



Cranswick plc Annual Report & Accounts  
Year Ended 31 March 2017



Cranswick plc is a leading and innovative British supplier of premium, fresh and added value food products with annual revenues in excess of £1.2 billion.



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## HIGHLIGHTS

A YEAR OF STRONG FINANCIAL  
AND STRATEGIC PROGRESSREVENUE £'M<sup>†</sup>  
+22.5%

2017	1,245.1
2016	1,016.3
2015	1,003.3

ADJUSTED PROFIT BEFORE TAX £'M<sup>\*\*</sup>  
+17.2%

2017	75.5
2016	64.4
2015	57.8

ADJUSTED EARNINGS PER SHARE P<sup>\*\*</sup>  
+17.6%

2017	120.9
2016	102.8
2015	92.1

DIVIDEND PER SHARE P  
+17.6%

2017	44.1
2016	37.5
2015	34.0

FREE CASH FLOW £'M<sup>\*</sup>  
-13.2%

2017	72.4
2016	83.4
2015	53.5

NET (DEBT)/FUNDS £'M  
-£28.8M

(11.0)	2017	
	2016	17.8
(17.3)	2015	

+25%<sup>†</sup>

TOTAL VOLUME GROWTH

2.7m

RECORD PIG NUMBERS  
PROCESSED

+49%

EXPORT SALES  
TO FAR EAST

£47m

INVESTMENT IN ASSET BASE  
FOR FUTURE GROWTH

&gt;9,000

SIZE OF WORKFORCE

15

UK MANUFACTURING  
LOCATIONS

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

† Throughout the Report and Accounts, 2016 results have been restated to exclude the Sandwich business, which was sold in July 2016 and is now treated as discontinued.



AT A GLANCE

# OUR PRODUCTS AND CUSTOMERS



Fresh & Added Value Pork



Traditional Air-Dried Bacon & Gammon



Sausages & Burgers



Handmade Pastry



Cooked Meats



Continental Products



Fresh Chicken



Premium Cooked Poultry

# +26%


## INCREASE IN LIKE-FOR-LIKE POULTRY VOLUMES

### OUR PRODUCTS

WE PRODUCE A RANGE OF HIGH QUALITY, PREDOMINANTLY FRESH PRODUCTS INCLUDING FRESH PORK, CONVENIENCE, GOURMET PRODUCTS AND POULTRY.

The growth of our premium cooked poultry business and the acquisition of Crown Chicken in the year has substantially increased the contribution from poultry to total Group revenues.

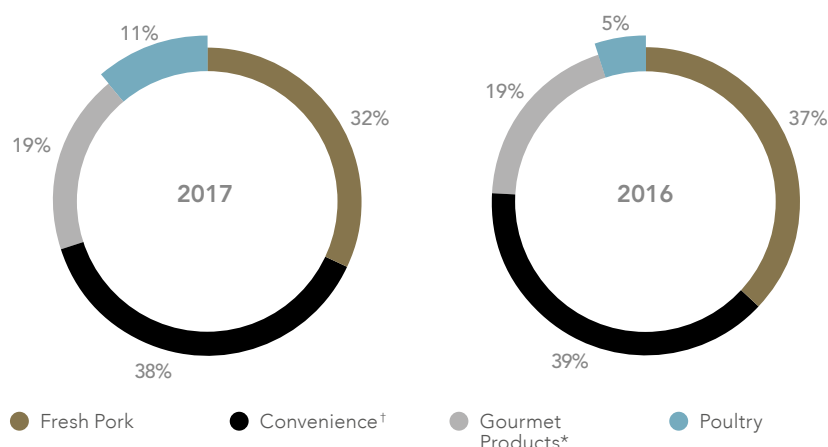
A meaningful proportion of our revenue growth stems from our ability to create and launch new products to meet the constantly changing demands from our customers and consumers, with over 800 new products launched in the year.

 Read more about category performance on pages 36 to 37.

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

### GROWING OUR POULTRY BUSINESS

Product profile % of group revenue



### OUR KEY CUSTOMERS

AROUND THREE QUARTERS OF OUR REVENUES COME FROM OUR RETAIL CUSTOMERS, PRIMARILY THROUGH THEIR OWN-LABEL PRODUCTS PARTICULARLY IN PREMIUM AND SUPER-PREMIUM CATEGORIES.

We have a broad retail customer base selling our products into each of the top four UK multiple grocers as well as the growing premium grocery and discounter channels. We have recently won premium cooked chicken listings with two of our key retail customers.

