our customers have been exemplary throughout the pandemic, helping to keep shelves well stocked and the nation fed. Robust trading and our strong financial position have enabled us to operate well within banking covenants and without recourse to any Government assistance throughout the pandemic.

In June 2020, we paid a £500 bonus to each of our site-based colleagues to recognise their key worker status and outstanding contribution during the first phase of the pandemic. To further recognise the resilience and continued commitment of our teams over the last 12 months we announced in March that we will pay a further £400 bonus to all our colleagues at the end of June.

We have also provided ongoing support to frontline NHS staff, the elderly and vulnerable, and charities in our local communities. In March, we donated over 1,100 laptops to school children in East Hull. This gesture ensures that every primary school aged child in East Hull will have access to a laptop at home.

> *Our outstanding performance would not have been possible without the incredible support of our colleagues across the business and I thank them for their continued commitment and dedication.*

After the UK formally left the European Union (EU) on 31 January 2020, our Brexit Taskforce team worked tirelessly throughout the transition period to ensure the business was fully prepared for the new deal, which was finally agreed on 24 December 2020. We worked closely with suppliers and customers to proactively manage supply chain risks and we developed and successfully implemented mitigating action plans to minimise Brexit-related costs and supply chain disruption. We continue to provide support to colleagues in obtaining settled status and we are recruiting more permanent team members.

We have made further progress in strengthening our strategic pillars and delivering our long-term growth strategy. Adjusted profit before tax increased by 26.8 per cent to £129.7 million with reported revenue ahead by 13.9 per cent at £1,898.4 million. Our business model has proved to be extremely resilient and sustainable. We have continued to invest at pace across our operational asset base and into our farming operations. We have also expanded our product range through investment and innovation. We also continue to drive, our 'Second Nature' sustainability strategy. Our Invest, Expand, Sustain philosophy drives our competitive advantage and is highly valued by all our stakeholders.

We spent £71.9 million during the year across our asset base following on from the record £101 million we spent in FY20. Key call outs during the year include the performance of our Eye poultry facility which has performed ahead of expectations during its first full year of operation and where capacity has recently been lifted from 1.1 million towards 1.4 million birds per week. We also recently commissioned our new £20 million Hull cooked bacon facility. This site will initially serve a leading quick service restaurant chain with further retail and food-to-go customers already identified. Work has also recently started on a new £25 million premium breaded poultry facility in Hull. Both retail and food service customers will be targeted when the site is commissioned in FY23. We also continue to invest across our farming operations. We have lifted capacity and capability in poultry to maintain our 100 per cent vertical integration and we continue to invest in our pig farming businesses to add capacity in both premium outdoor and commercial indoor infrastructure. Our self sufficiency in British pig production remains at over 30 per cent of our total requirements.

We continue to set exacting standards in animal welfare and our leadership in this field has again been recognised by us recently retaining our Tier One status in the Business Benchmark on Farm Animal Welfare (BBFAW) for the fifth consecutive year. We were one of only four companies globally to achieve the Tier One standard and the only meat processor to do so. We will continue to invest in technical capability, sustainability initiatives and our farming infrastructure to ensure that we remain at the forefront of animal welfare developments and demonstrate continued industry leadership in this area.

We have made further progress in driving through our Group-wide 'Second Nature' sustainability strategy during the year. We are investing in a range of sustainability initiatives including upgrading to more energy efficient equipment, installing solar panels, self-generating electricity, heat and steam using combined heat and power (CHP) units, and sourcing all the Group's grid electricity from renewable sources. On 18 November, our Milton Keynes site became the first Cranswick facility to be awarded carbon neutral (PAS 2060) certification. Since then eight more Cranswick sites have achieved the same status as we continue to forge ahead with our climate change agenda.

Martin Davey announced his intention to stand down as Chairman at this year's AGM. He will though stay with the business in an advisory capacity until May 2022. Martin joined Cranswick 36 years ago and has been Chairman since 2004. Much of what Cranswick is today in terms of its culture and ethos reflects Martin's character and personality. He has been an inspiration, mentor, wise counsel and friend to me in equal measure and on behalf of all at Cranswick I would like to thank Martin for his invaluable contribution over the last 36 years and to wish him, his wife Linda and their family all the very best for the future.

As I stated in the introduction to my review, it is to the credit of all our colleagues, that we have navigated such choppy waters so successfully and I firmly believe that, as we emerge from what we all hope will be the final nationwide lockdown, Cranswick is a better business and in a stronger position than at the outset of the COVID-19 pandemic.

We have made a very positive start to the new financial year and, whilst there is still a degree of uncertainty about how the future will unfold, I am confident that the strength of our business, which includes its diverse and long-standing customer base, breadth and quality of products and channels, robust financial position and industry-leading infrastructure will support the further development of Cranswick in the current financial year and over the longer term.

Adam Couch
Chief Executive
18 May 2021

Our COVID-19 Response

A comprehensive response to COVID-19

Throughout the pandemic we have prioritised the health, safety and wellbeing of our colleagues while keeping our sites running as efficiently as possible. The measures we took enabled us to help feed the nation, supporting key workers and the most vulnerable in our communities, during these unprecedented times.

Keeping colleagues safe

Our colleagues worked around the clock to ensure we could continue to produce and deliver great food during the pandemic. It is thanks to their selfless and tireless efforts that we helped to keep supermarket shelves stocked and the nation fed.

Their actions have made, and continue to make, a huge difference to society. The Group would like to extend its gratitude and thanks to each and every colleague for their contribution. Quite simply, we could not have done this without them.

The safety of our colleagues has always been of the highest importance. Prior to COVID-19, our sites were typically subject to rigorous cleaning and the compulsory wearing of PPE (Personal Protective Equipment). Since February 2020, we have strengthened these measures and invested in additional equipment to enable social distancing and enhanced hygiene regimes throughout our sites.

These measures included the installation of screens and hand sanitising stations, staggered shift start and end times, the provision of additional PPE including visors, reorganising canteen and locker facilities, reducing the number of visitors allowed on site and enabling colleagues to work from home where they are able to do so. We also introduced 'COVID Marshalls' in each of our sites to ensure colleagues understood the rules and followed correct procedure.

As official guidance changed, we evolved our processes and policies to ensure we not only met, but went above and beyond the requirements recommended by Public Health England and the World Health Organisation. We have maintained social distancing guidelines of 2 metres throughout this period and continue to do so.

Where possible, we have removed face-to-face working on production lines and the wearing of face masks is compulsory across most communal areas, including office spaces. We have stopped travel between sites and replaced on-site audits with remote auditing. Rota systems have been introduced for our site management teams enabling them to form 'bubbles', keeping contact to a minimum.

To keep the business running efficiently, Board and site directors participate in daily management calls to review progress. All colleagues across the Group are kept up to date with developments through multilingual communication channels. These include on-site signage and canteen screens as well as regular briefings.

To date we have spent £18.6m on implementing additional COVID-19 related safety measures and this includes a £500 bonus for each of our site-based colleagues in recognition of their outstanding contribution, along with a provision for a further payment of £400 to be made to all colleagues.

We continue to support our colleagues during these difficult times, and our thoughts are with the families of those colleagues we lost during the year.

Implementation costs to ensure safer ways of working and colleague bonuses

£18.6m

Feeding the nation

New product launches through COVID-19

539

There has been unprecedented demand for the ongoing supply of food in the retail environment with record sales in the industry. The resilience and commitment of our teams, coupled with our underlying site contingency plans, meant we were able to keep all of our retail customer supply channels open. To meet spikes in demand at some of our factories, we also redeployed colleagues to different sites in a COVID-secure way and introduced weekend shift working. Our service levels have remained exceptional, despite a temporary shutdown at our Ballymena plant and reduced capacity at our Norfolk site due to COVID-19 community outbreaks.

Our Account Managers worked closely with our retail customers to support their requirements and to ensure we could react swiftly to urgent requests for increased volumes.

These working relationships, which have been built over a number of years, were an important part of managing these spikes in demand and planning production schedules as efficiently as possible.

Alongside this, we were still able to innovate and develop new products across the business, and as consumers switched to in-home eating, our development teams worked tirelessly to ensure we could cater for inspirational food choices to prepare in the home. This has included the development of a new "Slow Cook" range; added-value pork products suitable for the warm barbecue weather; a "Gourmet Deli" range of anti-pasti products and the introduction of snacking products in our Bodega brand.

We have been able to deliver 539 new product launches whilst meeting the additional demand for existing retail lines.

"Colleague safety and wellbeing are priorities as new safer ways of working have evolved. We continue to support our customers by delivering exceptional service levels and we stepped up our community efforts during the pandemic.

Supporting communities

All of our sites are major employers in the communities in which they operate, and we believe we have a responsibility to provide assistance to those in need.

Throughout this crisis, our sites have continued to support local charities and organisations with funding and food donations. Through our partnership with food charity FareShare we donated more than 229,000 meals to UK communities in 2020/21. The food we shared has been put to good use by over 2,000 organisations through FareShare's network of charities and community groups.

We supplied 800 sandwiches a day for three months to NHS workers at two hospitals in Hull and provided food donations to ambulance trusts and nursing homes across the city. We donated PPE to local care homes from our Valley Park cooked meats site and worked with Hull City Council to deliver 840 meat hampers to people who were shielding or vulnerable.

We were also able to scale up our food redistribution efforts with the help of the FareShare 'Surplus with Purpose' fund. We used this funding to develop a solution to recover premium sausage meat leftover at the end of the production run, so it could be incorporated into new product rather than sent for anaerobic digestion.

We have always been involved in food donations as a responsible food producer, but we wanted to broaden our support and address other community issues that were heightened by the pandemic. As part of this effort, we donated more than 1,100 laptops to East Hull schools to ensure home learning could continue during lockdown restrictions.

Find out more about our community work on page 47.

Meals donated to FareShare during the year

229,000

Delivering our sustainability strategy

Our cooked meats facility in Milton Keynes became the Group's first carbon neutral site, marking a key milestone in our net zero journey. We believe we are the first UK cooked meats manufacturer to achieve this landmark.

Since 2017, the site has more than halved carbon emissions to 4,686 tonnes through a combination of production efficiency, on-site energy generation using combined heat and power (CHP), and switching to 100 per cent renewable grid electricity. Any remaining carbon is offset by investing in carbon reduction and removal projects, which have been independently verified and validated.

In November 2020, the site was awarded carbon neutral certification (PAS 2060) in recognition of its efforts. The work undertaken at Milton Keynes, led by site director Sam Pearl, will now act as a template for our other sites as they work towards achieving carbon neutrality as a first key milestone in their net zero journey.

Going forward, the team at Milton Keynes has set even more ambitious targets, both to reduce emissions further and to improve the living standards of the local community as part of an integrated approach to sustainability, which very much reflects the spirit of our Second Nature strategy.

In February 2021, the team launched a project to tackle the site's indirect supply chain Scope 3 emissions, which forms an essential part of the Group's Science-Based Target (SBT) and net zero commitment. The site is also targeting a 50 per cent reduction in edible food waste, having already achieved a 20 per cent reduction since 2018.

The team's community engagement work is also game-changing with a focus on tackling the root causes of local food poverty. This year the site partnered with a homeless charity to offer gainful employment to the vulnerable and long-term unemployed. To date, three people have now been recruited into permanent positions through the charity and work is ongoing to increase this number further.

The team continues to provide weekly donations of food products, regular financial donations and volunteering hours at food banks, local food poverty charities and holiday hunger clubs for children. Since the pandemic, this support has been extended to a wider cross-section of people through initiatives like Kids Can Cook, which offers free packed lunches to school children during lockdown and weekly food hampers with cooking guides to help make meals go further.

Long-term growth strategy

1 Consolidation

Strategic pillars

Sustainability

Read more: *Our business model, see page 14*

We are excited to lead the way with carbon neutral sites. Getting our employees involved from the start has really helped drive a huge change within our business.

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Furthering our vertical integration

For the first time, we can now offer a true end-to-end food service solution with the opening of Cranswick Gourmet Kitchen, our new £20 million cooked bacon facility in Hull.

Cranswick Gourmet Kitchen completes the vertical integration of our pork business and allows the Group to build on the out-of-home and business-to-business opportunity for cooked bacon. By doing this in-house, we can offer customers more visibility with a shorter supply chain and drive further efficiencies.

As part of our commitment to invest in and develop new talent, the management team has been created through a series of internal promotions and career development opportunities. The new management team is equipped with the necessary skills to uphold the exceptional standards expected from a Cranswick site and includes previous graduates and managers from other sites in the business.

The site started production in April 2021 and will initially supply cooked bacon products to a leading quick service restaurant chain, building on the strategic partnership we already have with the customer. Our British outdoor bred pork is already supplied to the restaurant operator and has been integral to the supply chain for many years.

Our 'Second Nature' work combined with the customer's strong history of sustainability leadership will result in partnership synergies that will enable us to create further value to customers as we look to strengthen our presence in the food service sector.

We have implemented a number of sustainability initiatives already as part of the build, including an upgrade of the refrigeration system at our existing Gourmet Sausage site. This removes further F-Gas emissions and will help to reduce our carbon footprint, targeting carbon neutral certification by the end of 2021.

We have invested in the latest, most efficient cooking technology in Gourmet Kitchen. The facility, which features two production lines incorporating microwave and convection cooking, will also give us the capability to expand our cooked offering into new product areas that will enable us to further grow our product ranges.

Long-term growth strategy

1 Consolidation

Strategic pillars

Operating Excellence

High Quality Products

Sustainability

Read more: *Our business model, see page 14*

"The new management team is equipped with the necessary skills to uphold the exceptional standards expected from a Cranswick site and includes previous graduates and managers from other sites in the business.

Strategy in Action continued

Expanding our Poultry business

Our fresh chicken business is fully vertically integrated, with complete control of the milling, breeding, hatching and rearing stages managed through the Crown farming business.

We are excited to announce that work has started on a new £25 million premium breaded poultry facility in Hull. The site is expected to be commissioned in FY23. The facility will allow us to expand our offering of premium poultry products and will serve both retail and food service customers.

In our first full year of operation, and ahead of schedule, we have expanded fresh poultry processing at our state-of-the-art £78 million facility in Eye, Suffolk, increasing production from 1.1 million towards 1.4 million birds per week. This increase in production has been seamless, reflecting the high level of built-in automation and efficiency at Eye, which can process up to 15,000 birds an hour.

This additional volume has been created to meet the growing requirements of the site's anchor customer. Due to our commitment to delivering consistently high quality products and achieving unparalleled service levels, we have also increased the retailer's share of sales into this category.

As well as supplying whole chickens and portions into retail packs, the Eye team has developed a number of new products to further meet retail demand. This includes the development of convenient roast in the bag chickens, as well as added-value marinated ranges for the barbecue season.

Our commitment to progressive animal welfare and sustainability is demonstrated by the introduction of 'NestBorn' hatching at all of our poultry farms. We have led the industry and adopted on-farm hatching for all of our chicks following two years of successful trials. This system offers clear health and welfare benefits, and also leads to a reduction in the use of antibiotics.

As part of our net zero ambition, Eye will also host the Group's first major solar project as we look to increase the proportion of energy from renewable sources and become more self-sufficient in energy generation. For further details see page 28.

Long-term growth strategy

2 Diversification

Strategic pillars

Operating Excellence

High Quality Products

Sustainability

Read more: *Our business model, see page 14*

"Building on the consumer demand for convenient and inspiring meal solutions, the site has developed a wide range of new products, including roast in the bag formats and marinaded portions to provide simple dishes at home.

Business Model

Our purpose is to feed the nation with authentically made, sustainably produced food that is created with passion. Through our business model, we bring this purpose to life enabling us to make a positive impact in society and create value for our stakeholders.

Our resources

People

Colleagues

>12,600

It's our people who make Cranswick successful. Their passion, expertise and dedication helps to differentiate our offering. We have experienced and talented operational management teams supported by a highly skilled and committed workforce.

Natural Resources

Increase in size of pig herd

+10%

Increase in size of chicken flock

+5%

We have invested a further £12.7 million in our agricultural supply chain to increase herd and flock sizes, support the future growth of the business and improve animal welfare to further cement our 'Tier One' status in the global Business Benchmark on Farm Animal Welfare.

Operating Network

Production facilities

16

The Group's production facilities are some of the most efficient in the UK food sector. We continue to ramp up investment to increase capacity, add new capabilities and drive ever greater operating efficiencies.

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 our high quality products. Our aim is to preserve 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. This ensures we can continue to deliver great value, high quality food to our customers from some of the most efficient and well-invested food production facilities in the UK.

Innovation

Our specialist, dedicated teams research consumer trends and food innovation opportunities to help develop new recipes and culinary ideas. We pride ourselves on delivering creative food concepts that are both healthy and convenient for today's consumer.

People

We know it's our passionate and dedicated colleagues who drive our business. Our supportive and enterprising culture helps them develop and thrive while ensuring 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. Food provenance is a key priority and we care greatly about supply chain transparency and where ingredients come from. This is reflected by our vertically integrated processing facilities.

Operating Excellence

Ongoing capital investment delivers class-leading, highly efficient production facilities which helps us deliver our strategy and purpose. 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 world's most sustainable meat business. As an industry leader, we embrace many opportunities to make a difference and business decisions are made with a clear focus on our commitment to both environmental and social responsibility.

We have launched many projects under our Second Nature sustainability strategy and have made meaningful progress against our objectives.

Read more *on pages 24 to 34*

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

We continue to expand our product range by diversifying and innovating. This enables us 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 build on our established export business, maximising the value of our products.

The value we create for stakeholders

Our people

Training courses completed on Cranswick Core

33,500 — Training, Development, Mentoring

Customers and consumers

New product launches

539 — Quality, Provenance, Choice

Producers and suppliers

Supplier audits

241 — Assurance, Traceability, Compliance

Shareholders

Years of dividend growth

31 — Dividend Growth, EPS Accretion, Value Creation

Communities

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

66% — Support, Engagement, Employment

NGOs

Reduction in edible food waste since 2017

61% — Policy Shaping, Awareness, Commitment

Our Markets

Macro trends

The disruption from the COVID-19 pandemic has been wide reaching with retail sales, the food service industry and export sales impacted.

Shifting spend

In the UK, COVID-19 led to a surge in retail demand, primarily due to the growth of in-home eating brought about by lockdown restrictions. The total grocery market has grown by 11.5 per cent in the 52 weeks to March 2021*. High levels of investment in previous years to build greater flexibility into our sites and operations meant we were able to consistently respond to spikes in demand driven by the pandemic. As a result, retail sales grew and in the current year account for 79 per cent of Group revenue, enabling us to further consolidate our market position.

The main beneficiaries of the growth in retail spend have been those retailers with a strong online offering and a broad product portfolio. After many years of continuous market share gains, the discount retailers have stalled in the pandemic with no large-scale online presence coupled with a limited product offer in stores. The top 4 retailers have outperformed the market and the significant capacity added to the online business model has been the primary driver of growth. As the Ocado partnership with Marks and Spencer began, we benefitted from the increased volumes required to meet the higher demand.

Volume growth in retail this year helped offset reduced demand in our food service category, a market which remains heavily impacted by lockdown restrictions. Food service sales experienced a significant drop and while they now only account for a small proportion (2 per cent) of Group revenue, we are working closely with customers as demand normalises. We are also targeting and investing in the more resilient areas of food service such as the quick service restaurant (QSR) sector.

A global perspective

COVID-19

While the impact of COVID-19 has challenged the global pork market, as plant closures and transport delays have disrupted key trade routes, we have managed to continue to perform strongly both at home and abroad.

Despite the temporary self-suspension of the Group's China export licenses at our Ballymena and Norfolk pork processing facilities, we were able to increase export volumes by 7.8 per cent year-on-year. This was achieved through a combination of capitalising on existing markets such as Japan and diversifying into new markets including Korea, the Philippines and South African countries such as Angola and Liberia.

We expect to shortly begin exporting to Mexico, which offers another market for our 'fifth quarter' products. We have also opened up new poultry export markets to the Caribbean and the Philippines.

This diversification strategy has enabled us to distribute product away from our main pork export market, China, which has been subject to disruption during this pandemic. We are now in a strong position to capitalise on both existing and new markets as we look to build greater resilience into our export portfolio going forward.

African Swine Fever

The Far East continues to be heavily reliant on pork imports due to the ongoing effects of African Swine Fever (ASF). We anticipate demand from this area to continue, especially while China faces continuing challenges with restocking which has been impacted by new ASF variants. The ongoing demand for fifth quarter products, as well as prime cuts, continues to support the efficient carcass balance of the pigs we process.

Our dedicated Shanghai office provides us with an excellent base from which to develop and build on customer relations in the region. This, combined with continued investment at our primary processing facilities, provides the necessary capacity to meet demand requirements.

With the threat of ASF still remaining in Europe, an outbreak in the wild boar population in Germany and the subsequent export ban has resulted in an oversupply of pig meat in the EU. As a result, pig prices have been subdued, albeit they have started to strengthen since the year end.

Brexit

In 2019 we set up a dedicated Brexit taskforce and appointed a broker to help facilitate planning and operations, which included EU trading trials ahead of the UK exiting the bloc.

Following our extensive preparation, the transition to the new trading arrangements has been relatively smooth for the Group, although the burden of increased paperwork, relating to both imports and exports, adds a degree of manageable complexity to our key supply chains. Whilst the volumes are very low, products have continued to flow into our customers in Northern Ireland.

We remain optimistic over future EU export opportunities despite short-term post-Brexit logistical challenges, which mainly relate to import risk. We are confident the level of preparation will serve us well as we look to take advantage of future trade deals.

* Source: Kantar Worldpanel data 52 weeks ended 21 March 2021

With the surging demand for food through the retail channel and our commitment to feeding the nation, the resilience of the business has been tested at every stage from farm-to-fork.

Consumer trends

With a significant shift to eating in-home, consumers' relationship with shopping and preparing meals has changed markedly since the start of the pandemic.

Shopping for food
Over the past 12 months there has been a seismic shift in consumer eating habits with more meals prepared at home. This led to record sales of food and drink in the retail grocery channel. As a significant proportion of Group sales stem from the retail grocery channel, we have benefitted from this increased demand.

As the pandemic took hold, there was an immediate and unprecedented change to consumers' shopping behaviours. As the media reported food shortages, product range and availability came into sharp focus. Large format retailers were quick to respond and utilised their online platforms, saving shoppers from leaving their homes during lockdown restrictions.

As the year progressed, significant investment in infrastructure almost doubled the share of online grocery sales from 7.6 per cent to 12.7 per cent*. As COVID-19 restrictions ease, these online food shopping habits are likely to remain.

Digital spend has also increased in direct-to-consumer food models such as recipe box services, which have seen significant growth. We have developed a broader range of products including pork, sausage and charcuterie meats to fulfil consumer demand for variety in menu planning when using these services.

While the food service and out-of-home sectors have been impacted by the pandemic, either with total closures or a shift to takeaway or delivery-only models, consumers are still keen to take advantage of these services where possible. The 'Eat Out to Help Out' scheme in Summer 2020 boosted sales across the industry and demonstrated pent-up demand for eating out, although restrictions since November have stalled that momentum.

Affordable, everyday treats served up by the quick service restaurant operators have also proved popular with consumers, who have shown confidence in the safety measures these outlets have taken. Sales in this channel recovered almost immediately in Spring 2020 and continue to perform at levels close to those achieved before the disruption.

Changing food choices
Consumers have reverted back to scratch cooking, creating high demand for both staple foods and premium products; two areas well served by the Group. This has led to increased popularity of certain meal choices such as cooked breakfasts and roast dinners, both of which represented key growth occasions during the past 12 months.

We continue to focus on four key consumer trends: premium products, convenient solutions, healthy eating and sustainability. Addressing these areas will help underpin our future growth by ensuring our products remain relevant and differentiated.

Premium products
Our premium categories were one of the success stories this year as consumers sought out more indulgent eating experiences in the home and were prepared to pay more for quality. Our premium sausage and bacon ranges with retail own label accounted for much of this growth, further fuelled by the significant uptick in cooked breakfasts and a very strong barbecue season.

We developed a premium category for our added-value ranges which is an area where we expect to see future growth as consumers look to buy into luxury convenience options to replace or supplement the eating out experience.

The Christmas trading period saw record growth for our pork joints and chicken crown joints due to restrictions on household mixing during the festive period. Our premium retail own label pastry also achieved a record performance as shoppers looked for small treats at home.

Convenience
With more time spent at home, consumers have sought out more interesting meal choices that are easy to prepare as they seek to balance home working and schooling with feeding the family. As a result, we have seen increasing demand for convenient products that are not only nutritious and taste good, but deliver an element of creativity and inspiration on the plate whilst offering reliable quality and ease.

Our marinated meats and 'ready to cook' products have both performed very well, offering an easy and convenient solution for consumers looking to create interesting meals. We have also maintained strong growth in our 'slow cook' and 'sous vide' products.

These enable simple restaurant or gastro style experiences to be recreated at home with minimal preparation in the kitchen. The slow cook category remains one of the fastest growing categories we operate in.

This year we launched a new slow cook pork range and expanded our sous vide technology into premium categories including ready meals with two of our key retail customers. Going forward, we are well-placed to capitalise on this trend as customers look to drive further premiumisation within these convenient solutions.

Balanced diets
At the start of the pandemic, many consumers sacrificed healthy eating in favour of treating themselves and eating more indulgently. As the measures have continued, consumers have put healthy eating back on their list of priorities.

The impact of COVID-19 has seen a rise in concern about general health and wellbeing. Many consumers are taking the time to educate themselves more about nutrition and the benefits of a balanced diet. This has led to consumers returning to scratch cooking and is reflected by sales of fresh meat and joints, which have risen sharply during the pandemic.

Health concerns around highly processed meat have seen some consumers trade up to premium categories for both fresh and cooked meat products. Our fresh pork and fresh chicken categories both grew this year, again indicating a consumer preference for healthier protein.

We continue to look for ways to expand our range of products that appeal to health-conscious consumers. We have developed nitrate-free alternatives in bacon and added-value ranges containing sauces and marinades with reduced levels of salt and sugar.

As lockdown restrictions ease, we expect dietary concerns to return to the fore. 42 per cent of consumers have said they intend to eat more healthily and exercise more when lockdown ends, and 86 per cent of consumers are looking to focus on at least one change to eating habits#.

With this in mind, it is imperative that the industry continues to promote the nutritional benefits of naturally sourced meat as part of a healthy, balanced diet. We actively support the Agriculture and Horticulture Development Board (AHDB) Eat Balanced industry campaign, which provides clear and simple guidance for consumers to enjoy meat as part of a healthy lifestyle.

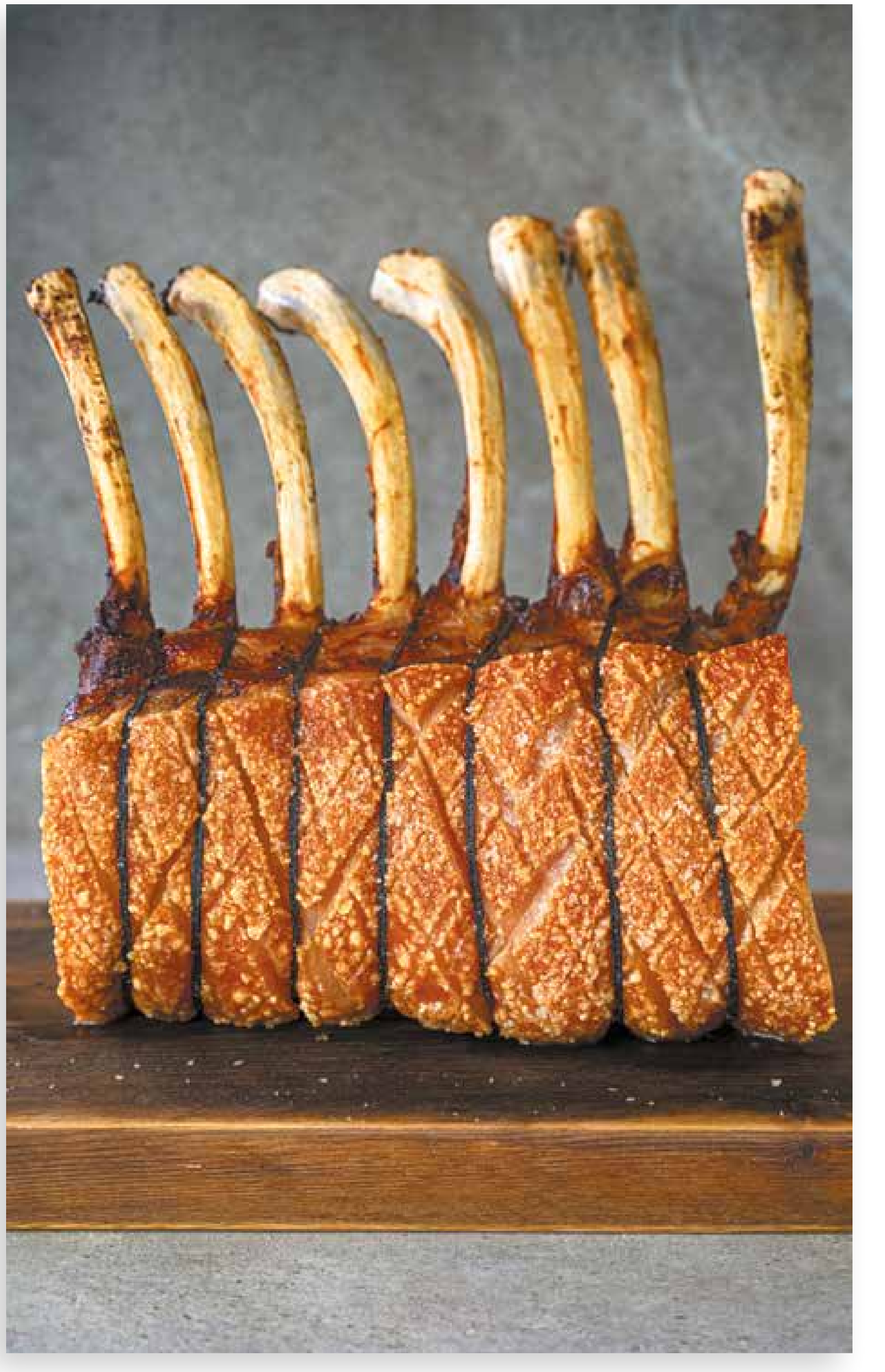
Sustainability
Changing food waste behaviours as a result of lockdown resulted in better household food management as consumers gave greater consideration to food waste, availability and cost. Meanwhile the closing of in-store counters led to an upswing in pre-packed food sales and single-use plastics. While this trend may be temporary, it underlines the need for more sustainable packaging solutions going forward.

As a food producer, we have a key role to play in educating people about where our products come from and how they are made so they can make informed purchasing decisions. Packaging plays an essential part in communicating sustainability to the consumer, and we are working with customers to optimise and refine messaging in this respect as part of our Second Nature work.

This year we invested in new on-pack redesigns for some of our premium ranges to better reflect our values around traditional farming and production methods. Going forward, we will be exploring how to optimise our messaging for e-commerce as online food sales continue to grow.

We are actively working to reduce or remove plastic from our packaging where possible and where it doesn't compromise the quality or freshness of our products. Fresh meat presents one of our most challenging categories in this respect, but we have successfully introduced paper-based packaging alternatives for some of our uncooked product lines this year and plan to scale up this work.

As the climate impacts of meat continue to be scrutinised, we are taking an industry-leading position to address and mitigate the effects of our business and supply chain on the environment.



We are also working with strategic partners to create positive change on a wider level. This includes promoting best practice in regenerative farming and supporting initiatives such as WWF Livewell Plate.

Total grocery market growth*

+11.5%

Consumers intending to eat more healthily#

42%

* Source: Kantar Worldpanel data 52 weeks ended 21 March 2021
\# Source: IGD March 2021

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

2 Diversification

3 International

Our strategic pillars

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

Operating Excellence

High Quality Products

Sustainability

Read more: *Our business model, see page 14*

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*

Long-term growth strategy	Performance during the year	Future opportunities
Consolidation: Driving the core **Pork** We offer a core pork portfolio that caters for the diverse needs of today's consumer. This consists of: fresh and value-added products; a gourmet category including bacon, sausages 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 delivering high quality, great tasting food. We aim to grow our portfolio revenue by working closely with customers to understand their needs and deliver added-value through product innovation. By constantly investing in our sites, infrastructure and people, we can continue to supply our customers with premium products at reasonable prices.	Our fresh pork sales have increased year-on-year due to growing consumer demand in the retail market. Healthy, leaner products such as pork medallions have proved particularly popular, and we have expanded our 'Ready to Cook' range with new convenient meal solutions. Cooked meats sales performed exceptionally well during the year, delivering growth that was once again ahead of the market. This performance was driven by new contract wins secured in the previous year, as well as the trend for more lunches prepared and enjoyed at home. We launched a new line of 'Slow Cook' products and expanded our 'Sous Vide' range with two retail customers. Retail sales also grew within our gourmet category. Both our sausage and bacon categories benefitted from an increase in cooked breakfast occasions at home. New contract wins with an online retailer cemented this growth while a strong barbecue season gave a further boost to sausage sales. Our pastry category remained buoyant in the retail channel, and we secured further business with two national coffee shop chains. While food service sales were impacted by lockdown restrictions, we expect to maintain and build on our customer relationships in this sector as the market reopens.	We have commissioned our new £20 million cooked bacon facility during the first quarter of FY22. This investment completes one of the few remaining gaps in the vertical integration of our pork business, enabling us to offer an end-to-end solution for customers. For more information see page 10. Across the Group, we plan to invest further in our capacity and capabilities so we can continue to strike the right balance between demand, efficiency, quality and affordability for our customer base.
Diversification: Expanding our offer **Chicken** During the past six years we have successfully expanded our product range and customer base by entering the premium, fresh and cooked poultry market. This fast-growing sector represents a huge growth opportunity for the Group as consumer demand for leaner, affordable protein grows. Our vertically integrated poultry supply chain gives us a key advantage in this respect, enabling us to take a leading position on food integrity and animal welfare. **Mediterranean deli** As part of our long-term growth strategy, we continue to broaden our portfolio through new product development and innovation as we work with customers to respond to changing consumer trends and diets. In particular, the acquisition of Katsouris Brothers last year has enabled us to diversify into the growing flexitarian and Mediterranean categories.	This year we expanded fresh poultry processing at our Eye facility in Suffolk, increasing capacity from 1.1 million towards 1.4 million birds per week to meet additional customer demand, see page 12 for more information. This expansion enables us to capitalise on the growing consumer demand for fresh chicken. New launches such as roast in the bag products and a summer barbecue range this year further boosted growth in this category. While our cooked poultry sales into the food service and food-to-go markets fell this year due to the impact of COVID-19 restrictions, we secured new business with a major retailer and launched new products with our existing retail customer base to help offset this reduction in sales. We also helped a popular food service brand pivot its best-selling products into the retail market in response to the pandemic, resulting in a successful customer launch. Some of the Katsouris Brothers business supplies retail self-serving deli counters and was impacted by in-store COVID-19 safety measures. We quickly expanded our grab-and-go offerings so smaller, pre-packed products could be purchased and created a new eating occasion called 'small plates' to offer consumers more choice. As a result, like-for-like sales increased.	Work has started on our new £25 million premium breaded poultry facility in Hull which will enable us to continue expanding our poultry portfolio. See details on page 12. We expect consumer trends around convenience and healthy eating will continue to dominate meal choices. Our ongoing focus on innovation means we can keep pace with, and respond to, these trends. In both our pork and poultry categories we plan to broaden our offering with added-value products while investing in new technologies to deliver more authentic taste and flavour experiences using natural ingredients.
International: Developing new opportunities **Fifth quarter** As part of our Second Nature ambition to become a zero waste food producer, we are constantly looking at ways we can maximise the value of our meat cuts and ensure all parts of the carcass are sold so nothing goes to waste. International markets represent one of the biggest opportunities to sell fifth quarter products that would generally not be consumed locally. **Prime cuts** As well as the more traditional fifth quarter products, export demand has been increasing for our higher welfare, premium meat cuts. We are seeking to capitalise on this trend by developing our relationships and expanding our presence in international markets.	African Swine Fever (ASF) continues to impact the global pork market, see page 16 for more details. As a result, Far East demand and prices for prime cuts, whole carcasses and fifth quarter products remained high throughout the year. During the year, we voluntarily suspended our China export licenses on a temporary basis, first from our Ballymena site and then our Norfolk facility, where cases rose following COVID-19 outbreaks in the community. The license at our Ballymena site has since been reinstated. On a wider level, the international market was also affected by the pandemic with port closures and higher shipping costs. Despite this we were able to increase our export sales by 7.8 per cent. Cranswick was, and continues to be, well-placed to respond to such disruption. We found alternative markets for products by utilising existing customer relationships and opening up new markets such as Korea and the Philippines. Our dedicated export team also worked hard to re-direct product to countries where we already had established trading links such as Japan. These developments will serve us well going forward, reducing reliance on China as an export market. We also increased pork production at sites less affected by the pandemic with additional processing at weekends.	We expect strong export demand and pricing to continue while the global market recovers from ASF. The Group remains vigilant to the risk that ASF poses in terms of its potential spread. This is reflected in our risk register, see 'Principal Risks and Uncertainties' on page 60. In the coming year we aim to continue to develop relationships with customers in emerging markets such as Korea. We are also set to begin to export to Mexico. The Group continues to explore other avenues to expand our offering.

Key Performance Indicators

Measuring our performance

We measure the success of our business using the following key performance indicators:

Sales Growth

1 Driving the core

Like-for-like revenue growth
%

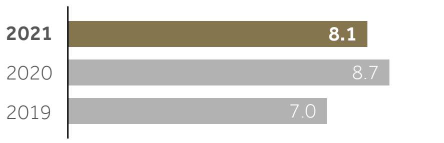
+12.1%

Like-for-like revenue increased 12.1 per cent compared to prior year. All four product categories delivered strong volume growth with a full year of poultry sales from Eye, new contract wins, annualisation of FY20 contract wins and a shift to in-home eating resulting from the COVID-19 pandemic.

2 Expanding our offer

Sales from new products
%

+8.1%



Sales from new products during the first six months following their launch were impacted by the closure of the food service market but still accounted for £154.5 million of revenue in the current year. Our teams provided inspirational food choices as consumption switched to in-home eating.

3 Developing new opportunities

Non-EU export sales growth
%

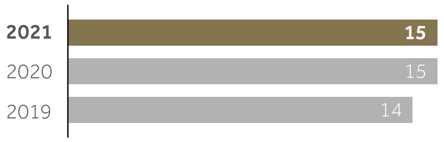
+0.7%

Non-EU export sales include sales made to non-EU markets through UK-based meat trading agents. These sales have continued to grow year-on-year, despite softer prices and temporary, voluntary suspensions of export licenses following local COVID-19 outbreaks in the community, reflecting the increased volumes and continued overseas demand for Cranswick products.

High Quality Products

Number of BRC Grade As

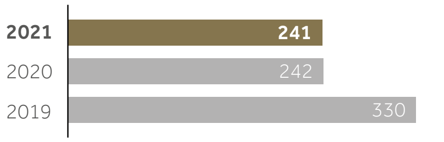
15



All our production facilities achieved a Grade A rating awarded by the British Retail Consortium (BRC) against Global Standards for Food Safety reflecting the highest standards of compliance. Our 16th facility, Gourmet Kitchen, has been commissioned and we anticipate a BRC audit in the coming year.

Number of supplier audits

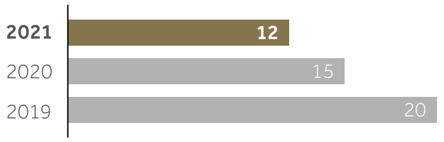
241



The raw materials used in our production processes are assured by our Group Technical Services team who undertake audits of our suppliers throughout the year. The number of audits is similar to prior year and we continue to substitute with remote auditing where possible to assure the safety, traceability, quality and provenance of any products we use.

Complaints per million units sold

12



Our site teams' collaborative, targeted quality improvement plans in partnership with our retail customers have specifically focused on packaging integrity, hygiene and visual pack presentation. This has ultimately resulted in a reduction in complaints per million units by almost half in two years.

Operating Excellence

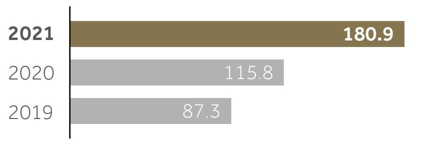
Adjusted operating margin
%

7.0%

Adjusted operating margin increased compared to the prior year reflecting volume driven operational efficiencies and strong product mix with a step change improvement from poultry following the successful commissioning and subsequent ramp-up of the new Eye poultry facility.

Free cash flow
£'m

£180.9m



The increase in free cash flow reflects higher EBITDA and a working capital inflow. The prior year debtor balance was higher as a result of the COVID-19 related surge in retail demand shortly before our FY20 year end compared to a normalised balance at the FY21 year end.

Return on capital employed*
%

17.2%

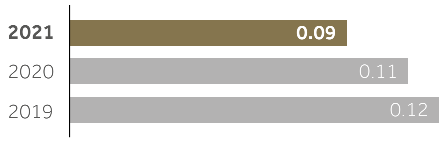
Return on capital employed increased reflecting the full year contribution from the Eye poultry facility. Our ongoing commitment to improving the asset base ensures our facilities are class-leading.

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

Sustainability

Relative carbon footprint
(tonnes of CO_2e per tonne sales)

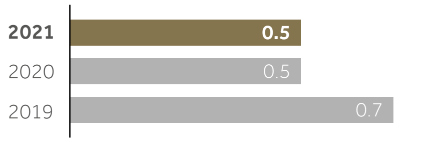
0.09



Our relative carbon footprint continues to decrease reflecting our Second Nature pledges as we aim to minimise our impact on the environment. We have converted more of our refrigeration to use ammonia or CO_2 rather than F-Gas and we continue to increase the proportion of energy from renewable resources.

Edible food waste
(percentage of tonnes sold)

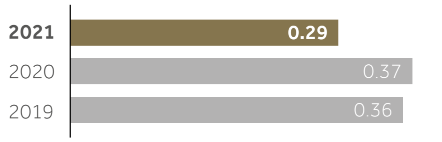
0.5%



We are committed to eliminating edible food waste by 2030. We have invested in innovative processing techniques and staff training in order to reduce edible food waste. We have surpassed our Champions 12.3 target, reducing our edible food waste by 61 per cent since our 2017 baseline year.

RIDDOR frequency rate
(per 100,000 hours worked)

0.29



Injuries fell following increased line automation, the installation of screens and additional equipment training. The accident rate reportable to the Health & Safety Executive reduced as we continue to follow our enhanced five year Health & Safety strategy.

Our Sustainability Strategy

Second Nature: Inspiring positive change

As one of the world's most responsible food producers, the choice is simple for us. We don't want to be part of the problem – we want to be part of the solution.

Our vision is to become the world's most sustainable meat business. This means responsibly managing our operations from farm-to-fork and acting transparently to produce food to the highest standards of integrity and quality.

Our Second Nature strategy

Our Group-wide sustainability strategy, Second Nature, addresses five interconnected pillars – Thinking, Farming, Sourcing, Producing and Living – which reflect how we operate as a business from farm-to-fork.

Through these pillars, we are addressing the key sustainability issues facing us as a food producer while aligning our commitments to global frameworks. These include the UN Sustainable Development Goals (SDGs), the Science-Based Targets initiative (SBTi), and Champions 12.3. Closer to home, we are founding signatories of WRAP's UK Plastic Pact and are also members of their Courtauld Commitment 2025 (CC2025).

Because Second Nature underpins every aspect of our decision-making and is fully integrated into the business through our strong governance and reporting structure, this has enabled us to achieve some key milestones this year, despite the challenges of COVID-19. More information on our Second Nature progress to date can be found on pages 26 to 29.

This year we took additional steps to ensure our Second Nature strategy reflects the diversity of our operational sites which comprise farms, primary processing and food production facilities. We are developing site-specific roadmaps so we can mobilise our colleagues better to meet key actions or milestones at a local level. This will enable us to take a more agile approach as we work together towards our long-term goals.

THINKING	FARMING	SOURCING	PRODUCING	LIVING
With every decision we make, we not only have to focus on addressing the needs of today, but meeting those of tomorrow too. Sustainability is truly Second Nature from farm, to factory floor, to board room and we are committed to achieving net zero for our own operations by 2040.	Regenerative farming is vital if we are to continue to produce food sustainably and ethically. Alongside a focus on reducing the percentage inclusion rate of soya within our pig feeds, we lead on animal welfare and aim to raise industry standards to ensure our livestock remain healthy and fulfilled. We focus on improving soil health and organic matter and the opportunity to offset carbon emissions through a variety of means within our existing land holdings and by changing farming practices. We aim for our owned farms to be Carbon Neutral by 2030.	We are working on making our supply chains shorter and more transparent so people can trust and understand where their food comes from. We are engaging with our suppliers in order to understand where they are in their sustainability journey and ensure our values are aligned.	We will use less and waste less, staying focused on efficiency whilst producing great quality food. Our mission is to become a zero-waste food producer and by 2030 we will have zero edible food waste, reduce our plastic usage by 50 per cent and reduce our overall emissions by 50 per cent.	We will help our colleagues live more sustainably at work and at home. We will also fight hunger and are helping our communities tackle root causes and provide solutions to food poverty.
Link to SDG	**Link to SDG**	**Link to SDG**	**Link to SDG**	**Link to SDG**
8 9 10 12 13 16 17	6 8 9 12 13 14 15	6 8 9 10 12 13 14 15	2 6 7 9 12 13 14	8 9 10 12 13 16 17

Our progress

Reduction in relative carbon footprint in 2020/21

18%

Tonnes of plastic reduced since 2017

1,519

Production facilities and coldstores powered by renewable grid electricity

100%

Reduction in edible food loss and waste since 2017

61%

Global Business Benchmark on Farm Animal Welfare achievement

Tier One

Q&A with Jim Brisby

"Second Nature has given us the focus to find issues, identify them, understand them, and then solve them"

Q&A with Jim Brisby,
Cranswick Chief Commercial Officer

Q How would you sum up 2020?

The challenges certainly didn't dampen our enthusiasm nor derail us and I think we've made fantastic progress despite all that we faced. And that is really testament to how deeply Second Nature is embedded into the business now, not to mention the dedication of our colleagues. They have been amazing throughout this.

Q What were some of the highlights?

There were quite a few! We announced our net zero goal in 2020, and we have already achieved our first carbon neutral sites. We also eclipsed the Champions 12.3 target, reducing our edible food waste by 61 per cent since our 2017 baseline year. To achieve both goals in such a short space of time was just incredible and we did all this while keeping our factories running, the nation fed and stepping up our community support efforts during the pandemic.

Q What about behind the scenes, beyond those big shout outs?

We have strengthened our governance and disclosure mechanism, which is really important because it gives us that extra level of transparency. This year we are reporting against the SASB framework for the first time and we are more deeply assessing climate-related risks so we can gather more granular data as we work towards TCFD reporting. This will increase our resilience and agility in responding to the fast-changing world we now operate in.

Q What's next for Second Nature?

As well as keeping the focus on short-term delivery, we are continuing to look more long term and are looking outside of the business to tackle some of the biggest issues our planet is facing. That means working with others through platforms like The Climate Pledge and the Soya Transparency Coalition.

Q Deforestation is a huge issue for the meat industry, isn't it?

It's massive, and it's not just the meat industry. For Cranswick it's first about Soya reduction and removal, where possible, and we are investing in replacements so we can become more self-sufficient in this respect. Where we continue to use Soya, we want to make our supply chain more transparent and sustainable. But we also need to work with others to build more visibility and sustainability into the supply chain globally, so everyone can benefit. It's one of the issues we want to lead on.

Q Another key issue is the meat debate. How are you responding to that?

At Cranswick, we've always said that we don't want to be part of the problem – we want to be part of the solution. The meat debate has become polarised, but we feel the way forward is constructive discussion. That means talking about the benefits of meat as part of a balanced diet, and finding solutions to producing meat in a climate-friendly and ethical way through continued investment in our farming and agricultural operations. Second Nature has definitely given us that head start.

Q Second Nature launched back in 2018. What's been your proudest moment?

Simply, the level of progress we have made. It's been astonishing. Second Nature has given us that focus to find issues, identify them, understand them, and then solve them. The more complex and difficult these issues are, the longer it will take, but that doesn't mean we are not going after them. We now have proof of progress, and are continually investing in that commitment and delivery.

Our Sustainability Strategy continued

Achievements 2020-2021

Advancing towards net zero

This year we hit a key milestone under our Second Nature goal to reach net zero greenhouse gas (GHG) emissions across our operations by 2040 with three of our sites achieving carbon neutral certification under the PAS 2060 standard before the financial year end. Six further sites have gained the accreditation since the end of the year with a target of all production facilities achieving this status by the end of 2021.

Our Milton Keynes cooked meat facility was awarded PAS 2060 certification in November 2020, followed by our Riverside pork packing facility and Gourmet Pastry sites in early 2021. Each site is working to a third-party approved 1.5°C aligned carbon management plan as part of our 2040 net zero strategy. This will be reviewed annually and is supported by site leadership teams who have completed a CPD certified climate literacy programme to help upskill colleagues

Read more about how our Milton Keynes cooked meats foods site is working towards net zero on page 8.

We acknowledge that carbon offsetting is not the long-term solution, but we cannot become a net zero business overnight. Carbon offsetting is therefore a key part of our journey, but not the end destination. We are working in parallel on a rapid decarbonisation plan through our Second Nature strategy.

As a Group, 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, and are in the process of verification.

We recognise that we also need to work with others, beyond our own operations and supply chain. In February 2021, we joined the Climate Pledge, a commitment co-founded by Amazon and Global Optimism to meet the goals of the Paris Agreement 10 years early. As part of this, we will be committing to measure and report our GHG emissions on a regular basis.

Carbon neutrality achievement

9 sites

Link to Second Nature pillars

THINKING PRODUCING

Cranswick has shown that with innovation, collaboration, behavioural advocacy plus their desire to address food inequality, the food industry can play a crucial role in making a positive impact on the environment and in the community.

Liz Goodwin, Champions 12.3 spokesperson and Senior Fellow and Director of Food Loss and Waste at the World Resources Institute

Sustainable packaging

We have reduced plastic packaging use by 1,519 tonnes since 2017, removing an additional 481 tonnes in 2020/21 compared to the previous year. Across most of our sites we have shifted to using just one type of material for our packs and are exploring PaperLite (a recyclable paper-plastic laminate) alternatives to reduce our plastic use further.

Across the Group, we have already replaced PVC films with PET and removed black plastic trays. We continue to work with our suppliers and customers to trial innovative solutions. We remain mindful that packaging is a complex area, and that whole lifecycle considerations must be taken into account in order to achieve the best overall outcomes.

For example, we are working with suppliers on a more circular packaging solution for our inbound UK and Irish beef deliveries, encouraging them to switch from corrugated cardboard to returnable and reusable trays and pallets. This has resulted in the removal of 540 tonnes annually of cardboard from our supply chain.

Climate-smart farming

We were one of the first outdoor pig producers to measure our carbon footprint back in 2017 and continue to invest heavily in decarbonisation across all our farms, which aim to be carbon neutral by 2030.

To date, we have measured the carbon footprint of 10 per cent of our own pig farms to provide a 2019 data baseline and are working towards carbon mapping 100 per cent of our farms by 2024. In conjunction with an independent company, we have supported the development of a specialist, accurate, carbon footprint tool to measure our carbon emissions. The average of our Wayland, Wold and White Rose farms for the calendar year ending 2020 is 3.75kg/CO_2e/kgLW, against the industry average of 3.34kg/CO_2e/kgLW.

The increase to a level above the industry average follows the acquisition of the remaining 50 per cent of our Joint Venture, White Rose Farms, in the prior year. We are running ongoing trials to reduce the use of soya in feed at White Rose farms to a level more in line with our Wayland farms which in turn will reduce our carbon footprint.

Soya forms a significant part of the carbon emissions. During the current year all our own farms used RTRS (Round Table on Responsible Soya Association) certified Area Mass Balance soya credits. This ensures zero deforestation and zero conversion soya production from the regions its soya originates from.

The average carbon footprint of our farms quoted above does not currently incorporate the soya credits. Once these soya credits are incorporated in the carbon footprint, our carbon performance per finished pig at Wayland drops to 1.63kg/CO_2e/KgLW for example, which is then well below the industry average.

We are also starting to measure the carbon footprint of our poultry business, and are developing an online portal for our farm managers to submit their carbon footprint data remotely. In time this will give us a valuable dataset, especially as we look to increase the visibility of our emissions in order to achieve our SBT.

Promoting biodiversity

We continuously strive to improve soil health and land management while protecting vital resources. We undertake detailed soil testing for our outdoor pig breeding units and 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.

Around 80 per cent of our outdoor breeding units now incorporate six-metre pollen and nectar strips around field headlands to encourage biodiversity, and support wildlife and insect populations. We use technology and water management plans to carefully monitor water flow rates on our farms in order to highlight any leaks and minimise water waste, while ensuring our animals have access to clean drinking water. Our sows are also fed in troughs to reduce feed waste.

We have started to gather a deeper level of biodiversity data via desktop surveys from our farms and production facilities to help monitor our performance better, and on a wider level we work with other food producers to explore new solutions that can drive regenerative farming at scale.

We have representation on various soil and water stewardship boards to improve soil health and promote the protection of water resources. More information about our agricultural partnership work can be found in 'Farming with integrity' on page 46.

Supplier engagement

All of our direct suppliers have received a sustainability survey to complete. This will enable us to gather data on various touchpoints such as supplier sustainability-related policies and commitments, and the level of progress being made against them.

We are also engaging closely with our suppliers and other stakeholders on responsible soya sourcing as part of our Second Nature commitment to source from verified zero deforestation areas by 2025. Read more about this work on page 46.

Climate risk and disclosure

We are now reporting against the Sustainability Accounting Standards Board (SASB) framework and are working to report in line with the Task Force on Climate-related Financial Disclosures (TCFD). This will strengthen our governance as well as our commitment to disclosing our climate-related risks in a more transparent way.

The data we obtain from our Second Nature supplier engagement exercise mentioned above will also help inform our risk management work on climate change.

Risks from climate change are incorporated into the Group's corporate risk management strategy. This allows the Group to consider and act upon any current and future climate risks, both within our own operations and our wider supply chain.

Our Sustainability Strategy continued

Environmental performance

We have already taken the first steps towards becoming carbon neutral, and will continue to use natural resources as efficiently as possible to put more back into the environment than we take out.

Carbon
In line with our proposed Science-Based Target (SBT) we have refined how we measure our carbon footprint profile, including Scope 1 non-mechanical agricultural emissions for the first time this year. Without these additional emissions our Scope 1 emissions would have been 61,871 tonnes CO_2e.

The Group's relative carbon footprint continues to decrease in keeping with our net zero ambitions. Actions we have taken to date to reduce our carbon footprint include switching to 100 per cent renewable grid electricity and LED lighting for all our production facilities and coldstores, and converting more of our refrigeration systems to use ammonia or CO_2 rather than F-Gas. As we move towards 2040 we will continue our programme of replacing F-Gas within our refrigeration in order to continue to reduce our carbon footprint.

As we begin to measure our Scope 1 non-mechanical agricultural and full Scope 3 emissions, livestock will account for a significant amount of emissions. As well as scaling up our farm carbon footprint assessments, in conjunction with an independent company we have supported the development of a tool to capture the data needed to give us greater visibility of our emissions. This tool surpasses the current PAS2050 standards. More information on the carbon footprint assessments of our farms can be found on page 27.

Both compensation and neutralisation offsets have been used during the year. These offsets have been verified and validated by three different registries that all require very high levels of quality before acceptance of a project.

To help accelerate our low carbon transition, we continue to disclose to Carbon Disclosure Project (CDP) and this year were awarded Grade C. We will be expanding our CDP disclosure to include water and forestry as from the next reporting year.

Energy
Our overall energy intensity increased during the year by 1.2 per cent. The purchase of our new coldstore in Goole and the construction of our new Gourmet Kitchen facility have added to our emission this year. Our farms used more gas through the winter months and we heated additional, temporary canteen facilities across our sites to enable social distancing. On a wider level, we have also taken action to improve our data collection processes which have resulted in more energy captured across our sites.

Going forward, in order to improve our energy intensity, we plan to move away from fossil fuels and increase our use of renewable fuels such as BioLPG and green gas. We will also have a particular focus on on-site power generation. We will continue to review the latest technology advancements in the storage and generation of renewable electricity so that we can become less reliant on mains grid electricity.

We will shortly be investing £0.8 million in our first major solar project at Eye with the installation of 4,000 roof-top solar panels. The project will mean 29 per cent of the site's electricity requirements will be self-generated onsite.

We already use renewable energy across some of our farming operations including solar power at our hatchery and wind power generation on some of our farms.

This year our ISO50001 accreditation work continued remotely; 12 sites remain ISO50001 approved but work on adding new sites (Katsouris and Eye) was paused due to COVID-19 restrictions. Additional sites are planned to be added during the coming years. Three sites – Valley Park, Norfolk and Milton Keynes – achieved ISO14001 accreditation. Our target is for all sites to gain ISO14001 approval by the end of 2021.

Environmental performance data	2020/21	2019/20
Scope 1 emissions (tonnes CO_2e)	**69,683#**	66,204
Scope 2 emissions (location based) (tonnes CO_2e)	**37,239**	38,241
Total scope 1 and scope 2 emissions (location based) (tonnes CO_2e)	**106,922**	104,445
Total scope 1 and scope 2 emissions (market based) (tonnes CO_2e)	**75,170**	72,963
Relative carbon footprint (location based) (tonnes CO_2e/sales tonnes*)	**0.09**	0.11
Absolute energy use (kWh million)	**385**	299
Energy intensity (kWh/sales tonnes*)	**320.28**	316.57
Absolute water use (m^3 millions)	**2.07**	1.67
Water intensity (m^3/sales tonnes*)	**1.72**	1.77
Total location based emissions minus carbon credits (tonnes CO_2)	**56,471**	72,963
Total location based emissions minus neutralisation credits (tonnes CO_2)	**61,574**	72,963

* Sales tonnes includes intercompany sales
\# In 2020/21, non-mechanical agricultural emissions have been included within Scope 1 emissions for the first time. Excluding these, Scope 1 emissions would have been 61,871 tonnes CO_2e

Waste
We already operate as a zero waste to landfill business and have committed to making further reductions in food waste, plastics and other packaging materials across our value chain. We have pledged zero edible food waste by 2030 and are making fantastic progress against this goal.

Since 2017, we have reduced food waste by 61 per cent, surpassing the Champions 12.3 target which seeks to halve food loss and waste by 2030, see 'Eclipsing global food waste target'. In 2020/21, edible food waste accounted for just 0.5 per cent of tonnes sold.

We have removed 1,519 tonnes of plastic across our operations since 2017 in line with our plastic commitments, including a further 481 tonnes during 2020 compared to the previous year. In 2020 we also took 540 tonnes of cardboard out of our supply chain by switching to reusable pallets for our incoming beef deliveries.

Water
Our water usage has increased year-on-year reflecting additional volumes processed and the increased hygiene measures in response to the pandemic. Our water intensity has reduced by 3 per cent year-on-year.

This year we introduced new water targets and continue to invest in initiatives to help conserve and reuse water across our operations. This includes our Eye site, which features a rainwater harvesting system and an effluent treatment plant for waste-water recycling. We have also installed a reverse osmosis system at Eye to generate potable water.

On a wider level, we are taking collective action to improve water efficiency in key sourcing areas through our work with the Courtauld 2025 Water Ambition partnership and the Cam and Ely Ouse Catchment Partnership Water Stewardship Board.

"We are investing big to leave a smaller footprint and we have the opportunity to make a real difference.

Eclipsing global food waste target

In less than three years, we have reduced our edible food waste by 61 per cent, surpassing our signatory Champions 12.3 target which seeks to halve food loss and waste by 2030.

Through this process, we are continuing to focus on reducing our edible food waste, with this waste now accounting for just 0.5 per cent of total tonnes sold across the Group.

This incredible achievement is testament to our Changemakers, our passionate and dedicated team of volunteers who were instrumental in facilitating the level of action needed to engage colleagues, creatively problem-solve and deliver solutions.

The prioritisation of prevention strategies was key, as was finding ways to move product up the waste hierarchy. We installed catch-trays to prevent meat from falling onto the floor, found new markets for surplus product such as our ham trim packs, and worked with our supply chain to develop packaging to increase shelf life.

Our Changemakers also forged close relationships with food charities, enabling us to redistribute edible surplus meat from a number of our sites. In Hull, our community work through the pandemic saw 687 food boxes and 840 meat hampers donated.

Through this challenging year, our partnerships with Environmental & Management Solutions (EMS) and other charities such as Trussel Trust, Plan Zheroes, local food banks and community fridge projects has helped us divert enough food from waste to create over 30,000 donated meals for vulnerable people. Through our partnership with FareShare we donated more than 229,000 meals.

Our next goal is to become a zero edible food waste business by 2030, which will see us go above and beyond current industry targets.

Link to Second Nature pillars

THINKING | FARMING | SOURCING

TCFD Disclosure

There is growing concern about climate change and as the world transitions to a lower-carbon future we want to further develop our sustainability strategy in order to reduce our environmental footprint. In support of this we have aligned our efforts to the four pillars of the Task Force on Climate-related Financial Disclosures (TCFD).

Governance

Progress to date 2020/21

- The Board reviewed progress against targets and considered plans for the reduction of emissions. This included reviewing Science-Based Target (SBT) presentations and approving the removal of F Gases from the business by 2030.
- The Board reviewed Cranswick's current sustainability reporting against future requirements.
- Capital projects relating to sustainability were reviewed and approved by the Board, including solar panels for our new poultry processing facility in Eye, Suffolk. Capital project proposal forms include detail on expected carbon savings.
- The Group also implemented a verification process resulting in reviews of the environmental data involving the Group Compliance and Internal Audit teams.

Plans and focus areas for 2021/22

- The Board aims to strengthen climate change oversight and dialogue.
- The Board will continue to engage with and develop Cranswick's Second Nature sustainability strategy.
- Capital projects relating to sustainability will continue to be reviewed.

Strategy

Progress to date 2020/21

- We launched our Second Nature sustainability strategy in 2018 and have worked hard to embed its ethos into decision-making across the business.
- Our Second Nature committee consists of a variety of colleagues from across Cranswick and continues to meet quarterly to monitor progress and address key issues within the business.

Plans and focus areas for 2021/22

- We plan to undertake climate scenario analysis to understand the potential impacts of climate change risks and opportunities and assess the resilience of both our Second Nature and overall business strategies.
- We will continue to embed our Second Nature strategy across the business.
- The Group will also continue collaborating with coalitions, steering committees and industry bodies such as Champions 12.3, WRAP (Waste and Resource Actions Programme), LEAF (Linking Environment and Farming) to take collective action on climate change.

Risk Management

Progress to date 2020/21

- Climate change was added to the risk register in the prior year and we continued to monitor this risk throughout 2020/21.
- The risk related to climate change has risen in 2020/21 reflecting the increased action that we will be required to undertake in order to limit further adverse changes to our climate.

Plans and focus areas for 2021/22

- We will undertake a more detailed and granular analysis of risk in order to strengthen the existing climate change risk assessment to encompass both physical and transitional risks.
- As part of this analysis we will perform an assessment of each risk and assign a likelihood to inform a materiality assessment of risks.
- Continue to monitor emerging climate change risks and develop related risk management practices.

Metrics and Targets

Progress to date 2020/21

- Our Milton Keynes cooked meats facility was the first site awarded carbon neutral PAS 2060 certification, shortly followed by our Pastry and Riverside facilities, marking key milestones in our Net Zero journey.
- Our relative carbon footprint reduced by 18 per cent following the actions taken to date and the increased focus on reducing our impact.
- We improved and redefined our bespoke data collection system, and also included non-mechanical agricultural emissions for the first time this year.

Plans and focus areas for 2021/22

- We plan to have our SBT verified in 2021/22 in line with efforts to limit global warming to 1.5°C.
- We have plans for all production facilities to achieve carbon neutral status by the end of 2021. A further six sites have achieved this since our year end date.
- Historically the Group has completed the climate questionnaire for CPD reporting and in the next reporting cycle we will also complete CDP reporting for Water and Forests.
- We will continue to measure and monitor our progress against our targets.

SASB Disclosure

Measuring Environmental Performance

In our FY20 Annual Report & Accounts we committed to moving towards reporting our environmental performance against the Meat, Poultry & Dairy Sustainability Accounting Standard published by the Sustainability Accounting Standards Board (SASB). The table below lists the topics under this standard and the accounting metrics applicable and material to us that we have disclosed against for the financial year.

	SASB Standard	Our accounting metrics
Greenhouse Gas Emissions	Gross global Scope 1 emissions FB-MP-110a.1	2020/21 Scope 1 emissions: 69,683 tonnes CO_2e including non-mechanical agricultural emissions. Further disclosures on greenhouse gas emissions can be found on page 28.
	Long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets FB-MP-110a.2	We have committed to net zero greenhouse gas (GHG) emissions across our operations by 2040. To help achieve this, we have committed to setting a SBT in line with efforts to limit global warming to 1.5°C under the Paris Agreement. Further information on our strategy, targets, plans and progress can be found on pages 24 and 29.
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable FB-MP-130a.1	2020/21 Absolute energy use: 385 million kWh. 34 per cent of this was supplied from grid electricity. 36 per cent of the absolute energy use was renewable energy.
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress FB-MP-140a.1	Total water withdrawn: 2.07 million m^3. 1.7 per cent of this was from an area of high baseline water stress. Total water consumed: 1.08 million m^3. 0.2 per cent of this was from an area of high baseline water stress.
	Description of water management risks and discussion of strategies and practices to mitigate those risks FB-MP-140a.2	Water is vital to our production processes, agricultural operations and our supply chain. During the coming year we intend to further explore risks associated with water management as part of our analysis of our climate change risk. This will enable us to understand the risks at a more granular level. Our production facilities have been set a target to reduce water intensity by 20 per cent by 2025/26 against a 2019/20 baseline. We have set a new Water Policy during the year which pursues a number of objectives in relation to water. This can be found at **www.cranswick.plc.uk**.
	Number of incidents of non-compliance with water quality permits, standards, and regulations FB-MP-140a.3	During FY21 there were zero incidents of non-compliance with water quality permits, standards and regulations.
Land Use & Ecological Impacts	Amount of animal litter and manure generated, percentage managed according to a nutrient management plan FB-MP-160a.1	All our animal litter and manure generated from our pigs is managed according to a nutrient management plan. 'Straw for muck' arrangements are used which ensures manure is utilised by local arable farmers for their crops.
	Animal protein production from concentrated animal feeding operations (CAFOs) FB-MP-160a.3	82 per cent of pork produced on Cranswick-owned farms is certified to RSPCA standards and 100 per cent to Red Tractor standards. 100 per cent of poultry produced in line with Red Tractor standards. Both of the above welfare standards have a stocking density which is a requirement rather than a recommendation. We operate in line with the required stocking densities as all our farms are accredited to either RSPCA or Red Tractor standards.

	SASB Standard	Our accounting metrics
Food Safety	Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances FB-MP-250a.1	The GFSI program used is the BRC. 15 production facilities have a BRC graded A or above. We are expecting our new Gourmet Kitchen facility to be audited in the coming year. The non-conformance rate is defined as the total number of non-conformances identified divided by the number of facilities audited. The rate for major non-conformances was zero and for minor non-conformances was 1.73. The corrective action rate is calculated by taking the number of corrective actions divided by the total number of non-conformances, and for major non-conformances was zero and for minor non-conformances was 100.
	Percentage of supplier facilities certified to a (GFSI) food safety certification program FB-MP-250a.2	100 per cent of our production facilities are certified to BRC. 100 per cent of our suppliers of animal protein are certified to a GFSI.
	(1) Number of recalls issued and (2) total weight of products recalled FB-MP-250a.3	During FY21 there were zero food safety-related recalls issued.
	Discussion of markets that ban imports of the entity's products FB-MP-250a.4	There were no markets that banned imports of Cranswick products during the year. We voluntarily suspended our export license to China from our Ballymena facility and subsequently our Norfolk facility. This followed spikes of COVID-19 in communities in which we operated where our production facilities were ultimately impacted.
Antibiotic Use in Animal Production	Percentage of animal production that received (1) medically important antibiotics and (2) not medically important antibiotics, by animal type FB-MP-260a.1	We are working with the industry to ensure that best practice is used on all species from all our suppliers and that antibiotics are only prescribed when absolutely necessary. Our objective is the reduction and avoidance of antibiotics for prophylactic use across all our supply base. The latest figures show that average sales of antibiotics in countries where our pork suppliers are based have reduced by over 31 per cent between 2010 and 2018. We are also monitoring the use of antibiotics in our own herds and flocks with a view to reducing the amount administered without compromising animal welfare. The average antibiotic use across our three pig farming businesses in 2020 was 45mg/pcu and across our poultry farms was 12mg/pcu. These averages are both well below the industry standard of 99mg/pcu for pigs and 25mg/pcu for poultry.
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate FB-MP-320a.1	2020/21 Total recordable incident rate: 1.91 2020/21 Fatality rate: 0.00 Rates have been calculated in line with SASB guidance. For more information on our accident data, see health & safety on page 41.
	Description of efforts to assess, monitor, and mitigate acute and chronic respiratory health conditions FB-MP-320a.2	Our efforts to assess, monitor and mitigate acute and chronic respiratory health conditions are wide ranging. We have invested in dust extraction systems for welding and for flour and other ingredients which are also monitored through third-party inspections. We also have dust extraction tables for engineering workshops. Where extraction is not possible, filter masks and respirator masks are used. Our standard operating procedures instruct our colleagues and site audits are undertaken to ensure effective systems are in place for respiratory health. Spirometry testing through third-party occupational health services is also undertaken. Further information on wider health & safety practices can be found on page 41.

SASB Disclosure continued

	SASB Standard	Our accounting metrics
Animal Care & Welfare	Percentage of pork produced without the use of gestation crates FB-MP-410a.1	100 per cent of the pork that originated from Cranswick-owned farms is produced without the use of gestation crates. 95 per cent of total pork produced was without the use of gestation crates. This scope covers our EU third-party suppliers. We work closely with all our suppliers in order to improve welfare standards.
	Percentage of production certified to a third-party animal welfare standard FB-MP-410a.3	**Cranswick owned farms** 81.8 per cent of pork produced is certified to RSPCA standards and 100.0 per cent to Red Tractor standards. 100.0 per cent of poultry produced in line with Red Tractor standards. **Wider supply chain** 36.2 per cent of pork produced is certified to RSPCA standards, 52.4 per cent to Red Tractor standards and 6.5 per cent to other recognised EU welfare schemes. 0.4 per cent of poultry produced is certified to RSPCA standards, 47.8 per cent to Red Tractor standards and 46.5 per cent to other recognised EU welfare schemes. Any suppliers that do not meet the three categories above are visited by Cranswick to check the welfare standards.
Environmental & Social Impacts of Animal Supply Chain	Percentage of supplier and contract production facilities verified to meet animal welfare standards FB-MP-430a.2	100 per cent of our meat, fish and egg suppliers are accredited to a national recognised farm assurance scheme or their welfare standards have been verified by a trained animal welfare officer against a recognised scheme or an in-house scheme.
Animal & Feed Sourcing	Percentage of animal feed sourced from regions with High or Extremely High Baseline Water Stress FB-MP-140a.1	We are working with industry bodies such as the Soy Transparency Coalition to overcome transparency challenges in the production of soya. With more visibility in the supply chain we can ensure the supply of animal feed is more sustainable.
	Percentage of contracts with producers located in regions with High or Extremely High Baseline Water Stress FB-MP-140a.2	Less than 1 per cent of contracts are with producers that are located in regions with high or extremely higher water stress.
	Discussion of strategy to manage opportunities and risks to feed sourcing and livestock supply presented by climate change FB-MP-140a.3	Our focus area for the upcoming year under the 'Risk Management' pillar of TCFD is to undertake a more granular analysis of risk, which will cover feed sourcing and livestock supply. There are many actions we have already taken in order to manage the risks to livestock supply identified to date. We have invested in new buildings that are climate controlled across our indoor farms and new sow huts that are thermally insulated which reduces the temperature range within them. Automatic vents have been incorporated that operate when the temperature rises above a certain point. We are also working hard to reduce our reliance on imported soya and lower the risks associated with feed sourcing. This includes reducing the inclusion rate of soya in our feeds and investing in replacements to become more self-sufficient in this area. For more information see 'From Soya to self-sufficiency' on page 45.

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 have considered all our stakeholders and have consulted with them as we continue to feed the nation.

Engagement with our main stakeholder groups is summarised on this page. We explore further how we engage with our main stakeholders on pages 38 to 49.

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 74 and 75.

Sustainability
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.

The key activities we have undertaken to reduce our impact on the environment can be found on pages 26 and 27.

Progress on our Second Nature initiatives can be found on pages 28 to 29.

Stakeholder	Why we engage	How we engage	What matters most to our stakeholders	How we are responding	COVID-19 specific considerations
Our People **Read more:** *see page 38*	It's our dedicated colleagues who 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 surveys • "Flavour" intranet site and newsletter • Appraisal process • Works councils • Dedicated Non-Executive Director	Our updated HR strategy consists of four pillars which are central to addressing what matters most to our colleagues: • Reward & recognition • Benefits • Development • Health & Wellbeing Our colleagues appreciate the opportunity to have their say and share ideas. They also care about working in an inclusive and diverse environment.	We launched 'Cranswick Core', a bespoke online learning management system featuring a suite of development courses. Our new enhanced benefits package is hosted through a centralised online hub and includes a variety of different benefits available to all our people. Our 'Feed Your Wellbeing' initiative was launched to promote health and wellbeing across our teams. A new two-way, electronic appraisal system ensures performance is recognised and facilitates more meaningful conversations between colleagues.	• Relocating employees to avoid furlough • Staggered start times and updated shift patterns • Employee bonuses • Working from home • Social distancing • Additional PPE
Customers and Consumers **Read more:** *see page 42*	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, thus ensuring 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 communication is cross-functional • Online surveys • In store interviews • Focus groups • Digital platforms and social media	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 impact of their food choices on the environment. Our customers want quality products and high, consistent service levels. This was especially important during the peaks in demand experienced through the last year. Another matter of significant importance during the last year was Brexit.	The Group continues to focus on new product development to address emerging consumer trends. Lean meat ranges have been expanded for health-conscious consumers. We aim to meet sustainability expectations through our Second Nature efforts. We launched the microsite, **thisissecondnature.co.uk** to increase communication in this area. We took part in the Advantage Survey this year in order to understand and address our customer feedback. We also engaged with our customers regarding Brexit to ensure mitigations and contingencies were in place to minimise disruption.	• Excellent service levels maintained throughout • Working closely with retail customers to meet surges in demand • Continuing new product development to inspire in-home meals
Producers and Suppliers **Read more:** *see page 44*	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.	• Supplier surveys • Sedex • Industry events and forums • Audits and visits • Supplier policies	Suppliers want continual improvement with opportunities to innovate, grow their business and develop our relationship. Early forecasting is key and 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. Another matter of significant importance during the last year was Brexit.	All our direct suppliers are registered on Sedex. We continue to undertake supplier audits remotely where possible to ensure the safety, traceability, quality and provenance of the raw materials and ingredients we use. Throughout our Brexit preparations we spoke to not only our immediate suppliers but also our supplier's providers to ensure mitigations and contingencies were in place across the whole supply chain.	• Optimising production to maximise output • Support where needed • Rationalisation of ranges
NGOs and Partnerships **Read more:** *see page 46*	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 the RSPCA. This allows us to help set policies and improve industry standards.	• Cranswick Directors and Managers sit on steering committees, industry groups and boards • Trial new standards • Industry events • Digital platforms and social media to share important information	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 adopting 'NestBorn': a new in-shed hatching system 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
Communities **Read more:** *see page 47*	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 • Employment opportunities • Involvement in local projects • Charity fundraising	Local communities have a justifiable expectation that businesses operate safely and sustainably. This is especially the case with food producers where there is a need to reduce edible food waste and 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 • Laptops for schools
Shareholders **Read more:** *see page 48*	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.	• AGM • Annual report • Regular announcements and press releases • Website • Presentations • One-to-one meetings • Visits to facilities	Shareholders want to be kept up to date with current issues and are increasingly concerned with environmental, social and corporate governance (ESG) matters. During the year, further key matters discussed included COVID-19, financial performance and our new Remuneration Policy.	We have increased our engagement on ESG matters and ensure we respond to enquiries we receive on this area from both institutional and individual Shareholders. 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 People

We have always been proud of our colleagues. This year they have shown extraordinary commitment and professionalism to ensure our business remained resilient in the face of adversity. Their expertise and passion for making a difference is key to our continued success and none of our achievements this year would have been possible without their incredible support and dedication.

HR strategy

Across the Group we have over 12,600 valued colleagues and we continuously endeavour to ensure their needs are met. This year we launched our updated HR strategy which builds on our sector-leading position regarding pay, working conditions, professional development, health and safety, inclusivity and wellbeing. The Strategy consists of four pillars:

- **Reward & Recognition** – Create an environment where all our people feel appreciated and valued.
- **Benefits** – Offer benefits that are meaningful, worthwhile, and make a difference to all colleagues.
- **Development** – Provide an opportunity for all of our people to grow and develop both personally and within the business.
- **Health & Wellbeing** – Encourage all colleagues to improve and maintain their physical health, mental health & wellbeing.

The strategy will help position us as an employer of choice and enable us to strengthen our recruitment and retention drive as we seek to deliver what's required in terms of workforce planning, skills, competencies and professional development. Despite COVID-19 restrictions, we have already made fantastic progress in each of the four pillars.

Reward & recognition

We have introduced a colleague recognition scheme across the Group which includes an annual awards ceremony and prize giving event – the 'Going the Extra Mile' (GEM) Awards – to recognise and celebrate those people who have gone above and beyond their job description to contribute to the Company's success. Despite the GEM Awards being a virtual event this year due to ongoing social distancing requirements, participation levels have been high with nearly all of our sites nominating candidates.

Our annual performance appraisals are now fully electronic and have been updated to become a two-way process, enabling both the appraiser and appraisee to give constructive feedback. This will help facilitate a continuous approach to performance management and development, driving more meaningful conversations between colleagues, fostering better working relationships and aiding our succession plan by enabling a clear view of our talent pipeline and relevant timescales.

Our colleagues' successes are recognised and celebrated through our intranet site Flavour. Individual achievements this year include Georgina Corbett, who won the Training & Education category of the Women in Meat Industry Awards 2020, and Sam Pearl, who was shortlisted for The Grocer's Factory Manager of the Year Awards.

Stepping up the ladder

We have invested in developing an Introduction to Management course specific to the unique activities and culture of our business. Launching this course through our online Cranswick Core learning and development system meant we could fast-track the development of all colleagues that required management training. This will help ensure we can build our talent pipeline more effectively, creating future leaders for our sector.

To date, 99 colleagues have enrolled onto the three-month programme. Based on their feedback, the programme has proved to be both beneficial to them in their roles, and to Cranswick as a whole. They all agreed that the training has given them a desire to continue their development and learning through the Core system, aiding their professional development.

Benefits

We have introduced an enhanced colleague benefits package hosted through a centralised online hub called Feed Your Wellbeing. This enables all benefits to be accessed in one place, either through our website, or dedicated app. The benefits we have selected are relevant to all of our colleagues, not just the few, and are flexible to best suit an individual's preferences.

The benefits package includes the ability to buy five extra days of holiday, enhanced maternity and paternity pay for all colleagues with two years of service, retailer e-vouchers and discounts, an electric car salary sacrifice scheme, and financial services including access to preferential loans, a savings and insights portal, and a ShareSave scheme.

Offering these financial services will help improve people's financial literacy and in turn, their financial wellbeing. Since its launch in April 2020, the hub has had a 25 per cent sign-up rate across the Group.

Development

We have invested heavily in the development of our people over the past 12 months with an increased focus on agile learning. Central to this is the introduction of Cranswick Core, a bespoke online learning management system, that covers compliance and training for both salaried employees and agency staff.

Available in all languages, Cranswick Core is both industry-leading and unique to our sector. The virtual platform has enabled all learning to be undertaken remotely, allowing colleagues to continue their professional development uninterrupted throughout the pandemic.

It features a suite of over 200 courses aimed at all tiers and functions of the business. These range from compliance training courses, such as food safety and health and safety, to developmental soft skills training such as management skills, customer service, coaching and mentoring.

We are also utilising the platform to share bespoke training courses created in-house such as butchery skills and Second Nature training. These can be uploaded onto the Core system to enable learning on a more practical basis. More than 33,500 courses, equating to around 50,000 training hours, have been completed through the platform since its launch in April 2020.

The platform is also helping us develop transferable learning across the Group as we look to build more upskilling and greater flexibility into our workforce. This will help us address national shortages of skills against the backdrop of Brexit.

Our Stakeholders continued

Throughout the pandemic, we have worked hard to ensure colleagues are able to access developmental training remotely. We have hosted numerous online workshops and training sessions focused on key relevant topics such as resilience, wellbeing and how to communicate more effectively.

We are also encouraging colleagues to develop their skills through academic qualifications by utilising funding through the apprenticeship levy. We currently have 198 colleagues undertaking apprenticeship qualifications while working across different areas of the business.

Health & wellbeing
The health and wellbeing of our colleagues has always been a key priority for us. Many of our health and wellbeing initiatives were launched prior to COVID-19, enabling us to respond quickly and effectively to mitigate any effects on colleagues, aided by our 53 trained Mental Health First Aiders and 89 mental health champions across each of our sites.

We continue to build on these efforts through our Feed Your Wellbeing hub, which covers five pillars – mental health, physical health, finance, environment and community. By taking a multi-faceted approach to what can often be a complex topic, we hope to positively change the way people think about and act on these issues. We are a signatory of the Time to Change employer pledge and all of our sites are affiliated with gyms to encourage a healthy work-life balance.

To promote our health and wellbeing work more effectively, we are undertaking awareness training across the Group in different languages. This includes our partnerships with GroceryAid, which offers counselling support and crisis grants, and the Butchers' & Drovers' Chartered Institute, which offers financial support to families in need.

We have also launched a wellbeing programme called Banish the Burnout and collaborated with a wellbeing expert to deliver this programme across the Group. It consists of four modules focused on improving behaviours, highlighting signs of physical burnout, understanding what to look out for with regard to mental and emotional distress, and the importance of support and connection within the Company and at home.

All colleagues have access to the programme via online self-study. As well as the four modules, the programme offers live sessions, pre-recorded videos, self-assessment workbooks and journal prompts for each new module.

We are incredibly proud of our colleagues' engagement in this area, with 1,800 completing Mental Health courses on Cranswick Core.

Employee engagement
Each year we undertake a Group-wide people survey and the latest survey in January achieved a 73 per cent completion rate with an engagement score of 71 per cent. Highlights included how their role contributes towards Cranswick's business objectives and values and the ability to carry out their job function despite English not being their first language.

In August 2020, we undertook a COVID-19 survey to make sure colleagues were satisfied with our response and level of communication, and to give them the opportunity to provide feedback. This achieved a 78 per cent completion rate with an engagement score of 77 per cent. In addition, all of our sites have carried out local surveys, with many achieving very high satisfaction and engagement scores upwards of 90 per cent.

We also launched an engagement drive to inform 150 of our colleagues on changes relating to Brexit that might impact on their job function or role. Our Brexit taskforce worked with a third-party company to create a training webinar which was rolled out across the Group. Our Group average employee turnover rate has marginally increased from 2.01 per cent in the previous year to 2.26 per cent.

Number of courses completed on Cranswick Core

33,500

People survey completion rate

73%

Attracting talent
We continue to recruit through our graduate and apprenticeship schemes, and have not paused this activity despite the ongoing uncertainties presented by COVID-19 and Brexit. Since 2013, we have recruited 39 graduates and found them permanent positions within the Group, and we have recently recruited a further 13 graduates who will join the business in September 2021. Despite the pandemic, we have still progressed with our recruitment plans for graduates and apprenticeships as attracting new talent into the business plays a pivotal role in the succession of our teams. We are also working on our apprenticeship offering using the apprenticeship levy where we can to recruit for key areas such as Engineering, Butchery, Operations, and IT.

This year we have been working closely with colleges and universities to ensure we maintain an online presence with students who are studying remotely or from home. This includes hosting online seminars, CV workshops, one-to-one chats and recorded presentations.

We are also working in partnership with Sheffield Hallam University, providing students with industry-related projects for them to work on under the guidance of our Technical and Marketing teams. This mentoring offers students an opportunity to see their academic knowledge brought to life through application in various contexts, and work on their employability skills and experience.

As part of our early careers strategy we have partnered with a local school in Hull as an Enterprise Advisor to support career leaders and prepare young people for the world of work. We have also launched a virtual work experience project in partnership with the Education Alliance organisation and created real life working projects to engage with pupils, giving them a taste of working in the food industry. We plan to roll these projects out to a wider network of schools going forward.

Labour availability
We continue to focus on labour availability, particularly across our factories. The investments referred to above in our benefits system, the Cranswick Core and our reward and recognition schemes all ensure Cranswick is an attractive employer. We also undertake regular benchmarking on local pay rates to ensure our pay is competitive. Our "refer a friend" scheme offers a bonus to colleagues for introducing new recruits to the business. We have also invested in improved facilities such as canteen areas to make sure we are a 'Destination Employer'.

During the year we have continued with our EU Settlement Scheme to support our colleagues who wish to continue to work in the UK. With better production planning we have also been more able to foresee any potential, upcoming labour availability issues. We have then been able to redeploy colleagues to different sites in a COVID-secure way. This ensures any labour shortages at particular sites can be efficiently addressed.

Diversity and inclusion
We strive to offer a diverse and inclusive workplace in which we generate equal opportunities for everyone regardless of gender, age, race, disability or sexual orientation. Across the Group at every level there are no differences in pay structure for males and females performing the same or similar roles. Our latest Gender Pay Gap report can be found on the Group's website: **www.cranswick.plc.uk**.

This year our female representation levels remained at 39 per cent and we saw a 19 per cent increase in the number of women reporting to Directors of the business from the previous year. We continue to increase the opportunities for the development of our female colleagues, particularly young women. This includes the enrolment of 25 of our colleagues onto the Meat Business Women initiative, under the corporate membership scheme.

We continue to champion diversity in the workplace, reflected by our workforce which encompasses 63 nationalities. As we look to promote diversity more at senior and management level, we are confident our succession planning structures and systems will help us achieve this.

As part of our approach to business ethics, we continuously strive to eliminate 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.

Female representation

39%

Number of nationalities employed

63

Health & Safety
We continue to embed a far-reaching safety culture across the Group while recognising the efforts of our Health & Safety (H&S) teams who have been instrumental in facilitating our site-led COVID-19 response this year. Many of the measures we took in this respect have indirectly benefitted our performance and will become a permanent feature going forward.

This year we developed a set of standards to underpin our Health & Safety (H&S) strategy. These standards will enable us to measure site performance more consistently against the key enablers of the H&S strategy as we work towards greater uniformity in our reporting. The standards have been rolled out across all sites and will be followed up with six-monthly reviews. We will also be using these standards to inform the next phase of our H&S strategy from 2023 onwards.

RIDDOR progress
We made excellent progress in regard to the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR). Our RIDDOR frequency rate per 100,000 hours decreased by 22 per cent compared to the previous year. Our Total Accident Frequency Rate per 100,000 hours worked has also decreased year-on-year.