We have a strong presence in the 'food to go' sector and we have a clear, targeted strategy to build long-term relationships in this fast developing market.

Food service continues to be a growth sector for us with many of our products now listed by UK hotel, pub and other food service outlet chains.

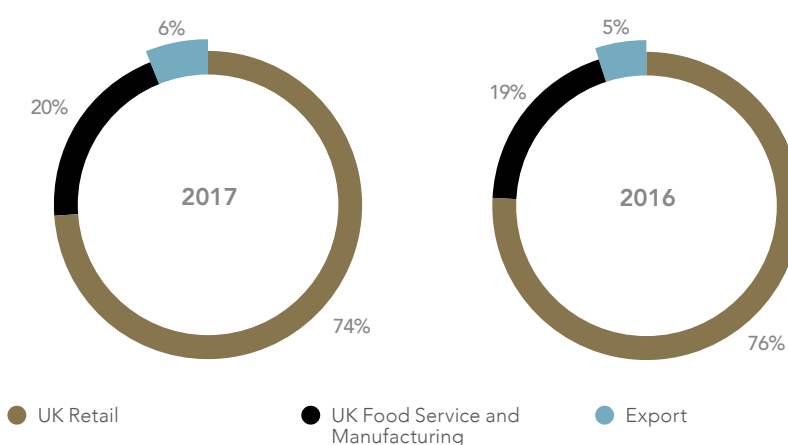
We also have a rapidly growing export business with Far Eastern markets being particularly important.

# +49%

## INCREASE IN EXPORT SALES TO FAR EAST

### GROWING OUR EXPORT BUSINESS

Customer profile % of group revenue

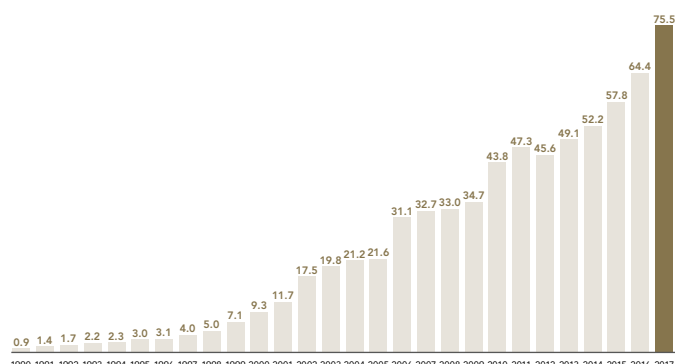


## AT A GLANCE

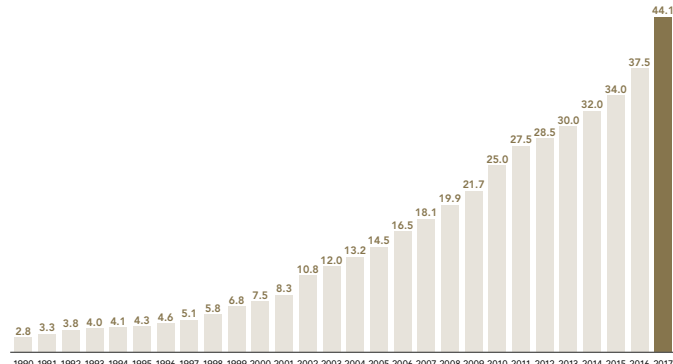
## SUSTAINED OPERATIONAL GROWTH

SINCE BEING FORMED BY FARMERS IN THE EARLY 1970s, WE HAVE GROWN THROUGH TARGETED ACQUISITIONS AND ORGANIC GROWTH TO BE A LEADING AND INNOVATIVE BRITISH SUPPLIER OF PREMIUM, FRESH AND ADDED VALUE FOOD PRODUCTS WITH ANNUAL REVENUES IN EXCESS OF £1.2 BILLION. WE NOW OPERATE FROM FIFTEEN WELL INVESTED, HIGHLY EFFICIENT PRODUCTION FACILITIES IN THE UK, WITH A WORKFORCE OF OVER 9,000 PEOPLE.

Adjusted profit before tax (£'M) since 1990



Dividend per share (P) since 1990



## CORPORATE ACTIVITY IN THE YEAR

Acquisition of Crown Chicken <sup>13</sup> <sup>14</sup>

In April 2016 we acquired Crown Chicken. The acquisition further develops our presence in the growing poultry sector.



£84m

## CROWN REVENUE

Year ended 31 December 2015

[Read more on page 37.](#)
Acquisition of Ballymena pork processing business <sup>15</sup>

In November 2016, we acquired Dunbia's Ballymena pork processing business. This acquisition enhances our pig processing capability and establishes a significant presence in Northern Ireland.



£72m

## BALLYMENA REVENUE

Year ended 29 March 2016

[Read more on page 38.](#)


1985

Entry to the stock market



1991

Primary pork processing



1992

Cooked meats



1995

Gourmet sausages



2001

Continental products





### Sale of Sandwich business

In July 2016 we sold our Sandwich business to Greencore plc. This is in line with our strategy of focusing on our core businesses.



## £54m

### SANDWICH REVENUE

Year ended 31 March 2016



Read more on page 38.

- 1 Handmade Pastry Malton
- 2 3 Fresh Pork Hull
- 4 Cooked Meats Hull
- 5 Gourmet Sausages & Burgers Hull
- 6 Premium Cooked Poultry Hull
- 7 Traditional Bacon and Gammon Sherburn
- 8 9 Continental Products Manchester
- 10 Cooked Meats Barnsley
- 11 Fresh Pork & Sausages Norfolk
- 12 Cooked Meats Milton Keynes
- 13 Feed Milling Norfolk
- 14 Fresh Chicken Suffolk
- 15 Fresh Pork Ballymena
- Agriculture



## 2004

Hand-cured, air-dried bacon



## 2010

Handmade pastry



## 2013

Pig breeding and rearing



## 2014

Premium cooked poultry



## 2016

Chicken breeding, rearing, processing and animal feed

## CHAIRMAN'S STATEMENT

# A YEAR OF STRONG FINANCIAL AND STRATEGIC PROGRESS

THE PAST YEAR HAS BEEN PARTICULARLY POSITIVE FOR THE BUSINESS. CRANSWICK HAS DELIVERED ANOTHER STRONG TRADING PERFORMANCE, ACHIEVED RECORD SALES OF OVER £1.2 BILLION, AND MADE STRATEGIC PROGRESS IN A NUMBER OF KEY AREAS.

### STRATEGIC PROGRESS

Strategic initiatives included the acquisition of CCL Holdings and its subsidiary Crown Chicken ('Crown') at the beginning of the financial year which expanded the Company's presence in poultry, the UK's largest meat category. This was followed later in the year by the acquisition of Dunbia Ballymena ('Ballymena') which further strengthened Cranswick's UK pork processing capability.

The Company's Sandwich business, a non-core activity, was sold in July 2016.

Acquisitions are an important element of Cranswick's development strategy to date, and have been complementary to the investments made to drive organic growth. The recent commencement of the construction of a new site for the Continental Products business, along with other significant investments in the asset base over the past year, amounting to £47 million, continue this ongoing focus on organic growth.

### RESULTS

Total revenue from continuing operations in the year was £1,245 million. This was 23 per cent ahead of the previous year and was driven by strong increases across a number of product categories and significant growth in exports. Like-for-like revenue (see Note 31), excluding the benefit of acquisitions, was 13 per cent higher than the prior year with corresponding volumes 15 per cent ahead.

Alongside record sales it is pleasing to report that adjusted profit before tax for the year increased 17 per cent to £75.5 million from £64.4 million previously. Adjusted earnings per share rose 18 per cent to 120.9 pence compared to 102.8 pence in the prior year.

Details of trading are covered more fully in the Operating and Financial Review on pages 36 to 38.

### CASH FLOW AND FINANCIAL POSITION

Cranswick's borrowings are conservatively structured and cash generation from operating activities was once again very strong. In November 2016, bank borrowings were refinanced, increasing the unsecured facility to £160 million. This is expected to provide generous headroom for future growth through to 2021 along with an option to extend for a further two years.

Further details are provided in the Operating and Financial Review on pages 36 to 38.

### DIVIDEND

The Board is proposing to increase the final dividend to 31.0 pence per share from 25.9 pence previously, an increase of 19.7 per cent.

Together with the interim dividend, which was raised 12.9 per cent to 13.1 pence per share, this gives a total dividend for the year of 44.1 pence per share, an increase of 17.6 per cent on the 37.5 pence per share paid last year. This is the 27th continuous year of increased dividends.