Injuries from sharps fell by 8 per cent, mainly due to the installation of screens and enhanced PPE, while injuries from manual handling fell 51 per cent as production line automation was increased and additional equipment training provided. We continue to receive positive feedback from the Health & Safety Executive on the approach we are taking to mitigate both COVID-19 and general H&S risks.

Compliance
We have switched to paperless systems for our H&S site audits with verification audits undertaken by our Group H&S function. All audits are followed up with a six month action plan. We continue to proactively report on hazard spotting and near misses through inspections and leadership tours. Seven of our sites have been accredited to the ISO45001 Health and Safety management system and we are on track to complete accreditation for the remaining sites by September 2021.

It is our ambition to implement a 'Target Zero' culture across all sites targeting zero accidents as part of our risk management approach. Our Ballymena meat processing site reported its first accident-free month in December 2020, which was a fantastic achievement. On a wider level, we continue to work with the British Meat Processors Association to encourage more transparent accident data reporting across the industry to enable future benchmarking.

Skills and training
Under our new strategy standards, we are upskilling all of our H&S managers to Graduate Members of the Institution of Occupational Safety and Health (IOSH), where they can then work towards Chartered IOSH status. H&S training for staff is now undertaken via Cranswick Core, our online learning management system, and covers a wide range of modules including root cause analysis, accident investigation, risk and responsibility, slips and trips, and working at height. We are also introducing a new three year manual handling training programme across all sites.

"We strive to offer a diverse and inclusive workplace in which we generate equal opportunities for everyone regardless of gender, age, race, disability or sexual orientation. Across the Group at every level there are no differences in pay structure for males and females performing the same or similar roles.

Our Stakeholders continued

Customers and Consumers

We work closely with our customers to create a portfolio of products that evolve with consumer needs, putting food integrity at the heart of everything we do. We pride ourselves on our ability to innovate, bringing new meal concepts and ever more sustainable packaging solutions to market.

Who we serve
This year, 79 per cent of our revenue was generated from our retail customers, primarily through their own-label products. 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.

This year we experienced a surge in retail demand as the pandemic changed consumer eating habits with more people eating in the home. This helped to offset a consequent scaling back in food service and hospitality. As only 5 per cent of our revenue was generated from these channels in the prior year, we were able to limit our risk and exposure to the impact of COVID-19 in this sector.

Our export sales continue to contribute to a significant proportion of our total revenue. Despite some COVID-19 related disruption to our export business, overall volumes increased through the broadening of our customer base in both existing and new markets.

Evolving partnerships
Our teams work with customers on a partnership basis across several areas including new product development, technical, agricultural and category development. This enables us to help keep customers abreast of consumer insights so we can all react quickly to society's changing needs.

This year we changed how we work with customers and switched to collaborating remotely with our key contacts. This included replacing face-to-face meetings with virtual meetings and online taste panels to ensure we could continue to deliver the agreed business plans whilst remaining within the COVID-19 imposed restrictions.

This approach has not only saved on travel time and road miles, but enabled more frequent customer contact and alignment. Testament to this is the high level of positive feedback we have received during the past 12 months with many customers praising our teams for their commitment and dedication to building the business plan and delivering fantastic levels of service during these unprecedented times.

New solutions
Customer and consumer concerns around in-store hygiene and safety understandably increased this year, resulting in the closure of delicatessen and fresh meat counters. We reacted quickly to this, working with a key customer to expand our grab-and-go offerings for different products and pack sizes, and also creating a new eating occasion called 'small plates' to offer consumers more choice as demand for convenient at-home meal solutions grew.

We tapped into new opportunities for the lunchtime market as consumers sought more inspirational food choices to prepare in the home. This included introducing more flavoured options for our ready-to-eat cooked poultry and ham products, and increasing our pack sizes for retail. We also supported the retailers as they adapted their offer to meet the additional demands created by the pandemic. For example, we have enhanced communication of our product benefits in the online shopping environment and also developed bespoke lines for a specific retail customer where themed food boxes were created.

Packaging developments
We continue to work with customers to remove plastics from our packaging, most notably through streamlining and materials innovation. Across most of our sites we have shifted to using just one type of material for our packs and we are exploring alternatives such as PaperLite (a recyclable paper-plastic laminate) to reduce our plastic use further. More information on our packaging work can be found on page 27.

Brexit planning
Through our Brexit taskforce, we worked closely with customers to proactively manage Brexit-related supply chain risks, implementing mitigation and contingency plans to minimise any costs and disruption. Against this backdrop, we have seen a desire from customers to build more resilience into their supply base and our vertically integrated supply chains offer us a key advantage in that respect.

Food integrity
To enable greater consistency in the work we do to assure the safety, traceability, quality and provenance of our raw ingredients and production processes, we have introduced a new Cranswick Manufacturing Standard (CMS). More information on the CMS can be found on page 44.

We are working on developing an automated food fraud incident system through our Foods Connected supplier performance management system, so we can react more quickly and efficiently to food fraud incidents. This year we also joined the Food Industry Intelligence Network (FIIN), an intelligence sharing platform for issues relating to food authenticity.

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.

Online food shopping

In September 2020, the UK's dedicated online grocery retailer, Ocado, changed their established retail supply partner and created a new supply partnership with one of the Group's large retail customers.

In order to ensure a full product range was available at the transition, we developed over 140 new products during a six month window and launched the full range in September 2020. This project was managed and delivered on time through five of our sites and included new product formats and an increase in the requirement for free range pork products.

New products developed for launch

140

Our Stakeholders continued

Producers and Suppliers

We champion world-class standards when it comes to food quality, safety and sustainability. By partnering with others who share these values, we continue to drive excellence across our supply chain and production operations.

Responsible sourcing
It is important that our broad network of suppliers share our passion for food authenticity so we can ensure greater visibility of where our ingredients come from and how they are made. We are focused on continually strengthening our raw material procurement processes to deliver this transparency.

We expect suppliers to have procedures in place to measure and mitigate any negative environmental impacts, and encourage them to commit to and publicly report on policies and goals to reduce these impacts. Our Group Sustainable Procurement Policy has been updated to reflect this.

In October 2020, we issued a supplier sustainability pledge and questionnaire to gather more meaningful data on key supplier actions or commitments across a range of environmental issues including carbon measurement, renewables investment and water/waste reduction. We are collating this information for our next reporting period.

We approve and control 881 raw material suppliers, and 7,525 products and associated specifications through our Group Technical Services (GTS) team. The number of raw material suppliers has increased over the past 12 months due to the growth of the business.

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 and undertake vulnerability risk assessments for every supplier and ingredient through our supplier management system, Foods Connected. We risk rate suppliers on a points-based system and last year developed new risk assessments for allergens, gluten-free and speciation.

We are in the process of automating risk assessments relating to food fraud on our Foods Connected platform. We have also joined the Food Industry Intelligence Network (FIIN) to share intelligence on food authenticity with various authorities including the Food Standards Agency National Food Crime Unit, Food Standards Scotland and Food Safety Authority Ireland.

This year we issued a new guidance note to engage more deeply with our pig suppliers on issues relating to bio-security, disease surveillance and farm security in relation to increased awareness of animal activism. The standard has been issued to 100 per cent of our pig suppliers, representing around half of UK pig production. Importantly it also addresses animal welfare issues, which are detailed later in this section.

During the past 12 months, 241 supply chain audits were carried out to assure the safety, traceability, quality and provenance of the raw materials we use. This figure is slightly down on last year due to COVID-19 restrictions.

Currently 800 of our 881 total suppliers are registered on Sedex, including all 556 direct suppliers and more than 75 per cent of indirect 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
This year we introduced a new Cranswick Manufacturing Standard (CMS) to enhance our internal auditing and ensure we can automatically meet, if not exceed, customer compliance requirements. The CMS will help streamline our auditing processes, ensuring a more consistent approach across all of our sites. We have developed a new internal audit system to underpin the CMS, a Group support mechanism consisting of tools, templates and apps.

Setting the standard

Our new Cranswick Manufacturing Standard (CMS) is industry-leading, based on best practice across the food industry. All of our sites will be expected to put procedures in place to ensure they can meet CMS criteria, and from April 2021 all sites will be audited against the CMS. Customer feedback on CMS has been very positive; by having our own standard that reflects the highest levels of due diligence, we hope in time this will reduce the number of external customer audits required.

Remote auditing was put in place this year due to COVID-19 restrictions. 817 internal audits have been carried out across the Group, with 100 per cent of planned audits completed. These audits cover technical, environmental, ethical and health & safety audits. The number of audits has increased year-on-year, despite restrictions, demonstrating the growth of the business and our commitment to exceptionally high standards. Multiple apps and reports have been developed to remedy any issues flagged.

This year our BRC Global Standard for Food Safety site audits were extended by six months due to COVID-19 restrictions. During this year, ten production facilities were audited against the BRC Standard, seven achieved an AA rating, two received an A rating and one an AA+ rating. Previous year BRC rankings still stand for our remaining five sites – three AA+, one AA rating and one A+ rating. Going forward, we have elected to have new BRC audits announced rather than unannounced in keeping with our visitor COVID-19 protocols.

To ensure we maintain the highest standards of site compliance, reporting and analysis, we continue to invest in upskilling our colleagues. Group Technical colleagues also sit on meat industry technical committees including the British Meat Processors Association and the British Poultry Council to help inform sector thinking on standards, legislation and welfare issues.

Animal welfare
Our exceptional animal welfare standards are vital to ensuring the integrity and quality of the meat we produce. We have retained our Tier One ranking in the 2020 Business Benchmark on Farm Animal Welfare (BBFAW) for the fifth consecutive year, and are one of only four companies worldwide to have achieved a Tier One rating. More information can be found at **www.bbfaw.com**.

More information on our Animal Welfare policy can be found on our website: **www.cranswick.plc.uk**.

Caring for our poultry
Our poultry business is fully integrated, giving us complete control over the health and welfare of our chickens, from hatching and rearing through to final processing, packing and supply. All of our chickens are reared indoors in conditions that either comply with, or go beyond, Red Tractor welfare standards.

We continue working closely with Red Tractor and other assurance schemes to improve welfare outcomes wherever possible. More information about our partnership work with assurance schemes can be found on page 46.

This year, following successful trials, we have adopted the NestBorn on-farm hatching system for all of our eggs, which we believe is a first for our sector. All of our poultry sheds provide environmental enrichments in the form of 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.

We operate our own feed mill that supplies our poultry and pig farms, and have an in-house nutritionist. This enables us to continually refine and optimise diets, preventing ammonia emissions and lowering the risk of respiratory problems.

Caring for our pigs
We own several of our own pig herds, which are located close to our processing sites to reduce transportation times and minimise stress. Our integrated pig farms account for over 30 per cent of our total pig processing operations, with higher welfare outdoor bred or reared production methods specified for the majority of our contracted pigs. These are sourced in compliance with RSPCA Assured and Red Tractor animal welfare standards.

Giving our chicks the best start

NestBorn allows chicks to be born in natural and stress-free conditions with immediate access to sheds, feed and water as soon as they hatch. We have led the industry in adopting this after two years of successful trials. This approach offers clear health and welfare benefits, resulting in calmer birds, and also leads to a reduction in antibiotic use.

Our pig procurement team has built strong working relationships with our supply base. This is reflected by our new guidance note which we have issued to all of our pig suppliers to encourage them to adopt welfare practices that go beyond industry standards, and the note raised awareness of the increasing requirements of transparency by our customers. We have more direct contracts with pig farmers and producers than third-party marketing groups, enabling us to build a shorter, more transparent supply chain.

At our indoor farming operations, we have increased investment in free farrowing systems to allow 33 per cent more space for breeding sows.

Our pig lairages are designed to accommodate the pig's natural curiosity and behaviour and to that end they are extremely peaceful and quiet areas overseen by a full-time vet. We have also installed 3D cameras into one of our finishing trial sites to enable us to monitor pig performance, behaviour and quality in real-time.

In recognition of the holistic approach we take when it comes to ensuring the health and welfare of our herds while promoting climate-smart husbandry, our Wayland Farms division won three accolades at the National Pig Awards 2020. These included Outdoor Pig Producer of the Year for the second year running, and Pig Producer of the Year.

Antibiotic usage
We advocate the responsible use of antibiotics and alternative approaches to medication through improvements in gut health for example. We recognise the Responsible Use of Medicines in Agriculture (RUMA) target and continue to achieve levels well below the 2020 target. The average antibiotic use across our three farming businesses in 2020 was 46.7mg/pcu, well below the industry target of 99.0mg/pcu.

We are board members of FIIA (Food Industry Initiative on Antimicrobials) and continue to work with FIIA to promote and support responsible antimicrobial use, and to develop industry best practice in this field.

From Soya to self-sufficiency

Our goal is to source from verified zero deforestation areas by 2025. That means becoming less reliant on imported soya and trialling insect protein and UK grown crops that are rich in protein. All soya we purchase for our own farms is certified. For further details see 'Climate Smart Farming' on page 27. We have also significantly lowered the percentage inclusion of soya within pig diets with levels as low as 10 per cent achieved regularly. This is substantially lower than the average within the industry. More information on our soya policy can be found at **www.cranswick.plc.uk**.

Innovation in rapid blood diagnostics

Our approach to tackling disease in our pig herds focuses on stabilising the health from breeding sows right through to finishing pigs, and supports the development of natural immunity. Speeding up blood test results from five weeks to less than 24 hours will improve pig health significantly and deliver vital information on the efficacy of existing vaccines and the strain of the virus in circulation.

Our Stakeholders continued

NGOs and Partnerships

Only by working with others can we drive the level of change needed to address some of the world's biggest and most complex challenges. Taking collective action will enable us to influence better, scale our ambition and maximise our impacts to help deliver a fairer, more sustainable food system.

Collaborating for the greater good
Through our multi-stakeholder partnership approach we engage with a variety of non-governmental organisations (NGOs) at both a national and local level, as well as strategic partners including retailers, food companies and universities, to help set policies, improve industry standards and develop innovative solutions.

The positive outcomes that result from this type of collaboration often send a strong market signal, enabling us to exert greater influence beyond our own operations and supply chains. This is critical given that businesses like ours are increasingly expected to create the global system changes that are urgently needed.

Climate action
This year we took further action on climate change by joining The Climate Pledge, a commitment co-founded by Amazon and Global Optimism to meet the goals of the Paris Agreement ten years early. We are also members of the Science-Based Target initiative (SBTi) and we are working with them to get our own SBT formally approved against a 1.5 degrees Celsius trajectory this year.

We continue to support global efforts to work towards zero deforestation through our membership of the UK Roundtable on Sustainable Soya and the Soya Transparency Coalition, and we are part of the UK Plastics Pact, led by WRAP, which is bringing multiple stakeholders together to tackle the scourge of plastic waste at scale.

We remain active signatories of high-level coalitions such as Champions 12.3 and Courtauld 2025, which are focused on driving down food waste in climate-smart ways. We have surpassed the Champions 12.3 target set in January 2018, achieving a 61 per cent reduction in edible food waste against our 2017 baseline position.

Farming with integrity
Our work with Courtauld also focuses on water stewardship, which is critical to sustainable food production. Our Chief Commercial Officer sits on the Courtauld 2025 steering committee, and both Cranswick Plc and Wayland Farms are represented on the Cam, Ely & Ouse Catchment soil and water stewardship board, a collective group aligned to Courtauld 2025 advocating a catchment-based approach to river management in East Anglia.

Wayland Farms also works with The Norfolk Rivers Trust (NRT) to apply science-based management plans to its pig breeding units. This helps better manage water quality and promote biodiversity. Through its membership of LEAF (Linking Environment and Farming) since 2018, Wayland Farms also helps to promote the value of sustainable farming practices.

Our Head of Agricultural Strategy is running a long-term supply chain pilot in partnership with DEFRA, Natural England and WWF to inform and shape future government agricultural policy. We are working collaboratively to assess, devise and put in place the optimum crop rotation around outdoor pigs. This will deliver ongoing improvement in soil health whilst mitigating the risk of soil and water run-off.

Raising meat standards
We work with several industry bodies and assurance schemes to help set polices and improve standards around meat integrity and animal welfare. These include the Agricultural and Horticultural Development Board (AHDB), British Poultry Council (BPC), British Meat Processors Association (BMPA), Red Tractor and RSPCA Assured. We also have representation on the National Pig Association (NPA) Pig Industry Group.

Our Chief Operating Officer sits on the AHDB Pork Board, helping to inform future policy-making for the pork sector, and is also a member of the Butchers' and Drovers' Charitable Institution. Cranswick plc is represented on the BPC technical committee where our pioneering approach to on-farm hatching is setting a new industry benchmark for higher welfare poultry. We also have representation on the BMPA Animal Welfare Committee.

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.

Corporate citizenship
We continue to create positive social impact through our community outreach and charitable work, which encompasses a broad spectrum of activities. This includes our long-established partnership with FareShare to tackle food poverty, which donated more than 229,000 meals to UK communities in 2020/21.

One of our senior directors is a trustee of Environmental & Management Solutions (EMS), a Hull-based food and fuel poverty charity that works with families living in poverty to provide affordable food. During 2020, we joined forces with several organisations in Hull to strengthen our support for the work EMS do, particularly during the COVID-19 pandemic. This included delivering over 1,000 food parcels for people in need.

Communities

We have a strong track record of delivering positive impact and building resilience in the communities we operate in. We work with a number of organisations and charities to help support good causes through our fundraising, donation of products and volunteering efforts while providing people with education and gainful employment opportunities.

COVID-19
This year in particular our communities have faced some incredibly hard times, and much of our community work has been focused on supporting them through this period with funding and food donations.

Our long-established relationships with food charities meant we could utilise these networks and respond quickly to reach people most in need, particularly at the start of lockdown when panic buying led to instances of food scarcity.

In Hull, teams from across our sites came together to help make 800 sandwiches each day for three months for NHS workers at two hospitals. We also worked with Hull City Council to deliver more than 840 meat hampers to people who were shielding.

In Milton Keynes, our Make Lunch initiative supported the provision of food parcels for 600 people in need, including those who were elderly, vulnerable or isolating. Meanwhile in Barnsley, our Valley Park site donated unused laptops to local school children to help with home learning during lockdown.

Find out more about how we supported communities through COVID-19 on page 7.

Charity work
We support a number of charities across the Group, placing a strong emphasis on staff volunteering to help raise money for good causes. Several of our sites run local initiatives tailored to the communities they serve.

In Milton Keynes we stepped up our support work with MK Food Bank, providing weekly emergency food and further funding for three local charities. Under our Make Lunch initiative, we also provided donations to support hampers for 30 families for three weeks, the equivalent of 500 meals.

Our Hull sites produced meat parcels for local soup kitchens providing a lifeline for residents facing poverty and also provided meat hampers to Hull Women's Aid for distribution to women and children fleeing domestic abuse.

Our Riverside and Preston sites partnered with Hull 4 Heroes and raised nearly £900 for the charity's Christmas food hampers appeal, which is raising funds to build a place where veterans can begin to adjust back into civilian life. We also donated £50,000 to The Deep, Hull's aquarium and popular tourist attraction, to help cover running costs for this valuable local educational landmark.

In East Anglia, our Norfolk site produced and packed joints of pork joints and sausages for community food boxes to help vulnerable people while our gourmet pastry site in Malton, North Yorkshire, donated more than 240 items a week to local food charities.

Our ongoing support of GroceryAid saw us receive a GroceryAid Gold supporter award in recognition of our efforts, and two of our management team sit on the GroceryAid committee, enabling us to increase awareness of its work.

Charitable trust
This year the launch of Cranswick Charitable Trust (CCT) will take our charity work to another level. CCT will act as an independent grant-making charity and is registered at The Charity Commission. It has been set up to support individuals and their families who face hardship, including Cranswick former employees, as well as other charitable causes.

We believe CCT will help refine our focus to charitable giving at Group level, meaning we can take a more structured approach to corporate philanthropy. It will be governed by a separate Board of trustees, including a representative independent of Cranswick, and will develop its own policies and reporting processes. It is envisaged that CCT will be funded by ongoing donations from the Group.

CCT is not intended to replace the Group's charitable activities at a site level, which remain an important part of our community outreach work. However, CCT should enable us to build on the value and assistance we can offer to the wider communities we operate in.

Outreach work
Across all our sites we work with various organisations to provide sponsorship, education and mentoring whilst raising awareness of the food industry. In Hull, our ongoing partnerships with local colleges and universities play a valuable role in offering students career advice. We also work with Hull College to provide opportunities for students who are looking to undertake industry placements within IT, HR and business administration functions.

Local employer

Given the scale of our operations, we aspire to be an employer of choice for the local communities we serve. Due to our emphasis on local recruitment across the Group, 66 per cent of colleagues live within a 10 mile radius of their workplace. Employing locally means we can help boost the local economy, improve our recruitment and retention rates and deliver a better quality service. We are now starting to make a bigger impact by helping disadvantaged and marginalised groups back into work. This includes working with a homeless charity at our Milton Keynes site where we have recently undertaken a successful recruitment drive.

Our Stakeholders continued

Shareholders

Shareholder engagement on a regular basis is important to us to capture and embrace feedback and ensure the Group responds to developing themes.

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 Group, 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 Chief Financial Officer and the Chief Commercial Officer to analysts and institutional Shareholders on the half year and full year results and on Company strategy. The Chairman, Chief Executive and Chief Financial Officer 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 26 July 2021 at the Mercure Hull Grange Park Hotel, Grange Park Lane, Willerby, Hull, HU10 6EA at 10.30 am. As at the date of printing, restrictions in place relating to large gatherings in connection with COVID-19, mean that Shareholders are currently prohibited from attending in person. We are keeping the arrangements relating to the AGM under review as health guidance evolves and if, as anticipated by the Government's Roadmap out of Lockdown, it becomes possible to attend in person, Shareholders will be notified by the Company beforehand of revised arrangements via its website and by a Company announcement. Given the continued unpredictability of UK Government guidance due to the COVID-19 pandemic, this year Shareholders will also be able to view the AGM presentations on-line via a live videocast and to ask questions in real time. This can be done by accessing the online AGM platform, details of which are set out in the notice of meeting accompanying the Report and Accounts. There will not be an online voting facility at the AGM and we therefore encourage all 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 release full financial and operational results at the interim and full year stage in November and May respectively. The Group also releases a trading update at the first and third quarter with reduced disclosure. The interim and full year results are accompanied by presentations by the Executive Directors, which are also available on our website.
Website	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.

Shareholder engagement themes

COVID-19	We received queries from Shareholders relating to the steps the Group has been taking to mitigate the impact of COVID-19 and protect our workforce along with the financial implications of the pandemic for our workers. Details of actions taken by the Group in relation to COVID-19 are set out on pages 6 and 7.
Climate and sustainability	During the year the Group received a significant number of enquiries from institutional shareholders and various environmental interest groups relating to its environmental performance and initiatives. In particular, Shareholders encouraged greater public disclosure of environmental statistics. Environmental performance is reported on at pages 28 to 29 and further disclosure of performance under the Meat, Poultry & Dairy Sustainability Accounting Standard is set out on pages 32 to 34.
Financial performance	The Group discussed its financial performance in meetings with institutional Shareholders and analysts. Matters focused on the impact of COVID-19 and Brexit on the Group, developments in export markets, the expansion of the Group's poultry business at Eye and the development of the Gourmet Kitchen cooked bacon facility in Hull, which are covered in further detail in the Strategic Report on page 20.
Diversity	The Group has engaged with Shareholders and various interest groups in relation to its policies to increase diversity at all levels. In particular, the Group has engaged with the Hampton-Alexander Review in relation to gender diversity and a number of its institutional Shareholders in relation to broader diversity measures. Further details of the Group's policy and performance relating to diversity is included in the Nomination Committee Report on pages 87 to 88.
Employee engagement	Shareholders raised queries relating to how management engage with the Group's workforce and, in particular, the development of the role of the Group's designated Non-Executive Director. Further information on workforce engagement and the development of the designated Non-Executive Director's role is set out on page 78.
Directors' Remuneration	The Group has undertaken its triennial review of its Remuneration Policy this year in connection with which it has consulted with institutional Shareholders and Shareholder representative bodies. Areas of particular focus included Executive Directors' pension contributions and post-employment shareholding requirements. A full report on the review and new Remuneration Policy (which is to be approved at the AGM) is included in the report of the Remuneration Committee on pages 89 to 109.

Operating and Finance Review

A strong performance in a challenging environment

Revenue and Adjusted Operating Profit

	2021	2020	Change (Reported)	Change (Like-for-like*)
Revenue	£1,898.4m	£1,667.2m	+13.9%	+12.1%
Adjusted Group Operating Profit*	£132.5m	£105.1m	+26.1%	
Adjusted Group Operating Margin*	7.0%	6.3%	+68bps	

*See Note 32.

Operating review

Revenue

Reported revenue increased by 13.9 per cent to £1,898.4 million. Like-for-like revenue which excludes the contribution from acquisitions made in the prior year, increased by 12.1 per cent, with corresponding volumes ahead by 8.7 per cent. All four product categories delivered strong volume growth reflecting a full year of sales from the new Eye poultry facility, annualisation of FY20 contract wins, new FY21 contract wins and a shift to in-home consumption resulting from the COVID-19 pandemic. Robust retail demand comfortably offset lower food service channel revenues, and the benefit of lower pig prices being passed on to customers, particularly in the final quarter of the year. Export revenues were modestly ahead of the prior year with continued growth in Far East and EU trade offsetting lower sales to other non-EU markets.

Adjusted Group operating profit

Adjusted Group operating profit increased by 26.1 per cent to £132.5 million, with adjusted Group operating margin 68 basis points higher at 7.0 per cent reflecting a stronger product mix, improved operating efficiencies, a full year contribution from the Eye poultry facility and strong capacity utilisation across the business throughout the year. The uplift in operating profit was net of £18.6 million of COVID-19 related costs which included £9.8 million of colleague bonuses.

The measures we put in place to protect our employees and our business have been extremely effective and have enabled us to continue to operate through periods of extremely challenging and unpredictable demand. Service levels to our customers have been exemplary throughout the pandemic, helping to keep shelves well stocked and the nation fed.

Further details of the enhanced policies, procedures and other mitigation strategies which have been implemented to safeguard our colleagues and the business against the threat posed by COVID-19 are set out on pages 6 and 7.

Brexit update

Following extensive preparation and planning, disruption caused by the UK's departure from the EU has been extremely limited. Investment in our people, our processes and our procedures as well as the extensive work performed with our customers and suppliers resulted in minimal disruption to both inbound and outbound supply chains. The Group's Brexit Taskforce, formed in 2019, ensured that all addressable risks were identified and mitigated and that extensive procedures were put in place to manage the increased supply chain complexity and the associated administrative burden. A specialist customs team was recruited, training rolled out and broker capacity secured. Extensive testing of new systems was performed in partnership with our customers and suppliers to ensure that supply chain disruption was minimised.

Short term challenges relating to the supply of products to Northern Ireland and in securing Export Health Certificates continue, but the Taskforce team continues to work with all stakeholders to ensure these legislative challenges are effectively managed and mitigated and we are confident that they will be resolved successfully in the coming months.

Also, we have tirelessly supported our EU national colleagues in claiming their right to settled status in the UK and we have moved a significant number of our colleagues from agency to permanent contracts to provide them with greater job security and continuity.

Capital expenditure

Despite the challenges created by COVID-19 we have continued to invest at pace across our asset base, spending £71.9 million during the year to add further capacity, extend capability, improve operational efficiency and to drive our Second Nature sustainability strategy.

We spent £25.9 million on projects to broaden our product portfolio and unlock new sales channels, including the construction of a new £20 million added-value cooked bacon facility in Hull which was completed in Q4. This facility, which has been developed to serve a leading quick service restaurant chain as its anchor customer, will also serve other retail and food service customers. The facility will benefit from the full vertical integration we offer across our pork supply chain. The site is adjacent to our

Despite the disruption caused by the COVID-19 pandemic we have further strengthened our three strategic pillars enabling us to make positive progress in delivering our long-term growth strategy.

Lazenby's sausage facility and will link into the strong operational and management infrastructure which is already in place there.

We have also increased capacity at the Eye poultry facility as well as extending the site's capabilities. We have developed and expanded slow cook and smoking technology across our Cooked Meats operations and added automation, including extending the use of robotics at our Fresh Pork primary processing sites.

In December, we acquired a cold store in Goole, East Yorkshire for £3.0 million which provides us with much needed additional cold storage capacity and greater supply chain flexibility. We will continue to upgrade the facility through FY22 and plan to substantially increase capacity over the medium term.

We spent £12.7 million to strengthen our vertical integration by expanding and enhancing our agricultural supply chain. This included further investment in growing our pig herds and poultry flock, improving our milling operations and generally increasing efficiency across our farming operations. In poultry, the investment in NestBorn, in-shed hatching delivers considerable health and welfare benefits whilst also improving hatchability rates and feed conversion efficiency.

We have also spent £20.2 million to improve operational resilience, update equipment and enhance colleague amenities.

Finally, £10.1 million has been invested in further projects aligned to our 'Second Nature' sustainability programme. These include installing new Combined Heat and Power (CHP) systems, effluent plant upgrades, solar panelling and more efficient, environmentally friendly refrigeration systems across several of our sites.

Sustainability

Our 'Second Nature' sustainability strategy reflects Cranswick's ambition to be the world's most sustainable meat business and includes ambitious targets which focus on food waste, plastic usage, energy efficiency, water usage and reducing our carbon footprint. Second Nature is firmly embedded in our business and is a key determinant in all strategic or investment related decisions.

As part of our journey to achieve net zero emissions by 2040 we have committed to setting Science-Based Targets and we have made considerable progress in this area during the year. Three of our production facilities attained carbon neutral certification PAS2060 during FY21 with a further six sites having gained the same accreditation during the early part of FY22.

We have surpassed the Champions 12.3 target we set in January 2018, achieving a 61 per cent reduction in edible food waste by removing over 4,200 tonnes of food waste against the 2017 baseline position. During the pandemic we have also donated enough food to create 229,000 meals for vulnerable people through our partnership with the food charity FareShare and we have continued to support several local community initiatives.

We also recently retained our 'Tier One' status in the global 'Business Benchmark on Farm Animal Welfare' for the fifth consecutive year. We are one of only four companies globally, and the only meat processor to be ranked in 'Tier One'.

Further details of our Second Nature strategy are set out on page 24.

5 year CAGR

Revenue

+13.3%

Adjusted profit before tax

+15.0%

Adjusted earnings per share

+14.2%

Dividend per share

+13.3%

Operating and Finance Review continued

Category review

Fresh Pork

Fresh Pork includes the three primary processing facilities and associated farming operations and represented 30 per cent of Group revenue.

Like-for-like Fresh Pork revenue increased by 0.1 per cent reflecting strong retail and export volumes, offset by lower wholesale volumes as more product was diverted into the Group's internal supply chain. Despite the operational challenges caused by the pandemic, the average numbers of pigs processed each week during the year increased by 1.9 per cent to 61,400, peaking at over 66,600 pigs per week in February in response to the continued elevated retail and export demand.

Increased retail demand for pork products reflected the shift to in-home consumption with consumers regaining their appetite for traditional pork products resulting in record sales of pork joints over the Christmas period and a strong barbecue season. This demand was augmented by the launch of innovative new products developed for the fast-growing online grocery and direct-to-customer channels. During the year we also renewed multi-category, long-term supply agreements with several of our principal retail customers.

We invested £20.5 million across the three pork primary processing facilities, the new Goole cold store and our farming infrastructure to increase automation, improve and expand farming capacity and enhance our sustainability credentials to support our long term growth strategy in our core pork business. Despite processing record pig numbers, growth in our farming operations enabled us to maintain our self-sufficiency in UK pigs at over 30 per cent.

Far East export volumes were 6 per cent ahead of the prior year. Exports to China during the first half of the year were strongly ahead, but sales slowed in Q3 due to the temporary, voluntary suspension of our Ballymena and Norfolk export licences. The Ballymena licence was reinstated in November. The Norfolk facility has not yet regained China export approval, but the loss of this China export capability is being mitigated to an extent by flexing production levels between our three primary processing facilities to optimise export potential from the two which remain China approved. This flexibility enabled Far East export sales to recover strongly during the final quarter due to strong demand and rising prices in the region.

We continue to make progress in growing alternative pork export markets including Korea, Japan and South Africa by responding to the growing demand in these markets for premium products, particularly British Outdoor Bred higher welfare pig meat and high quality, value-added products. Demand from China is expected to remain strong throughout FY22 providing optionality for the business with the potential to redirect prime cuts and whole carcasses into China dependent on the level of UK retail demand.

African Swine Fever (ASF) continues to affect large parts of China and, to a lesser extent, Eastern Europe. In Europe, the situation over the past 12 months has remained relatively stable despite the detection of ASF in the German wild boar population, which resulted in the immediate suspension of German pig meat exports to China. In China, positive signs that ASF was under control and that the Chinese pig herd was rapidly being rebuilt have faded, with reports of a resurgence in ASF and a consequential extension to the herd recovery programme. This will provide ongoing export opportunities for all ASF free pig producing nations including the UK. In the UK, we remain acutely aware of the impact an outbreak of ASF would have on the UK pig industry and its ability to continue exporting. The UK industry remains on high alert with intensive bio-security protocols in place.

The UK standard pig price (SPP) ended the year at 141p/kg, down 14 per cent year-on-year. The average SPP across the full year was, however, still 1 per cent higher than the previous financial year. The EU pig price started the year at 170p/kg but had fallen to 113p/kg in early February as a result of the oversupply of pig meat in the region, driven principally by the continued ban on exports from Germany into China but also by other factors including the impact of COVID-19 on product shipments and EU food service demand. The trend of falling pig prices over the year started to reverse in the last quarter of the financial year with recovery reflecting strong demand from China and rebalancing of supply and demand across Europe resulting from pig herd contraction.

Convenience

Convenience, which comprises Cooked Meats and Continental Products, represented 38 per cent of Group revenue. Like-for-like Convenience revenue, excluding the impact of the Katsouris Brothers acquisition in July 2019, increased by 14.1 per cent reflecting strong growth in both Cooked Meats and Continental Products. Including the contribution from Katsouris Brothers, Convenience revenue was 18.5 per cent ahead of the prior year.

Strong retail demand, resulting from the shift to in-home consumption, was supported by exceptional customer service levels from all five Convenience facilities throughout the pandemic. The annualisation of new contracts secured in the prior year also fuelled growth alongside continued product innovation including the launch of new 'Slow Cook' and 'Food for Later' ranges which immediately performed ahead of plan as customers looked to replicate a restaurant quality eating experience at home. Further innovation included the introduction of alternative pack formats to offset the closure of deli counters and the increased premiumisation of core ranges.

The Continental Products facility in Bury performed strongly due to robust demand from the site's retail customer base. Extensive innovation led to several new product launches and range expansion including tapas meal kits, small plates, snacking ranges and further growth came from multi-component platters. These platters and other sharing style products contributed to a buoyant Christmas sales performance.

Katsouris Brothers continued to perform strongly. Revenue growth reflected the first full year of ownership, compared to eight months in the prior year. A successful innovation programme with the site's anchor retail customer ensured sales remained resilient with new pre-packaged 'grab and go' products offsetting lost sales due to deli counter closures during lockdown. Sales of ambient olives, Mediterranean cheeses and nuts and pulses have also been strong with growth across the site's retail customer base.

Gourmet Products

Gourmet Products, which comprise Sausage, Bacon and Pastry, represented 16 per cent of Group revenue. Gourmet Products revenue increased 11.5 per cent with strong retail growth offsetting lower food service demand.

Robust Sausage revenue growth was driven by increased cooked breakfast occasions in the home, which more than doubled during the first national lockdown, and a buoyant barbecue season. Delivery of these sustained high retail volumes was facilitated by continued investment in automation and production efficiency improvements at the site.

Growth in Bacon reflected increased consumer demand and new retail business, which comfortably offset the COVID-19 driven reduction in food service demand. Two new retail contracts were secured during the year as well as adding a new business-to-business customer. Underlying retail volumes again increased as a result of more cooked breakfasts being consumed at home and due to strong demand for traditional gammon joints over the Christmas trading period.

Pastry volumes grew strongly as successful new product development led to significant growth with the site's anchor customer as well as with other new retail and food service customers. Although food service revenues were suppressed during the year, new contract wins with two national coffee shop chains supported trading throughout the summer and leave the business well placed to benefit

from the gradual recovery of the food service sector in FY22.

Poultry

Poultry, which includes Fresh and Cooked Poultry represented 16 per cent of Group revenue. Poultry revenue increased by 38.5 per cent in the year reflecting a full year contribution from the new Eye poultry facility.

Fresh Poultry performed ahead of expectations, with the planned uplift in sales following successful commissioning of the Eye facility in late FY20 being bolstered by ongoing strong retail demand. The successful partnership with the site's anchor retail customer has been strengthened by the exceptional service levels delivered throughout the pandemic.

The initial processing target of 1.1 million birds per week was achieved as anticipated at the start of the year and production is now being lifted towards the planned uplift to 1.4 million birds per week. This increased capacity has primarily been achieved by increasing the number of production hours at the site but has also been enabled by continued investment in our feed milling, hatching and rearing operations where we spent £5.7 million during the year to lay down the internal supply chain for the additional 0.3 million birds per week. This industry leading sustainable agricultural supply chain is now supplying in excess of 1.3 million birds per week. Investment has also centred on developing the site's capability to produce more portions and value-added products including a 'roast in the bag' range. The Eye facility is now capable of producing a wider array of core and value-added products enabling it to more effectively flex production to respond to seasonal demand patterns.

Cooked Poultry volumes were lower, as anticipated, reflecting reduced food service and food-to-go channel demand. Lower food service revenue was partly offset by incremental retail business resulting from continued strong product innovation and robust underlying demand. This retail growth, alongside the anticipated recovery in the food service sector will drive further growth in cooked poultry.

Finance review

Revenue

Reported revenue increased by 13.9 per cent to £1,898.4 million (2020: £1,667.2 million). On a like-for-like basis, excluding the contribution from acquisitions in the prior year, revenues increased by 12.1 per cent, with volumes 8.7 per cent higher.

Total export volumes increased by 7.8 per cent during the year driven by continued strong demand from Far Eastern markets and growth in trade with EU customers.

Adjusted gross profit and adjusted EBITDA

Adjusted gross profit of £269.2 million (2020: £221.3 million) increased by 21.6 per cent with adjusted gross profit margin increasing to 14.2 per cent (2020: 13.3 per cent). Adjusted EBITDA increased by 26.7 per cent to £196.7 million (2020: £155.3 million) and adjusted EBITDA margin increased to 10.4 per cent (2020: 9.3 per cent).

Adjusted Group operating profit

Adjusted Group operating profit of £132.5 million (2020: £105.1 million) increased by 26.1 per cent and adjusted Group operating margin was 7.0 per cent of sales compared to 6.3 per cent last year.

Full reconciliations of adjusted measures to statutory results can be found in Note 32. The net IAS 41 movement on biological assets results in a £11.4 million charge (2020: £5.4 million credit) on a statutory basis reflecting the significant fall in the UK pig price during the year.

Share of loss of joint venture

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

Finance costs and funding

Net financing costs of £2.8 million included £2.3 million of IFRS 16 Lease interest. Bank finance costs were £0.8 million lower than the prior year at £0.7 million following the reduction in the base rate at the end of the prior year and lower levels of borrowing throughout the year.

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 extended the term of the additional £40 million of short-term, unsecured funding arranged in the prior year, split evenly across two of its incumbent banking partners. This additional funding now runs to December 2021 and increases the Group's overall facilities to £200 million, providing the business with over £170 million of headroom at 27 March 2021. The adequacy of this facility has been considered as part of robust scenario testing performed over the three year viability period for the Group.

Adjusted profit before tax

Adjusted profit before tax was 26.8 per cent higher at £129.7 million (2020: £102.3 million).

Taxation

The tax charge of £22.3 million (2020: £21.3 million) was 19.4 per cent of profit before tax (2020: 20.5 per cent). The standard rate of UK corporation tax was 19.0 per cent (2020: 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.

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

Adjusted earnings per share

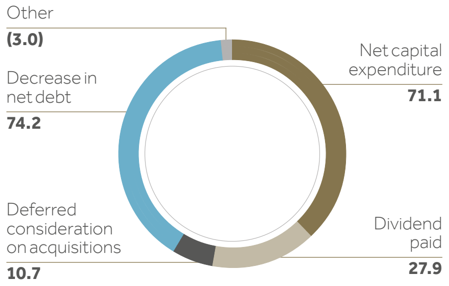
Adjusted earnings per share increased by 27.4 per cent to 199.3 pence (2020: 156.4 pence). The average number of shares in issue was 52,469,000 (2020: 51,966,000).

Operating and Finance Review continued

Statutory profit measures
Statutory profit before tax was £114.8 million (2020: £104.0 million), with statutory Group operating profit at £117.6 million (2020: £106.8 million) and statutory earnings per share of 176.4 pence (2020: 159.1 pence). Statutory gross profit was £257.8 million (2020: £226.7 million).

Cash flow and net debt
The net cash inflow from operating activities in the year was £181.4 million (2020: £117.0 million). This 55.0 per cent uplift primarily reflected the 26.7 per cent increase in EBITDA and a working capital inflow of £2.9 million (2020: outflow of £13.2 million) partly offset by the full year depreciation charge increasing to £64.2 million (2020: £50.2 million). The prior year working capital outflow reflected higher year-end receivables resulting from the COVID-19 related surge in retail demand shortly before the FY20 year end. The current year inflow included a £25.8 million increase in trade and other payables reflecting the increased scale of the business , particularly in Fresh Poultry, and accrued colleague bonus payments. Net debt at the end of the year was £92.4 million (2020: £146.9 million) with the inflow from operating activities offset by the payment of £10.7 million of deferred consideration on acquisitions, £13.7 million of IFRS 16 lease charges, £71.1 million invested in the Group's asset base, net of disposal proceeds and £27.9 million of dividends paid to the Group's Shareholders.

Allocation of resources
Free cash flow: £180.9 million
£'m



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 27 March 2021 was £5.7 million, compared to £7.2 million at 28 March 2020, 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 £36.2 million, and the fair value of plan assets was £41.9 million.

COVID-19
Towards the end of the previous financial year, the Group incurred certain costs relating to the COVID-19 pandemic. These costs primarily consisted 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. These provisions have been reassessed at the year end. See Notes 18 and 19 for further information.

Additional costs were incurred in the current year following the implementation of new processes to keep our colleagues safe during the pandemic and a bonus was paid to them during the year in recognition of their efforts, along with a provision for a further payment to be made. The total cost of these items during the year was £18.6 million.

Summary
We have performed very strongly across all financial metrics in what has been an incredibly challenging environment. Despite the disruption caused by the COVID-19 pandemic we have further strengthened our three strategic pillars enabling us to make positive progress in delivering our long-term growth strategy and in so doing creating value for all our stakeholders. Our robust financial position, conservatively managed balance sheet and class leading asset base provide the platform from which to continue to grow and develop the business during the next financial year and over the longer term.

J M Bottomley

Mark Bottomley
Chief Financial Officer
18 May 2021

Risk Report

How we manage risk

As a leading UK food manufacturer in a competitive environment the Group recognises the importance of identifying, assessing and prioritising its risks to help manage and mitigate the probability and impact of these risks materialising.

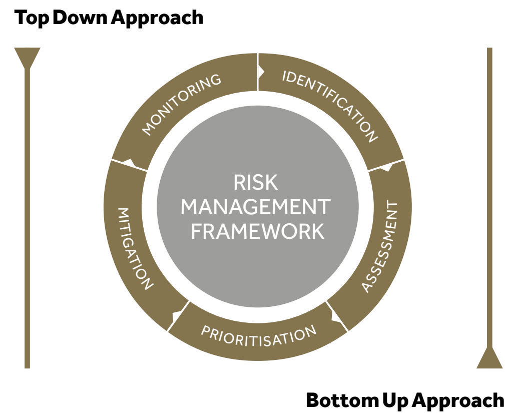
Our approach
The Group faces a variety of risks and uncertainties and effective management of these risks supports the delivery of our strategic objectives. Risk management is based on a balance of risk and reward. This balance is established through an assessment of the likelihood and impact, as well as consideration of the Group's risk appetite.

The Group has a mature and effective risk management framework in place to identify, assess, mitigate, and monitor risks facing the business. The risk management framework incorporates both a top-down approach to identifying our principal risks, and a bottom-up approach to identifying our operational risks.

During the year the Board receives regular risk updates. These include the emerging risks facing the Group, an understanding of risk trends and the status of mitigating actions adopted. The Board also performs an annual review of the principal risks facing the Group and risks in the intervening periods are reviewed by the Group Risk Committee.

The Audit Committee gains assurance over the effectiveness of the Group's risk management framework, governance and internal control procedures through the established in-house Internal Audit team. During the year, the Internal Audit team reported no significant failings or weaknesses in the systems of risk management or internal control.

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



Board of Directors
Responsible for the Group's internal controls and risk management framework, including the principal risks and setting the Group's risk appetite

Audit Committee
Assesses 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 emerging risks and mitigation strategies

Internal Audit
Provides support to risk owners, reports on risks across the Group and provides assurance to the Audit Committee and Board that internal controls are adequate, and that the risk management framework is effective

Operational Management
Deploy site level risk management processes to ensure risks are adequately identified, mitigation actions are implemented, and risks are controlled

Whilst the Board has the overall responsibility for the risk management framework, this responsibility is delegated to the Group Risk Committee, which is chaired by the Chief Financial Officer and consists of key internal stakeholders. During the year, the Group Risk Committee has met four times and has discussed a range of issues. These include emerging risks, the detail and consistency of individual site risk registers and the adequacy of site business continuity plans.

Principal risks and uncertainties
The Board has carried out a robust assessment of the principal risks facing the Group. These include risks that would threaten its business model, future performance, solvency, or liquidity. The Group is exposed to a variety of risks, however, in common with other businesses, only reports on those risks with a higher likelihood and greater current or near-term impact on strategic objectives, operational plans, or reputation. These risks are shown on the risk assessment map on page 57.

During the year COVID-19 risks have been regularly discussed in detail and have now been incorporated within a new principal risk.

Risk appetite
The UK Corporate Governance Code requires companies to determine their level of risk appetite. This is an expression of the amount and type of risk that the business accepts in order to achieve its objectives. Last year the Board started work to formalise our approach to developing and reporting a set of risk appetite statements for our principal risks. This work has continued during the year.

The delivery of the Group's strategy requires an appropriate balance between risk and reward, especially when considering business acquisitions or capital expenditure. A higher level of risk may be accepted in these instances to achieve strategic growth. The Board's overall approach, summarised by the defined level of risk appetite, is to minimise significant risks that may impact the Group's reputation, product quality, health & safety standards or compliance with laws and regulations.

Risk Report continued

Emerging risks

The Group considers emerging risks throughout the year through the embedded risk management framework and supporting risk processes. Emerging risks can be newly identified risks or known risks that have evolved over time. These risks are under constant review and are discussed with both the Group Risk Committee and the Board. During the year emerging risks included climate change and sustainability, changes within consumer demand, economic changes following the COVID-19 outbreak as well as the ongoing threat of increased animal rights campaigns and cyber-attacks. The Group's principal risks and uncertainties are summarised in the risk profile tables as shown on pages 60 to 63.

Key areas of focus this year

Risk Management Framework

The Group continues to enhance its risk management framework. This ensures ongoing improvements to the quality and integrity of reported information. As a result, the Group is more able to respond promptly to emerging risks. During the year, all individual site risk registers were refreshed. We continue to progress the recommendations from the independent review in the prior year, by Aon plc, of the maturity and effectiveness of the Group's risk management framework. In accordance with the requirements of the UK Corporate Governance Code the Audit Committee, on behalf of the Board, regularly reviewed reports on the risks facing the Group and internal controls. The reviews concluded that key internal controls were appropriate and that risks are adequately identified and managed.

COVID-19

As initially reported last year, the COVID-19 outbreak presented many significant challenges to the Group. The impact of COVID-19 has continued to be a key area of focus for the business during the year. We have developed robust COVID-19 ways of working and a set of fluid and flexible site continuity plans which have been applied as required. This has been helped by the knowledge acquired from the initial COVID-19 outbreak in March 2020, coupled with further Government lockdowns and guidance issued.

We had neither planned for nor recognised a global pandemic as a principal risk. However, the Group promptly responded to this unprecedented matter by establishing a COVID-19 crisis team. This team still remains in place and meets on a regular basis led by the Chief Operating Officer and includes a number of other Board Directors, Senior Managers, and key internal stakeholders. The COVID-19 crisis team ensures all emerging risks and issues are adequately identified and addressed. These include focusing on the health and general wellbeing of all our employees, working with our suppliers to ensure a continued supply of key materials and ensuring, where possible, all sites remain fully operational and continue to meet customer demands.

Following Government guidance, food manufacturing was recognised as a key industry. This meant our colleagues were key workers and all our sites remained operational. Over the year, a significant number of previously office-based colleagues worked from home which inherently increased in the principal risk of "IT Systems & Cyber Security" due to a potential rise in the amount of phishing and cyber-attack attempts. This risk was, however, effectively managed by our Group IT department who closely monitored the risk by using automatic patch updates.

During the year there have unfortunately been COVID-19 outbreaks at specific sites. Colleague safety was at the forefront of the decisions made during the year and these outbreaks were promptly and effectively managed. This ensured minimal disruption to the overall operations of the Group. Actions taken by the Board and COVID-19 crisis team included robust on-site safety measures, additional communal areas to aid with social distancing, new hygiene protocols, introduction of further personal protective clothing and additional sanitisation stations. Our colleagues were committed to following all new guidelines which allowed us to continue to run our business effectively and efficiently.

Looking ahead the Group will continue to navigate the challenges and issues associated with COVID-19 and further enhance existing site ways of working and site continuity plans as required.

African Swine Fever

During the year the Group continued to closely monitor the risk of African Swine Fever (ASF) spreading from China, Germany and Eastern Europe. If ASF arrived in the UK this could significantly impact the Group's operations. ASF is a notifiable disease within pigs which is transferred directly from animal to animal through infected feed, clothing, equipment, and vehicles. This year the Group has further enhanced existing farm bio-security procedures to include new visitor protocols and preventive infection procedures. We have also worked alongside industry bodies to highlight the risks surrounding African Swine Fever to a wider audience.

While ASF is still prevalent in Germany and Eastern Europe, the Government travel restrictions imposed following the COVID-19 outbreak have helped reduce the risk of the virus coming into the UK. Looking ahead the Group recognises the risk of discovering ASF within the UK and this continues to be closely monitored.

Brexit

As noted last year, there were a number of risks and issues associated with the UK leaving the EU. During the "transition period" the Group continued to plan for the UK's departure from the EU, giving specific consideration to the new arrangements and regulations that would take effect from 1 January 2021. Regular updates on Brexit risks and issues were provided to both the Board and Audit Committee. The Board appointed Ernst & Young LLP in May 2020 to help develop a Brexit Project Plan and address associated risks and issues. Dedicated internal resource was also made available to help ensure the Group was fully prepared for the imposition of new trading arrangements.

The Group's Brexit Task Force is led by the Chief Financial Officer and includes Senior Managers and key internal stakeholders. The Task Force routinely met to review the risks associated with Brexit and develop mitigating actions. Specific areas of focus included labour availability, sourcing of EU key materials, understanding the new customs processes and importantly the issues facing the Group's Ballymena site, in the context of the Northern Ireland Protocol. The Brexit Task Force also undertook live trials with key EU suppliers to identify potential issues with the flow of materials.

The Group appointed a leading international logistics business to manage the complexities of importing and exporting EU products and completing the associated customs declarations. We also recruited two experienced ex-HMRC officers to enhance the level of customs knowledge within the Group.

In December 2020, the Group welcomed the signed UK / EU Trade & Co-Operation Agreement which provided clarity on a number of issues. This importantly negated the potentially significant costs of tariffs. The Brexit Task Force remains in place and continues to assess outstanding Brexit risks. Specific areas of focus include documenting the rules of origin, formalising customs valuation procedures for EU products and monitoring developments within the Northern Ireland Protocol. Importantly, the Task Force is preparing the Group and specific suppliers for the introduction of EU export health certificates and Import of Products, Animals, Food & Feed System (IPAFFS) submissions from October 2021.

The Group also continues to focus on labour availability and cost associated with Brexit. This could be adversely impacted by the UK Government lifting COVID-19 travel restrictions as employees return to families and friends in home countries.

Principal risk trends

During the year the Group has seen trends within six of its principal risks which can be seen in the risk assessment map below.

Increases have been seen in "Climate Change" following the action the Group will be required to undertake to limit further adverse changes to our climate. There is also increased external focus on this important topic as the Group embraces the Task Force on Climate-related Financial Disclosures (TCFD) Framework. The "Reliance on Key Customer & Exports" risk has risen following the voluntary, temporary suspension of the export licence at Norfolk which resulted from a localised COVID-19 outbreak. This trend also reflected potential changes in Chinese Government trading policy. Finally, the risk relating to "Disruption to Group Operations" increased since specific site activities were, on occasion, impacted by the COVID-19 outbreak.

Risks have decreased in "Consumer Demand" as a shift to greater in-home consumption following the COVID-19 outbreak resulted in record sales from the retail channel. The risk relating to "Food Scares & Product Contamination" is lower following enhanced on-site quality checks and new ways of working. Finally, the risks associated with "Brexit Disruption" have also reduced following the signing of the UK/ EU Trade & Co-Operation Agreement and various mitigating actions progressed by the Group.

Task Force on Climate-related Financial Disclosures

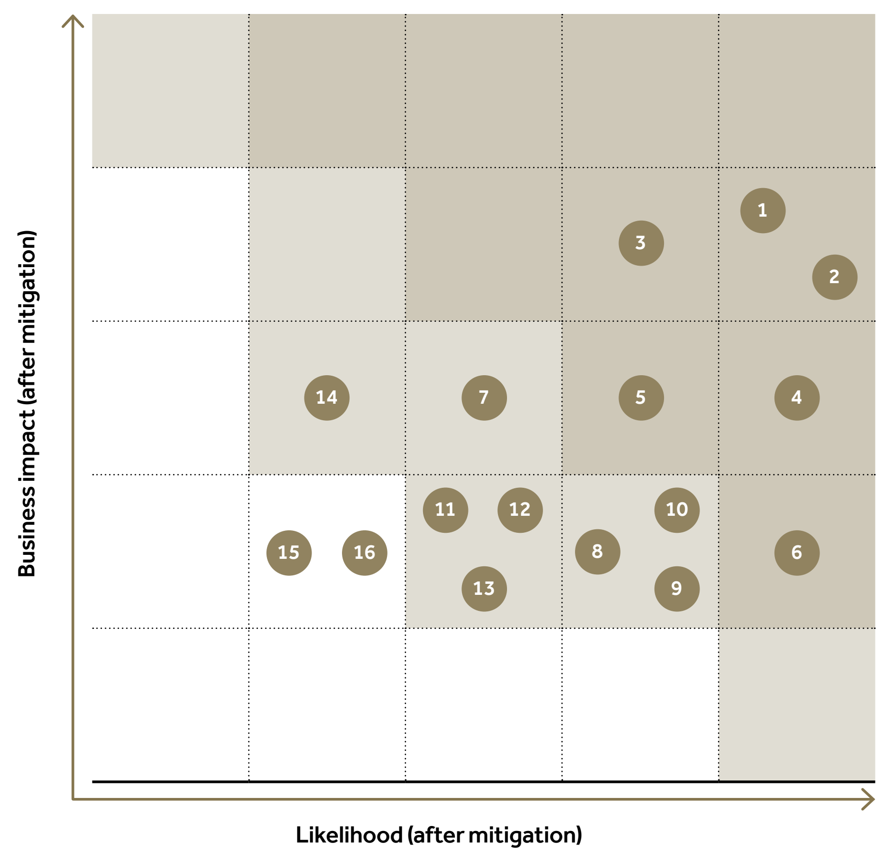
Last year the Board introduced a new principal risk in relation to climate change. The risk in this area has increased during the year and work is ongoing to address this important topic. Specifically, the Group's Second Nature programme has progressed a number of actions which include reducing plastic packaging across the Group, reducing our edible food waste and planting new woodland at various farm locations. A new process has been embedded at all sites to accurately collect and report environmental data. Importantly, three sites have secured carbon neutral status during the year and a further six sites since year end.

Going forward action needs to be taken to address climate change and the associated potential risks. Aligning the Group to the TCFD Framework and disclosing both physical and transition risks and opportunities will enable the Group to establish the financial impacts of climate-related risks.

The Board understands the benefits of disclosing climate related risks and opportunities in line with the TCFD Framework. A cross-functional project team has been established which consists of key internal stakeholders. The Group also plans to engage with a third-party expert to help assess the requirements of the TCFD Framework. A robust plan to address how the Group can report more meaningfully against the TCFD Framework is being developed.

Overall, the Board expects to report in more detail against TCFD Framework requirements within the 2021/22 Annual Report & Accounts.

Risk Assessment Map



Principal Risks	Risk Trend
1. Reliance on Key Customer & Exports	↑
2. Labour Availability & Cost	↔
3. Disease & Infection within Livestock	↔
4. COVID-19 Pandemic	NEW
5. Consumer Demand	↓
6. Brexit Disruption	↓
7. Recruitment & Retention of Senior Management	↔
8. Competitor Activity	↔
9. Climate Change	↑
10. Health & Safety	↔
11. Food Scares & Product Contamination	↓
12. Interest Rate, Currency, Liquidity & Credit Risk	↔
13. Disruption to Group Operations	↑
14. IT Systems & Cyber Security	↔
15. Growth & Change	↔
16. Pig Meat Availability & Price	↔

Risk Report continued

Viability statement
In accordance with the provisions of the UK Corporate Governance Code, the Board has assessed the viability of the Group over an appropriate period, taking into account the current position, future prospects and the potential impact of the principal risks outlined on pages 60 to 63 of the Annual Report.

The Board have determined that a three-year period to March 2024 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: reliance on key customers and exports; 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 establishing relevant severe but plausible downside scenarios, the Board has considered the impact of COVID-19 on the business over the past 12 months and the expected impact on the business in future as well as consulting extensively with internal experts on the risk and impact of an outbreak of ASF.

Modelled COVID-19 scenarios include:
- Potential factory disruption and short-term closures of the magnitude seen during the year
- The sustained loss of a Chinese export licence following factory disruption
- The operational impact on facilities as a result of continued outbreaks including enhanced PPE and additional labour costs, offset by the increase in retail demand during lockdown periods

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 14 months, which has demonstrated significant financial resilience due to its focus on the retail sector 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 discretional expenditure.

The sensitivity analysis utilised the Group's robust 3 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; the committed banking facilities in place for which sufficient assurance exists over the ability to refinance these facilities within the viability period; the diversity of operations; and the resilience shown to the impact of COVID-19 during the year, 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 current 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 31 March 2024.

Risk Report continued

Principal Risks and Uncertainties

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

STRATEGIC PILLAR

High Quality Products | Operating Excellence | Sustainability

RISK TREND

Risk increased | Risk unchanged | Risk decreased | NEW

Reliance on Key Customer & Exports

Sustainability; Risk increased

DESCRIPTION OF RISK

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 a site's export licence for a period of time, could adversely impact the Group's financial performance.

MITIGATION

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.

DEVELOPMENTS IN 2020/21

- We have proactively engaged with both existing and potential new customers to assess the suitability of new product offerings
- We have further strengthened our Chinese Shanghai office with the recruitment of additional employees

Labour Availability & Cost

Sustainability; Risk unchanged

DESCRIPTION OF RISK

Due to political and economic pressures, there is a risk that the Group's operations could be adversely impacted by either the lack of labour or specialist skills, and the associated increased cost.

MITIGATION

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 embrace emerging technological advancements.

DEVELOPMENTS IN 2020/21

- We have proactively advertised across the Group the EU settlement scheme to ensure continuity of our EU national workforce and the skill set they provide
- We have proactively promoted our apprenticeship and graduate schemes, and worked closely with universities and colleges to attract new employees

Disease & Infection within Livestock

High Quality Products; Risk unchanged

DESCRIPTION OF RISK

A significant infection or disease outbreak such as African Swine Fever (ASF) or Avian Influenza could result in the loss of supply of pig or poultry meat or affect the free movement of livestock, which may impact supply into the Group's sites.

MITIGATION

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 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 the Group's pig and poultry farms.

DEVELOPMENTS IN 2020/21

- We have developed a rapid blood diagnostic tool for improved disease surveillance to improve health, welfare, and performance of our pig herds
- We have worked with the Department for Environment, Food & Rural Affairs on how to potentially further mitigate the risk of ASF coming into the UK

COVID-19 Pandemic

Operating Excellence; NEW

DESCRIPTION OF RISK

The COVID-19 outbreak has led to unprecedented challenges and issues. Whilst COVID-19 vaccines are being rolled out across the UK, there remains the risk of emerging variants disrupting the effectiveness of the vaccine programme which could adversely impact Group operations.

MITIGATION

The introduction of site COVID-19 procedures, new ways of working and additional safety measures have helped reduce the potential for a COVID-19 outbreak at a site. (For more information see page 6).

DEVELOPMENTS IN 2020/21

- We have put in place a number of new site arrangements to include social distancing measures, new cleaning procedures and making available additional personal protective equipment as needed
- We have updated site business continuity plans to reflect the specific impacts of COVID-19

Consumer Demand

High Quality Products; Risk decreased

DESCRIPTION OF RISK

A significant deterioration in the UK economy, or a change in food consumption patterns, or prolonged adverse media attention, for either the business or industry, could lead to a fall in demand for the Group's products.

MITIGATION

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. Pig and poultry meat remain extremely competitively priced and sought-after products.

DEVELOPMENTS IN 2020/21

- We have worked with our customers in focusing on the role of meat within consumers eating habits
- We have proactively worked in the grocery retail channel where, as a result of COVID-19, we have seen sales growth

Brexit Disruption

Operating Excellence; Risk decreased

DESCRIPTION OF RISK

Failure to prepare for the UK's departure from the EU and its associated regulatory changes, some of which are currently planned to come in effect from October 2021, could result in disruption to Group operations and impact our ability to supply customers.

MITIGATION

The Group has a longstanding Brexit Taskforce in place which ensures Brexit risks and issues are identified effectively and addressed. Working with Ernst & Young LLP and a number of internal stakeholders from various functions, a range of actions for the associated Brexit risks and issues have been developed and implemented where required.

DEVELOPMENTS IN 2020/21

- We have developed a range of new customs processes and procedures which have been rolled out across the Group
- We have established a Group Customs Team within the business to provide specialist advice to sites and to deal with the additional administration from Brexit

Recruitment & Retention of Senior Management

Sustainability; Risk unchanged

DESCRIPTION OF RISK

As the Group continues to pursue its growth strategy, the success of the business is dependent on attracting and retaining quality, skilled and experienced Senior Management roles.

MITIGATION

Across the Group robust recruitment processes, competitive remuneration packages and ongoing training and development plans are in place, with formalised succession planning in place for Senior Management.

DEVELOPMENTS IN 2020/21

- We have invested in an industry leading online learning tool that covers a wide range of training and compliance modules
- We have implemented an electronic annual appraisal process which helps to facilitate a continuous approach to performance management and drives succession planning

Competitor Activity

High Quality Products; Risk unchanged

DESCRIPTION OF RISK

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 within its markets.

MITIGATION

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.

DEVELOPMENTS IN 2020/21

- We have renewed in the last 12 months a number of key customer contracts, providing long term security of supply, and protecting Group revenues
- We have commissioned the Cranswick Gourmet Kitchen site which has been underpinned with an anchor customer, providing a solid base to deliver future growth opportunities

Risk Report continued

STRATEGIC PILLAR

High Quality Products | Operating Excellence | Sustainability

RISK TREND

Risk increased | Risk unchanged | Risk decreased | NEW

Climate Change

DESCRIPTION OF RISK

The Group operates within the context of having to evaluate the effects that both climate change and sustainability issues, from its operations and regulatory requirements, will have on both its financial performance and operational activities to include; supply chain, farming and manufacturing operations, communities and customers.

MITIGATION

The Group has enhanced its Second Nature programme with a focus on improving production efficiency, reducing carbon emissions, reducing weight of packaging and identifying alternative options to decrease reliance on imported soya for feed.

DEVELOPMENTS IN 2020/21

- We have, during the year, signed up to the Climate Pledge which commits to achieve zero carbon emission status by 2040
- We have updated our energy data capture systems at all sites with internal verification processes also being put in place to enhance the quality and timeliness of environmental data reporting

Health & Safety

DESCRIPTION OF RISK

A significant breach of health & safety legislation could lead to reputational damage and regulatory penalties, including restrictions on operations, fines, or personal litigation claims.

MITIGATION

The Group has robust health & safety processes and procedures in place which are periodically independently reviewed and conform to all relevant standards and regulations, as well as embracing industry best practice. All sites are subject to frequent audits by internal teams, customers, and regulatory authorities to ensure standards are being adhered to.

DEVELOPMENTS IN 2020/21

- We have so far achieved ISO45001 (Occupational Health & Safety) certification at 6 of our sites and are on course to have all remaining sites certified by October 2021
- We have introduced new ways of working in specific areas to include accidental drive off on loading bays and lone working within confined spaces

Food Scares & Product Contamination

DESCRIPTION OF RISK

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.

MITIGATION

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 an established crisis management procedure in place to reduce potential impacts and improve communication to key stakeholders.

DEVELOPMENTS IN 2020/21

- We joined the Food Industry Intelligence Network in June 2020 to help enhance the integrity of food supply chains and protect the interests of consumers
- We have implemented a new internal food management standard to ensure the highest standards of food safety

Interest Rate, Currency, Liquidity & Credit Risk

DESCRIPTION OF RISK

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 current business activities, future growth and acquisitions.

MITIGATION

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 the Group Finance Team. All bank debt is arranged centrally, and appropriate headroom is always maintained.

DEVELOPMENTS IN 2020/21

- We have in December 2020 extended the period of the additional £40m bank funding, which was agreed in the prior year, providing further headroom to the end of 2021
- We have continued to focus on liquidity risk and customer credit risk through the COVID-19 outbreak

Disruption to Group Operations

DESCRIPTION OF RISK

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 the breakdown of key equipment or significant campaigns by animal rights activists. Such issues could result in the prolonged disruption to site processes.

MITIGATION

Robust site 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.

DEVELOPMENTS IN 2020/21

- We have in light of the COVID-19 outbreak tested specific site continuity plans and elements of the Group's crisis manual
- We have continued to undertake preventative maintenance and test key items of plant and machinery to minimise breakdowns

IT Systems & Cyber Security

DESCRIPTION OF RISK

The Group relies heavily on information technology and key systems to support the operations of the business. The Group is also susceptible to cyber-attacks resulting in the risk of a financial loss and threat to the overall confidentiality and availability of systems data. 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.

MITIGATION

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 supplier payment requests being processed, together with cyber insurance which provides specialist technical and legal support in the event of a significant cyber incident.

DEVELOPMENTS IN 2020/21

- We have increased user awareness, especially for those employees working at home, with regular communication on best practices around cyber security
- We have in light of the COVID-19 outbreak enhanced our policies surrounding security, user access, change control and the ability to download and install software across all devices

Growth & Change

DESCRIPTION OF RISK

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 regulatory changes, which could present operational and compliance challenges and issues.

MITIGATION

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 requirements are appropriately considered to ensure operational excellence and compliance, with performance being monitored by Senior Management and operational staff.

DEVELOPMENTS IN 2020/21

- We have despite the economic uncertainty associated with COVID-19, undertaken a significant level of capital investment to drive future growth which includes the commissioning of the Cranswick Gourmet Kitchen site
- We have continued to take an appropriate approach to Balance Sheet management and change projects

Pig Meat Availability & Price

DESCRIPTION OF RISK

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.

MITIGATION

The Group has a trusted long-standing farming supply base which is complemented by supply from the Group's own farms which have been increased by acquisitions in this area over recent years. These arrangements help to mitigate the risks associated with pig price volatility and the availability of supply.

DEVELOPMENTS IN 2020/21

- We have expanded our pig capacity at Wold Farms and White Rose Farms, and at Wayland Farms have developed a new advanced finishing unit which incorporates a new efficient pig feeding model
- We have developed our relationship with specific farmers to buy pigs on short term agreements

Non-Financial Information Statement

The table below is intended to set out where stakeholders can find information on key areas 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 Environmental & Energy Policy Group Water Policy Group Deforestation Policy Group Soya Policy Group Sustainability Procurement Policy	A description of the Group's work on our sustainability strategy Second Nature can be found on pages 24 to 34.
Employees	Health and Safety Policy Group Equal Opportunities, Harassment and Dignity at Work	A description of the Group's activities in relation to employees, including our Health & Safety activities can be found on pages 38 to 41.
Human Rights	Group Human Rights Policy 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 page 41.
Social Matters	Group Ethical Trading Policy Group Corporate Responsibility Policy Group Sustainability Procurement Policy	Cranswick is committed to doing business in an ethical way and our policies apply to all operations. For more details see pages 36 to 49.
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 below for further information.
Description of principal risks and impact of business activity		See pages 55 to 63
Description of the business model		See pages 14 and 15
Non-financial KPIs		See pages 22 and 23

Human Rights
Respect for Human Rights is fundamental to the sustainability of our business. We have a responsibility to ensure that our colleagues, our customers, the communities we operate in and the people who work throughout our supply chain are treated with dignity and respect. We are committed to creating a safe, equal and diverse workplace with fair terms and conditions for all our employees. We provide our employees with information, guidance, training and equipment to carry out their duties safely, and the mental wellbeing of our people is just as important as their physical safety. We are also a member of SEDEX which helps us manage supplier performance on business ethics. This helps us make informed business decisions and drive continuous improvement across the supply chain.

Anti-Slavery and Human Trafficking
We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Our Anti-slavery Policy reflects our commitment to acting ethically and with integrity in all our business relationships. We have implemented and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains. We monitor ethical standards across the business on a regular basis both internally and via external third-party audits. Robust technical and traceability systems ensure that our products are responsibly sourced from suppliers whose values are aligned with our own. We provide training to our staff and all our HR teams and our Group Technical team have attended workshops and awareness sessions.

Anti-Bribery
It is Cranswick's policy to conduct business in an open and honest way, without the use of corrupt practice or acts or bribery. Cranswick has a zero-tolerance attitude towards acts of bribery. We expect all customers, suppliers and business associates to support us in this policy. The policy is mandatory to all individuals working for, or on behalf of the Group, regardless of where they are based and whether they are directly employed by the Group.

Whistleblowing Policy
Cranswick also has a Whistleblowing Policy and a confidential, independently operated hotline for employees to voice any concerns that they have, and this can be run alongside our Grievance policies. The Whistleblowing Policy and hotline number is displayed at all sites to ensure that all employees and temporary workers have access to it. Whistleblowing is regularly monitored by the Board.

Our Strategic Report for the 52 weeks ending 27 March 2021, from the inside front cover to page 64, has been reviewed and approved by the Board and is signed by order of the Board

Steven Glover
Company Secretary
18 May 2021

Chairman's Governance Overview

Continuing to deliver

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

The Board is responsible for corporate governance and this report describes how we have applied the principles of the 2018 UK Corporate Governance Code (the Code) throughout the year. Our detailed compliance statement is set out on page 79 which explains those areas where we have deviated from the Code and, where appropriate, actions being taken to address these. In particular, in relation to the requirement that the Chairman should not remain in post beyond nine years from appointment, I shall be retiring as a Director at the forthcoming Annual General Meeting (AGM) and, as further explained below, will be succeeded as Chairman by Tim Smith whose appointment will be compliant with the Code.

COVID-19

In my overview last year I commented on the impact of the COVID-19 pandemic and the Group's responsibility to keep the country supplied with food whilst ensuring the safety of its workers and their families and also highlighting the numerous ways the Group has supported the communities we operate in, hoping that this year I would be reporting (at least in part) on a return to business as usual. Unfortunately, the COVID-19 pandemic and further lockdowns remained with us throughout our financial year and whilst matters now appear to be improving, the year gone has proved to again be very challenging, but one which our colleagues have met to deliver a record set of results, whilst continuing to actively support our communities, as described in more detail on pages 6 and 7 of the Strategic Report.

Throughout the COVID-19 pandemic, the interests of the Group's workforce and our wider stakeholders have featured in our discussions as the Board has considered its responsibilities and duties under section 172(1) of the Companies Act. We have had to consider a range of challenging situations including the safety of our colleagues, the high incidence of COVID-19 amongst our workforce at certain facilities, temporary closure of facilities, food security, suspension of export licences and the impact on animal welfare and our suppliers. A more detailed explanation of how these issues considered by the Board, were balanced and influenced our decisions is set out in the case study on page 74 of the Governance Report.

Operation of the Board

During the year the Board and its Committees adapted to new ways of working and met regularly using video conferencing technology. Whilst, over a prolonged period, technology cannot be a complete substitute for 'in person' meetings overall this enabled us to maintain effective governance and focus on the delivery of the Group's strategy. Topics considered by the Board during the year are set out on pages 72 and 73 of the Governance Report. The Board continued to consider the interests of all of its stakeholders when making its decisions and further explanation identifying the Group's various stakeholders and how their interests have been taken into account, along with our section 172(1) Statement, is set out on pages 36 and 37 of the Strategic Report. Whilst the Board's deliberations inevitably focused on the impact of COVID-19 on the Group, the Board and its Committees also considered a wide range of other matters arising during the year, including the triennial review of our Directors' Remuneration Policy, which are set out in this report and in the following Committee reports.

This year, we reviewed Board effectiveness through an internal process using confidential questionnaires which was facilitated by the Company Secretary. We sought feedback on progress from a broader range of participants than before including the Board's external advisers and I am pleased to confirm that the review found that the Board and its Committees continue to perform effectively. Further details of this and an assessment of our performance against our previous external board assessment can be found on page 88 of the Nomination Committee Report.

Board succession

As explained in my Chairman's Statement, I have decided to retire at this year's AGM and will be succeeded as Chairman by Tim Smith who has been a Non-Executive Director of the Company for the last three years. Tim has significant experience in the food and retail sector and related government regulation and has developed an in depth understanding of our business over the last three years and I am sure he will make an excellent Chairman. When considering the appointment of my successor, the Board undertook a benchmarking exercise using independent consultants, which is described in more detail in the Nomination Committee Report on page 86 and 87.

We were also delighted to welcome Liz Barber to the Board on 1 May 2021. Liz is the Group Chief Executive of Kelda Group (the holding company of Yorkshire Water). She was previously with Ernst & Young where she was made a partner in 2001 and was the senior partner for audit for the north of England. Whilst at Ernst & Young, Liz was the Company's audit partner between 2003 and 2007. Liz has also been appointed a member of the Company's Audit, Remuneration and Nomination Committees. With her background at Yorkshire Water and Ernst & Young, she brings significant additional financial expertise and management experience. This complements the Board, enhances its independence and diversity and provides appropriate succession planning for the Audit Committee when Mark Reckitt retires in 2023, when he will have completed nine years as a Non-Executive Director. The process undertaken in relation to the appointment of Liz as an additional independent Non-Executive Director is explained in the Nomination Committee Report on page 87.

Sustainability

As I indicated last year, we are very conscious of the need to promote sustainability in the Group's business. The expectations of investors and other stakeholders in this area have noticeably increased over the last year and our Sustainability Report on pages 24 to 34 of the Strategic Report explains in detail the steps the Group is taking to tackle climate change and sustainability challenges in our business to achieve our vision of becoming the world's most sustainable meat business.

As you would expect, the environmental impact of our operations is an important factor across the board's deliberations and has driven significant investment in the business to support our vision. A more detailed explanation of how the Board has taken into account sustainability and the environmental impact of our decisions is set out in the case study on page 75 of the Governance Report.

I am pleased that this year we have reported (on page 32) on the Group's performance 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. This is an important step in collecting and publishing objective environmental data against which our year-on-year performance can be assessed. In the Group's revised Director's Remuneration Policy, which will be considered by Shareholders at the forthcoming AGM, we have also included discretion to introduce such non-financial metrics as part of assessing performance under the Group's Long Term Incentive Plan, which is described in more detail in our Remuneration Committee Report on page 92.

AGM

In light of the public health guidelines in connection with the COVID-19 pandemic as at the date of printing, this year's meeting will again be restricted with only the minimum number of employee shareholders required to form a quorum attending the AGM in person to ensure that a valid meeting is held. However, we are keeping arrangements relating to the AGM under review as health guidance evolves and if, as anticipated by the UK Government's Roadmap out of Lockdown, it becomes possible to attend in person, Shareholders will be notified by the Company beforehand of the revised arrangements via its website and by a Company announcement. The Board therefore recommends that you check the Company's website regularly and monitor Company announcements for any updates.

The Board considers the AGM to be an important opportunity to engage with our Shareholders. This year, Shareholders will also be able to view the AGM presentations by myself, our CEO and CFO online via a live videocast and to ask questions in real time (all other Directors will attend electronically). This can be done by accessing the online AGM platform details of which are set out in the notice of meeting accompanying the Report and Accounts. If it becomes possible to attend the AGM, the Board and I strongly encourage you to nevertheless make use of the electronic meeting facilities available to you, rather than attending in person.

The Board is keen to ensure that you are able to participate in the meeting and to vote notwithstanding any restrictions on attendance in person. There will not be an online voting facility at the AGM, therefore, if you wish to participate in voting at the AGM , you are encouraged to appoint the Chairman of the meeting as your proxy and give your instructions on how you wish the Chairman to vote on the proposed resolutions. All proposed resolutions will be put to a vote on a poll, which will result in a more accurate reflection of the views of Shareholders by ensuring that every vote is recognised.

Governance

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

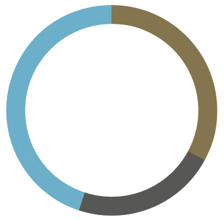
Martin Davey
Chairman
18 May 2021

Board of Directors

COMMITTEE MEMBERSHIP

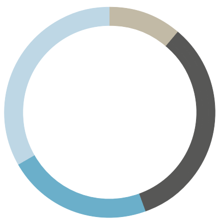
- A Audit Committee
- N Nomination Committee
- R Remuneration Committee

BOARD BY TENURE



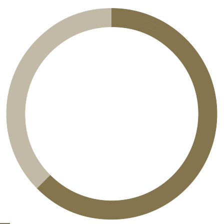
- 0-3 years
- 3-6 years
- 6-9 years
- 9 years or more

BOARD BY AGE



- 41-45 years
- 46-50 years
- 51-55 years
- 56-60 years
- 61+ years

BOARD BY GENDER



- Male
- Female

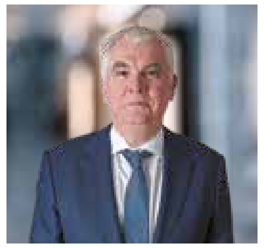
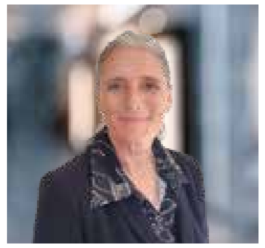
Executive Directors




	Martin Davey Chairman	**Adam Couch** Chief Executive	**Mark Bottomley** Chief Financial Officer	**Jim Brisby** Chief Commercial Officer
Term of Office	Martin was appointed to the Board in 1985 as Finance Director, appointed Chief Executive in 1988 and became Chairman in 2004.	Adam was appointed to the Board in 2003 as Managing Director of Fresh Pork and became Chief Executive in 2012.	Mark was appointed to the Board in 2009 as Finance Director.	Jim was appointed to the Board in 2010 as Sales and Marketing Director and became Commercial Director in 2014.
Committee Membership	N Chair			
Independent	Not applicable	Not applicable	Not applicable	Not applicable
Skills and Experience	Martin joined Cranswick in 1985. As Finance Director he led the Company's listing on the London Stock Exchange and was subsequently appointed Chief Executive in 1988. Through Martin's guidance over the last 36 years the Group has expanded both organically and through acquisition and entered the FTSE 250 in 2008. He became Executive Chairman in 2004 and since 2013 has fulfilled the role on a part-time basis. Martin is a Chartered Accountant.	Adam joined Cranswick's Fresh Pork Business in 1991 and was appointed to the Board in 2003 as Managing Director of Fresh Pork. He was appointed as Chief Operating Officer in 2011 and then Chief Executive in 2012. Under his leadership Cranswick has continued to expand and become a major player in the food processing industry. Adam was a committee member of the British Pig Executive between 2005 and 2013.	Mark joined Cranswick in 2008 as Group Financial Controller and was appointed to the Board as Finance Director in 2009. Before joining the Company, Mark held a number of senior finance roles in the food sector. Mark is responsible for overseeing the financial operation of the Group and setting financial strategy. Mark is a Chartered Accountant.	Jim joined Cranswick in 1995. He was appointed Sales and Marketing Director in 2010 and Commercial Director in 2014 and has been a key member of the team responsible for the growth of the Group and the development of its commercial strategy.
External Appointments and Commitments	None	Non-Executive Director of Thomas Broadbent & Sons Limited. Member of the UK Government's Agri-Food Trade Advisory Group.	None	None

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	**Liz Barber** Non-Executive Director
Term of Office	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.	Liz was appointed as an independent Non-Executive Director in 2021.
Committee Membership	A Chair N R	A N R Chair	A N R	A N R	A N R
Independent	Yes	Yes	Yes	Yes	Yes
Skills and Experience	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.	Liz is Group Chief Executive of Kelda Group, having joined Kelda in 2010. She was previously with Ernst & Young where she was made a partner in 2001 and was the senior partner for audit for the north of England. Whilst at Ernst & Young, Liz was the Company's audit partner between 2003 and 2007. Liz is a Chartered Accountant.
External Appointments and Commitments	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 Anpario plc. Non-Executive Director of SIG plc between 2019 and 2020.	Non-Executive Director of Premier Foods plc and A.G. Barr plc.	Non-Executive Director of Pret a Manger (Europe) Limited. Chair of the UK Trade and Agriculture Commission.	Executive Director of Kelda Group Limited. Non-Executive Director of KCOM PLC between 2015 and 2019.

How we are Governed

Cranswick plc Board

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 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.

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. 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 regularly held at the Group's sites allowing the Directors to review the operations and meet the management teams of those particular sites.

Board Committees

Nomination Committee | Audit & Risk Committee | Remuneration Committee

The Board delegates certain roles and responsibilities to its various committees and to Senior Management. The committees ensure that there is independent oversight of internal controls and risk management and assist the Board by fulfilling their obligations and reporting back to the Board on the outcomes from their respective activities.

The terms of reference for each Board Committee are available on the Company's website at **www.cranswick.plc.uk.**

The key responsibilities of the Nomination Committee, Audit Committee and Remuneration Committees are set out on pages 80, 86 and 89 respectively.

CEO and Executive Committee

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

During the COVID-19 outbreak. a separate Operational Executive Committee was formed consisting of the Executive Directors, the Chief Operating Officer and Divisional Managing Directors which held a daily conference call to address operational and commercial challenges resulting from the outbreak.

Operating Boards

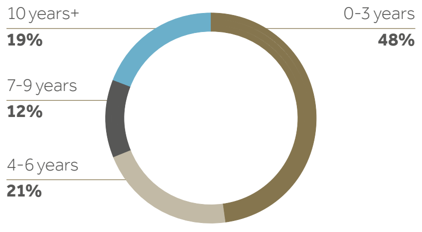
Fresh Pork | Convenience | Gourmet Products | Poultry | Food Central

Operating boards (or sub-boards) consisting of Group Directors and other Senior Executives from each of the relevant businesses meet regularly to discuss operational and commercial matters affecting such businesses.

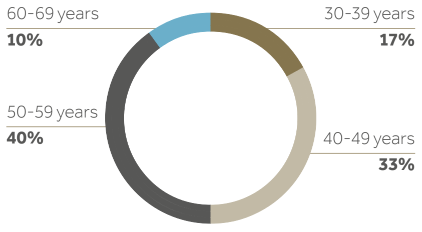
Operating boards are also attended by the Executive Directors and relevant members of the Food Central operating board as appropriate. The feedback from the operating boards is shared with the Board.

Subsidiary Directors

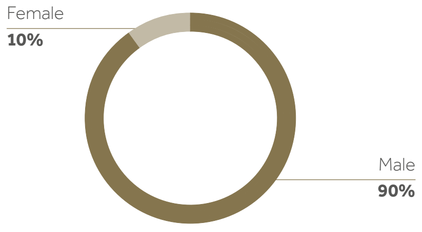
SUBSIDIARY DIRECTORS BY TENURE



SUBSIDIARY DIRECTORS BY AGE



SUBSIDIARY DIRECTORS BY GENDER



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 AGM.
- 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, Tim Smith and Liz Barber

- 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 the 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.

Strategic Oversight
Board activities during 2020/21

The Board's activities during 2020/21 necessarily focused on dealing with the impact of the COVID-19 pandemic and related operational and commercial challenges, whilst considering the implementation and development of the Group's strategy in light of the changing market conditions resulting from the effect of the COVID-19 pandemic and Brexit and ensuring that the Group's strategic priorities continue to align with the best interests of Cranswick's stakeholders.

Framework

Cranswick is committed to feeding the nation with authentically made, sustainably produced food that is created with passion. This is our purpose which underlies everything that we do and guides our strategy.

We have adopted our four guiding principles: Quality, Value, Innovation and People to fulfil our purpose and deliver our long-term strategy.

We aim to deliver our strategy by generating a culture that supports our purpose, with values shared across our business with a common understanding and application of our guiding principles. Further details of how our culture underpins Cranswick's strategy and how this is monitored by the Board is set out on page 77.

Details of activities undertaken by the Board in 2020/21 to further the Group's strategy are set out below:

Strategy

- Regularly discussing strategy at Board meetings throughout the year.
- Receiving presentations from operational management on future strategic opportunities.
- Considering potential acquisition opportunities and other strategic initiatives.
- Reviewing the Group's participation in M&A processes
- Reviewing the commissioning of the Group's new £20 million cooked bacon facility in Hull.
- Reviewing the Group's substantial investment programme in upstream agricultural operations in both pork and poultry.
- Considering the UK's exit from the EU and related contingency planning.
- Considering the Group's response to the COVID-19 outbreak.

Sustainability

- Considering the Group's sustainability strategy, Second Nature.
- Adopting and reviewing the implementation of reporting against the Meat, Poultry & Dairy Sustainability Accounting Standard published by the Sustainability Accounting Standards Board.
- Adopting and reviewing the Group's Science-Based Targets and Net Zero 2040 commitment.
- Introducing quarterly Board reviews of environmental and sustainability performance by site.
- Reviewing and approving additional investment in effluent treatment and water recycling, CHP power and solar power generation at the Group's facilities.

Governance and Risk

- Reviewing the three year forecasts and other factors in support of the Viability Statement. (Viability is considered in detail on page 58).
- 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

- Approving the appointment of a successor to the Chairman and appointment of a new Non-Executive Director.
- 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 2019/20 final dividend and the 2020/21 interim dividend.
- Reviewing and approving the Group's annual budget, interim results and Annual Report.
- Considering whether the Annual Report & Accounts are fair, balanced and understandable.
- Considering monthly operational reports from the Chief Executive, Chief Financial Officer, Chief Commercial Officer 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 and leases in excess of £2 million.