The final dividend, if approved by Shareholders, will be paid on 1 September 2017 to Shareholders on the register at the close of business on 30 June 2017. Shares will go ex-dividend on 29 June 2017. Shareholders will again have the option to receive the dividend by way of scrip issue.

### BREXIT

Exit from the EU has potential implications in a number of areas including availability of staff, food and agriculture policies, tariffs and currency. A number of colleagues at Cranswick, and throughout the sector, have migrated to the UK from elsewhere in the EU for employment purposes and are valued members of the business. The sooner the prevailing uncertainty over their right to remain in the UK and the ongoing movement of people is settled the better it will be for all.

As regards food security and availability, and maintenance of the UK's reputation for high standards of food production and animal welfare, we anticipate this will be a priority for the government in its determination of future policy for food and agriculture.

### CORPORATE GOVERNANCE

The Board embraces the UK Corporate Governance Code as part of its culture and a statement relating to compliance with the Code is included within the Governance Report on page 52.

### ENVIRONMENT

Managing and reducing Cranswick's impact on the environment has been an integral part of business activities under a dedicated project team for some time. Areas of focus include waste, water, energy, packaging and carbon footprint and this progressive and proactive policy has been acknowledged within the industry with Cranswick collecting awards for its approach.

### COLLEAGUES

The Group's operations are decentralised across product categories within the food sector. This structure is supported through Group-wide collaboration in key areas.





The human resource function is especially important when operating such a format and is a key element of the overall strategic plan. All colleagues are viewed as critical stakeholders, and there is a commitment to implementing a training and development strategy that delivers workforce capabilities, skills and competencies through apprenticeship schemes, development programmes and training courses.

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

#### OUTLOOK


The business has continued to make commercial and strategic progress over the past year and the Board believes there is a solid platform in place from which to progress further within the pork, poultry and associated categories of the food sector.

Cranswick's strengths include its customer relationships, breadth of products, growing export channels and asset infrastructure. The current year has started positively for the Group and the Board believes that the Company is well positioned to meet the challenges that lie ahead and to continue its successful long-term development.

*Martin Davey*

**Martin Davey**  
Chairman

23 May 2017


 Read more about  
Corporate Governance  
on pages 44 to 81.



## OUR GUIDING PRINCIPLES


### QUALITY

We are passionate about high quality, great tasting food. We focus on premium quality products and categories, using authentic, artisan processes wherever possible to maintain the heritage and integrity of our food.

 Read more on page 8.


### VALUE

We continue to make value adding acquisitions and to invest heavily in our operating facilities enabling us to offer innovative, high quality, great value food solutions to our customers from some of the most efficient food production facilities in the UK, driving growth in profitability and Shareholder value.

 Read more on page 10.


### INNOVATION

We have dedicated teams researching consumer trends and food innovation opportunities across the globe. We constantly research and test new recipes and ideas, allowing us to deliver unique product offerings to our customers. Innovation within the supply chain is also a key differentiator, with significant investment made in breeding systems and in feed and genetic research to improve product quality and breeding efficiency.

 Read more on page 12.

### PEOPLE

Our success is built on our people. We create a supportive but entrepreneurial environment, which allows both individuals and the business to prosper. We work closely with our customers to develop new products for the rapidly changing retail environment.

 Read more on page 14.

## OUR GUIDING PRINCIPLES

# QUALITY

OUR COMMITMENT TO DELIVERING OUTSTANDING QUALITY FOOD PRODUCTS IS A KEY DIFFERENTIATOR FOR OUR CUSTOMERS.

Natalie McGrath works in our commercial team and leads the relationship with one of our major retail customers. Working with a cross-functional team, Natalie has managed the development of a premium range of pork products that deliver exceptional taste and quality as well as full traceability from farm to fork.

Our technical and agricultural teams identified a breed of pig that delivers a unique flavour profile and improved texture. The new product development team then created a range designed to appeal to the modern pork consumer which positions pork as a great quality, affordable, convenient, modern meal solution.



**NATALIE McGRATH**  
NATIONAL ACCOUNT MANAGER


# 15

NUMBER OF BRC GRADE 'A' RATINGS DURING THE YEAR

# 28%

PROPORTION OF TOTAL UK PIGS THAT ARE PROCESSED BY CRANSWICK





*A commitment  
to quality  
from the field  
through to the  
retail shelf.*

---

**OUR OTHER  
GUIDING PRINCIPLES**

- Value see page 10.
- Innovation see page 12.
- People see page 14.



## OUR GUIDING PRINCIPLES



# VALUE

INVESTMENT IN INFRASTRUCTURE IS CRITICAL TO THE GROWTH AND DEVELOPMENT OF OUR BUSINESS. AN UNSTINTING FOCUS ON EFFICIENCY AND ON DEVELOPING NEW PRODUCTION PROCESSES IS A KEY ELEMENT OF OUR FUTURE GROWTH STRATEGY.

Barry Lock is Managing Director of our Norfolk pork processing business and has overseen a £10 million investment programme over the last two years which has increased capacity, improved efficiency and added new capability. As well as being one of the most efficient pork processing facilities in the UK, the site now has the capability to produce premium sausages and value adding seasonal barbecue and Christmas garnish ranges.

The relaunch of sausage production at Norfolk in the summer of 2016 followed the business securing a major contract to supply the 'Butcher's Choice' range to the site's dedicated retail customer using pork sourced from British pig herds. Full farm to fork traceability, highly efficient production technology and a step change in texture and eating quality were key factors in winning the contract.



**BARRY LOCK**  
MANAGING DIRECTOR – NORFOLK  
PORK PROCESSING





*Driving  
value through  
investment.*

**£47m**

CAPITAL INVESTMENT

**19.0%**

RETURN ON CAPITAL EMPLOYED

**OUR OTHER  
GUIDING PRINCIPLES**

- Quality see page 8.
- Innovation see page 12.
- People see page 14.



## OUR GUIDING PRINCIPLES

# INNOVATION

EACH YEAR A MEANINGFUL PROPORTION OF OUR REVENUE GROWTH STEMS FROM OUR ABILITY TO CREATE AND LAUNCH NEW PRODUCTS TO MEET THE CONSTANTLY CHANGING DEMANDS FROM OUR CUSTOMERS AND CONSUMERS.

Andy Phillips is a development chef responsible for creating our range of modern meal solutions. Andy has extensive experience of working in restaurants across Asia and South America.

Andy's role is to identify new flavour trends and cooking techniques that can be transferred

and upscaled from the kitchen to a commercial food factory. He works with the Marketing and Insight teams as well as travelling the globe to research new and exciting flavour combinations. He has been instrumental in expanding our 'slow cook' range and developing products suitable for our new 'sous vide' cooking capability.



**ANDY PHILLIPS**  
DEVELOPMENT CHEF

# 844

**NEW PRODUCTS LAUNCHED  
IN THE YEAR**

# 11.5%

**OF TOTAL REVENUE FROM  
NEW PRODUCTS**





*Continually  
innovating to  
deliver growth.*

#### OUR OTHER GUIDING PRINCIPLES

- Quality see page 8.
- Value see page 10.
- People see page 14.



## OUR GUIDING PRINCIPLES

# PEOPLE

OUR ORGANISATION IS DRIVEN BY PASSIONATE, COMMITTED AND DEDICATED INDIVIDUALS AND WE RECOGNISE THE IMPORTANCE OF NURTURING AND DEVELOPING TALENT.

We have always had a commitment to graduate recruitment. In 2016, our graduate training scheme was recognised as 'Training Scheme of the Year' by Meat Management Magazine reflecting our ongoing drive to develop leaders of the future.

Kathryn Mills joined our graduate training scheme in September 2014 and experienced work placements across a number of different business functions. After 12 months, Kathryn moved into a permanent role as Product Development Manager at our Gourmet Pastry facility. Her role involves developing new product concepts and working with operational colleagues to bring new products to market. Kathryn has been instrumental in developing a new range of premium savoury pies for the site's anchor retail customer and in identifying further new product concepts to take to market.