Strategic Oversight continued
Board activities during 2020/21 continued

How we make our decisions

The Board considers our purpose, culture and strategy to ensure all decisions have a clear and consistent rationale. This involves balancing the interests of all of our stakeholders, including any competing stakeholder interests. Details of our key stakeholders, how we engage with them, how we foster relationships and factors considered when the Board discharges its duty as set out in section 172(1) of the Companies Act 2006 can be found on pages 36 to 49 of the Strategic Report. In addition to these factors, the Board also considers the interests and views of other stakeholders, including our pensioners, regulators and government bodies. Set out below are examples of how the Directors have discharged their Section 172(1) duty and how this influenced certain decisions taken by them in 2020/21.

The Board's response to COVID-19

During the course of 2020/21, the Board of Cranswick had to consider a range of decisions required in connection with dealing with the impact of the COVID-19 pandemic. In particular, the Board temporarily closed its pork primary processing facility at Ballymena, in Northern Ireland and significantly reduced its operations at Norfolk as a result of the high incidence of COVID-19 amongst its workforce.

The Group also self-suspended its China export licence at both facilities (now reinstated at Ballymena) to demonstrate that a responsible approach was being taken, which the Board concluded would be in the long-term interests of the Group given the importance of the Group's high standards and reputation in its export markets.

Throughout the COVID-19 pandemic, the Board prioritised the health, safety and wellbeing of the Group's workforce whilst keeping its facilities running as efficiently as possible. Whilst various actions taken by the Board had an adverse effect on operations in the short term, the Board concluded that employee health, safety and wellbeing were the priority and that in the longer term the responsible approach taken by the Board would promote the reputation and success of the Company for its members. Decisions also involved taking into account the advice of various government and regulatory bodies involved in dealing with the pandemic and discussions with the Group's retail customers to agree temporary product range rationalisation to ensure continued supply from the Group's other facilities.

The Board considered carefully the impact of closure on the communities in which its facilities are located and decided to continue to pay full contractual rates of pay to all employees and agency staff where facilities had been temporarily closed and/or employees had been requested by the Group to self-isolate. Whilst the Company was not legally obliged to make such payments, the Board considered that the approach taken was appropriate and would ensure continued financial support to its local communities and encourage compliance with self-isolation requirements by employees and agency staff. The Board also supported charities in the Group's local communities with funding and food donations.

The Board took into account animal welfare concerns resulting from a back-up of animals at farms caused by the closure and reduction in processing capacity and the related impact on its suppliers, in relation to which the Group also consulted with DEFRA. Once production had been restarted, additional costs were absorbed by the Group at its pork primary processing facilities at Ballymena and Norfolk to quickly scale up capacity and deal with the processing back logs to avoid an animal welfare issue and unnecessary supplier hardship.

Whilst actions taken by the Board in relation to the COVID-19 pandemic have resulted in a negative impact on operations at affected facilities with additional costs being incurred beyond those necessary to comply with the Group's legal requirements, the Board concluded that overall the interests of the Group's workforce and its local communities were the priority and that the Group's reputation and relationship with its customers and consumers would be enhanced by the actions taken, which would be in the long-term interest of the Group and its members.

Sustainability

The Board is committed to the Group's sustainability agenda and delivery of this through our Second Nature strategy. Environmental factors and sustainability are a key consideration in the Board's decision-making process and underpin many of the initiatives sponsored by the Board.

During the year, the Board has considered a number of matters which are focused on delivering our Second Nature strategy and has agreed to material financial commitments to help deliver this. In particular, the Group's processing and manufacturing activities consume significant amounts of power and water and the Board has approved a number of related projects that will help address the environmental impact of our activities.

The Board has approved expenditure on the upgrade of its wastewater and effluent treatment facilities at its pork primary processing facility at Norfolk and at its poultry processing facility at Eye. The Board considered that these investments would have a beneficial impact on the local environment and would therefore have a positive impact on the local communities in the vicinity of our facilities (in Norfolk effluent that was spread to land will now be treated and recycled). The Board were also of the view that the upgrades underlined the Group's commitment to its Second Nature strategy and willingness to invest in the expansion and long-term future of the facilities, which would be positively received. The Board also took into account the increased regulation and cost of dealing with waste-water and effluent and increased efficiencies and scope for expansion that would result from the investment and concluded that the actions taken would also promote the long-term financial success of the Company for its members. The Group has also consulted with environmental regulators in relation to the proposed upgrades.

The Board has also approved the installation of CHP plants at a number of our facilities (with plants at the Group's facilities at Hull and Valley Park coming on-stream during the year). CHP offers a more energy-efficient and greener source of power than accessing our power through the grid and also provides greater security of supply and protection from power outages. The Board considered that the investment in CHP was therefore consistent with delivering the Group's Second Nature commitments, provided greater security for our operations and would be financially beneficial to the Group over the medium to long term and therefore concluded the investment would promote the success of the Company. The Board has also approved the investment by the Group in a solar project at Eye (described in more detail on page 28 of the Strategic Report) which it is anticipated will provide similar benefits.

This year, the Board has approved reporting the Company's environmental performance against the Meat, Poultry & Dairy Sustainability Accounting Standard published by the Sustainability Accounting Standards Board (which is set out on pages 32 to 34 of the Annual Report & Accounts). The Board considered that it was important that data relating to the Group's performance is recorded and published to enable year-on-year comparisons, to ensure accountability and underline its commitment to its environmental and sustainability agenda. The Board has also reviewed and approved the development of the Group's Science-Based Target relating to emissions, the net zero 2040 commitment, along with the commitment for all of the Group's farms to be carbon neutral by 2030 (further details of which are set out in the Strategic Report on pages 24 to 27).

Throughout its deliberations the Board was mindful that climate change and sustainability are increasingly important to its employees, customers and consumers and that taking a responsible approach and positive action in relation to climate change and sustainability is an important part of maintaining the Group's reputation and position as a leading UK food producer and that, consequently, the actions described above are in the long term interest of the Company and its members.

Leadership and Purpose

Board Effectiveness

Board operation and attendance

There were ten 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 AGM 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	10	4	2	4
	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Executive Directors				
Martin Davey	9/10*	N/A	2/2	N/A
Adam Couch	10/10	N/A	N/A	N/A
Mark Bottomley	10/10	N/A	N/A	N/A
Jim Brisby	10/10	N/A	N/A	N/A
Non-Executive Directors				
Mark Reckitt	10/10	4/4	2/2	4/4
Kate Allum	10/10	4/4	2/2	4/4
Pam Powell	10/10	4/4	2/2	4/4
Tim Smith	10/10	4/4	2/2	4/4

* Martin Davey was unable to attend one Board meeting due to extenuating personal commitments.
N/A – not applicable (where Director is not a member of the Committee). Executive Directors 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 climate change and sustainability, bio-security and disease risk, IT and cyber risk along with other market perspectives from management. 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, Brexit Taskforce Group and Climate Science Based Targets Group meetings.

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 Kate Allum's potential conflict of interest arising as a result of her appointment as a Director of Anpario plc (which is a supplier to the Group) and has agreed appropriate controls to manage any conflict which might arise. 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) was reviewed and approved in relation to which controls previously agreed remain in place. The Board confirms that otherwise no such conflicts exist.

Risk management and internal control

It is the Board's role to protect the business from operational and financial risks and it has established a system of internal control which safeguards the Shareholders' investment and the Group's assets. Such a system provides reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Board is responsible for reviewing the effectiveness of internal controls. The Audit Committee supports the Board in this process by reviewing the principal risks, and the report on pages 55 to 57 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 reviews, 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 96 to 102 which provides further details on Directors' remuneration, together with the activities of the Remuneration Committee during the year. The Group's Remuneration Policy has been reviewed this year and details of proposed changes which are subject to shareholder approval at the AGM, are included in the Remuneration Committee Report.

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 pages 48 to 49. Details of the Company's major Shareholders are set out on page 111.

Culture

Our purpose is to feed the nation with authentically made, sustainably produced food that is created with passion. This is supported by Cranswick's guiding principles of Quality, Value, Innovation and People which set out the values that unite and inspire our people and underpin our culture to deliver our purpose.

Each of our guiding principles is referenced to a range of measures that are monitored and regularly reviewed to help inform the Board when assessing the development of our culture, which are reported in the Annual Report & Accounts on a Group basis. Each of the Group's sites operate with a significant degree of autonomy to run their businesses and reflect the communities they operate in and their history within the Group. Relevant measures are monitored by facility to ensure that our common values are understood and applied throughout the Group and serve as indicators to help identify where further support may be necessary to promote our shared culture.

Quality

We focus on producing high quality food without compromising the heritage and integrity of our products. We review this in the following ways:

- Each facility's food safety standards are assessed each year by the British Retail Consortium (BRC) and if a site fails to achieve a Grade A rating we work with local management on an improvement plan which is communicated to the workforce. Details of the number of BRC Grade As awarded over the last three years are set out on page 22 of the Strategic Report.
- We are committed to producing high quality products and minimising the number of complaints we receive. Where issues are identified these are investigated and working practices reviewed and where necessary further investment and training undertaken. Complaints per million units sold over the last three years are set out on page 22 of the Strategic Report.

Value

Cranswick invests in its business to ensure that we can continue to offer high quality, great value food. We recognise that our colleagues want to be part of a well-invested, progressive business working in modern, properly equipped facilities:

- Proposed capital expenditure is assessed by reference to a number of criteria including its impact on our efficiency and ability to offer value. During 2020, we invested £72 million in our businesses to drive greater efficiency and support delivery of great value to customers (2019: £ 101 million).
- In particular, we are striving to deliver greater value by increasing our environmental performance which benefits all of our stakeholders. This is also something our employees are heavily involved in through our Second Nature strategy (see pages 24 to 27 of the Strategic Report). We review our energy intensity and water intensity usage to monitor progress on environmental efficiency compared to the prior year and verses targets (see page 28 of the Strategic Report) and intend to expand the measures reviewed in the future given the increasing importance of environmental performance to our culture.

Innovation

Cranswick is constantly looking to develop new recipes and culinary ideas to ensure our products remain relevant to the modern consumer. This is reflected in our investment in dedicated development teams working with our customers and also more broadly in our workforce taking an interest and pride in the products they help to produce. We measure this in the following ways:

- The number of new products developed and launched during the year, which is set out on page 15 of the Strategic Report .
- The revenue earned from new products launched during the year compared to the previous two years which is set out on page 22 of the Strategic Report.

People

We appreciate that our colleagues' support is critical to the delivery of Cranswick's purpose and we endeavour to create a safe and supportive environment where colleagues are given the opportunity to develop and fully participate in our business:

- We actively monitor health and safety performance at our sites and where any issues are identified seek to address these immediately to promote a health and safety culture to ensure colleague safety. RIDDOR frequency rates are monitored and reviewed quarterly and are disclosed for the last three years on page 23 of the Strategic Report.
- We promote ongoing dialogue with our colleagues through a number of channels including works committees and our designated Non-Executive Director (Tim Smith) to obtain feedback on how we operate our business and its leadership. This year we have operated a number of surveys to ensure employees are able to express their views and also operate an annual Group-wide staff survey for which we review and monitor response rates (which are disclosed for this year and the prior year in 'Our People' on page 40 of the Strategic Report).

Leadership and Purpose continued

Q&A with Tim Smith

Engaging our workforce

The Board appointed Tim Smith as the Group's designated Non-Executive Director to enhance existing engagement. Here, Tim gives an insight into his role.

Q Can you explain the background to your role?

Cranswick has excellent arrangements for communicating with its people including works committees, briefing groups and other legacy methods. The Board appointed me to enhance its existing site-based engagements and to comply with the 2018 Corporate Governance Code. The main purpose of the role is to ensure the voice of the workforce is heard and considered by the Board so the workforce can contribute to the success of the Group and delivery of its strategy. Whilst it's a role many listed companies have now adopted, the way it operates in practice is very company-specific and depends on the nature of the business, its culture and employee profile – at Cranswick issues that arise are periodically fed back to the Board at its regular meetings.

Q What are your impressions having now performed the role for two years?

As I reported last year, the employees I talked to were positive about the Group and this remains the case, but the understanding of the Group's strategy beyond the immediate experience and role of employees was more varied. However, I think the COVID-19 pandemic has required more cross site working and pulling together to keep our customers supplied and, as a result, there is greater appreciation amongst our colleagues of the wider Group and its purpose. I'd give a special mention to our Second Nature strategy which is something that is very well understood across the Group and continues to be enthusiastically embraced by the workforce.

Q How has the role developed over the last two years?

It's unfortunate that COVID-19 has had a significant impact on our planned engagement over the last year. It meant that site visits have not been possible and other methods have had to be relied upon. That is frustrating because in our business I'm sure that the role is best carried out 'in person'. Rather than continuing to arrange meetings with ad hoc groups of employees drawn from across the Group, we have also decided that it would be more effective to attend organised site works councils. That is underway and will be continued in the second half of the year when travel restrictions will hopefully be more relaxed. The intention is for the agenda to be very much led by our colleagues, rather than prescribed by Senior Management. More information on our specific engagement activities undertaken with the workforce and other stakeholders is set out on pages 36 to 49.

Q How has COVID-19 impacted the workforce?

As Adam indicated in his review, our colleagues have performed fantastically over the last 12 months in adopting to new ways of working. COVID-19 has underlined the importance of our purpose to feed the nation, which is widely appreciated across the Group. We have introduced an extensive range of measures to safeguard our colleagues and have regularly consulted on these and whether colleagues feel they are working in a safe environment to which the responses (which are fed back to and reviewed by the Board) have been overwhelmingly positive – it's also great that we have been able to recognise contributions across the Group by paying a further bonus this year to our workforce. Matters raised with me are again overwhelmingly site focused and reflect a genuine site character to being part of the Cranswick family.

Q How will the role be performed following your appointment as Chairman?

The Board has discussed how best to continue with its employee engagement, and we have agreed that in common with others we will ask all the Non-Executives to play a part. Given the other commitments I will be taking on following my appointment at the AGM, I will be visiting the Group's operations so I will continue to engage actively with our workforce on a regular basis to keep in touch.

Compliance Statement

This report, together with the Audit Committee Report on pages 80 to 85, the Nomination Committee Report on pages 86 to 88, and the Remuneration Committee Report on pages 89 to 109, 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 is pleased to report that it has complied with the requirements of the Code during the 52 weeks ended 27 March 2021, with the following exceptions:

Chairman remaining in post beyond nine years from appointment (Code Provision 19)

The Company has not complied with the requirement that the Chairman should not remain in post beyond 9 years from appointment. However, the Board was of the view that Martin Davey's knowledge and experience of the sector remained valuable and that his continuing as Chairman remained appropriate. As indicated in the Nomination Committee Report on pages 86 and 87, Martin Davey will retire as a director of the Company with effect from the Company's forthcoming AGM and will be succeeded as Chairman by Tim Smith who is an independent Non-Executive Director appointed in 2018 and who will therefore satisfy the requirements of the Code.

Executive Director pension contributions alignment with the Group's workforce (Code Provision 38)

Whilst the Group is not compliant with the Code relating to the alignment of Executive Directors pension contributions, going forward existing contractual pension entitlements will be frozen at their current monetary value for two years then reduced to 10 per cent of salary (in line with other Senior Executives of the Group). It is intended that pension entitlements then will be reduced to 5 per cent of salary (in line with the wider workforce rate) over the course of the next tri-annual policy review in 2024. Further details of proposals in relation to Executive Director pension contributions are set out in the Remuneration Committee Report on page 91.

Workforce engagement relating to alignment of executive remuneration with wider Company pay policy (Code Provision 40 and 41)

The Remuneration Committee does not directly consult with employees regarding the remuneration of the Executive Directors. However, when considering remuneration levels to apply, the Committee takes into account base pay increases, bonus payments and share awards made to the Company's employees generally. Details of how Executive Director pay is considered in the context of the broader workforce is set out on page 102 of the Remuneration Committee Report.

Post-employment shareholding requirement for Directors (Code Provision 36)

The Group has not had a formal policy regarding post-employment shareholding requirements for Directors given existing 'good leaver' provisions in incentive arrangements which do not result in accelerated vesting of shares on leaving employment with the Group, which it was considered provided appropriate continuing alignment with Shareholders' interests post-employment. However, the opportunity has been taken to review the position in connection with the Company's review of its Directors' Remuneration Policy and appropriate provisions have been included in the new policy to satisfy the requirements of the Code. Details of the proposed policy are set out in the Remuneration Committee Report on page 92.

Annual Board evaluation (Code Provision 21)

The Board conducted a Board evaluation in relation to its activities in 2020, but did not formally consider this until early 2021 (the previous external evaluation of the Board having been undertaken in November 2019). Details of the Board evaluation and review of the recommendations from the 2019 external Board evaluation are set out on page 88 of the Nomination Committee Report.

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.

Steven Glover
Company Secretary
18 May 2021

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, Chief Financial Officer, Group Financial Controller, Head of Risk & Internal Audit, 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 Head of Risk & Internal Audit and the External Auditor.

Independence
All Members of the Committee are independent.

Key Activities in 2020/21

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 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 of the potential impact of African Swine Fever, and that the relevant disclosures are appropriate.
- Reviewed and concluded that the Financial Statements and narrative reporting are fair, balanced and understandable.
- Reviewed and approved correspondence with the FRC in respect of their review of the Group's Report & Accounts for the 52 weeks ended 28 March 2020.

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

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
- Approved the terms of engagement and remuneration of the external auditor.
- Reviewed and was satisfied with the quality and effectiveness of the external audit process.
- 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 whistleblowing policy.
- Reviewed and approved the Group's anti-bribery 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 challenged the work, and associated reporting, of the Group Risk Committee including its response to COVID-19.
- Reviewed and challenged the work of the Group's Brexit Taskforce with regard to both its readiness planning and its post-Brexit 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 27 March 2021.
During the year, the Committee has continued to focus 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 seen the unprecedented challenges of a global pandemic and the Committee focused its attention on challenging and supporting management's response to COVID-19 by ensuring that the on-going risk and impact of mitigating actions have been appropriately modelled and managed. The Committee has also monitored other key risks, including the impact of Brexit and of a potential outbreak of African Swine Fever in the UK. In addition, the Committee worked to ensure that the internal controls framework as well as both internal and external audit activity remained effective during the period of the COVID-19 pandemic whilst a number of key employees and external audit staff worked remotely. Finally, 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;
- the Committee's annual review of external auditor independence; and
- details of the Group's response to the Financial Reporting Council's (FRC's) request for clarification of certain matters within the 2020 Report & Accounts.

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, inventories and commercial accruals; and
- the accounting treatment and disclosure of biological assets.

The Committee reviewed Internal Audit's terms of reference and work plans and oversaw the Group's relationship with the external auditor including scope, fees and work performed. We have experienced substantial increases in the audit fee for the years to 28 March 2020 and 27 March 2021. In the case of the former, detailed on page 85, PwC experienced significant additional hours of work caused by remote working during lockdown and the need to fully assess judgements relating to forward looking forecasts of performance. As a result, they sought an addition to the audit fee for 2020 which the Committee subjected to robust challenge, leading to agreement of an additional fee of £78,000 which has been charged in 2021. During the year the Committee reviewed and strongly challenged the external auditor, PwC, on their further proposed increase in the annual fee for their work from £419,000 to £714,000. 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 continued to place a significant 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. In addition, the Committee will support and challenge the Group's response to the forthcoming whitepaper from the Department for Business, Energy and Industrial Strategy (BEIS) which will seek to reform the obligations of companies and their auditors in relation to internal controls over financial reporting, as well as the future requirements of the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information.

Mark Reckitt
Chair of the Audit Committee
18 May 2021

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 February in preparation for the half year and year-end processes.

All members of the Committee have extensive managerial experience in large, complex, food sector organisations and have a wide range of financial, commercial and operational expertise. It is a requirement of the UK Corporate Governance Code that at least one Committee member has recent and relevant financial experience. Mark Reckitt, the Committee Chairman, meets this requirement. Full biographical details of the Audit Committee members can be found on page 69.

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, Chief Financial Officer, Group Financial Controller, Head of Risk & Internal Audit and representatives of the external auditor are invited to attend each meeting. The Company Secretary also attends the meetings as secretary to the Committee. Both the external auditor and the Head of Risk & Internal Audit have the opportunity to access the Committee, without the Executive Directors being present, at any time, and the Committee formally meets with both the external auditor and the Head of Risk & Internal Audit independently, at least once a year.

Principal responsibilities of the Audit Committee
The Committee's principal responsibilities include reviewing and monitoring:
- the integrity of the Group's financial statements and related narrative reporting;
- the Group's accounting policies and the impact of new and amended accounting standards;
- the effectiveness of the Group's financial reporting, internal control and risk management systems in support of the Board;
- the effectiveness of the Internal Audit function in the context of the Company's overall risk management framework;
- the effectiveness, scope, cost and independence of the Group's external auditor;
- the 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 Head of Risk & Internal Audit and the external auditor; and
- reviewing and discussing a paper from the Chief Financial Officer 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;
- 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 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 page 58).

Performance evaluation of the Audit Committee
During the prior 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.

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 52 weeks ended 27 March 2021 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. The Group's policy in relation to aged commercial accruals includes 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 remained high as a result of the COVID-19 pandemic, with a number of our customer's businesses remaining closed or materially curtailed as a result of government restrictions, putting significant pressure on their liquidity. This increased uncertainty has continued to be 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 27 March 2021 (2020: 0.0% – 3.5%) generated a future credit loss provision of £2.7 million (2020: £3.6 million). Including specifically provided debts, as at 27 March 2021, trade receivables with a nominal value of £3.7 million (2020: £4.3 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 27 March 2021, the provision against inventory was £7.9m (2020: £8.4m), of which £2.1m (2020: £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).
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. Interpolation is used as an approximate growth rate and there is therefore a level of judgement as to whether this is Level 2 or Level 3 within the fair value hierarchy. Management have applied judgement that interpolation is a reasonable derivation for an animal at any particular point within the interpolation period and therefore concluded the input is Level 2. The Audit Committee reviewed and challenged 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, including those matters raised by the FRC in their correspondence with the Group during the year. (See below and Note 17).

Correspondence with the FRC
During the year, the Group received correspondence from the FRC requesting additional information on the 28 March 2020 Annual Report & Accounts. The principal areas where the FRC requested further information and clarification were:
- Repayment of borrowings in the cash flow statement (additional narrative included under the prior year reconciliation of net debt (note 28) in relation to loans repaid on acquisition);
- Defined benefit pension and the recoverability of the recognised pension surplus (additional clarity provided over how the recognised pension surplus will be recovered (note 27) and assessment of the impact of the Trustees actions (note 2 'Judgements and key sources of estimation uncertainty'));
- Biological assets and their classification within the fair value hierarchy (restatement of disclosures to recategorise assets previously classified as Level 1 to Level 2 (note 17) and clarification of wording in relation to the basis of valuation and assumption used); and
- Explanatory disclosure of significant working capital movements (additional narrative provided within the 'Finance Review').

The Group responded to the FRC within the required timescale giving the necessary information to provide additional clarity on all the areas raised, along with undertakings to enhance certain disclosures within the 2021 Report and Accounts. The responses were accepted by the FRC and no further action was required. In preparing the 27 March 2021 Annual Report & Accounts management has provided the enhanced disclosures which were committed to in the response to the FRC as described above.

Scope and limitations of FRC review
The FRC's review was based on the Group's Annual Report & Accounts for the 52 weeks ended 28 March 2020 and did not benefit from detailed knowledge of the Group's business or an understanding of the underlying transactions entered into. It was, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework.

The review provides no assurance that the Group's Report & Accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. The review was provided on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on it by the company or any third party, including but not limited to investors and shareholders.

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 Chief Financial Officer 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.

During the prior year, to provide additional assurance that the Group's Risk Management Framework is operating effectively, the Audit Committee engaged Aon plc to provide an independent review of the Framework, including the activities of the Risk Committee. The review confirmed that, overall, arrangements were appropriate for the size of the Group and operating effectively, as well as highlighting several areas for the further development of the Framework. The recommendations are being incorporated into the Group's Risk Management Framework and a follow-up review to assess progress is scheduled for the coming financial year.

Audit Committee Report continued

During the year, the Committee supported the Board in their assessment of risk appetite and preparation of the disclosures provided in the Group Risk Appetite Statement (see page 55). 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.

During the year, Deloitte LLP were engaged to assist the Group in raising awareness across the business of the risks posed by fraud and in identifying and prioritising potential fraud risks. The review included the completion of a fraud risk survey issued across the Group and a subsequent interactive virtual fraud workshop with a number of key internal stakeholders. Overall, the report highlighted no significant issues and noted that across the Group, staff were both confident in their understanding of fraud and had a good awareness of existing fraud policies and procedures. The report raised several recommendations to further strengthen and enhance existing fraud risk arrangements, and these recommendations will be addressed over the coming months.

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 post-Brexit responses, 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 60 to 63) 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 being revised 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 4 of the Group's smaller, lower risk sites (with the exceptions being due to COVID-19 restrictions limiting available resource) 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 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 on-going COVID-19 situation, the Internal Audit team continued to face unique challenges due to Government imposed and Group specific travel restrictions. To address this issue and ensure the 2020/21 Internal Audit Plan was delivered, new ways of working were adopted where necessary. These included; remote working to perform site audit reviews, use of video conferencing, screen and workspace sharing technologies and, importantly, further progressing the use of analytical tools to deliver audit reviews. The Internal Audit team also worked 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 continued to be appropriately addressed.

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.

During the 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 was completed by the Head of Risk & Internal Audit and the outcome reported to the Audit Committee. It was noted that areas of potential non-conformance were very limited and it was agreed that given the open working relationship between Internal Audit and members of the Committee and the level of independence and objectivity exhibited by Internal Audit it was not necessary to review the reporting lines, scope or function of the Group's Internal Audit Team. It was also agreed that the Internal Audit team's remuneration should remain the responsibility of the Chief Financial Officer rather than the Remuneration Committee.

Quality and 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, quality 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.

During the course of the prior year financial reporting and audit process, which occurred at the start of the first wave of the pandemic, it was agreed that the Group's preliminary announcement should be delayed for a period of 5 weeks to allow management further time to prepare financial information and the auditors additional time to carry out the necessary audit process in light of travel and social distancing restrictions. As a result of the delay, and supplementary audit procedures required due to the unprecedented circumstances, considerable additional audit time was incurred leading to an audit fee overrun which, after considerable challenge by the committee, was agreed at £78,000. Given the timing of agreement of the overrun, the amount was not included within the audit fee disclosed for 2020 of £419,000 and has instead been added to the 2021 fee of £714,000, increasing the total amount disclosed to £792,000.

For the 52 weeks ended 27 March 2021, as a result of the ongoing COVID-19 situation, PwC again carried out many of their audit procedures remotely, rather than in-person. The Committee reviewed the remote working approach 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 on-going difficult circumstances.

The Committee also considered the following factors in assessing the quality and 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 estimates; and
- the content and quality 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 quality and 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 commercial accruals, trade receivable and inventory provisions 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 monitoring of 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, which is a permitted service. There is an established policy to avoid compromising the external auditors' independence that the auditor shall be excluded from all non-audit work specified as such in the Ethical Standard 2019. The Audit Committee Chair's approval is required prior to awarding to the external auditor any permitted non-audit services, albeit audit related and regulatory reporting work can be engaged without referral to the Committee provided fees are below the 'clearly trivial' limit of £30,000. Any non-audit 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 52 weeks 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	26
Total Non-Audit Fees	**42**

Audit fee for 52 weeks ended 27 March 2021	714
Audit fee related to 52 weeks ended 28 March 2020	78
Total Audit Fees	**792**
Ratio of Non-Audit Fees to Audit Fees*	0.05:1

* 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 included the review of the Group's interim results which the Audit Committee does not consider would provide a threat to PwC's independence. In addition, "other" non-audit services reflect support provided by PwC in relation to the Group's response to correspondence from the FRC during the year.

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

Following consideration of the performance and independence of the external auditor at its meeting in May 2021, 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 2021 Annual General Meeting.

Mark Reckitt
Chair of the Audit Committee
18 May 2021

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 52 weeks ended 27 March 2021.

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 Chief Financial Officer 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 2020/21

Board composition
- Recommended the appointment of Tim Smith as Chairman.
- Recommended the appointment of Liz Barber as an independent Non-Executive Director.
- Recommended the reappointment of Mark Reckitt, Tim Smith and Pam Powell as Non-Executive Directors.
- 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 2021 Annual Report and recommended it to the Board for approval.
- Reviewed the Committee's terms of reference.
- Consideration of 2020 Board Evaluation.
- Reviewed implementation of 2019 external Board Evaluation 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 Autumn of 2020, having served as a Director of the Company for 36 years, I indicated to the Board that I was considering my own retirement planning and succession, which resulted in the Company commencing a search for my replacement as Chairman. The Committee, in consultation with other Board members, agreed the key experience and skills required in November 2020 and engaged Independent Search Partnership (an independent external adviser with no other connection to the Company) to assist with the search. During the process Tim Smith indicated that he wished to be included in the candidates being considered and consequently Independent Search Partnership conducted a benchmarking exercise against available external candidates which also involved interviewing Tim and seeking references. A short list of candidates reviewed was then presented to the Committee for further consideration. The Committee carefully considered the candidates presented and agreed to recommend Tim Smith as the Committee's preferred candidate for Chairman, which was unanimously approved by the Board. Factors relevant to the Committee's decision included Tim's extensive experience in the UK food sector and government regulation and policy, together with his knowledge and understanding of the Group, independence demonstrated whilst a Non-Executive Director of the Company and existing strong working relationship with other members of the Board. Following Tim declaring his interest in the position of Chairman he did not participate in the deliberations of the Committee relating to the appointment of my successor. I shall formally retire as a Director of the Company at the forthcoming AGM in July, when Tim will be appointed Chairman and will also succeed me as Chair of the Nomination Committee. I will cease to be employed by the Group at the end of my notice period in May 2022.

During 2020, the Company also commenced a search for an additional Non-Executive Director which resulted in the appointment of Liz Barber in May 2021. The Committee, in consultation with other Board members, agreed the key experience and skills required in September 2020 and engaged Independent Search Partnership to also assist with this search, which involved the preparation of a long and short list for consideration. A number of candidates were interviewed by the Chair, Senior Independent Director, Chief Executive and members of the Committee following which Liz was recommended to the Board as the Committee's preferred candidate. During the process Liz met individually with other members of the Board following which the proposed appointment was unanimously approved by the Board. Liz was appointed to the Board with effect from 1 May 2021 and has also become a member of the Nomination, Audit and Remuneration Committees. It is anticipated that Liz will provide succession for the Chair of the Audit Committee in due course.

During the year Mark Reckitt, Tim Smith and Pam Powell each came to the end of their current three year term of appointment as a Non-Executive Director of the Company, which the Board decided to renew in each case for a further three year term. In deciding to reappoint Mark, Tim and Pam, the Board were satisfied that they each remained independent and continue to provide challenge within the Board and possess the skill, experience and knowledge to continue to add value to the Board's decision-making. At the end of his new three year term, Mark Reckitt will have served for nine years as a Non-Executive Director and will then retire in accordance with the principles of corporate governance. The Committee also agreed that Pam Powell will provide succession for the Chair of the Remuneration Committee when Kate Allum retires in 2022 having served 9 years as a Non-Executive Director.

All Directors (other than myself) will be standing for re-election at the AGM. 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 68 and 69 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.

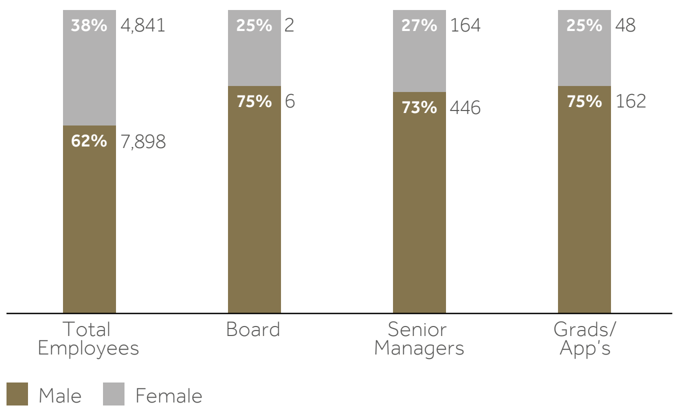
During the year the Committee has overseen the promotion of a number of candidates from within the Group to Senior Executive positions as part of ensuring an orderly succession. The Committee has also overseen transitional arrangements with a number of retiring Senior Executives to ensure that their 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 Anpario plc as a Non-Executive Director, however, Kate has also relinquished her responsibilities as a Non-Executive Director at SIG plc 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. Following the appointment of Liz Barber, the Board is compliant with the Hampton-Alexander Review target that at least 33 per cent of Board members are women and remains mindful of the target in relation to appointments to the wider Senior Management team. The Board is also mindful of the Parker Review and need to promote wider forms of diversity when considering future appointments to the Board and Senior Management.

Nomination Committee Report continued

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 on page 87. I am pleased to report that In relation to both senior managers and executives and graduates and apprentices the proportion of females has increased from last year.

Board performance evaluation

The performance evaluation process was undertaken in early 2021 based on a questionnaire which included questions about Board administration, the role of the Chairman, strategy, risk oversight, succession planning and the Board Committee structure. The Company's auditors and remuneration consultants were also consulted in relation to the operation of the Audit Committee and Remuneration Committee respectively. The review was facilitated by the Company Secretary who is considered a suitable and independent person to conduct this process.

The questionnaire was completed by all Board members and the Chief Operating Officer. A report on the outcome of the evaluation exercise was prepared by the Company Secretary and was presented to the Board at its March 2021 meeting. The report concluded from the feedback to the questionnaire that Cranswick operated an extremely unified, highly functional Board, but recognised the need for continued focus on executive succession planning, Board assessments and greater exposure to the Board of key executives in the Group. Whilst Directors appreciated the necessity for limitations on 'in person' meetings as a result of government restrictions and social distancing measures introduced as a result of the COVID-19 pandemic, prolonged reliance on virtual meetings and remote communication was also recognised as having limitations on interaction between Board members.

The Chairman has evaluated the performance of individual Directors through informal discussions and observations. The Senior Independent Non-Executive Director and the other Non-Executive Directors have met, without the Chairman present, to appraise his performance. Overall, the Board considered the performance of each Director to be effective and concluded that both the Board and its Committees continue to provide effective leadership and exert the required levels of governance and control. The Board will continue to review its procedures, effectiveness and development in the year ahead.

As well as considering the results of this year's performance evaluation, the Board also reviewed performance against the areas identified in the 2019 independent evaluation undertaken by Clare Chalmers and related recommendations which is summarised below:

Recommendation	Actions
Greater focus by the Board as a whole on succession planning and broader talent management.	During the year the Board focussed on succession planning for the Chairman and Non-Executive Directors (described in more detail above). Further consideration will be given during the coming year to succession planning for Executive Directors. Talent management programmes were reviewed by the Group HR Director, however, in view of the limitations imposed by the COVID-19 pandemic no material changes were made to existing programmes.
Consideration of enhancing governance best practice by reviewing board structure and operation.	A management committee consisting of the Executive Directors, Chief Operating Officer, Divisional Managing Directors and other key stakeholders was established to deal with daily operational and commercial issues arising as a result of the COVID-19 pandemic. However, a broader review of the board structure and operation was postponed until after the COVID-19 pandemic.
Board to conduct a review of Board skills.	A review of Board skills was undertaken which established that the Board possessed a broad range of experience and skills relevant to the Group's businesses including strategic development, food and retail, operational and regulatory experience. The review identified that the Board had limited IT/cyber expertise and environmental/sustainability experience in relation to which other Senior Executives who report to the Board have responsibility and for which additional training has been provided to Directors.
Greater focus by the Board as a whole on strategic matters and avoiding unnecessary operational detail.	The Board has given greater consideration to strategic matters, in particular, focussing on identifying complimentary products and sectors to the Group's existing business which offer significant growth opportunities. The Board has also increased its focus on the Group's environmental and sustainability strategy (described in more detail on pages 24 to 34 of the Strategic Report).
Further consideration of stakeholder engagement framework and dialogue with pressure groups.	Whilst the Group's engagement with the Government, regulatory authorities and certain stakeholder groups increased significantly in relation to the COVID-19 pandemic and Brexit, a full review of its engagement with stakeholders and pressure groups was postponed until after the COVID-19 pandemic.
Improvements to the content and presentation of Board packs.	The Board adopted an enhanced online board portal and the content of Board packs has been improved in relation to the reporting of operational and commercial matters to facilitate greater focus by the Board on strategic matters.

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
Chairman
18 May 2021

Remuneration Committee Report

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). The Remuneration Committee is mindful of consistency and fairness in Executive Directors' remuneration, taking into account the performance of the Company and experience of shareholders and the wider workforce.

The Remuneration Committee

The Remuneration Committee (the 'Committee') is a formal Committee of the Board. Its remit is set out in terms of reference adopted by the Board. The Committee's terms of reference were reviewed by the Committee and updated during the year. A copy of the terms of reference is available on the Group's website at **www.cranswick.plc.uk** within the Corporate Governance section. The Committee's performance against these terms of reference is reviewed on an annual basis and the Committee is satisfied that it has acted in accordance with its terms of reference during the year.

The primary purpose for the Committee, as set out in its terms of reference, is to set the Remuneration Policy 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	5/5
Mark Reckitt	5/5
Pam Powell	5/5
Tim Smith	5/5

Other regular attendees

- The Chairman, Chief Executive, Chief Financial Officer 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 2020/21

Review of Remuneration Policy

- Appointed independent remuneration consultants to advise the Committee.
- Reviewed the existing Remuneration Policy and proposed amendments.

Executive Director and Senior Executive remuneration

- Reviewed Executive Directors' and other Senior Executives' base salaries.
- Reviewed the Senior Management annual bonus structure.

Approval of bonuses

- Set objectives for the annual bonus arrangements for 2021 for Executive Directors and Senior Executives.
- Reviewed the achievement of the Executive Directors' bonus arrangements against 2020 target.

LTIP awards

- Reviewed the outcome of performance conditions for the LTIP awards which were granted in 2018.
- Approved LTIP awards granted in 2020.

Remuneration Committee Report continued

Shareholder engagement
- Engaged with major Shareholders in relation to proposed new Remuneration Policy.

Other activities
- Reviewed the Annual Remuneration Report for 2020.
- Reviewed employee benefit structures and approved the issue of the SAYE share scheme for 2020.
- Approved the Committee's terms of reference.

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 52 weeks ended 27 March 2021.

This year we continued to apply the Remuneration Policy that was adopted in 2018, but which is due to expire in July. Consequently, we have also reviewed our existing policy with the help of independent executive remuneration consultants, Deloitte LLP, and will be asking Shareholders to approve a revised Remuneration Policy at the Company's AGM on 26 July 2021. A summary and explanation of the key changes proposed is set out on pages 91 and 92 with the full new Remuneration Policy set out in Part 3.

If the new Remuneration Policy is approved by Shareholders, it will become effective immediately for three years until the Company's Annual General Meeting in 2024. As with prior years, Shareholders will also be asked to pass an advisory vote on the Annual Report on Remuneration at the forthcoming AGM.

Company performance

Over the course of 2020/21 the Group has built on its strong performance in 2019/20 with strong organic growth, the expansion of the Group's fresh poultry facility at Eye and opening of a new cooked bacon facility in Hull with adjusted profit increasing by 26.8 per cent and adjusted earnings per share price increasing by 27.4 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 and has continued to operate well within banking covenants. In response to COVID-19, we prioritised the wellbeing and safety of our colleagues. We implemented a proactive, comprehensive and well embedded COVID-19 action plan centred on keeping our colleagues safe, feeding the nation and supporting our local communities. We worked closely with our customers, the UK Government and regulatory bodies to ensure the continued supply of essential food products. The Group has also provided ongoing support to front line NHS staff, the elderly and vulnerable and charities in our local communities.

In addition, the Company is proposing an increased dividend payment to Shareholders and will pay a bonus of £400 to all colleagues, to recognise their essential key worker status and valued contribution throughout the pandemic, who have worked during the period from December 2020 to March 2021 (in addition to the bonus of £500 paid in June 2020), the total amount payable is expected to exceed £5 million. The Committee also considered movements in the share price over the period noting that the Company has not suffered any significant share price depreciation 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 explained in our Remuneration Policy on pages 96 to 99 (which are the same under existing and proposed policies), 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 90 to 93.
- **Part 2** – Remuneration at a glance on pages 94 and 95.
- **Part 3** – Full details of our new Remuneration Policy and, subject to Shareholder approval how this will be applied next year on pages 96 to 102.
- **Part 4** – The Annual Report on Remuneration on pages 103 to 109 which discloses how the existing Remuneration Policy has been applied during the year. Those elements of part 4 subject to external audit are clearly identified.

2021 bonuses

Bonus awards for 2021 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. Bonus awards for 2020 were also 150 per cent of base salary for each of the Executive Directors reflecting a very strong prior year. Further details are shown on page 103. The Committee considers the level of pay-out is reflective of the overall performance of the Group in the year and is appropriate.

LTIP awards vesting in respect of the period ended 27 March 2021

The LTIP Awards granted in 2018 were based on the three-year performance period from April 2018 to March 2021 and were subject to earnings per share (EPS) (50 per cent) and total shareholder return (TSR) (50 per cent) targets. Performance over the three-year period as measured against EPS has been strong with performance 10.25 per cent over the average increase in the Retail Price Index (RPI) and vesting at 100 per cent of the maximum. Performance in relation to TSR has also been strong with the Company being ranked in the 67th percentile of its comparator group and, consequently, 53.5 per cent of the TSR element of the award vesting. Overall, 76.75 per cent of the maximum award will vest in August 2021 (i.e. 115.1 per cent of salary) for each Executive Director, versus 99 per cent of the maximum award which vested in July 2020 (i.e. 148.5 per cent of salary). This is reflected in the table on page 104. The Committee considers the level of pay-out is reflective of the overall performance of the Group over the three-year performance period ended 27 March 2021 and is appropriate.

LTIP awarded granted during the period ended 27 March 2021

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 July 2020). These awards are reflected in the table on page 104.

New Remuneration Policy

The new Remuneration Policy proposed is in the context of the Group having grown significantly, through a combination of acquisitions and organic growth and having become a more complex business. When our Remuneration Policy was last approved our market capitalisation was c£1.7 billion; it is now c£1.9 billion, representing an increase of c12 per cent. Our number of workers across the Group has increased from 9,192 (as at 25 March 2017) to 12,603 (as at 27 March 2021), reflecting the Group's increased scale of operations.

The Committee's view on our existing Remuneration Policy (reflected during our consultation with major Shareholders) is that it is easily understood and has delivered appropriate rewards to our Executive Directors for an impressive performance, both in the Company's underlying performance and growth in Shareholder value and is 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 proposed post-employment shareholding requirements 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 proposed Remuneration Policy, the Committee was clear that it should drive the right behaviours, reflect the Group's values and support its purpose and strategy. The Committee considers the current Remuneration Policy and overall remuneration framework continues to be fit for purpose. The proposed changes provide further alignment to best practice, taking into account the revised UK Corporate Governance Code the ('Code'), wider social context and to ensure that we continue to reward the delivery of our long-term strategy and key strategic goals and maintain the strong alignment of Director remuneration and Shareholder interests.

As part of our review, the Committee consulted with the Company's major Shareholders and various investor bodies to obtain their views on the proposed changes. The Committee received general support for its proposals from the majority of those consulted and various suggestions made by those consulted were adopted and are reflected in the new Remuneration Policy being proposed to Shareholders.

The proposed changes to the current Remuneration Policy (and how we propose to operate the new Remuneration Policy in 2021/22) are set out below (and on page 92) with the full new Remuneration Policy set out in Part 3.

- **Salaries:** Taking into account the material change in the scale and complexity of the business combined with our continued growth and ambitions in the future, the salaries of the current Executive Directors (excluding the Executive Chairman, who has waived his contractual entitlement to an increase) were increased by 8 per cent effective from 1 May 2021. Our experienced Executive Directors have all significantly contributed to the success and growth of Cranswick.

  The Group's business has not only increased significantly in scale and profitability, but has also increased in complexity and it is this which underlies the salary review. The development of the Group's Poultry business has been achieved over a relatively short period of time when the Group has developed Europe's most efficient poultry processing facility, repositioned its poultry business in the market place and also developed a new long term relationship with WM Morrison Supermarkets plc (which had previously not been a significant customer of the Group). The Group has also significantly developed its Continental Foods business over the period by relocating this to a new purpose-built facility to accommodate further expansion and by increasing the focus on imported charcuterie and plant-based products such as olives to reflect consumer trends. All of this has been achieved by the existing Executive Directors supported by their management teams.

  The Committee believe it is appropriate to recognise the increase in the size and scope of the Executive Directors roles with a base salary increase above the rate of increase for the wider workforce this year (following which increases will revert to the level of the wider workforce increases for future years).

  For FY22 the proposed base salary increase for the wider workforce is expected to be 2-3 per cent. Furthermore, as Cranswick has grown, the remuneration of various members of the Senior Management team has been significantly revised in recent years to reflect increased responsibilities and the development of the business which has reduced internal relativities (nine key executives have received increases over the last three years of 10-30 per cent to reflect increased responsibilities).

- **Pension contributions:** Current Executive Director pension entitlements are 20 per cent of salary. Pension entitlements will be progressively aligned to other employees of the Group (currently 5 per cent of salary). Incumbent Executive Directors have existing contractual pension entitlements that will be frozen at their current monetary value for two years then reduced to 10 per cent of salary (in line with other Senior Executives) with effect from 1 April 2023. It is intended that pension entitlements then will be reduced to 5 per cent of salary (in line with the wider workforce rate) over the course of the next triannual Remuneration Policy review in 2024.

- **Annual bonus:** The maximum bonus opportunity will be increased from 150 per cent of salary to 165 per cent of salary to recognise the increase in size and complexity of Cranswick and the increase in the size and scope of the Executive Directors' roles. The increase in the bonus opportunity will be commensurate with an increase in stretch of bonus targets at the upper end (taking into account market conditions and internal and external forecasts), to ensure that the Executive Directors are not being paid more for the same performance. No more than 50 per cent of maximum bonus award will vest for on-target performance. Under the current Remuneration Policy, the Committee has discretion to amend pay-out of the annual bonus where the formulaic outcome does not reflect its assessment of overall business performance. Having regard to the revised Code, the scope of this discretion will be extended.

  The 2022 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 2022 targets are not disclosed as they are considered to be commercially sensitive. The targets will be declared retrospectively in the 2022 Annual Report & Accounts, provided they are not considered commercially sensitive at that time. Subject to Shareholder approval, there will be four bonus profit targets triggering awards of 20 per cent, 50 per cent, 100 per cent and 165 per cent of base salaries with a straight line pro-rata award for profits falling between the targets. The stretch in performance targets will be commensurate with the increase in bonus opportunity.

- **Bonus deferral:** We are updating our bonus deferral arrangements, which currently require that new Executive Directors who have not yet met their shareholding guideline (200 per cent of salary) defer any bonus earned in excess of 100 per cent of salary into shares for up to two years. Under the proposed new Remuneration Policy, new Executive Directors will be required to defer 30 per cent of any bonus earned into shares for two years. This will apply regardless of whether or not they have met their shareholding guideline.

  With the introduction of post-employment shareholding guidelines (discussed further below) and taking into account that the existing Executive Directors each have significant shareholdings in excess of 750 per cent of salary, the Committee believes the incumbent Executive Directors are significantly aligned to long-term Shareholder and stakeholder interests without requiring a proportion of their bonus earned to be deferred.

Remuneration Committee Report continued

- **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 98. Threshold vesting for the LTIP award is intended to be 25 per cent of maximum in line with the proposed Remuneration Policy. Awards are subject to a two year holding period.

  As part of the planned transition of Martin Davey's executive responsibilities he did not participate in any new LTIP awards in 2020 or in the Group's 2021 bonus awards. Martin will be retiring as a Director of the Company at its forthcoming AGM and will not be receiving a bonus or LTIP award in the current year (i.e. 2021/22).

- **Post-employment shareholding requirement:** This will be introduced under the new Remuneration Policy. For the first 12 months following cessation of employment, an Executive Director must retain shares equal to 100 per cent of the in-employment guideline (i.e. 200 per cent of salary) and in the following 12 months, retain shares equal to 50 per cent of the in-employment guideline (i.e. 100 per cent of salary). The requirement does not apply to purchased shares or legacy awards (i.e. awards granted before 1 April 2021). As stated on page 91, the current shareholdings of the Executive Directors are in excess of 750 per cent of salary and, as a result, the Committee believes implementing the Investment Association approach of 100 per cent guideline for two years is unwarranted. Our view is that a tapered post-employment shareholding guideline provides sufficient alignment between Executive Director and shareholder interests in the long-term.

- Other minor changes to the Remuneration Policy will address developments since the current Remuneration Policy was approved and enshrine previous decisions made by the Committee in light of the revised Corporate Governance Code. These include:

  - Including additional flexibility within the Policy to allow the LTIP to be measured against non-financial performance measures. At least 80 per cent of the opportunity will continue to be based on financial measures and we do not intend to use this flexibility for 2021/22. However, recognising our increased focus on environmental, social and governance matters, we may consider including such measures in the LTIP over the course of the next three years.

    We are conscious that non-financial measures are increasingly important to stakeholders which is why we have included discretion to introduce these as part of the LTIP. In particular, as a major food producer, Cranswick's environmental and sustainability performance is under focus and we will be reporting the Group's performance under SASB this year. Following the establishment of such measures, which are based on data and can be objectively assessed year-on-year, we anticipate introducing appropriate non-financial metrics during the next three-year Remuneration Policy period based on environmental and sustainability performance. We would anticipate consulting further with Shareholders before introducing these.

  - Including flexibility within the Policy for the threshold level of vesting under the LTIP to be up to 25 per cent of the maximum (i.e. 50 per cent of salary) in line with typical market practice. Under the current policy, threshold vesting under the LTIP is up 20.625 per cent of maximum (i.e. 41.25 per cent of salary).

  - The current Remuneration Policy gives the Committee discretion to amend any formulaic bonus outturn which does not reflect the Committee's assessment of overall business performance. Reflecting the updated Code, this will be expanded to permit the exercise of discretion in a set of wider circumstances, including where the formulaic outturn is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant (or any other reasons at the discretion of the Committee). A similar discretion will be added for the LTIP.

  - Confirming that LTIP awards (including dividend equivalents) will normally be settled in shares, with cash settlement only to be applied where the circumstances make that appropriate – for example where there is a regulatory restriction on the delivery of shares, or in respect of the tax liability arising in relation to the award.

  - The malus and clawback 'triggers' will be extended to include corporate failure, serious reputational damage and material failure of risk management, which in practice has been applied since 2019.

  - Including additional flexibility to pay tax on benefits for the Non-Executive Directors.

  - Increasing the maximum variable remuneration on recruitment from 400 per cent of salary to 415 per cent of salary to reflect the increase in annual bonus maximum and existing exceptional LTIP limit of 250 per cent of salary.

Alignment of the Remuneration Policy with the Code

In determining the new Remuneration Policy, the Committee took into account the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture, as set out in the Code.

Principle	Commentary
Clarity: remuneration arrangements should be transparent and promote effective engagement with Shareholders and the workforce.	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.
Simplicity: remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Details of our remuneration arrangements are disclosed clearly and concisely.
Risk: remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Both the annual bonus and LTIP are subject to malus and clawback provisions. This allows the Committee to have appropriate regard to risk considerations. Annual bonus deferral has been introduced for new Executive Directors for 2021/22 onwards providing longer term alignment with Shareholders' interests. The current Executive Directors' current shareholdings are each in excess of 750 per cent of salary and provides sufficient alignment between Executive Director and Shareholder interests in the long-term. The Committee also has discretion to override formulaic outcomes, which may not accurately reflect the underlying performance of the Group.
Predictability: the range of possible values of rewards to individual Directors and other limits or discretions should be identified and explained at the time of approving the Remuneration Policy.	Details of the range of possible values of rewards and other limits or discretions can be found on page 95.
Proportionality: the link between individual awards, the delivery of strategy and the long term performance of the Company should be clear. Outcomes should not reward poor performance.	We believe total remuneration should fairly reflect performance of the Executive Directors and the Group as a whole, taking into account underlying performance and shareholder experience. The Committee considers the approach to wider workforce pay and policies when determining the Directors' Remuneration Policy to ensure that it is appropriate in this context.
Alignment to Culture: incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	In determining the Remuneration Policy, the Committee was clear that this should drive the right behaviours, reflect our values and support the Company purpose and strategy. The Committee will review the remuneration framework regularly so that it continues to support our 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 106.

Ongoing engagement by the Chairman, Chief Executive and Chief Financial Officer has ensured that key Shareholders have been regularly updated on progress and performance throughout the year. 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
18 May 2021

***2021 bonuses**

Measure	Threshold	Maximum	Actual
Adjusted Group profit before tax	£104.2m	£116.6m	£134.4m
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 Committee Report continued

Remuneration at a Glance

Our performance during the year

+12.1%

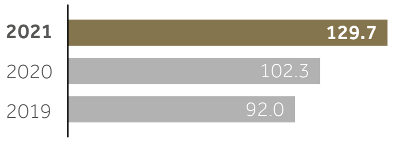
Like-for-like revenue increase to £1,869.5m.

+3.5%

Share price increase to 3,600p at 27 March 2021.

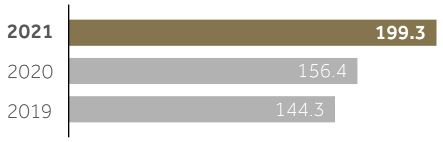
Adjusted profit before tax
(£'m)

£129.7m

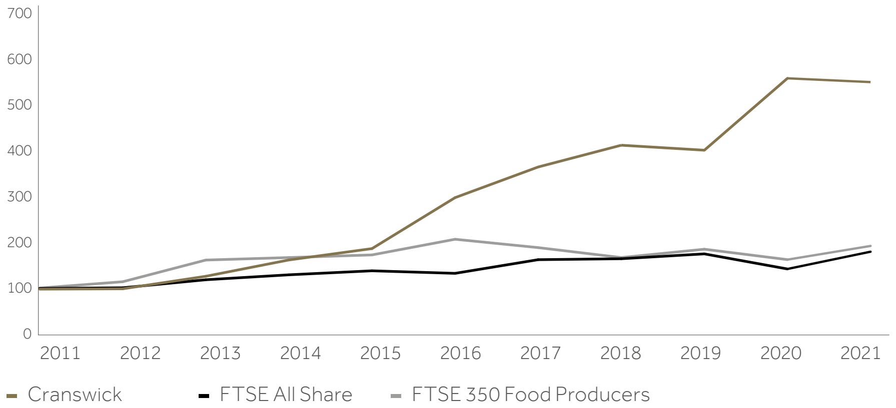


Adjusted earnings per share
(p)

199.3p



Total shareholder return



Remuneration in 2021

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 103 for more details.*

	Martin Davey	Adam Couch	Mark Bottomley	Jim Brisby
Salary	314	669	442	442
Benefits	34	32	31	31
Pension	63	134	88	88
Bonus	–	1,004	664	664
LTIP	510	1,031	682	682
SAYE	3	–	–	34
Total	**924**	**2,870**	**1,907**	**1,941**

Outcomes

Achieved adjusted Group profit before tax of £129.7 million – 100 per cent of the maximum bonus opportunity achieved (150 per cent of salary). Performance measured over the three-year period ended 27 March 2021, EPS growth was RPI +10.25 per cent, and TSR was ranked in the 67th percentile of its comparator group. LTIP awards made in August 2018 will therefore vest in August 2021 in full in respect of the EPS element and at 53.5 per cent of the maximum in respect of the TSR element, in aggregate 76.75 per cent of the maximum (115.1 per cent of salary).

Remuneration for 2022

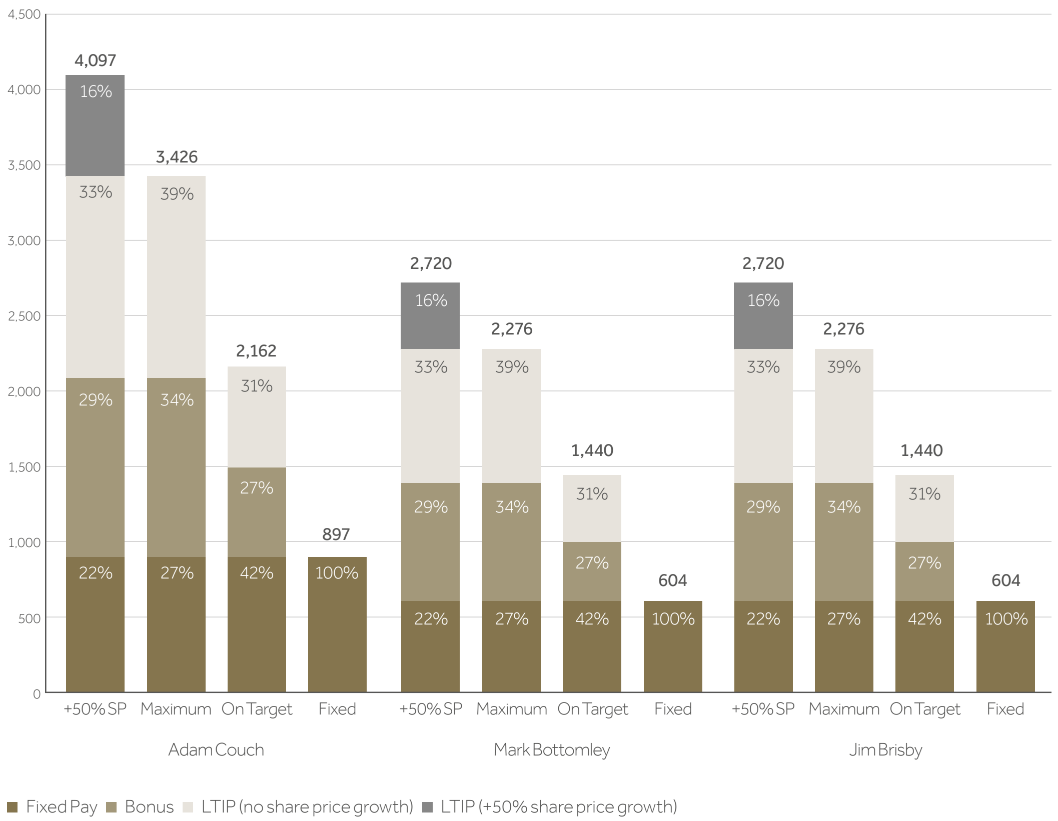
Salary	Directors' salaries (other than Martin Davey) increased by 8% taking into account material change in scale and complexity of the business and future growth ambitions.
Bonus	Subject to shareholder approval, opportunity increased from 150% to 165% of salary for 2021/22. Commensurate with an increase in bonus opportunity is the stretch in performance targets. Stretching target – unchanged from previous years at 100% on Adjusted Group profit before tax.
LTIP awards	Opportunity unchanged at 200% of salary for 2021/22. Stretching target – unchanged from previous years at 50% on EPS and 50% on relative TSR.

Over 93%

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

Illustration of Application of Remuneration Policy for 2021/22

The following chart illustrates the potential pay opportunities for the Executive Directors under three different performance scenarios for the year ending 26 March 2022. 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 2021, employer pension contributions fixed at the monetary amount paid for the year ended 27 March 2021, and benefits disclosed in the single figure table for the year ended 27 March 2021.	No bonus	No LTIP vesting
Performance in line with expectations		Bonus equal to 50% of the opportunity is earned (i.e. 82.5% of salary).	LTIP vests as to 50% of the maximum award (100% of salary).
Maximum performance		Bonus equal to 165% of salary is earned.	LTIP vests in full (200% of salary).
Maximum performance plus share price increase		Bonus equal to 165% of salary is earned.	LTIP vests in full (200% of salary) plus an assumed 50% increase in the share price.

Remuneration Committee Report continued

Remuneration Policy

This part of the Directors' Remuneration Report sets out the Directors' Remuneration Policy (the 'Policy') which, subject to Shareholder approval at the 2021 AGM, shall take binding effect from the close of that meeting. A summary of the proposed changes to the Policy is set in the Remuneration Committee Chair's statement on page 91 to 93.

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 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.	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.	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 (or a combination thereof). Pension contributions may also be made in lieu of salary.	N/A	For Executive Directors appointed after 1 April 2021, a Company contribution and/or cash payment in lieu not exceeding the contribution available to the majority of the Group's wider workforce. For Executive Directors appointed before 1 April 2021, a Company contribution and/or cash payment in lieu will be fixed at their entitlements as at 31 March 2021 for two years, then reduced to 10 per cent of salary by 1 April 2023.

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/partner and dependent children), life insurance, income protection insurance, 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. Reimbursed expenses may include a gross-up to reflect any tax or social security due in respect of the reimbursement. 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. Where deferral applies, this provides a retention element and direct alignment to Shareholders' interests.	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 if it considers that the formulaic outcome does not reflect the Committee's assessment of business performance, is not appropriate in the context of circumstances that were unexpected or unforeseen at the start of the relevant year, or is not appropriate in the context of other factors considered relevant by the Committee. For Executive Directors appointed on or after the date on which this Policy becomes effective, one-third of any bonus earned will be deferred into shares for up to two years. Deferral of any bonus is subject to a de minimis limit of £10,000. A greater proportion of the bonus may be deferred with the agreement of the Executive Director. Additional shares may be awarded in respect of shares subject to deferred bonus awards to reflect the value of dividends which would have been paid on those shares during the period from grant to release date (this payment may assume that dividends had been reinvested in shares on a cumulative basis). Bonuses are non-pensionable. Recovery provisions apply as referred to on page 99.	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 165 per cent of base salary. Subject to the Committee's discretion to override formulaic outcomes, the bonus for achieving threshold performance is 20 per cent of maximum opportunity, rising up to 50 per cent of the maximum for on-target performance. Subject to the Committee's discretion to override formulaic outcomes, vesting of the bonus in respect of strategic measures or individual objectives will be between 0 per cent and 100 per cent based on the Committee's assessment of the extent to which the relevant metric or objective has been met.

Remuneration Committee Report continued

Purpose and link to strategy	Operation	Performance metrics	Maximum entitlement
Share-based awards			
A Save As You Earn (SAYE) share scheme is available to all eligible employees.	Subject to approval by the Board, SAYE options are made available to eligible staff, including Executive Directors, in accordance with the scheme rules which reflect the applicable legislation with an option exercise price which may be set at a discount of up to 20 per cent to the share price when the option is offered.	N/A	The limit on monthly savings and maximum discount that may be applied in setting the exercise price will be determined in accordance with the applicable tax legislation from time to time and will be the same for the Executive Directors as for other eligible employees. At the date of approval of this Policy the maximum saving is £500 per month and the maximum discount is 20 per cent.
LTIP			
Long Term incentive (LTIP) awards provide a clear link between the remuneration of Executive Directors and the creation of value for Shareholders by rewarding the achievement of longer term strategic priorities aligned to Shareholder interests.	The LTIP awards may take the form of nil (or nominal) cost share options or conditional awards. The Committee may at its discretion structure awards as qualifying LTIP awards, consisting of a tax qualifying CSOP option with an exercise price equal to the market value of a share at the date of grant and an ordinary nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the CSOP option. Awards will usually vest following the assessment of the applicable performance measures. 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, additional shares may be awarded 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 (this payment may assume that dividends have been reinvested in shares on a cumulative basis). The Remuneration Committee has discretion to amend pay-outs if it considers that the formulaic output does not reflect its assessment of performance, is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant, or is not appropriate in the context of other factors considered relevant by the Remuneration Committee.	Performance measures for LTIP awards are typically assessed over a period of three years and will include financial measures (which may include, but are not limited to EPS growth and relative TSR) and may include strategic/individual performance measures (which may include ESG measures). At least 80 per cent of the award will be subject to performance measures based on financial measures. Where more than one measure is used, the weightings will be determined by the Committee taking into account the Company's key strategic priorities. Subject to the Committee's discretion to override formulaic outturns, threshold vesting will not be at more than 25 per cent of maximum. 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 other Board responsibilities or roles or time commitment, such as chairing Committees, for holding the role of Senior Independent Director or designated Non-Executive Director with responsibility for engaging with the workforce. 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. Reimbursed expenses may include a gross-up to reflect any tax or social security due in respect of the reimbursement.	N/A	Fees are set taking into account the responsibilities of the role and the expected time commitment.

Recovery provisions
The annual bonus and LTIP are subject to recovery provisions as set out below.

Malus provisions apply which enable the Remuneration Committee to determine before the payment of an annual bonus or the vesting of an LTIP award, that the bonus opportunity or LTIP award may be cancelled or reduced.

Clawback provisions apply which enable the Remuneration Committee to determine for up to two years following the payment of a cash bonus or the vesting of an LTIP award, that the amount of the bonus paid may be recovered (and any deferred bonus award may be reduced or cancelled, or recovery may be applied to it if it has been exercised) and the LTIP award may be cancelled or reduced (if it has not been exercised) or recovery may be applied to it (if it has been exercised).

The malus and clawback provisions may be applied in the event of misstatement, performance error and misconduct by a participant, material risk management failure, serious reputational damage or material corporate failure.

Malus and clawback may be applied to any CSOP option granted under the LTIP to the extent permitted by the applicable tax legislation.

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 requirement during employment
To promote alignment between Executive Directors' and Shareholders' interests, the Committee has adopted a formal shareholding requirement 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 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 requirement, on a net of assumed tax basis.

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

Shareholding requirement post-employment
The Committee has adopted a post-employment shareholding requirement. Shares are subject to this requirement only if they are acquired from LTIP or deferred bonus awards granted after 1 April 2021. Shares purchased by an Executive Director are not subject to this requirement.

For the first 12 months after cessation of employment, such of their relevant shares as have a value at cessation equal to 200 per cent of salary (or if less all of their relevant shares) and in the following 12 months, retain such of their relevant shares as have a value at cessation equal to 100 per cent of salary (or if less all of their relevant shares).

Remuneration Committee Report continued

Annual bonus performance targets

The structure of the performance targets applicable to annual bonus awards to be made in a particular year will ordinarily 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 (PBT), 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 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 ordinarily be disclosed in the implementation section.

The Committee may vary or substitute any performance measure or target where it considers it would be appropriate to do so (for example, to reflect a change in strategy, a material acquisition and/or divestment of a Group business or a change in prevailing market conditions), provided that any such variation is fair and reasonable and, in the opinion of the Committee, would not make the measure materially less demanding. The Committee will assess performance on a fair and consistent basis from year to year. 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 Policy provides flexibility to include strategic/individual performance measures (which may include ESG measures). At least 80 per cent of the award will be subject to performance measures based on financial measures.

The Committee may vary or substitute any performance measure or target where it considers it would be appropriate to do so (for example, to reflect a change in strategy, a material acquisition and/or divestment of a Group business or a change in prevailing market conditions), provided that any such variation is fair and reasonable and, in the opinion of the Committee, would not make the measure materially less demanding. The Committee will assess performance on a fair and consistent basis from year-to-year. 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. Although the Committee would only settle an Executive Directors' award in cash in appropriate circumstances, such as where there is a regulatory restriction on the delivery of shares or as regards the tax liability arising in respect of the award.

Recruitment remuneration policy

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

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

- Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate.
- Pension will only be provided in line with the above Policy.
- The Committee will not offer non-performance-related incentive payments (for example a 'guaranteed sign-on bonus').
- Other elements may be included in the following circumstances:
  - an interim appointment being made to fill an Executive Director role on a short-term basis;
  - if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
  - if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis;
  - if the Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.
- The Committee may also alter the performance measures, performance period, vesting period, deferral period and holding period of the bonus or LTIP, subject to the plan rules, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the next Directors' Remuneration Report.
- The maximum level of variable remuneration which may be granted (excluding 'buyout' awards as referred to below) is 415 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. Alternatively, benefits may continue to be provided for the duration of the notice period that would otherwise have applied.
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. 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. There are no express provisions within the Director's service contracts for the payment of compensation or liquidated damages on termination of employment.

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

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

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

Service contracts

The Committee's current policy is not to enter into employment contracts with any element of notice period in excess of one year. Accordingly, each of the following Executive Directors has 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.

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, Pam Powell and Tim Smith for three years from 1 April 2021 and Liz Barber for three years from 1 May 2021. The continuing appointments are subject to annual re-election at the Company's AGM.

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 AGM.

Remuneration Committee Report continued

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 this 2021 Annual Report & Accounts 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.

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 workforce participate in the SAYE scheme).

Consideration of Shareholders' views
The Committee believes that ongoing dialogue with major Shareholders in relation to Executive Director remuneration is of key importance, and consulted with major Shareholders and investor agencies in relation to the new Remuneration Policy, finalising the proposals having regard to feedback received. The Committee will consider Shareholder feedback received on remuneration matters including issues raised at the AGM as well as any additional comments received during any other meeting with Shareholders. The Committee will seek to engage directly with major Shareholders and their representative bodies should any material changes be proposed to be made to the Remuneration Policy or made to the way the Remuneration Policy is implemented.

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		Total Fixed		Total Variable	
£'000	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Executive Directors																		
Mark Bottomley	442	430	31	33	664	646	682	740	88	86	–	27	1,907	1,962	561	549	1,346	1,413
Jim Brisby	442	430	31	32	664	646	682	740	88	86	34	–	1,941	1,934	561	548	1,380	1,386
Adam Couch	669	651	32	34	1,004	979	1,031	1,118	134	130	–	49	2,870	2,961	835	815	2,035	2,146
Martin Davey	314	314	34	33	–	–	510	570	63	63	3	–	924	980	411	410	513	570
	1,867	1,825	128	132	2,332	2,271	2,905	3,168	373	365	37	76	7,642	7,837	2,368	2,322	5,274	5,515
Non-Executive Directors																		
Kate Allum	59	59	–	–	–	–	–	–	–	–	–	–	59	59	59	59	–	–
Mark Reckitt	59	59	–	–	–	–	–	–	–	–	–	–	59	59	59	59	–	–
Pam Powell	51	51	–	–	–	–	–	–	–	–	–	–	51	51	51	51	–	–
Tim Smith	59	58	–	–	–	–	–	–	–	–	–	–	59	58	59	58	–	–
	228	227	–	–	–	–	–	–	–	–	–	–	228	227	228	227	–	–
Total	**2,095**	**2,052**	**128**	**132**	**2,332**	**2,271**	**2,905**	**3,168**	**373**	**365**	**37**	**76**	**7,870**	**8,064**	**2,596**	**2,549**	**5,274**	**5,515**

* The values of the LTIP awards which vested in July 2020 have been updated for the actual share price on the date of vesting. In line with the regulations, the values for 2021 are based on the average share price over the three-month period to 27 March 2021 as these awards will not vest until August 2021 (see tables on page 104).

As reported last year, the Executive Directors had pay awards in the year effective from 1 May 2020 of:

	From 1 May 2020		
Mark Bottomley	£443,400	2.8%	In line with wider workforce
Jim Brisby	£443,400	2.8%	In line with wider workforce
Adam Couch	£670,650	2.8%	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 (2020: 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.

No adjustment was made to bonus targets during the year.

The performance in the year, before charging bonus awards made to the Executive Directors and the Chief Operating Officer, was £134.4 million. This resulted in a bonus award of 150 per cent of salary as shown below. The Committee considers the level of pay-out is reflective of the overall performance of the Group in the year and is appropriate.

	Threshold		On Target	Maximum	Actual
Group profit targets	£104.2m	£109m	£113.4m	£116.6m	£134.4m
Bonus payable	20%	50%	100%	150%	150%

This award is reflected in the table above.

Annual Report on Directors' Remuneration continued

LTIP award vesting in respect of the 52 weeks ended 27 March 2021 (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 2018 LTIP awards that will vest in August 2021 are as follows:

- 50 per cent of each award is subject to an EPS target measured against average annual increases in RPI over a three year period. The EPS target allows 18.75 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 9 per cent with outperformance between 3 and 9 per cent rewarded pro-rata.
- 50 per cent is aligned to a TSR target measured against a comparable group of companies over a three-year period. The TSR target allows 22.5 per cent of the shares subject to the target to vest at the 50th percentile and 100 per cent at the 90th percentile with performance between the 50th and 90th 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. Given Dairy Crest Group plc delisted during the performance period it has been removed from the comparator group.

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 27 March 2021 relates to awards made in August 2018 with a performance criteria based on the three years ended 27 March 2021 that will vest in August 2021 calculated at the average price for the three months ended on 27 March 2021 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 10.25 per cent over the average increase in RPI so achieving a 100 per cent award. For the TSR element of the award, measured against a comparable group of companies, the business achieved an increase of 34.2 per cent and put the Company fifth in its comparative group which was at the 67th percentile achieving an award of 53.5 per cent. The total award of 76.75 per cent of maximum (115.1 per cent of salary) is reflected in the table on page 103, and below. The Committee considers the level of pay-out is reflective of the overall performance of the Group over the three-year performance period ended 27 March 2021 and is appropriate.

	Date of grant	Options granted	Vesting performance	Shares awarded	Average share price	Value of shares
Mark Bottomley	1 August 2018	25,500	76.75	19,571	3,482p	£681,462
Jim Brisby	1 August 2018	25,500	76.75	19,571	3,482p	£681,462
Adam Couch	1 August 2018	38,600	76.75	29,626	3,482p	£1,031,577
Martin Davey	1 August 2018	19,100	76.75	14,659	3,482p	£510,426

The 2018 LTIP awards with performance period ended 27 March 2021, were granted on 1 August 2018 when the share price was 3,320 pence. The three month average share price ended on 27 March 2021 was 3,482 pence. This equated to an increase in value of 162 pence per share due to vest in August 2021. The proportion of the value attributable to share price growth is therefore 5 per cent. The Committee did not exercise discretion in respect of the share price appreciation.

True-up of awards vested in respect of the 52 weeks ended 28 March 2020 for share price on vesting date (audited)
The value of the LTIP for the 52 weeks ended 28 March 2020 relates to awards, made in 2017, with a performance criteria based on the three years ended 28 March 2020 that vested in July 2020, updated for the actual vesting share price of 3,596 pence. The EPS element of the award achieved 98 per cent of its performance target and 100 per cent was achieved under the TSR measure giving an overall award of 99 per cent (148.5 per cent of salary) and this is reflected in the 2020 column of the table on page 103 and in the table below.

The 2017 LTIP awards with performance period ended 28 March 2020, was granted on 1 June 2017 when the share price was 2.960p. Based on the vesting share price, this equated to an increase in value of 636 pence per share. The Committee did not exercise discretion in respect of the share price appreciation.

	Date of grant	Options awarded	Value of award as at 28 March 2020 based on an average price of 3,482p	Value of award when vested in July 2020 at the market price of 3,596p
Mark Bottomley	1 June 2017	20,592	£717,013	£740,488
Jim Brisby	1 June 2017	20,592	£717,013	£740,488
Adam Couch	1 June 2017	31,086	£1,082,415	£1,117,853
Martin Davey	1 June 2017	15,840	£551,549	£569,606

LTIP awards granted during the year ended 27 March 2021 (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 July 2020	200% of salary	24,900	3,563p	£887,187	20.6%	25 March 2023
Jim Brisby	1 July 2020	200% of salary	24,900	3,563p	£887,187	20.6%	25 March 2023
Adam Couch	1 July 2020	200% of salary	37,700	3,563p	£1,343,251	20.6%	25 March 2023

* 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 2021 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%

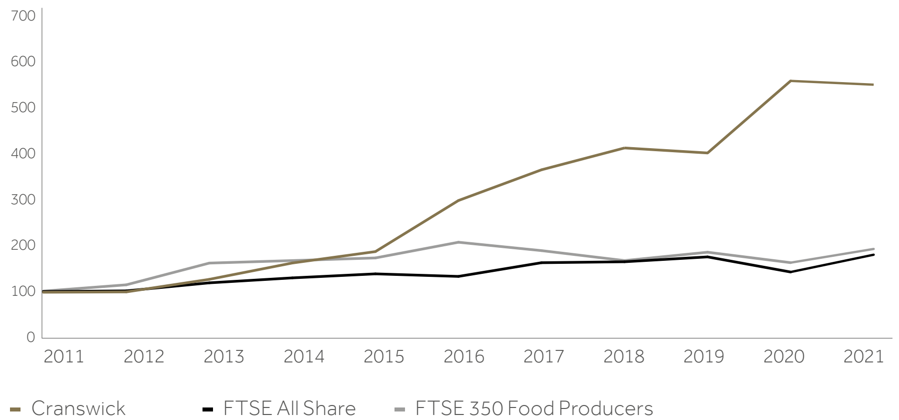
The Committee has discretion to reduce the extent of vesting in the event that it considers that performance against either measure is inconsistent with the overall financial or non-financial performance of the Group over the performance period.

SAYE (audited)
The value of the SAYE options relates to awards granted three, five or seven years ago that have had their full contribution paid by the Executive Director and have been exercised in the year. The awards exercised in 2021 by Martin Davey and Jim Brisby had an exercise prices of 2,565 pence and 1,187 pence and a market value of 3,412 pence and 3,826 respectively. The notional gains are shown in the 2021 column of the table on page 107.

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 2011) in the TSR (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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Base salary	508	505	542	562	588	599	616	635	651	669
Benefits	28	28	31	29	29	31	32	33	34	32
Pension	102	86	108	112	118	120	123	127	130	134
Bonus	453	639	252	843	882	898	925	240	979	1,004
LTIP	243	171	149	825	1,148	1,341	1,793	840	1,118	1,031
SAYE	6	7	–	–	38	–	–	–	49	–
CEO total remuneration	1,340	1,436	1,082	2,371	2,803	2,989	3,489	1,875	2,961	2,870
Bonus award against maximum opportunity	56%	80%	31%	100%	100%	100%	100%	25%	100%	100%
LTIP vesting against maximum opportunity	93%	43%	25%	87%	100%	100%	100%	80.5%	99%	77%

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.

Annual Report on Directors' Remuneration continued

Annual percentage change in remuneration of Directors and employees (unaudited)
The table below shows the percentage change in each Director's salary/fees, benefits and bonus between the year ended 28 March 2020 and the year ended 27 March 2021, and the average percentage change in the same remuneration over the same period in respect of the employees of the Company on a full time equivalent basis.

The average employee change has been calculated by reference to the mean of employee pay.

	Average employee*	Mark Bottomley	Jim Brisby	Adam Couch	Martin Davey	Kate Allum	Mark Reckitt	Pam Powell	Tim Smith
Salary/fees	+6.6%	+2.8%	+2.8%	+2.8%	–	–	–	–	+1.1%
Benefits	-2.3%	-3.7%	-0.7%	–5.7%	+2.6%	n/a	n/a	n/a	n/a
Bonus	+12.1%	+2.8%	+2.8%	+2.6%	–	n/a	n/a	n/a	n/a

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

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
2020	Option A	120:1	101:1	79:1
2021	Option A	112:1	95:1	77:1

2021	Chief Executive	25th percentile	Median	75th percentile
Salary	669	20	24	31
Total Remuneration	2,870	26	30	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 28 March 2020 is the total single figure remuneration figure as disclosed on page 103, which has been adjusted to reflect the actual LTIP vesting (further information on page 104). This adjustment has not affected the CEO pay ratios for the year ended 28 March 2020 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) as at 27 March 2021. The workforce comparison has not excluded any component of total pay and benefits.

2021 has been an excellent year for Cranswick resulting in an increase for 'pay for performance' remuneration for employees. 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. In respect of the median employee (50th percentile) total remuneration has increased from £29k to £30k. The Group considers the median pay ratio to be consistent with the Group's wider policies on employee pay, reward and progression. During the year, a £500 bonus was paid to all site-based colleagues to recognise their contribution during the COVID-19 pandemic which has resulted in a reduction in the median pay ratio this year.

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 2021 and the preceding financial year. There have been no share buybacks during 2021 and 2020.

Pay against distributions	2021 £'m	2020 £'m	Change %
Remuneration paid to all employees*	264.4	208.7	+26.7%
Total dividends paid and share buybacks in the year	32.7	29.4	+11.2%

* 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 28 March 2020 Number	Granted in the year Number	Exercised in the year Number	Lapsed in the year Number	At 27 March 2021 Number	Exercise price p	Market price at grant p
Mark Bottomley	2017	20,800	–	(20,592)	(208)	–	nil	2,960
	*2018	25,500	–	–	–	25,500	nil	3,308
	2019	31,800	–	–	–	31,800	nil	2,674
	2020	–	24,900	–	–	24,900	nil	3,664
Jim Brisby	2017	20,800	–	(20,592)	(208)	–	nil	2,960
	*2018	25,500	–	–	–	25,500	nil	3,308
	2019	31,800	–	–	–	31,800	nil	2,674
	2020	–	24,900	–	–	24,900	nil	3,664
Adam Couch	2017	31,400	–	(31,086)	(314)	–	nil	2,960
	*2018	38,600	–	–	–	38,600	nil	3,308
	2019	48,100	–	–	–	48,100	nil	2,674
	2020	–	37,700	–	–	37,700	nil	3,664
Martin Davey	2017	16,000	–	(15,840)	(160)	–	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 104. The range of exercise dates are 1 August 2021 to 1 July 2030.

The LTIP, issued in 2018, which vests in August 2021, will achieve 100 per cent of the EPS target and 53.5 per cent of the TSR target giving a share award of 76.75 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	20,592	28 July 2020	nil	3,573	736
Jim Brisby	20,592	28 July 2020	nil	3,573	736
Adam Couch	31,086	28 July 2020	nil	3,573	1,111
Martin Davey	15,840	28 July 2020	nil	3,573	566

Savings related share option scheme (audited)

	Year of award	At 28 March 2020 Number	Granted in the year Number	Exercised in the year Number	Lapsed in the year Number	At 27 March 2021 Number	Exercise price p	Range of exercise dates
Mark Bottomley	2018	401	–	–	–	401	2,239	1 Mar 2022–1 Sep 2022
	2020	–	321	–	–	321	2,800	1 Mar 2024–1 Sep 2024
Jim Brisby	2014	1,276	–	1,276	–	–	1,187	1 Mar 2020–1 Sep 2020
	2018	669	–	–	–	669	2,239	1 Mar 2024–1 Sept 2024
	2020	–	535	–	–	535	2,800	1 Mar 2026–1 Sep 2026
Adam Couch	2015	667	–		–	667	1,456	1 Mar 2021–1 Sep 2021
	2017	205	–	–	–	205	2,565	1 May 2023–1 Nov 2023
	2019	591	–	–	–	591	2,534	1 Mar 2025–1 Sep 2025
	2020	–	347	–	–	347	2,800	1 Mar 2026–1 Sep 2026
Martin Davey	2017	350	–	350	–	–	2,565	1 Mar 2021–1 Sep 2021
	2018	401	–	–	–	401	2,239	1 Mar 2022–1 Sep 2022
	2020	–	321	–	–	321	2,800	1 Mar 2024–1 Sep 2024

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
Jim Brisby	1,276	27 August 2020	1,187	3,826	34
Martin Davey	350	1 March 2021	2,565	3,412	3

Annual Report on Directors' Remuneration continued

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 27 March 2021	Value of shares held as a % of base salary	Target %
Mark Bottomley	56,700	19,571	722	95,568	776	200
Jim Brisby	56,700	19,571	1,204	108,399	880	200
Adam Couch	85,800	29,626	1,810	178,884	960	200
Martin Davey	–	14,659	722	176,737	2,025	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 August 2021 with the performance criteria now completed.

The share price at 27 March 2021 of 3,600 pence 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 27 March 2021 to 18 May 2021.

Remuneration for the year ending 26 March 2022 (unaudited)

Salaries
Taking into account the material change in the scale and complexity of the business combined with our continued growth and ambitions in the future, the salaries of the current Executive Directors (excluding the Executive Chairman, who has waived his contractual entitlement to an increase) were increased by 8 per cent effective from 1 May 2021. Our experienced Executive Directors have all significantly contributed to the success and growth of Cranswick.

The Group's business has not only increased significantly in scale and profitability, but has also increased in complexity and it is this which underlies the salary review. The development of the Group's Poultry business has been achieved over a relatively short period of time when the Group has developed Europe's most efficient poultry processing facility, repositioned its Poultry business in the market place and also developed a new long term relationship with WM Morrisons Supermarkets plc (which had previously not been a significant customer of the Group), which we believe merits the review of salaries. The Group has also significantly developed its Continental Foods business over the period by relocating this to a new purpose built facility to accommodate further expansion and by increasing the focus on imported charcuterie and plant-based products such as olives to reflect consumer trends. All of this has been achieved by the existing Executive Directors supported by their management teams.

The Committee believe it is appropriate to recognise the increase in the size and scope of the Executive Directors roles with a base salary increase above the rate of increase for the wider workforce this year (following which increases will revert to the level of the wider workforce increases for future years).

For FY22, the proposed base salary increase for the wider workforce is expected to be 2-3 per cent. Furthermore, as Cranswick has grown, the remuneration of various members of the Senior Management team has been significantly revised in recent years to reflect increased responsibilities and the development of the business which has reduced internal relativities . (Nine key executives have received increases over the last three years of 10-30 per cent to reflect increased responsibilities).

Following the increase in pay, which will be applicable from 1 May 2021, the Executive Directors' base salaries will be:

Director	New salary	Board tenure
Mark Bottomley	£478,900	12 years
Jim Brisby	£478,900	11 years
Adam Couch	£724,450	18 years
Martin Davey	£314,250	36 years

Pension
Pension entitlements will be progressively aligned to other employees of the Group (currently 5 per cent of salary). Incumbent Executive Directors have existing contractual pension entitlements that will be frozen at their current monetary value for two years then reduced to 10 per cent of salary (in line with other Senior Executives) with effect from 1 April 2023. It is intended that pension entitlements then will be reduced to 5 per cent of salary (in line with the wider workforce rate) over the course of the next triannual Remuneration Policy review in 2024.

Bonus
The 2022 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 2022 targets are not disclosed as they are considered to be commercially sensitive. The targets will be declared retrospectively in the 2022 Annual Report & Accounts, provided they are not considered commercially sensitive at that time. Subject to Shareholder approval, there will be four bonus profit targets triggering awards of 20 per cent, 50 per cent, 100 per cent and 165 per cent of base salaries with a straight line pro-rata award for profits falling between the targets. Commensurate with an increase in bonus opportunity is the stretch in performance targets.

LTIP
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 94. Threshold vesting for the LTIP award is intended to be 25 per cent of maximum in line with the proposed Remuneration Policy. Awards are subject to a two year holding period.

As part of the planned transition of Martin Davey's executive responsibilities he did not participate in any new LTIP awards in 2020 or in the Group's 2021 bonus awards. Martin will be retiring as a Director of the Company at its forthcoming AGM and will not be receiving a bonus or LTIP award in the current year (i.e. 2021/22).

Advisers to the Committee (unaudited)
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 2021 and has provided general remuneration advice and share scheme advice to the Company. Deloitte is a member of the Remuneration Consultants Group and as such, voluntarily operated under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte's fees for providing remuneration advice to the Committee were £25,800 for the year ended 27 March 2021. 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 the 2020 Remuneration Committee Report was passed on a poll at the Company's last AGM held on 17 August 2020. The votes cast in respect of the resolution were:

Remuneration Committee Report	Number	%
For	37,977,895	93.55
Against	2,620,076	6.45
Withheld	179,526	–

The resolution to approve the 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
18 May 2021

Directors' Report

The Directors' Report required under the Companies Act 2006 comprises this Directors' Report (pages 110 to 113), the Corporate Governance Report (pages 66 to 109) , the Sustainability Report set out in the Strategic Report (pages 24 to 34) and the Statement of Directors Responsibilities (page 114). The management report required under Disclosure Guidance and Transparency Rule 4.1.8R comprises the Strategic Report (pages 1 to 64) and this Directors' Report. This Directors' Report meets the requirements of the corporate governance statement required under Disclosure Guidance and Transparency Rule 7.2. As permitted by legislation, some of the matters required to be included in the Directors' Report have been included in the Strategic Report by cross reference.