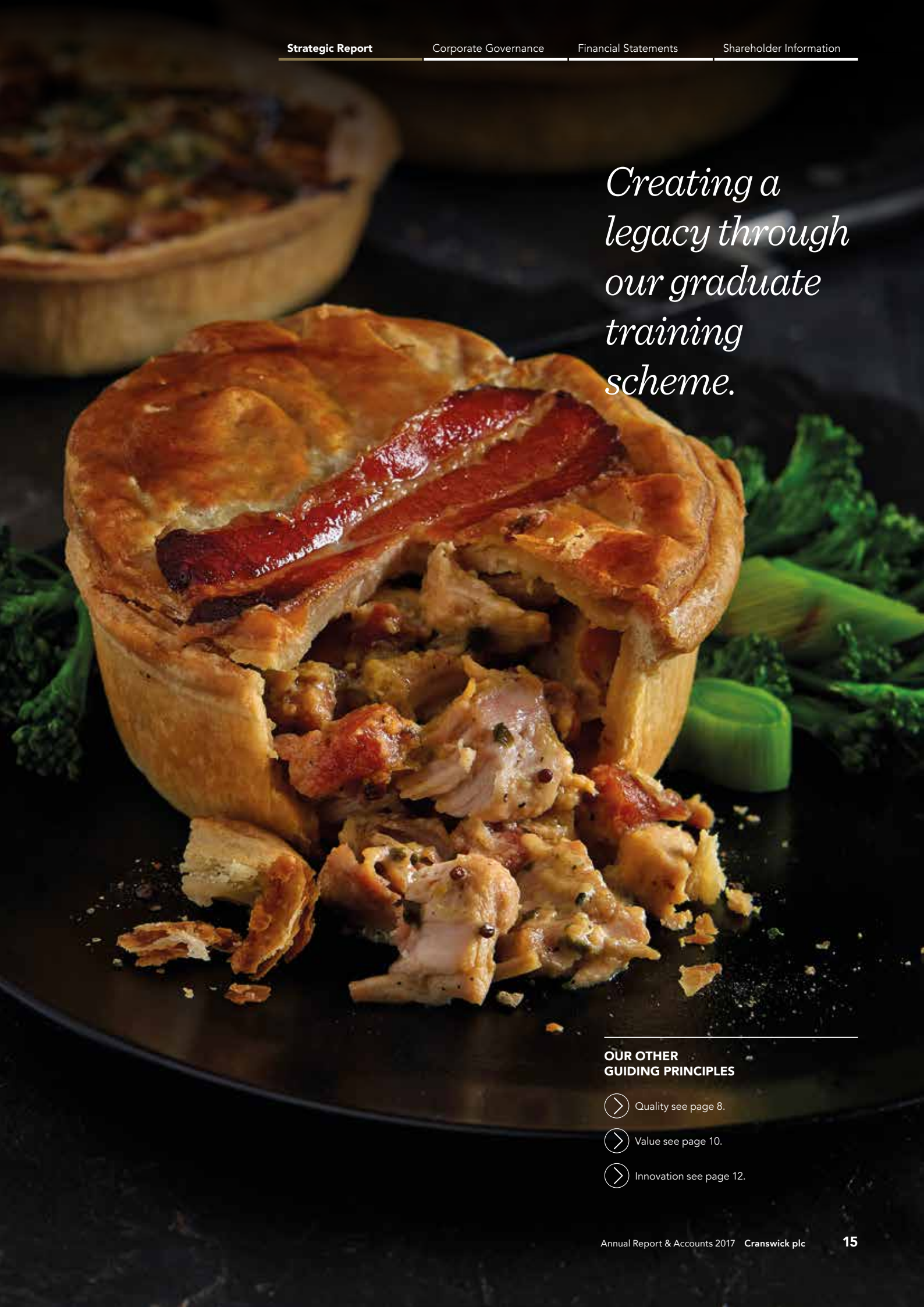
**KATHRYN MILLS**  
**GRADUATE TRAINEE**

# >9,000

SIZE OF WORKFORCE

# >40

NUMBER OF APPRENTICES



*Creating a  
legacy through  
our graduate  
training  
scheme.*

#### OUR OTHER GUIDING PRINCIPLES


- Quality see page 8.
- Value see page 10.
- Innovation see page 12.



## CHIEF EXECUTIVE'S REVIEW

## INTRODUCING OUR STRATEGY

WE HAVE REPORTED ANOTHER YEAR OF STRONG GROWTH IN FINANCIAL RESULTS DURING WHICH WE HAVE ALSO MADE FURTHER STRATEGIC AND COMMERCIAL PROGRESS.

 [View Our Strategy on page 24.](#)

**A CLEAR VISION**

Our vision is to provide high quality food which is sustainably and ethically produced. We remain focused on developing innovative, great tasting food for our customers. Producing high quality food which is great value for consumers has been the foundation of our success so far and will continue to be at the core of our future strategy. Substantial ongoing investment in our production facilities, in ethical and sustainable supply chains and in our people at all levels of the business are the cornerstones of our business model.