Annual General Meeting

The AGM of Cranswick plc will be held at the Mercure Hull Grange Park Hotel, Grange Park Lane, Willerby, Hull HU10 6EA on Monday 26 July 2021. A notice convening the AGM 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 AGM 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.

Results and dividends

The profit from continuing operations for the financial year, after taxation amounts to £92.5 million (2020: £82.7 million). The Directors have declared dividends as follows:

	2021	2020
Interim dividend per share paid on 24 January 2021	**18.7p**	16.7p
Final dividend per share proposed	**51.3p**	43.7p
Total dividend	**£36.8m**	£31.5m

Subject to approval at the AGM, the final dividend will be paid in cash or scrip form on 3 September 2021 to members on the register at the close of business on 23 July 2021. The shares will go ex-dividend on 22 July 2021. The proposed final dividend for 2021 together with the interim paid in January 2021 amount to 70 pence per share which is 15.9 per cent higher than the previous year.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements together with the biographies of all Directors serving at the date of this Annual Report are shown on pages 68 and 69.

Directors' interests in the Company's shares

The interests of the Directors of the Company and their connected persons at 27 March 2021 in the issued share capital of the Company (or other financial instruments) which have been notified to the Company in accordance with the Market Abuse Regulation are set out in the Remuneration Report on page 108. Details of Directors' interests in shares are provided in the Directors' Remuneration Report on page 108.

Appointment and removal of Directors

The Articles of Association of the Company, the UK Corporate Governance Code and the Companies Act 2006 govern the appointment and replacement of Directors. Our Articles of Association are available on our website (www.cranswick.plc.uk). The Articles of Association include rules such as the limitation on the number of Directors to 15. Directors may be appointed by an Ordinary Resolution of the Shareholders or by a resolution of the Directors. A Director appointed by the Board during the year must retire at the first AGM following their appointment and such Director is eligible to offer themselves for election by the Company's Shareholders. Notwithstanding the retirement provisions in the Company's Articles of Association, it is the Company's current practice that all Directors retire from office at each AGM in accordance with the recommendations of the UK Corporate Governance Code.

Directors indemnities

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.

Directors conflicts of interest

Procedures are in place to ensure compliance with the Directors' conflict of interest duties set out in the Companies Act 2006. The Company has complied with these procedures during the year and the Board believes that these procedures operate effectively. During the year, details of any new conflicts or potential conflict matters were submitted to the Board for consideration and, where appropriate, these were approved. Authorised conflict or potential conflict matters are reviewed by the Board at least on an annual basis.

Share capital

The Company has a single class of shares in the form of ordinary shares with a nominal value of 10 pence per share which have a Premium Listing on the London Stock Exchange and trade as part of the FTSE 250 Index under the symbol CWK. 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 156. During the year the share capital increased by 437,190 shares. The increase comprised 302,978 of shares issued relating to share options exercised during the year and 134,212 of shares issued in respect of scrip dividends.

Details of share option schemes are summarised in note 26 to the financial statements. The information in notes 25 and 26 to the financial statements is incorporated into this Directors' Report by reference and is deemed to form part of this Directors' Report.

Rights and obligations attaching to shares

The rights and obligations attaching to shares are set out in the Company's Articles of Association which are available on the Company's website (www.cranswick.plc.uk.). The holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's Annual Report & Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

No shares carry any special rights with regard to control of the Company and there are no restrictions on transfer or limitations on the holding 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 Executives and staff which are imposed by laws and regulations relating to insider trading laws and market requirements relating to close periods. The Company is not aware of agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights and no known arrangements under which financial rights are held by a person other than the holder of the shares.

Amendment of Articles of Association

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

Major interests in shares

The following information has been disclosed to the Company pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rules and is published on a Regulatory Information Service and on the Company's website. The following has been received, in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital as at 27 March 2021:

	At 27 March 2021		
	Number of shares	% of issued share capital	Nature of holding
Fidelity Management & Research	3,170,428	6.01	Direct & Indirect
Black Rock Inc	3,145,947	5.97	Direct & Indirect
Standard Life Aberdeen	2,905,253	5.51	Direct & Indirect
The Vanguard Group Inc	2,368,479	4.49	Direct & Indirect
Legal & General Group	2,080,987	3.95	Direct & Indirect
M&G	2,041,497	3.87	Direct
Invesco Perpetual	2,018,023	3.83	Direct & Indirect
Franklin Resources	1,807,500	3,43	Direct & Indirect

The positions stated above represent the holdings in shares either in their own right or on behalf of third parties and may not represent the total voting rights (or authority to vote) as at 27 March 2021. There have been no other notifications of any significant changes, a different whole percentage movement, to these shareholdings as at 18 May 2021.

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 52 weeks ended 28 March 2020 and 27 March 2021.

Group's capital structure is as follows:

	2021 £'m	2020 £'m
Net debt/(funds) (Note 28)	**92.4**	146.9
Cranswick plc Shareholders' equity	**686.1**	614.5
Capital employed	**778.5**	761.4

Powers of the Directors in relation to share capital

The powers of the Directors are determined by the Company's Articles of Association, UK legislation including the Companies Act 2006 and any directions given by the Company in general meeting.

Allotment of shares

The Company's Directors were granted authority at the AGM in 2020 to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company (a) up to a maximum aggregate nominal amount of £1,734,000 (being approximately one-third of the issued share capital prior to that AGM) in any circumstance and (b) a further maximum aggregate nominal amount of £1,734,000 (being approximately one-third of the issued share capital prior to the AGM) in connection with a rights issue only. 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 and the Company's share option plans This authority is due to lapse at the 2021 AGM. At the 2021 AGM, shareholders will be asked to renew the authority. Specific details of the resolution and the number of shares covered by the renewed authority can be found in Resolution 15 of the Notice of Annual General Meeting.

Disapplication of pre-emption rights

The Directors were empowered at the 2020 AGM to make non-pre-emptive issues for cash up to a maximum aggregate nominal amount of £261,500 (being approximately 5 per cent of the issued share capital prior to that AGM). This power is also due to lapse at the 2021 AGM and shareholders will be asked to grant a similar power (Resolution 16 of the Notice of Annual General Meeting).

In addition, as supported by the Pre-Emption Group's Statement of Principles, as updated in March 2015, the Directors were empowered at the 2020 AGM to allot shares for cash or sell shares out of treasury up to a further nominal amount of £261,500, representing approximately 5 per cent of the issued ordinary share capital as at 26 June 2020 (the latest practicable date before the publication of the Notice of Annual General Meeting), other than to existing Shareholders without first having to offer them to existing Shareholders in proportion to their holdings for the purposes of financing (or refinancing) a transaction which is an acquisition or other capital investment .In respect of this the Board confirms that it will only allot shares or sell shares out of treasury pursuant to this authority where the relevant acquisition or specified capital investment is announced contemporaneously with the allotment, or has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. The Directors have no current intention of exercising this authority. If this authority is used, the Company will publish details of the placing in its next Annual Report & Accounts. This power is also due to lapse at the 2021 AGM and shareholders will be asked to grant a similar power (Resolution 17 of the Notice of Annual General Meeting).

Own share purchases

The Directors were also authorised at the 2020 AGM under a Special Resolution to make market purchases of the Company's own ordinary shares up to a maximum aggregate number of 5,229.000 shares (being approximately 10 per cent of the issued share capital prior to that Annual General Meeting) and subject to the conditions as to pricing set out in the authority. This authority is also due to lapse at the 2021 AGM when it is proposed that Shareholders grant a similar authority.

The authority to make market purchases of the Company's own ordinary shares will expire at the earlier of 16 January 2022 or the conclusion of the 2021 AGM. It is the current intention of the Directors to renew this authority annually. In the event that shares are purchased pursuant to the authority granted under this resolution, the shares would either be cancelled (and the number in issue would be reduced accordingly) or retained as treasury shares. The Directors will only make purchases after consideration of the possible effect on earnings per share and the long-term benefits to Shareholders and in consultation with advisers.

Directors' Report continued

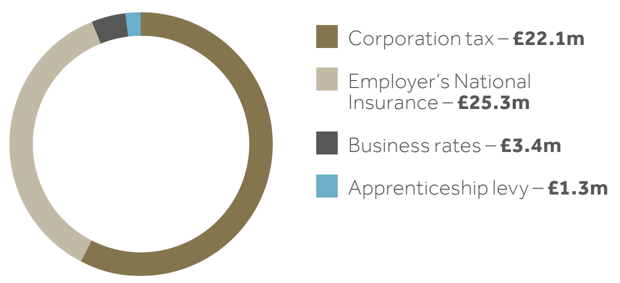
Own shares held
The Company did not repurchase any shares during the year and at the year end the Group held no treasury shares.

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:

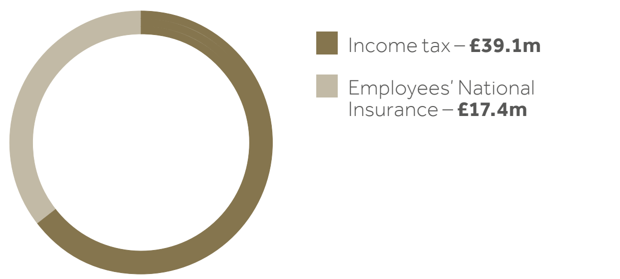
- the Company is party to a number of banking agreements which upon a change of control of the Company are terminable by the bank upon the provision of 30 working days' notice;
- the Company is party to an agreement with WM Morrison Supermarkets plc ('WM Morrison') for the supply of poultry products 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; 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.

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 £108.6 million and is analysed as follows:

Direct Tax



Indirect Tax



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 12 months ahead and for amounts that commence at approximately 25 per cent of the requirement and move progressively towards full cover. The Chief Financial Officer is consulted about the key decisions on currency cover.

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

The Group has reduced its borrowings over the past 12 months and at 27 March 2021 gearing was 13.5 per cent (2020: 23.9). 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 £2 million are approved by the main Board.

Each part of the Group has access to the Group's overdraft facility and all term debt is arranged centrally. The Group has a core bank facility which runs to November 2023 comprising a revolving credit facility of £160.0 million (falling to £120 million from November 2022), including a committed overdraft facility of £20.0 million. 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. During the year, the Group extended the term of the additional £40 million of short-term unsecured funding arranged in the prior year, split evenly across two of its incumbent banks. This additional funding now runs to December 2021 and increases the Group's overall facilities to £200 million. The Group manages the utilisation of the revolving credit facility through the monitoring of monthly consolidated cash flow projections and the daily borrowings position. The current arrangement provides the Group with reduced liquidity risk and medium-term funding to meet its objectives. The unutilised element of the facilities at 27 March 2021 was £133.8 million (2020: £95.2 million).

Note 24 (Financial Instruments) to the financial statements is incorporated into the Directors' Report by reference.

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.

Political donations
No contributions were made to political parties during the year ended 27 March 2021 (FY 2020: £nil).

Employee and other stakeholder considerations
Details of the Company's arrangements for engaging with employees and actions taken during the year can be found on pages 39 to 41 of the Strategic Report and page 78 of the Corporate Governance Report. Details of the arrangements in place under which employees can raise any matter of concern are set out on page 64. Disclosures relating to the Group's human rights and anti-bribery policies are contained on page 64. The Group's non-financial information statement is set out on page 64. Details of employee involvement in Company performance through share scheme participation can be found on page 39. Details of how the Directors have engaged with employees and how the Directors have had regard to employee interests and the effect of that regard on the principal decisions taken by the Company during the financial year can be found in the section 172(1) statement on pages 36 and 37. These are deemed to form part of this Directors' Report.

A summary of how the Company has engaged with suppliers, customers and other third parties can be found on pages 42 to 47. Details of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard on the principal decisions taken by the Company during the financial year are contained in the Section 172(1) statement on pages 36 and 37. Further information on our payment practices with suppliers can be found on the UK Government's reporting portal. In addition, during the year, the Company supported a range of causes in local communities requiring assistance as a result of the COVID-19 pandemic. Further details can be found on page 47. These are deemed to form part of this Directors' Report.

Employment policies
The Group's employment policies can be found on page 64. A description of actions the Group has taken to encourage greater employee involvement in the business are set out on pages 39 to 41. Such information is incorporated into this Directors' Report by reference and is deemed to form part of this Directors' Report.

As an employer, the Group takes reasonable steps to ensure that recruitment processes and terms of employment do not discriminate for reasons related to disability and that opportunities offered for promotion, transfer, training or other benefits are the same for all employees and that a disabled person is not put at a disadvantage because of their disability.

Environmental matters
Information on our greenhouse gas emissions energy consumption and energy efficiency actions required to be disclosed by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008/410 is set out in the Sustainability Report on page 28. Such information is incorporated into this report by reference and is deemed to form part of this Directors' Report.

Information included in the Strategic Report
Certain information required to be included in the Directors' Report has been set out in the Strategic Report, including information to be disclosed pursuant to section 414C(11) of the Companies Act 2006. The Strategic Report required by the Companies Act 2006 can be found on pages 1 to 64. The report sets out the business model (pages 14 and 15), strategy and likely future developments (pages 20 to 21). It contains a review of the business and describes the development and performance of the Group's business during the financial year and the position at the end of the financial year. It also contains a Viability Statement and description of the principal risks and uncertainties facing the Group (pages 55 to 63). Such information is incorporated into this report by reference and is deemed to form part of this Directors' Report.

Information required by LR 9.8.4R
There is no information required to be disclosed under LR 9.8.4R save for details of the Company's Long Term Incentive Plan which can be found in the Remuneration Committee Report on pages 89 to 109.

Going concern
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 and a UK outbreak of ASF, 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 58. 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.

Independent auditors
A resolution to reappoint PricewaterhouseCoopers LLP as independent external auditor will be proposed at the AGM, 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 page 85.

The Directors' Report was approved by a duly authorised committee of the Board on 18 May 2021 and is signed by order of the Board by:

Steven Glover
Company Secretary
18 May 2021
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 and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Company has also prepared financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, 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 Annual Report on Directors' Remuneration comply with the Companies Act 2006.

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 & 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 68 and 69 confirm that, to the best of their knowledge:

- the group and company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group and profit of the company; 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.

On behalf of the Board

Martin Davey
Chairman

Mark Bottomley
Chief Financial Officer
18 May 2021

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 27 March 2021 and of the group's profit and the group's and company's cash flows for the 52 week period then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 27 March 2021; 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 period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the financial statements, the group and company, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group and company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

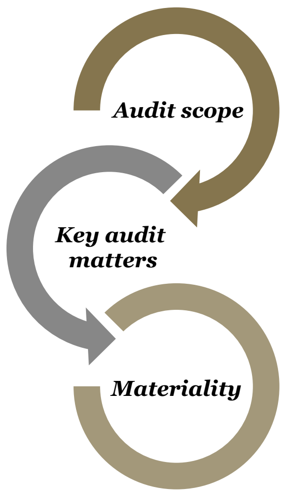
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

Other than those disclosed in the Audit Committee Report, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview



- 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 £1,892 million (99.7 per cent) of the group's external revenues and £122 million (94.1 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).
- Impact of COVID-19 (group and company).

- Overall group materiality: £6.5 million (2020: £5.1 million) based on 5% of Adjusted profit before tax.
- Overall company materiality: £2.4 million (2020: £2.4 million) based on 1% of total assets capped due to group materiality allocation.
- Performance materiality: £4.9 million (group) and £1.8 million (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.

Independent auditors' report to the members of Cranswick plc continued

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.

Acquisition accounting, which was a key audit matter last year, is no longer included because there have been no acquisitions during the period. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Complex customer arrangements (group) Refer to page 130 (Judgements and key sources of estimation uncertainty), note 2 (Accounting Policies) and note 21 (Trade and Other Payables). 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 27 March 2021 commercial accruals in relation to these arrangements total £8.2 million (2020: £6.5 million). Due to the varying terms of these agreements and given that activity may span a period end, a degree of judgement 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; • 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 accruals; 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) Refer to page 130 (Judgements and key sources of estimation uncertainty), note 2 (Accounting Policies) and note 17 (Biological Assets). 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 cost of £11.4 million (2020: benefit of £5.4 million). The valuation of these biological assets requires multiple inputs, changes in which can have a material impact on the valuation. There is judgement involved in the classification of biological assets within the fair value hierarchy.	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 corroborated 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 the mortality and growth rate assumptions and confirmed significant movements would be required to result in a material misstatement. We have also considered management's judgement in relation to the classification of biological assets within the fair value hierarchy. We found, based on the results of our testing, that the calculation and disclosures made in the financial statements in relation to the IAS 41 valuation of biological assets were consistent with the supporting evidence obtained.

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 (group and company) Refer to the Strategic Report for the impact of COVID-19 on the group's and company's financial performance during the year. COVID-19 was declared a global pandemic by the World Health Organisation on 11 March 2020 and the on-going response is having an unprecedented impact on the economy which has been considered as part of the audit. Whilst the group has experienced an impact from the pandemic, this has been largely positive as a result of increased demand from the retail sector. 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 113. 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.	Our audit procedures performed in respect of the impact of COVID-19 on management's going concern assessment, and our conclusion in respect of going concern, are included in the "Conclusions relating to going concern" section below. 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 94.1 per cent of the group's Adjusted profit before tax and 99.7 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. All components were audited by PwC. The group audit team supervised the direction and execution of the audit procedures performed by the component teams. Our involvement in their audit process, including attending component clearance meetings, review of their supporting working papers, together with the additional procedures performed at group level, gave us the evidence required for our opinion on the financial statements as a whole.

On the remaining 3 components we performed analytical procedures to respond to any potential risks of material misstatement to the group financial statements.

Based on our group scoping procedures we identified the parent entity, Cranswick plc, as a component and determined that it required an audit of its complete financial information due to its individual size and risk characteristics.

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.

Independent auditors' report to the members of Cranswick plc continued

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

	Financial statements – group	Financial statements – company
Overall materiality	£6.5 million (2020: £5.1 million).	£2.4 million (2020: £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 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 measure. 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 £0.5 million and £5.4 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £4.9 million for the group financial statements and £1.8 million for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.3 million (group audit) (2020: £0.3 million) and £0.2 million (company audit) (2020: £0.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained from management their latest assessments supporting their conclusions with respect to the going concern basis of preparation of the financial statements;
- We evaluated the historical accuracy of the budgeting process to assess the reliability of the data;
- 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 service sector, the potential for site closures as a result of COVID-19, the sustained loss of an export licence and an outbreak of African Swine Fever (ASF) in the UK and Europe. 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; and
- 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 period ended 27 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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.

Directors' Remuneration

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

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Directors' Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when 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.

Independent auditors' report to the members of Cranswick plc continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, pensions legislation, tax legislation, employment regulation, health and safety legislation and other legislation specific to the industry in which the group operates (including food safety legislation), 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 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 regulations 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; and
- 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 above).

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Annual Report on Directors' Remuneration 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 members on 24 July 2017 to audit the financial statements for the period ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the periods ended 31 March 2018 to 27 March 2021.

Ian Morrison

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
18 May 2021

Group Income Statement
For the 52 weeks ended 27 March 2021

	Notes	2021 £'m	2020 £'m
Revenue	3	**1,898.4**	1,667.2
Adjusted Group operating profit		**132.5**	105.1
Net IAS 41 valuation movement on biological assets	17	**(11.4)**	5.4
Amortisation of intangible assets	11	**(3.5)**	(3.7)
Group operating profit	4	**117.6**	106.8
Share of loss of joint venture	15	**–**	(0.1)
Profit on disposal of joint venture	15	**–**	0.1
Finance costs	6	**(2.8)**	(2.8)
Profit before tax		**114.8**	104.0
Taxation	7	**(22.3)**	(21.3)
Profit for the year		**92.5**	82.7
Earnings per share			
Basic	10	**176.4p**	159.1p
Diluted	10	**175.6p**	158.6p

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

Group Statement of Comprehensive Income
For the 52 weeks ended 27 March 2021

	Notes	2021 £'m	2020 £'m
Profit for the year		**92.5**	82.7
Other comprehensive (expense)/income			
Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods:			
Cash flow hedges			
Gains arising in the year	22	**0.2**	0.4
Reclassification adjustments for (gains)/losses included in the income statement	22	**(0.4)**	0.2
Income tax effect	7	**–**	(0.1)
Net other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods		**(0.2)**	0.5
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial (losses)/gains on defined benefit pension scheme	27	**(3.4)**	11.9
Income tax effect	7	**0.6**	(2.2)
Net other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods		**(2.8)**	9.7
Other comprehensive (expense)/income, net of tax		**(3.0)**	10.2
Total comprehensive income, net of tax		**89.5**	92.9

Company profit for the 52 weeks ended 27 March 2021 of £30.9 million (2020: £29.2 million) was equal to total comprehensive income for the year attributable to owners of the parent in both years.

Group Balance Sheet
At 27 March 2021

	Notes	2021 £'m	2020 £'m
Non-current assets			
Intangible assets	11	**203.8**	207.3
Defined benefit pension scheme surplus	27	**5.7**	7.2
Property, plant and equipment	12	**376.7**	357.7
Right-of-use assets	13	**68.8**	64.8
Biological assets	17	**2.4**	3.8
Total non-current assets		**657.4**	640.8
Current assets			
Biological assets	17	**41.1**	41.9
Inventories	18	**81.8**	75.5
Trade and other receivables	19	**221.7**	213.6
Income tax receivable		**–**	0.7
Financial assets	20	**0.9**	1.5
Cash and short-term deposits	28	**39.0**	21.5
Total current assets		**384.5**	354.7
Total assets		**1,041.9**	995.5
Current liabilities			
Trade and other payables	21	**(217.2)**	(191.4)
Financial liabilities	22	**(1.0)**	(12.0)
Lease liabilities	13	**(12.5)**	(10.3)
Provisions	23	**(0.1)**	(0.1)
Income tax payable		**(1.4)**	–
Total current liabilities		**(232.2)**	(213.8)
Non-current liabilities			
Other payables	21	**(0.8)**	(0.8)
Financial liabilities	22	**(59.8)**	(102.5)
Lease liabilities	13	**(59.1)**	(55.6)
Deferred tax liabilities	7	**(2.7)**	(7.2)
Provisions	23	**(1.2)**	(1.1)
Total non-current liabilities		**(123.6)**	(167.2)
Total liabilities		**(355.8)**	(381.0)
Net assets		**686.1**	614.5
Equity			
Called-up share capital	25	**5.3**	5.2
Share premium account		**106.4**	98.5
Share-based payments		**37.4**	31.6
Hedging reserve		**(0.1)**	0.1
Retained earnings		**537.1**	479.1
Total equity attributable to owners of the parent		**686.1**	614.5

On behalf of the Board

Martin Davey
Chairman
18 May 2021

Mark Bottomley
Chief Financial Officer

Company Balance Sheet
At 27 March 2021

	Notes	2021 £'m	2020 £'m
Non-current assets			
Property, plant and equipment	12	**0.7**	0.7
Investments in subsidiary undertakings	14	**174.2**	170.0
Right-of-use assets	13	**1.0**	0.7
Deferred tax assets	7	**1.1**	1.0
Total non-current assets		**177.0**	172.4
Current assets			
Trade and other receivables	19	**133.7**	137.9
Cash and short-term deposits	28	**–**	3.1
Total current assets		**133.7**	141.0
Total assets		**310.7**	313.4
Current liabilities			
Trade and other payables	21	**(58.9)**	(35.9)
Financial liabilities	22	**(2.0)**	–
Lease liabilities	13	**(0.2)**	(0.1)
Provisions	23	**(0.1)**	(0.1)
Income tax payable		**(4.4)**	(2.0)
Total current liabilities		**(65.6)**	(38.1)
Non-current liabilities			
Financial liabilities	22	**(59.8)**	(102.5)
Lease liabilities	13	**(0.8)**	(0.6)
Provisions	23	**(0.7)**	(0.7)
Total non-current liabilities		**(61.3)**	(103.8)
Total liabilities		**(126.9)**	(141.9)
Net assets		**183.8**	171.5
Equity			
Called-up share capital	25	**5.3**	5.2
Share premium account		**106.4**	98.5
General reserve		**4.0**	4.0
Merger reserve		**1.8**	1.8
Share-based payments		**37.4**	31.6
Retained earnings		**28.9**	30.4
Total equity		**183.8**	171.5

The Company's profit for the 52 weeks ended 27 March 2021 was £30.9 million (2020: £29.2 million).

On behalf of the Board

Martin Davey
Chairman
18 May 2021

Mark Bottomley
Chief Financial Officer

Group Statement of Cash Flows

For the 52 weeks ended 27 March 2021

	Notes	2021 £'m	2020 £'m
Operating activities			
Profit for the year		**92.5**	82.7
Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:			
Share of loss of joint venture		**–**	0.1
Income tax expense	7	**22.3**	21.3
Net finance costs	6	**2.8**	2.8
Gain on disposal of joint venture		**–**	(0.1)
Loss/(Gain) on sale of property, plant and equipment		**0.1**	(1.1)
Depreciation of property, plant and equipment	12	**51.9**	42.0
Depreciation of right-of-use assets	13	**12.3**	8.2
Amortisation of intangible assets	11	**3.5**	3.7
Share-based payments		**6.0**	5.8
Difference between pension contributions paid and amounts recognised in the income statement		**(2.0)**	(1.8)
Release of government grants		**(0.2)**	(0.3)
Net IAS 41 valuation movement on biological assets	17	**11.4**	(5.4)
Increase in biological assets		**(9.2)**	(3.9)
Increase in inventories		**(6.3)**	(2.6)
Increase in trade and other receivables		**(7.8)**	(39.5)
Increase in trade and other payables		**26.2**	32.8
Cash generated from operations		**203.5**	144.7
Tax paid		**(22.1)**	(27.7)
Net cash from operating activities		**181.4**	117.0
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	16	**(10.7)**	(69.4)
Loan to joint venture		**–**	2.2
Purchase of property, plant and equipment		**(71.9)**	(101.2)
Proceeds from sale of property, plant and equipment		**0.6**	4.1
Receipt of government grants		**0.2**	–
Net cash used in investing activities		**(81.8)**	(164.3)
Cash flows from financing activities			
Interest paid		**(0.5)**	(1.2)
Proceeds from issue of share capital		**3.0**	2.6
Issue costs of long-term borrowings		**–**	(0.1)
Proceeds from borrowings		**–**	88.0
Repayment of borrowings		**(43.0)**	(9.0)
Dividends paid		**(27.9)**	(22.6)
Payment of lease capital		**(11.4)**	(7.8)
Payment of lease interest		**(2.3)**	(1.6)
Net cash (used in)/received from financing activities		**(82.1)**	48.3
Net increase in cash and cash equivalents	28	**17.5**	1.0
Cash and cash equivalents at beginning of year	28	**21.5**	20.5
Cash and cash equivalents at end of year	28	**39.0**	21.5

Company Statement of Cash Flows

For the 52 weeks ended 27 March 2021

	Notes	2021 £'m	2020 £'m
Operating activities			
Profit for the year		**30.9**	29.2
Adjustments to reconcile Company profit for the year to net cash inflows from operating activities:			
Dividends received		**(27.9)**	(22.6)
Income tax expense		**2.3**	1.8
Net finance cost		**5.3**	6.7
Depreciation of property, plant and equipment	12	**–**	0.1
Depreciation of right-of-use assets	13	**0.1**	0.1
Share-based payments		**1.8**	1.9
Decrease/(increase) in trade and other receivables		**4.5**	(59.7)
Increase/(decrease) in trade and other payables		**23.0**	(32.1)
Cash generated from/(used in) operations		**40.0**	(74.6)
Tax received/(paid)		**0.3**	(0.6)
Net cash generated from/(used in) operating activities		**40.3**	(75.2)
Cash flows from investing activities			
Dividends received		**27.9**	22.6
Net cash received from investing activities		**27.9**	22.6
Cash flows from financing activities			
Interest paid		**(5.3)**	(6.7)
Proceeds from issue of share capital		**3.0**	2.6
Issue costs of long-term borrowings		**–**	(0.1)
Proceeds from borrowings		**–**	88.0
Repayment of borrowings		**(43.0)**	–
Dividends paid		**(27.9)**	(22.6)
Payment of lease liabilities		**(0.1)**	(0.1)
Net cash (used in)/received from financing activities		**(73.3)**	61.1
Net (decrease)/increase in cash and cash equivalents	28	**(5.1)**	8.5
Cash and cash equivalents at beginning of year	28	**3.1**	(5.4)
Cash and cash equivalents at end of year	28	**(2.0)**	3.1

Group Statement of Changes in Equity
For the 52 weeks ended 27 March 2021

	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 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
Profit for the year	–	–	–	–	92.5	92.5
Other comprehensive income	–	–	–	(0.2)	(2.8)	(3.0)
Total comprehensive income	–	–	–	(0.2)	89.7	89.5
Share-based payments	–	–	6.0	–	–	6.0
Scrip dividend	–	4.8	–	–	–	4.8
Share options exercised	0.1	2.9	–	–	–	3.0
Share transfer	–	0.2	(0.2)	–	–	–
Dividends	–	–	–	–	(32.7)	(32.7)
Deferred tax related to changes in equity	–	–	–	–	0.4	0.4
Current tax related to changes in equity	–	–	–	–	0.6	0.6
At 27 March 2021	**5.3**	**106.4**	**37.4**	**(0.1)**	**537.1**	**686.1**

Company Statement of Changes in Equity
For the 52 weeks ended 27 March 2021

	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 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
Profit for the year, being total comprehensive income	–	–	–	–	–	30.9	30.9
Share-based payments	–	–	–	–	6.0	–	6.0
Scrip dividend	–	4.8	–	–	–	–	4.8
Share options exercised	0.1	2.9	–	–	–	–	3.0
Share adjustment	–	0.2	–	–	(0.2)	–	–
Dividends	–	–	–	–	–	(32.7)	(32.7)
Deferred tax related to changes in equity	–	–	–	–	–	0.3	0.3
At 27 March 2021	**5.3**	**106.4**	**4.0**	**1.8**	**37.4**	**28.9**	**183.8**

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 27 March 2021 were authorised for issue by the Board of Directors on 18 May 2021 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 and Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Group and Company's financial statements have been prepared in accordance with international accounting standards in conformity with the requirements 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 except where measurement of balances at fair value is required as explained in the accounting policies below. The Group and Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Group and Company's financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of 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 page 58. 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 27 March 2021. Comparatives are for the 52 week period ended 28 March 2020. The Balance Sheets for 2021 and 2020 have been prepared as at 27 March 2021 and 28 March 2020 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 27 March 2021. 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.
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.

Significant judgements:	
Biological assets	Note 17 – growth rate assumptions used in the fair value model. The Groups' valuation model for finished pigs, sucklers and weaners utilises quoted (unadjusted) prices in an active market. The prices are then adjusted to reflect the growth of the pigs through interpolation between prices to provide a value for the pigs at a particular stage of growth. The valuation for broiler birds uses recent transaction prices at various stages of development. The prices are then adjusted to reflect the growth of the birds through interpolation between the transaction prices. Interpolation is used as an approximate growth rate and there is therefore a level of judgement as to whether this is Level 2 or Level 3 within the fair value hierarchy. Management have applied judgement that interpolation is a reasonable derivation for an animal at any particular point within the interpolation period and therefore concluded the input is Level 2. This judgement is not expected to have a material impact on the next twelve months.
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.
Pensions	Note 27 – defined benefit pension scheme. The Group has the right to recover any remaining surplus on the winding up of the pension scheme. The expected method of recovery of the recognised pensions surplus is through reduction in future contributions. If the reduction in contributions is not sufficient to eliminate the surplus before the scheme is wound up, the Group has the right to recover any remaining surplus through a refund. Management have applied judgement on the scheme rules to conclude the Group has the right to a refund. The rules state that any surplus remaining in the hands of the Trustees may, at the discretion of the Trustees, be used to increase the pensions payable or contingently payable to Members and/or their Dependents. Any surplus remaining in the hands of the Trustees after making such provision (if any) shall be paid to the Employers. Management have formed the judgement, based on paragraph BC10 of IFRCI 14, that the right to the surplus is not affected by future acts that could change the amount of surplus that could ultimately be recovered. The Trustees ability to use discretion and choose to grant benefit improvements (thus reducing the surplus) has therefore not been anticipated and does not remove the company's unconditional right to the surplus.
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.

Notes to the Accounts continued

2. Accounting Policies continued

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 3 Business combinations (amendment)	1 January 2020
IAS 1 & IAS 8 Definition of materiality (amendments)	1 January 2020
IFRS 9, IAS 39 & IFRS 7 Interest rate benchmark reform (amendments)	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020

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

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 9, IAS 39 and IFRS 7 (amendments)	1 January 2021
IFRS 7, IFRS 4 & IFRS 16 Interest rate benchmark reform (amendments)	1 January 2021
Annual improvements to IFRSs 2018-20 cycle	1 January 2022
IFRS 3 Business combinations (amendment)	1 January 2022
IAS 16 Property plant and equipment (amendment)	1 January 2022
IAS 37 Provisions, contingent liabilities and contingent assets	1 January 2022
IAS 1 Presentation of Financial Statements (amendment)	1 January 2023
IFRS 17 Insurance contracts	1 January 2023
Narrow scope amendments to IAS 1 and IAS 8	1 January 2023

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 is satisfied and is recorded based on the amount of consideration expected to be received in exchange for satisfying the performance obligation. The performance obligation is satisfied when control of the goods has passed to the buyer which, depending on the contract, is either on despatch of goods or on delivery of goods. Revenue represents the value of sales to customers net of discounts, similar allowances and estimates of returns and excludes value added tax. The Group does not adjust any of the transaction prices for the time value of money due to the nature of the Group's transactions being completed soon after the transaction is entered into.

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. Return on capital employed is a key performance indicator for the Group and is defined as adjusted operating profit divided by the sum of average opening and closing net assets, net debt/(funds), pension liability/(surplus) and deferred tax.

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).

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

2. Accounting Policies continued

ii) in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised:

i) except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity and not in the income statement. Otherwise income tax is recognised in the income statement.

Dividends

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

Business combinations

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss.

Intangible assets

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

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

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

Property, plant and equipment

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

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

Useful economic lives are principally as follows:

Freehold buildings	30–50 years
Plant, equipment and vehicles	4–11 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.

Notes to the Accounts continued

2. Accounting Policies continued

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

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.

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.

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.

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.

2. Accounting Policies continued

Cash and cash equivalents

Cash and cash equivalents are defined as cash at bank and in hand including short-term deposits with original maturity within three months. For the purposes of the Group cash flow statement, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts.

Financial instruments

i) Debt instruments, including bank borrowings

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

ii) Derivative financial instruments

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

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

Where derivatives meet the hedging criteria under IFRS 9 for cash flow hedges the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in the income statement. Gains or losses recognised in comprehensive income are transferred to the income statement in the same period in which the hedged item affects the net profit or loss. If a forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the income statement.

For derivatives that do not qualify for hedge accounting under IFRS 9, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds trade receivables with the objective of collecting the contractual cash flows so they are subsequently measured at amortised cost using the effective interest method, less loss allowance. Gains and losses are recognised in the income statement when receivables are derecognised or impaired.

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 as an expense at the earlier of when the plan amendment or curtailment occurs and when the entity recognises related restructuring costs or termination benefits.

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.

Notes to the Accounts continued

2. Accounting Policies continued

Employee benefits

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:

	2021 £'m	2020 £'m
UK	**1,805.3**	1,556.8
Continental Europe	**47.0**	47.4
Rest of world	**46.1**	63.0
	1,898.4	1,667.2

In addition to the non-UK sales disclosed above the Group also made sales to export markets through UK-based meat trading agents totalling £96.8 million (2020: £77.0 million). Including these sales, total sales to export markets were £189.9 million for the year (2020: £187.4 million).

3. Business and Geographical Segments continued

Customer concentration

The Group has three customers (2020: two) which individually account for more than 10 per cent of the Group's total revenue. These customers account for 23 per cent, 17 per cent and 10 per cent respectively. In the prior year these same three customers accounted for 23 per cent,18 per cent and 4 per cent respectively.

The Group's non-current assets were all located within the UK during both 2021 and 2020.

4. Group Operating Profit

Group operating costs comprise:

	Total 2021 £'m	Total 2020 £'m
Cost of sales excluding net IAS 41 valuation movement on biological assets	**1,629.2**	1,445.9
Net IAS 41 valuation movement on biological assets*	**11.4**	(5.4)
Cost of sales	**1,640.6**	1,440.5
Gross profit	**257.8**	226.7
Selling and distribution costs	**69.0**	65.8
Administrative expenses excluding amortisation of intangible assets	**67.7**	50.4
Amortisation of intangible assets	**3.5**	3.7
Administrative expenses	**71.2**	54.1
Total operating costs	**1,780.8**	1,560.4

* 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 2021 £'m	Total 2020 £'m
Depreciation of property, plant and equipment	**51.9**	42.0
Depreciation of right-of-use assets	**12.3**	8.2
Amortisation of intangible assets	**3.5**	3.7
Release of government grants	**(0.2)**	(0.3)
Operating lease payments – minimum lease payments	**1.0**	1.0
Net foreign currency differences	**(1.2)**	(0.4)
Cost of inventories recognised as an expense	**1,010.9**	929.5
(Decrease)/Increase in provision for inventories	**(0.5)**	4.5
(Decrease)/Increase in provision for impairment of receivables	**(0.6)**	3.6
Research and development expenditure	**6.9**	2.5
Auditors' remuneration		
Fees payable to the Company's auditors in respect of the audit		
Audit of these financial statements	**0.3**	0.2
Local statutory audits of subsidiaries	**0.5**	0.2
Total audit remuneration	**0.8**	0.4
Other services	**–**	–
Total non-audit related remuneration	**–**	–

Further details of audit and non-audit fees can be found on page 85.

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.

Notes to the Accounts continued

5. Employees

	Group		Company	
	2021 £'m	2020 £'m	**2021 £'m**	2020 £'m
Staff costs:				
Wages and salaries	**264.4**	208.7	**9.1**	8.7
Social security costs	**24.6**	20.2	**1.6**	1.5
Other pension costs	**6.5**	5.8	**0.1**	0.1
	295.5	234.7	**10.8**	10.3

Included within wages and salaries is a total expense for share-based payments of £6.0 million (2020: £5.8 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		Company	
	2021 Number	2020 Number	**2021 Number**	2020 Number
Production	**8,056**	6,670	**–**	–
Selling and distribution	**559**	392	**–**	–
Administration	**390**	402	**59**	57
	9,005	7,464	**59**	57

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 89 to 109. The employee costs shown above include the following remuneration in respect of Directors of the Company:

Group and Company	**2021 £'m**	2020 £'m
Directors' remuneration	**4.9**	4.8
Pension contribution	**–**	–
	4.9	4.8
Aggregate gains made by Directors on exercise of share options	**3.2**	2.3
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 103. The total Directors' remuneration of £4.9 million (2020: £4.8 million) comprises salary and fees £2.1 million (2020: £2.0 million), benefits £0.1 million (2020: £0.1 million), bonus £2.3 million (2020: £2.3 million) and pension £0.4 million (2020: £0.4 million). The difference between pension contributions noted above and pension contributions on page 103 is cash paid in lieu of pension.

6. Finance Costs

	Total	
	2021 £'m	2020 £'m
Finance costs:		
Bank interest paid and similar charges	**0.7**	1.5
Interest capitalised	**–**	(0.3)
Total interest expense for financial liabilities not at fair value through profit or loss	**0.7**	1.2
Net finance income on defined benefit pension surplus (Note 27)	**(0.2)**	–
Lease interest	**2.3**	1.6
Total finance costs	**2.8**	2.8

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

7. Taxation

a) Analysis of tax charge in the year

Tax charge based on the profit for the year:

	2021 £'m	2020 £'m
Current income tax:		
UK corporation tax on profit for the year	**27.6**	20.9
Adjustments in respect of prior years	**(1.5)**	(0.5)
Total current tax	**26.1**	20.4
Deferred tax:		
Origination and reversal of temporary differences	**(4.3)**	0.5
Deferred tax rate change	**–**	0.7
Adjustments in respect of prior years	**0.5**	(0.3)
Total deferred tax	**(3.8)**	0.9
Tax on profit	**22.3**	21.3

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

Group	**2021 £'m**	2020 £'m
Recognised in Group statement of comprehensive income		
Deferred tax on revaluation of cash flow hedges	**–**	0.1
Deferred tax on actuarial (losses)/gains on defined benefit pension scheme	**(0.3)**	2.2
Corporation tax credit on actuarial gains on defined benefit pension scheme	**(0.3)**	–
	(0.6)	2.3
Recognised in Group statement of changes in equity		
Deferred tax (credit)/charge on share-based payments	**(0.4)**	(0.3)
Corporation tax credit on share options exercised	**(0.6)**	(0.6)
	(1.0)	(0.9)
Total tax (credit)/charge recognised directly in equity	**(1.6)**	1.4

Company	**2021 £'m**	2020 £'m
Recognised in Company statement of changes in equity		
Deferred tax credit on share-based payments	**–**	(0.1)
Corporation tax credit on share options exercised	**(0.3)**	(0.1)
Total tax credit recognised directly in equity	**(0.3)**	(0.2)

b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2021 £'m	2020 £'m
Profit before tax	**114.8**	104.0
Profit multiplied by standard rate of corporation tax in the UK of 19 per cent (2020: 19 per cent)	**21.8**	19.8
Effect of:		
Disallowed expenses	**1.4**	1.8
Consortium relief	**–**	(0.1)
Deferred tax rate change	**–**	0.7
Non-taxable income	**–**	(0.2)
Adjustments in respect of prior years	**(1.0)**	(0.8)
Share based payments	**0.1**	0.1
Total tax charge for the year	**22.3**	21.3

Notes to the Accounts continued

7. Taxation continued

c) Deferred tax

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

Group	2021 £'m	2020 £'m
Deferred tax liability in the balance sheet		
Accelerated capital allowances	**2.3**	2.7
Business combinations	**3.1**	3.2
Losses	**–**	(0.1)
Biological assets	**(1.8)**	0.4
Rollover and holdover relief	**–**	0.1
Other temporary differences	**(0.4)**	(0.2)
Share-based payments	**(3.6)**	(3.0)
Deferred tax on defined benefit pension scheme	**1.1**	1.4
Customer relationships intangibles	**2.0**	2.7
Deferred tax liability	**2.7**	7.2

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

	2021 £'m	2020 £'m
Deferred tax in the income statement		
Accelerated capital allowances	**(0.4)**	–
Business combinations	**(0.1)**	0.2
Biological assets	**(2.2)**	1.1
Losses	**0.1**	–
Other temporary differences	**(0.3)**	–
Share-based payments	**(0.2)**	(0.4)
Deferred tax on defined benefit pension scheme	**–**	0.3
Customer relationships intangibles	**(0.7)**	(0.3)
Deferred tax (credit)/charge	**(3.8)**	0.9

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

Company	2021 £'m	2020 £'m
Deferred tax asset in the balance sheet		
Other temporary differences	**(0.1)**	(0.1)
Share-based payments	**(1.0)**	(0.9)
Deferred tax asset	**(1.1)**	(1.0)

The deferred tax liability is not expected to be settled within the next 12 months.

d) Change in corporation tax rate

In the Spring Budget 2021, the Government announced that from 1 April 2023, the corporation tax rate will increase to 25 per cent. Since the proposal to increase the rate to 25 per cent had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £2.5 million, and to increase the deferred tax liability by £1.0 million.

8. Profit Attributable to Members

Of the profit attributable to members, the sum of £30.9 million (2020: £29.2 million) has been dealt with in the accounts of Cranswick plc.

9. Equity Dividends

	2021 £'m	2020 £'m
Declared and paid during the year:		
Final dividend for 2020 – 43.7p per share (2019: 40.0p)	**22.9**	20.7
Interim dividend for 2021 – 18.7p per share (2020: 16.7p)	**9.8**	8.7
Dividends paid	**32.7**	29.4
Proposed for approval of Shareholders at the Annual General Meeting on 26 July 2021:		
Final dividend for 2021 – 51.3p per share (2020: 43.7p)	**27.0**	22.8

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 £92.5 million (2020: £82.7 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:

	2021 Thousands	2020 Thousands
Basic weighted average number of shares	**52,469**	51,966
Dilutive potential ordinary shares – share options	**244**	162
	52,713	52,128

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 30 March 2019	151.3	–	11.6	162.9
Additions	41.9	2.5	13.1	57.5
At 28 March 2020 and 27 March 2021	193.2	2.5	24.7	220.4
Amortisation				
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
Amortisation	–	0.3	3.2	3.5
At 27 March 2021	–	0.6	16.0	16.6
Net book value				
At 30 March 2019	151.3	–	2.2	153.5
At 28 March 2020	193.2	2.2	11.9	207.3
At 27 March 2021	**193.2**	**1.9**	**8.7**	**203.8**

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	2021 £'m	2020 £'m
Fresh Pork	**21.8**	21.8
Livestock	**20.2**	20.2
Cooked Meats	**90.2**	90.2
Continental Fine Foods	**34.4**	34.4
Premium Cooked Poultry	**9.2**	9.2
Fresh Chicken	**13.7**	13.7
Other	**3.7**	3.7
	193.2	193.2

Assumptions used

The recoverable amount for each cash-generating unit has been determined based on value-in-use calculations using annual budgets for each business for the following year, approved by the Board of Directors, and cash flow projections for the next two years calculated for the Viability Statement, extended for a further two years. Forecast replacement capital expenditure is included from budgets and thereafter capital expenditure is assumed to represent 100 per cent of depreciation, except where specific expansion plans are in place.

Subsequent cash flows are forecast to grow in line with the long-term rate of inflation of 2 per cent.

A pre-tax discount rate of 8.1 per cent has been used (2020: 8.1 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.

Notes to the Accounts continued

11. Intangible Assets continued

Ongoing capital projects relating to our Second Nature sustainability strategy are included in the annual budgets for each business, such as solar panels, ammonia refrigeration upgrades, CHP units and effluent treatment projects. While no specific assumptions have been made in relation to climate change risk in the cash flow forecasts beyond the budget for FY22, we note that the strong level of headroom is considered sufficient to cover the level of capital expenditure that would be required in order to reach targets such as net zero and that these costs are currently immaterial to the Group.

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

At 27 March 2021, the Livestock cash-generating unit (CGU) was the most sensitive to a reasonably possible change in the key assumptions, on which management have based their calculations, which could cause the CGU's carrying amount to exceed its recoverable amount. At 27 March 2021, the Livestock CGU's recoverable amount exceeded its carrying value by £21 million. The key assumptions used in the calculation were the discount rate and gross margin. A 1.4 per cent increase in the discount rate or a 0.7 per cent reduction in gross margin percentage would have reduced the CGU's recoverable amount to a level equal to its carrying value.

Other than detailed above, management believes that currently there is no reasonably possible change to their assumptions that would reduce the recoverable amount to below the carrying value for any of the Group's other cash-generating units. Assumptions and projections are updated on an annual basis.

12. Property, Plant and Equipment

Group	Freehold land and buildings £'m	Plant, equipment and vehicles £'m	Assets in the course of construction £'m	Total £'m
Cost				
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
Additions	5.9	25.8	40.3	72.0
Transfers between categories	6.6	7.0	(13.6)	–
Disposals	(0.7)	(29.3)	(0.3)	(30.3)
At 27 March 2021	218.7	357.9	36.1	612.7
Depreciation				
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
Charge for the year	5.8	46.1	–	51.9
Relating to disposals	(0.3)	(28.9)	–	(29.2)
At 27 March 2021	38.6	197.4	–	236.0
Net book amounts				
At 30 March 2019	120.5	136.6	34.1	291.2
At 28 March 2020	173.8	174.2	9.7	357.7
At 27 March 2021	**180.1**	**160.5**	**36.1**	**376.7**

Included in freehold land and buildings is land with a cost of £24.8 million (2020: £22.7 million), which is not depreciated, relating to the Group, and £0.5 million (2020: £0.5 million) relating to the Company.

12. Property, Plant and Equipment continued

Cost includes £1.6 million (2020: £1.6 million) in respect of capitalised interest. Interest of £nil million was capitalised during the year (2020: £0.3 million). The rate used to determine the amount of borrowing costs eligible for capitalisation in the prior year was 1.1 per cent, which was the effective rate of the borrowing used to finance the construction.

Company	Freehold land and buildings £'m	Plant, equipment and vehicles £'m	Total £'m
Cost			
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
Additions	–	–	–
At 27 March 2021	0.5	0.4	0.9
Depreciation			
At 30 March 2019	–	0.5	0.5
Disposals	–	(0.4)	(0.4)
Charge for the year	–	0.1	0.1
At 28 March 2020	–	0.2	0.2
Charge for the year	–	–	–
At 27 March 2021	–	0.2	0.2
Net book amounts			
At 30 March 2019	0.5	0.3	0.8
At 28 March 2020	0.5	0.2	0.7
At 27 March 2021	**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
Additions	13.8	3.4	17.2
Disposals	(2.7)	(0.5)	(3.2)
At 27 March 2021	78.8	8.9	87.7
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
Charge for the year	9.9	2.4	12.3
Relating to disposals	(1.9)	(0.4)	(2.3)
At 27 March 2021	15.3	3.6	18.9
Net book amounts			
At 31 March 2019	36.1	4.1	40.2
At 28 March 2020	60.4	4.4	64.8
At 27 March 2021	**63.5**	**5.3**	**68.8**

Notes to the Accounts continued

13. Right-of-use Assets 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
Additions	–	0.4	0.4
At 27 March 2021	0.7	0.5	1.2
Depreciation			
At 31 March 2019	–	–	–
Charge for the year	0.1	–	0.1
At 28 March 2020	0.1	–	0.1
Charge for the year	0.1	–	0.1
At 27 March 2021	0.2	–	0.2
Net book amounts			
At 31 March 2019	0.7	0.1	0.8
At 28 March 2020	0.6	0.1	0.7
At 27 March 2021	**0.5**	**0.5**	**1.0**

	Group		Company	
	2021 £'m	2020 £'m	**2021 £'m**	2020 £'m
Lease liabilities:				
Current	**12.5**	10.3	**0.2**	0.1
Non-current	**59.1**	55.6	**0.8**	0.6
	71.6	65.9	**1.0**	0.7

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 £'m	2020 £'m
Depreciation charge on right-of-use assets:		
Land buildings	**9.9**	6.6
Plant, equipment and vehicles	**2.4**	1.6
	12.3	8.2
Interest expense (included in finance cost)	**2.3**	1.6

14. Investments

Company	Subsidiary undertakings £'m
Shares at cost:	
At 30 March 2019	166.1
Capital contribution relating to share options	3.9
At 28 March 2020	170.0
Capital contribution relating to share options	4.2
At 27 March 2021	**174.2**

The subsidiary undertakings as at 27 March 2021 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)

14. Investments continued

- 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

In the prior year 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 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

i) 2020 – Packington Pork Limited and White Rose Farms Limited

In the prior year 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, 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

Notes to the Accounts continued

16. Acquisitions continued

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

	Fair value £'m
Net assets acquired:	
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)
	12.6
Goodwill arising on acquisition	18.5
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.

All of the trade receivables acquired were collected in full.

Included in the £18.5 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. The £18.5m includes goodwill of £3.9m already carried by Packington Pork at the date of acquisition. This amount was shown separately in the prior year.

Transaction costs in relation to the acquisitions of £0.3 million were expensed within administrative expenses in the prior year.

In the prior year, 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 prior financial year revenue would have been £6.1 million with profit after tax of £3.4 million.

ii) 2020 – Katsouris Brothers Limited

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.

16. Acquisitions continued

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

	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

All of the trade receivables acquired were 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 were expensed within administrative expenses in the prior year.

In the prior year, 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 prior financial year revenue would have been £65.7 million with profit after tax of £4.4 million.

Deferred and Contingent Consideration

The agreement to acquire Katsouris Brothers Limited included 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 paid during the year was £6.8 million. The deferred consideration of £0.7 million was paid in the prior year.

The agreement to acquire Packington Pork Limited included deferred consideration of £3.9 million which was paid during the year.

Notes to the Accounts continued

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 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
Increases due to purchases	27.0	11.8	38.8
Decrease attributable to harvest	(149.8)	(115.1)	(264.9)
Decreases attributable to sales	(3.7)	(0.8)	(4.5)
Changes in fair value less estimated costs to sell	122.4	106.0	228.4
At 27 March 2021	**35.5**	**8.0**	**43.5**

Group	2021 £'m	2020 £'m
Non-current biological assets:		
Pigs	**2.1**	3.5
Chickens	**0.3**	0.3
	2.4	3.8
Current biological assets:		
Pigs	**33.4**	36.1
Chickens	**7.7**	5.8
	41.1	41.9

Group	2021 £'m	2020 £'m
Net IAS 41 valuation movement on biological assets*		
Changes in fair value of biological assets	**228.4**	177.2
Biological assets transferred to cost of sales	**(239.8)**	(171.8)
	(11.4)	5.4

* 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 biological assets are measured using Level 2 of the fair value hierarchy. The Group's valuation model for finished pigs, sucklers and weaners utilises quoted (unadjusted) prices in an active market. The prices are then adjusted to reflect the growth of the animals through straight-line interpolation between prices to provide a value for the pigs at a particular stage of growth. The valuation of broiler birds uses recent transaction prices at various stages of development which are adjusted to reflect the growth of the birds through interpolation between the transaction prices. The interpolation between specific prices represents an observable input which therefore classifies this valuation as Level 2. The valuation of sows, boars and breeder chickens is based on recent transactions for similar assets and therefore is also classified as Level 2 in the fair value hierarchy.

The Group's biological assets were previously categorised under Level 1 of the hierarchy for finished pigs, sucklers, weaners and broilers, and Level 2 for sows, boars and breeder chickens. The Group recognises that where the inputs used to measure the fair value of an asset are categorised within different levels of the fair value hierarchy, the fair value measurement should be categorised in its entirety in the same level as the lowest level input that is significant to the entire measurement. On further review of the inputs, in the current year all biological assets have been categorised as Level 2 which is a restatement. Note there is no financial impact of the restatement to Level 2.

The main assumptions used in relation to the valuation are growth rates of the pigs and chickens.

17. Biological Assets continued

Additional information:

Group	2021 Number	2020 Number
Quantities at year end:		
Breeding sows (Bearer biological assets)	**46,442**	41,346
Boars	**1,017**	928
Pigs (Consumable biological assets)	**514,042**	468,567
Breeder chickens (Bearer biological assets)	**353,949**	317,736
Broiler chickens (Consumable biological assets)	**5,584,295**	5,353,558
Number of pigs produced in the year	**992,497**	682,513
Number of chickens produced in the year	**56,067,148**	32,858,862

18. Inventories

Group	2021 £'m	2020 £'m
Raw materials and work in progress	**60.4**	52.1
Finished goods and goods for resale	**21.4**	23.4
	81.8	75.5

Inventories are shown net of any provision for slow-moving or obsolete inventory. As at 27 March 2021 the provision against inventory was £7.9 million (2020: £8.4 million), of which £2.1 million (2020: £3.6 million) resulted from inventory at risk of obsolescence following changes to customer purchasing patterns due to the COVID-19 pandemic.

19. Trade and Other Receivables

	Group		Company	
	2021 £'m	2020 £'m	2021 £'m	2020 £'m
Financial assets:				
Trade receivables	**205.2**	200.1	**–**	–
Amounts owed by Group undertakings	**–**	–	**132.4**	136.9
Other receivables	**9.7**	6.8	**0.6**	0.3
	214.9	206.9	**133.0**	137.2
Non-financial assets:				
Prepayments	**6.8**	6.7	**0.7**	0.7
	221.7	213.6	**133.7**	137.9

The above financial assets are carried at amortised cost. As at 27 March 2021 and 28 March 2020, the analysis of trade receivables that were past due was as follows:

	Trade receivables	Of which: Not due	Past due date in the following periods:		
			Less than 30 days	Between 30 and 60 days	More than 60 days
Group	£'m	£'m	£'m	£'m	£'m
2021	**205.2**	**185.6**	**17.8**	**0.8**	**1.0**
2020	200.1	178.5	17.4	3.1	1.1

Trade receivables are non-interest-bearing and are generally on 30 to 60 day terms and are shown net of any provision for impairment. The provision is calculated by reviewing the lifetime expected credit losses (ECL) using both historic and forward looking data. Balances are written off when the probability of recovery is assessed as being remote. The loss rates used in both the current and prior years range from 0.0% to 3.5%. 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.

As at 27 March 2021, the provision for impairment of trade receivables was £3.7 million (2020: £4.3 million), of which £2.7 million (2020: £3.6 million) resulted from ECL calculations referred to above following uncertainty caused by COVID-19.

Notes to the Accounts continued

19. Trade and Other Receivables continued

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

Group	£'m
Bad debt provision:	
At 30 March 2019	0.7
Provided in year	3.9
Utilised	(0.3)
At 28 March 2020	4.3
Provided in year	0.9
Released	(1.2)
Utilised	(0.3)
At 27 March 2021	**3.7**

There are no bad debt provisions against other receivables.

20. Financial Assets

Group	2021 £'m	2020 £'m
Current:		
Forward currency contracts	**0.9**	1.5
	0.9	1.5

21. Trade and Other Payables

	Group		Company	
	2021 £'m	2020 £'m	2021 £'m	2020 £'m
Current:				
Trade payables	**131.4**	122.6	**0.7**	0.8
Amounts owed to Group undertakings	**–**	–	**41.9**	21.2
Tax and social security	**7.5**	6.8	**3.6**	3.1
Other creditors	**20.2**	12.5	**10.0**	8.0
Commercial accruals*	**8.2**	6.5	**–**	–
Other accruals	**49.7**	42.8	**2.7**	2.8
Deferred income – Government grants	**0.2**	0.2	**–**	–
	217.2	191.4	**58.9**	35.9
Non-current:				
Deferred income – Government grants	**0.8**	0.8	**–**	–

* 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 £470.0 million (2020: £396.0 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 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
Charged to income statement	9.0	6.0	15.0
Paid	(7.9)	(5.4)	(13.3)
At 27 March 2021	**5.8**	**2.4**	**8.2**

22. Financial Liabilities

	Group		Company	
	2021 £'m	2020 £'m	2021 £'m	2020 £'m
Current:				
Forward currency contracts	**1.0**	1.3	**–**	–
Contingent consideration (Note 16)	**–**	10.7	**–**	–
Bank overdraft	**–**	–	**2.0**	–
	1.0	12.0	**2.0**	–
Non-current:				
Amounts outstanding under revolving credit facility	**60.0**	103.0	**60.0**	103.0
Unamortised issue costs	**(0.2)**	(0.5)	**(0.2)**	(0.5)
	59.8	102.5	**59.8**	102.5

	Group	
	2021 £'m	2020 £'m
Movement on hedging instruments:		
Gains arising in the year	**0.2**	0.4
Reclassification adjustment for (gains)/losses included in the income statement	**(0.4)**	0.2
	(0.2)	0.6

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

Forward currency contracts are used to hedge a proportion of anticipated purchases denominated in foreign currencies and held at fair value in the balance sheet. To the extent that these forward contracts represent effective hedges, movements in fair value are taken directly to other comprehensive income and are then reclassified through the income statement in the period during which the hedged item impacts the income statement. A description of amounts and maturities is contained in Note 24.

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

Banking facility

During the year, the Group extended the term of the additional bi-lateral facility running for a period of 12 months to 11 December 2021. The facility is a revolving credit facility of £40 million and was unutilised at 27 March 2021. 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 (2020: £nil million) of the overdraft facility was utilised at 27 March 2021. Interest is payable at a margin over base rate. £60.0 million (2020: £103.0 million) of the revolving credit facility was utilised as at 27 March 2021. Interest is payable at a margin over LIBOR.

The arrangement fees of £1.5 million (2020: £1.5 million) are being amortised over the period of the facility.

The maturity profile of bank loans is as follows:

	Group		Company	
	2021 £'m	2020 £'m	2021 £'m	2020 £'m
In one year or less	**–**	–	**–**	–
Between one year and two years	**–**	–	**–**	–
Between two years and five years	**60.0**	103.0	**60.0**	103.0
	60.0	103.0	**60.0**	103.0
Unamortised issue costs	**(0.2)**	(0.5)	**(0.2)**	(0.5)
	59.8	102.5	**59.8**	102.5

The bank facility for both years was unsecured and subject to interest cover and debt leverage covenants (both excluding the impact of IFRS 16 – Leases). Interest cover (which is required to be greater than 3x covered) is calculated as Adjusted profit before interest, tax and amortisation divided by Interest payable and was 262.6x at 27 March 2021 (2020: 69.3x). Debt leverage (which is required to be less than 3x covered) is calculated as Net debt divided by Adjusted EBITDA and was 0.11x (2020: 0.56x). Both covenants are calculated excluding IFRS 16 Leases.

Unamortised issue costs relate to the revolving credit facility which expires in November 2023. £60.0 million (2020: £103.0 million) was drawn down under the facility at the year end.

Notes to the Accounts continued

23. Provisions

	Group Lease provisions £'m	Company Lease provisions £'m
At 28 March 2020	1.2	0.8
Movement on discount	0.1	–
At 27 March 2021	**1.3**	**0.8**

Analysed as:

	Group 2021 £'m	Group 2020 £'m	Company 2021 £'m	Company 2020 £'m
Current liabilities	**0.1**	0.1	**0.1**	0.1
Non-current liabilities	**1.2**	1.1	**0.7**	0.7
	1.3	1.2	**0.8**	0.8

Lease provisions are held against dilapidation obligations on leased properties. These provisions are expected to be utilised over the next seven years.

24. Financial Instruments

An explanation of the Company and Group's financial instruments risk management strategy is set out on page 112 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 27 March 2021 and their weighted average interest rates is set out below.

As at 27 March 2021

				Fixed interest		
Group	Weighted average effective interest rate %	Total £'m	At floating interest rates £'m	1 year or less £'m	1–2 years £'m	2–3 years £'m
Financial liabilities:						
Revolving credit facility	0.7%	(60.0)	(60.0)	–	–	–
Financial assets:						
Cash at bank	0.0%	39.0	39.0	–	–	–
		(21.0)	(21.0)	–	–	–

As at 28 March 2020

				Fixed interest		
Group	Weighted average effective interest rate %	Total £'m	At floating interest rates £'m	1 year or less £'m	1–2 years £'m	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)	–	–	–

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 27 March 2021 and their weighted average interest rates is set out below:

24. Financial Instruments continued

As at 27 March 2021

				Fixed interest		
Company	Weighted average effective interest rate %	Total £'m	At floating interest rates £'m	1 year or less £'m	1–2 years £'m	2–3 years £'m
Financial liabilities:						
Amounts owed to Group undertakings	1.3%	(470.0)	(470.0)	–	–	–
Revolving credit facility	0.7%	(60.0)	(60.0)	–	–	–
Bank overdraft	0.0%	(2.0)	(2.0)	–	–	–
		(532.0)	(532.0)	–	–	–

As at 28 March 2020

				Fixed interest		
Company	Weighted average effective interest rate %	Total £'m	At floating interest rates £'m	1 year or less £'m	1–2 years £'m	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)	–	–	–

Currency profile

The Group's financial assets at 27 March 2021 include Sterling denominated cash balances of £34.3 million (2020: £11.5 million), Euro £5.0 million (2020: £9.1 million), and US Dollar £(0.3) million (2020: £0.9 million) all of which are held in the UK.

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

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

Credit risk

The Group makes a significant proportion of its sales to the major UK supermarket groups, which correspondingly represent a significant proportion of the Group's trade receivables at any one time. Based on the financial strength of these customers, the Directors do not consider that the Group faces a significant credit risk in this regard. Debts with other customers, which represent a smaller proportion of the Group's trade receivables, are considered to provide greater risk, particularly in the current economic climate. These debts are reviewed using lifetime expected credit losses considering both historic and forward looking data which then generates an expected loss rate and provision.

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.

Notes to the Accounts continued

24. Financial Instruments continued

Fair value of financial instruments

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

	2021		2020	
Group	**Book value £'m**	**Fair value £'m**	Book value £'m	Fair value £'m
Forward currency contracts liability/(asset) (Note 20 and Note 22)	**0.1**	**0.1**	(0.2)	(0.2)
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 lease liabilities 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	33.3m	31 March 2021 – 1 December 2021	€1.09 – €1.17	0.9

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	9.0m	8 April 2021 – 16 September 2021	£0.76	(0.3)
Euros	14.0m	31 March 2021 – 6 December 2021	£0.86 – £0.91	(0.7)

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.

24. Financial Instruments continued

	Increase/ decrease in basis points	Effect on profit before tax £'m
2021		
Sterling	**+100**	**(0.6)**
	–100	**0.6**
2020		
Sterling	+100	(1.0)
	–100	1.0

Liquidity risk

The tables below summarise the maturity profile of the Group's financial liabilities at 27 March 2021 and 28 March 2020 based on contractual undiscounted payments:

At 27 March 2021

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	–	–	60.0	–	60.0
Trade and other payables	217.5	–	–	–	217.5
Derivative financial instruments	1.0	–	–	–	1.0
Lease liabilities	13.7	13.0	30.3	23.4	80.4
	232.2	13.0	90.3	23.4	358.9

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 27 March 2021

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	–	–	60.0	–	60.0
Trade and other payables	58.6	–	–	–	58.6
Lease liabilities	0.2	0.2	0.4	0.3	1.1
	58.8	0.2	60.4	0.3	119.7

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

The impact of liquidity risk on the Group is discussed in detail in the Directors' Report on page 112.

Capital management

The primary objective of the Group's capital management policy 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. For further information see page 111 of the Directors' Report. An analysis of the changes in net debt can be found in Note 28.

Notes to the Accounts continued

25. Called-up Share Capital

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

Group and Company	2021 Number	2020 Number	2021 £'m	2020 £'m
At beginning of year	**52,272,004**	51,679,925	**5.2**	5.2
On exercise of share options	**302,978**	337,267	**0.1**	–
Scrip dividends	**134,212**	254,812	**–**	–
At end of year	**52,709,194**	52,272,004	**5.3**	5.2

On 4 September 2020, 70,374 ordinary shares were issued at 3,616.8 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2020 final dividend.

On 29 January 2021, 63,838 ordinary shares were issued at 3,496.4 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2021 interim dividend.

During the course of the year, 302,978 ordinary shares were issued to employees exercising SAYE and LTIP options at prices between nil and 2,565.0 pence.

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 prior year, 337,267 ordinary shares were issued to employees exercising SAYE and LTIP options at prices between nil and 2,239.0 pence.

Ordinary share capital of £128,744 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	4,043	1,456p	March 2019 – October 2021
Savings related	33,975	1,788p	March 2020 – October 2022
Savings related	54,582	2,565p	March 2021 – October 2023
Savings related	206,320	2,239p	March 2022 – October 2024
Savings related	217,591	2,534p	March 2023 – October 2025
Savings related	320,892	2,800p	March 2024 – October 2026
LTIP	677,788	Nil	August 2021 – July 2030

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 £6.0 million (2020: £5.8 million).

Long Term Incentive Plan (LTIP)

During the course of the year 215,800 options at nil cost were granted to Directors and Senior Executives, the share price at that time was 3,664.00 pence. Details of the performance criteria relating to the LTIP scheme can be found in the Remuneration Committee report on page 90. The maximum term of LTIP options is ten years.

Group	2021 Number	2021 WAEP (£)	2020 Number	2020 WAEP (£)
Outstanding as at beginning of year	**633,800**	**–**	578,800	–
Granted during the year (i)	**215,800**	**–**	258,700	–
Lapsed during the year	**(5,131)**	**–**	(38,360)	–
Exercised during the year (ii)	**(166,681)**	**–**	(165,340)	–
Outstanding as at end of year (iii)	**677,788**	**–**	633,800	–
Exercisable at end of year	**2,369**	**–**	6,210	–

26. Share-based Payments continued

Company	2021 Number	2021 WAEP (£)	2020 Number	2020 WAEP (£)
Outstanding as at beginning of year	**323,585**	**–**	321,358	–
Granted during the year (i)	**94,100**	**–**	114,500	–
Lapsed during the year	**(920)**	**–**	–	–
Exercised during the year (ii)	**(97,165)**	**–**	(112,273)	–
Outstanding as at end of year (iii)	**319,600**	**–**	323,585	–
Exercisable at end of year	**–**	**–**	–	–

i) The weighted average fair value of options granted during the year was £24.36 (2020: £17.79). The share options granted during the year were at £nil per share. The share price at the date of grant was £36.64 (2020: £26.84).
ii) The weighted average share price at the date of exercise for the options exercised was £35.93 (2020: £26.29).
iii) For the share options outstanding as at 27 March 2021, the weighted average remaining contractual life is 8.27 years (2020: 8.34 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	2021 Number	2021 WAEP (£)	2020 Number	2020 WAEP (£)
Outstanding as at beginning of year	**704,761**	**23.37**	707,201	20.55
Granted during the year (i)	**324,542**	**28.00**	247,499	25.34
Lapsed during the year	**(55,603)**	**24.35**	(78,012)	22.23
Exercised during the year (ii)	**(136,297)**	**22.10**	(171,927)	15.28
Outstanding as at end of year (iii)	**837,403**	**25.30**	704,761	23.37
Exercisable at end of year	**31,942**	**24.76**	25,434	15.57

Company	2021 Number	2021 WAEP (£)	2020 Number	2020 WAEP (£)
Outstanding as at beginning of year	**23,990**	**23.76**	19,220	19.15
Granted during the year (i)	**6,076**	**28.00**	10,555	25.34
Lapsed during the year	**(1,299)**	**24.00**	(140)	12.83
Exercised during the year (ii)	**(5,190)**	**20.59**	(5,645)	14.76
Outstanding as at end of year (iii)	**23,577**	**24.80**	23,990	23.76
Exercisable at end of year	**1,122**	**19.06**	1,056	17.88

i) The share options granted during the year were at £28.00 (2020: £25.34), representing a 20 per cent discount on the price at the relevant date. The share price at the date of grant was £35.20 (2020: £33.26).
ii) The weighted average share price at the date of exercise for the options exercised was £34.65 (2020: £33.58).
iii) For the share options outstanding as at 27 March 2021, the weighted average remaining contractual life is 2.69 years (2020: 2.69 years).

The weighted average fair value of options granted during the year was £8.93 (2020: £8.52). The range of exercise prices for options outstanding at the end of the year was £14.56–£28.00 (2020: £11.87–£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 for the TSR element, a Black-Scholes option pricing model for the EPS element and Chaffe option pricing model for the holding period. The following table lists the inputs to the model used for the years ended 27 March 2021 and 28 March 2020:

Group and Company	2021 LTIP	2021 SAYE	2020 LTIP	2020 SAYE
Dividend yield	**1.65%**	**1.77%**	2.08%	1.70%
Expected share price volatility	**27.50% – 29.82%**	**25.63% – 27.23%**	21.23% – 22.11%	22.02% – 22.62%
Risk-free interest rate	**0.00% – 0.00%**	**0.00% – 0.00%**	0.59% – 0.63%	0.51% – 0.57%
Expected life of option	**3 years**	**3.25, 5.25 years**	3 years	3.25, 5.25 years
Exercise prices	**£nil**	**£28.00**	£nil	£25.34

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.

Notes to the Accounts continued

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.

In line with Pension Regulation, the plan assets are separately managed by independent trustees.

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	2021 £'m	2020 £'m
Benefit obligation at the beginning of the year	**33.4**	39.7
Interest cost	**0.7**	0.8
Remeasurement (gains)/losses:		
Actuarial losses/(gains) arising from changes in financial assumptions	**8.0**	(1.3)
Actuarial losses/(gains) arising from changes in demographic assumptions	–	(3.7)
Other experience items	**0.1**	(0.4)
Movement on additional liability recognised due to minimum funding requirement*	**(4.8)**	(0.6)
Benefits paid from plan	**(1.2)**	(1.1)
Benefit obligation at the end of the year	**36.2**	33.4

b) Change in plan assets	2021 £'m	2020 £'m
Fair value of plan assets at the beginning of the year	**40.6**	33.2
Interest income	**0.9**	0.8
Return on plan assets	**(0.2)**	5.9
Employer contributions	**1.8**	1.8
Benefits paid from plan	**(1.2)**	(1.1)
Fair value of plan assets at the end of the year	**41.9**	40.6

c) Amounts recognised in the balance sheet	2021 £'m	2020 £'m
Present value of funded obligations	**(36.2)**	(33.4)
Fair value of plan assets	**41.9**	40.6
Net asset recorded in the balance sheet	**5.7**	7.2

d) Components of pension cost	2021 £'m	2020 £'m
Amounts recognised in the income statement:		
Interest cost	**0.7**	0.8
Expected return on plan assets	**(0.9)**	(0.8)
Total pension cost recognised in the income statement	**(0.2)**	–
Actual return on assets		
Actual return on plan assets	**(2.2)**	6.7
Amounts recognised in the Group statement of comprehensive income		
Actuarial (losses)/gains immediately recognised	**(3.4)**	11.9
Cumulative amount of actuarial losses recognised	**(4.1)**	(0.7)

*During the year the Group reviewed its judgement in relation to the surplus and now considers that the surplus is fully realisable. The additional liability recognised due to minimum funding requirements has therefore been reversed in the year. For further details see page 160.

For year ended 27 March 2021, to more fully comply with IAS 19 disclosures, the annuity policy held by the scheme has been recognised within both benefits obligations and plan assets. The value of the annuity policy at March 2021 is £3.0 million. The change in treatment has a nil net impact but increases the actuarial losses by £3.0 million and decreases the negative return on plan assets by a similar amount. Given there is no overall impact as a result of this change the prior year figures have not been restated.

27. Pension Schemes continued

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

e) Principal actuarial assumptions	2021	2020
Discount rate	**1.95%**	2.30%
Rate of price inflation	**3.20%**	2.60%
Revaluation of deferred pensions:		
Benefits accrued prior to 1 January 1998	**5.00%**	5.00%
Benefits accrued after 1 January 1998	**3.20%**	2.60%
Rate of compensation increase:		
Benefits accrued prior to 1 January 1997	**3.00%**	3.00%
Benefits accrued after 1 January 1997	**3.20%**	2.60%

Future expected lifetime of pensioner at age 65:	2021	2020
Current pensioners:		
Male	**21.2**	21.2
Female	**23.9**	23.8
Future pensioners:		
Male	**22.3**	22.3
Female	**25.1**	25.1

The mortality rates used have been taken from Base tables S2PA (Male: post retirement 110% S2PM YoB CMI 2017 improvements 1.0 per cent long-term rate of improvement; Females: post retirement 100% S2PM YoB CMI 2017 improvements 1.0 per cent long-term rate of improvement) (2020: Male: post retirement 110% S2PM YoB CMI 2017 improvements 1.0 per cent long-term rate of improvement; Females: post retirement 100% S2PM YoB CMI 2017 improvements 1.0 per cent long-term rate of improvements.)

At 27 March 2021, the average duration of the scheme liabilities was 23 years (2020: 23 years). For deferred pensions the average duration was 26 years (2020: 26 years) and for pensions in payment the average duration was 12 years (2020: 12 years).

A 0.1 per cent increase/decrease in the discount rate would give rise to a £817,000 decrease/£836,000 increase (2020: £646,000 decrease/ £661,000 increase) in the surplus at 27 March 2021.

A 0.1 per cent increase/decrease in the inflation assumption would give rise to a £341,000 increase/£338,000 decrease (2020: £262,000 increase/ £260,000 decrease) in the surplus at 27 March 2021.

A one year increase/decrease in the life expectancy assumption would give rise to a £1,555,000 increase/£1,522,000 decrease (2020: £1,071,000 increase/£1,100,000 decrease) in the surplus at 27 March 2021.

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.

The split of the fund's liability by category of membership is as follows:

	2021 £'m	2020 £'m
Deferred pensioners	**26.0**	21.7
Pensions in payment	**10.2**	6.9
Additional liability on minimum funding requirements	**–**	4.8
	36.2	33.4

f) Plan assets	2021 Fair value of plan assets £'m	2020 Fair value of plan assets £'m
Debt instruments:		
Corporate bonds	**–**	5.8
Other:		
Annuities	**3.0**	–
Cash	**23.4**	16.3
LDI strategies	**15.5**	18.5
Total	**41.9**	40.6

All of the plan assets have a quoted price in an active market except for cash and LDI strategies.

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 investments in LDI strategies relate to the Fund's holdings in assets designed to hedge 100% of movements in the scheme funding liabilities resulting from changes in interest rates and inflation. Annuities are in place for 84 pensioner members and held in the name of the Trustees. This manages the risk as future pension payments are matched with income from the annuity.

Notes to the Accounts continued

27. Pension Schemes continued

The Group expects to contribute approximately £1.8 million to the scheme during the year ending 26 March 2022 in respect of regular contributions, and intends to contribute the same amount annually through to September 2022.

The Group has the right to recover any remaining surplus on the winding up of the pension scheme. The expected method of recovery of the recognised pensions surplus is through reduction a in future contributions. If the reduction in contributions is not sufficient to eliminate the surplus before the scheme is wound up, the Group has the right to recover any remaining surplus through a refund. Information on management's judgement in relation to this is provided in Note 2.

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 £1.2 million (2020: £1.0 million). Contributions during the year totalled £6.5 million (2020: £5.8 million).

28. Additional Cash Flow Information

Analysis of changes in net (debt)/funds:

Group	At 28 March 2020 £'m	Cash flow £'m	Other non-cash changes £'m	**At 27 March 2021 £'m**
Cash and cash equivalents	21.5	17.5	–	**39.0**
Revolving credit	(102.5)	43.0	(0.3)	**(59.8)**
Lease liabilities	(65.9)	13.7	(19.4)	**(71.6)**
Net debt	(146.9)	74.2	(19.7)	**(92.4)**

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

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)

During the prior year the Group acquired bank loans and other borrowings (shareholder loans) totalling £9.0m as part of the acquisitions disclosed in note 16. These amounts were repaid immediately upon acquisition and were therefore not included within the reconciliation of net debt.

Analysis of changes in net (debt)/funds:

Company	At 28 March 2020 £'m	Cash flow £'m	Other non-cash changes £'m	**At 27 March 2021 £'m**
Cash and cash equivalents	3.1	(3.1)	–	**–**
Overdraft	–	(2.0)	–	**(2.0)**
	3.1	(5.1)	–	**(2.0)**
Revolving credit	(102.5)	43.0	(0.3)	**(59.8)**
Lease liability	(0.7)	0.1	(0.4)	**(1.0)**
Net debt	(100.1)	38.0	(0.7)	**(62.8)**

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)

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 £60.0 million as at 27 March 2021 (2020: £103.0 million).

During 2019 the Group entered into a Letter of Credit agreement with HSBC UK Bank 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 expired on 5 April 2020, with a balance outstanding to Marel under the letter of credit at 27 March 2021 of €nil (2020: €2.0 million).

During the year the Group entered into a further Letter of Credit agreement with HSBC UK Bank PLC. The total facility of €11.0 million was carved out of the Group's core bank facility to support the purchase of equipment for the Group's Fresh Pork facility in Hull and the new Prepared Poultry facility from Marel Red Meat Slaughtering B.V. and Marel Further Processing B.V. respectively. The facility expires on 31 August 2022, with a balance outstanding, in favour of Marel Red Meat Processing B.V., of €7.3 million at 27 March 2021.

For the Company, the amounts drawn down by other Group companies which were guaranteed by the Company at the year end totalled £nil (2020: £nil).

30. Commitments

(a) The Directors have contracted for future capital expenditure for property, plant and equipment totalling £11.7 million (2020: £14.2 million).

(b) The future minimum rentals payable under non-cancellable operating leases that do not meet the criteria for right-of-use assets under IFRS 16 (e.g. low value leases) are as follows:

Group	**2021 £'m**	2020 £'m
Not later than one year	**1.2**	1.0
After one year but not more than five years	**1.8**	1.4
After five years	**0.2**	–
	3.2	2.4

The company had no operating leases of this nature.

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:			
2021	**28.6**	**3.7**	**27.9**
2020	29.5	4.5	22.6

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	**2021 £'m**	2020 £'m
Short-term employee benefits	**6.0**	5.8
Post-employment benefits	**–**	–
Share-based payments	**2.2**	2.3
	8.2	8.1

Notes to the Accounts continued

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. Return on capital employed is a key performance indicator for the Group and is defined as adjusted operating profit divided by the sum of average opening and closing net assets, net debt/(funds), pension liability/(surplus) and deferred tax.

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

	2021 £'m	2020 £'m	Change
Revenue	**1,898.4**	1,667.2	+13.9%
Katsouris	**(26.8)**		
Packington Pork and White Rose Farms	**(2.1)**		
Like-for-like revenue	**1,869.5**	1,667.2	+12.1%

Adjusted gross profit

	2021 £'m	2020 £'m	Change
Gross profit	**257.8**	226.7	+13.7%
Net IAS 41 valuation movement	**11.4**	(5.4)	
Adjusted gross profit	**269.2**	221.3	+21.6%

Adjusted Group operating profit and adjusted EBITDA

	2021 £'m	2020 £'m	Change
Group operating profit	**117.6**	106.8	+10.1%
Net IAS 41 valuation movement	**11.4**	(5.4)	
Amortisation of intangible assets	**3.5**	3.7	
Adjusted Group operating profit	**132.5**	105.1	+26.1%
Depreciation of property, plant and equipment	**51.9**	42.0	
Depreciation of right-of-use assets	**12.3**	8.2	
Adjusted EBITDA	**196.7**	155.3	+26.7%

Adjusted profit before tax

	2021 £'m	2020 £'m	Change
Profit before tax	**114.8**	104.0	+10.4%
Net IAS 41 valuation movement	**11.4**	(5.4)	
Amortisation of intangible assets	**3.5**	3.7	
Adjusted profit before tax	**129.7**	102.3	+26.8%

Adjusted earnings per share

	2021 £'m	2021 Basic pence	2021 Diluted pence	2020 £'m	2020 Basic pence	2020 Diluted pence
On profit for the year	**92.5**	**176.4**	**175.6**	82.7	159.1	158.6
Amortisation of intangible assets	**3.5**	**6.6**	**6.6**	3.7	7.2	7.2
Tax on amortisation of intangible assets	**(0.7)**	**(1.3)**	**(1.3)**	(0.7)	(1.4)	(1.4)
Net IAS 41 valuation movement	**11.4**	**21.7**	**21.7**	(5.4)	(10.5)	(10.5)
Tax on net IAS 41 valuation movement	**(2.2)**	**(4.1)**	**(4.1)**	1.0	2.0	2.0
On adjusted profit for the year	**104.5**	**199.3**	**198.5**	81.3	156.4	155.9

32. Alternative Performance Measures continued

Free cash flow

	2021 £'m	2020 £'m	Change
Net cash from operating activities	**181.4**	117.0	+55.0%
Net interest paid	**(0.5)**	(1.2)	
Free cash flow	**180.9**	115.8	+56.2%

Return on capital employed

	2021 £'m	2020 £'m	Change
Average opening and closing net assets	**650.3**	574.7	
Average opening and closing net debt/(funds)	**119.7**	70.3	
Average opening and closing pension (surplus)/liability	**(6.5)**	(0.3)	
Average opening and closing deferred tax	**5.0**	4.0	
	768.5	648.7	
Adjusted Group operating profit	**132.5**	105.1	
Return on capital employed	**17.2%**	16.2%	+104bps

Five Year Statement

	2021 £'m	2020 £'m	2019 £'m	2018 £'m	2017 £'m
Revenue^	**1,898.4**	1,667.2	1,437.1	1,464.5	1,245.1
Profit before tax^	**114.8**	104.0	86.5	88.0	77.5
Adjusted profit before tax*^	**129.7**	102.3	92.0	92.4	75.5
Earnings per share^	**176.4p**	159.1p	135.5p	137.8p	124.2p
Adjusted earnings per share*^	**199.3p**	156.4p	144.3p	145.0p	120.9p
Dividends per share	**70.0p**	60.4p	55.9p	53.7p	44.1p
Capital expenditure	**71.9**	97.5	83.5	59.2	48.6
Net (debt)/funds	**(92.4)**	(146.9)	6.3	20.6	(11.0)
Net assets	**686.1**	614.5	534.9	479.9	421.4

* Adjusted profit before tax and earnings per share exclude the effects of net IAS 41 valuation movement and acquisition related amortisation. These are the measures used by the Board to assess the Group's underlying performance.

^ 2017 reflects 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	May
Publication of Annual Report	June
Annual General Meeting	July
Payment of final dividend	September
Announcement of interim results	November
Payment of interim dividend	January

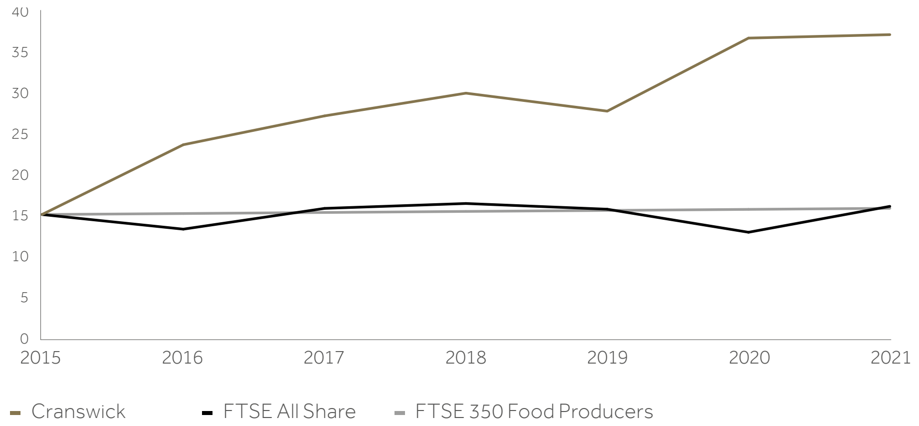
Shareholder Analysis at 7 May 2021

	Number of holdings	Number of shares
Classification		
Private Shareholders	1,330	2,832,277
Corporate bodies and nominees	807	49,899,328
	2,137	52,731,605
Size of holding (shares)		
1–1,000	1,320	431,470
1,001–5,000	412	951,870
5,001–10,000	104	721,918
10,001–50,000	147	3,326,502
50,001–100,000	50	3,436,102
Above 100,000	104	43,863,743
	2,137	52,731,605

Share price	
Share price at 28 March 2020	3,478p
Share price at 27 March 2021	3,600p
High in the year	4,076p
Low in the year	3,200p

Share Price Movement

Cranswick's share price movement over the six year period to May 2021 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 8 May 2015 (1,515p), is shown below:



Advisers

Secretary	Steven Glover LLB
Company number	1074383
Registered office	Crane Court Hesslewood Country Office Park Ferriby Road Hessle East Yorkshire HU13 0PA
Stockbrokers	HSBC Bank plc – London Investec Investment Banking – London Shore Capital Stockbrokers – Liverpool
Registrars	Link Group 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL Tel: +44(0)371 664 0300 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00–17:30, Monday to Friday excluding public holidays in England and Wales). email: shareholderenquiries@linkgroup.co.uk www.linkassetservices.com
Independent auditors	PricewaterhouseCoopers LLP – Leeds
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

Notes

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Cranswick plc

Crane Court, Hesslewood Country Office Park,
Ferriby Road, Hessle, East Yorkshire, HU13 0PA

01482 275 000

www.cranswick.plc.uk