**DELIVERING AGAINST OUR STRATEGY**

We have delivered robust and sustained sales and profit growth over many years by concentrating on the growing premium tiers in our core markets and on developing collaborative, long-term relationships with all our customers. We now have a focused portfolio of high growth, premium product categories, which are produced from well invested, highly efficient facilities. Developing high quality, great tasting, innovative food products, which are ideally suited to the fast growing 'food to go' and convenience channels, is a key component of our evolving growth strategy.

We have three principal growth drivers: consolidating existing market positions; diversifying into new related product categories and new proteins; and developing our presence across international markets. This year we have again made very good progress in all three areas.

**DRIVING THE CORE**

We reported like-for-like revenue growth of 13 per cent reflecting strong progress in our core markets. We have secured new business with our leading retail partners under long-term, sustainable supply agreements. We have continued to invest in new product development which has driven an increased proportion of sales growth. In addition, we have won business with new customers in the online food retail space along with further development of our 'food to go' offering.

**A GROWING INTERNATIONAL PRESENCE**

We have made further progress in developing our export trade, particularly into the rapidly expanding Far Eastern markets. We have a brand that is recognised and highly valued in China. We continue to work with our trading partners to further develop our presence in the region. Our Hull facility, which is USDA approved, enables us to export specific prime cuts to the US market and we are aiming to secure similar accreditation at our Norfolk facility in the coming months which will add further impetus to our export business.

**VALUE ADDING CORPORATE ACTIVITY**

We continue to complement our organic growth drivers with targeted acquisitions and this last year has been particularly busy in terms of corporate activity. We acquired Crown Chicken in April 2016 and this, together with the acquisition of Benson Park in October 2014, represents important strategic progress in developing a meaningful and sustainable presence in the poultry sector. The acquisition of the Ballymena pork processing business in November 2016 has enhanced our core UK pork processing capability and provides us with further supply chain security. In July 2016, we sold our non-core Sandwich business to Greencore plc.

Total reported revenues increased by 23 per cent reflecting the positive contributions from Crown and Ballymena during the year. Both have been successfully integrated and we plan to invest heavily in infrastructure and equipment across the two businesses to add scale and capability and to improve efficiencies.

**STRENGTHENING OUR ASSET BASE**

Corporate activity has been augmented by £47 million of capital investment during the year to add capacity, new capability and drive further operating efficiency gains. The expenditure was spread across our asset base as we continue to successfully grow and develop our business. We have invested more than £230 million in our infrastructure over the last eight years to give us some of the most efficient and well invested production facilities in the UK food manufacturing sector.

**INVESTING IN OUR TALENT POOL**

We continue to invest heavily in our talent programmes. Our graduate development programme is flourishing and we continue to strengthen our talent pool to ensure that we have the capability and depth of resource across the Group to support the growth and development of the business. We are also committed to our apprenticeship programme and now have over 40 apprentices developing skills and gaining experience across all areas of our business.

**A SUSTAINABLE BUSINESS MODEL**

We are committed to protecting our natural environment, reducing the impact of our activities on all our stakeholders and ensuring our resource usage and products are sustainable. We continue to invest in dedicated supply chains in both pork and poultry. This creates a point of difference for our customers and gives them confidence that we have a sustainable business in the longer term.



We recognise that farm animal welfare is of utmost importance to our customers and it is a focal point of our business. We have put considerable effort into improving standards and we are delighted that our commitment has been acknowledged by the 2016 Business Benchmark on Farm Animal Welfare (BBFAW) Report, which elevated us to the highest Tier 1 level. This recognition reflects the hard work and dedication of our technical and agricultural teams. We are committed to the highest welfare standards on our farms and the ongoing quality of our products.

Over the following pages we provide further details of our strategy and the strategic pillars that support it, our progress during the year against our strategic priorities and our future plans.

#### SOLID FOUNDATIONS ON WHICH TO BUILD

We enter the new financial year in excellent shape having added to our asset base, enhanced market positions and successfully integrated our two strategically important acquisitions during the last twelve months. We have further strengthened the solid foundations of our business and we believe we are well placed to continue to deliver sustainable organic growth going forward.

We are committed to creating great food experiences for our customers and consumers. This commitment is underpinned by an unstinting focus on quality and value and a drive to innovate and bring new and exciting products to market. I would like to thank our highly skilled and committed colleagues across the business who drive our business forward and who are the catalyst for our continued long-term growth and successful development.



**Adam Couch**  
Chief Executive

23 May 2017



## OUR STRATEGIC PILLARS

### HIGH QUALITY PRODUCTS

The production of high quality products, which are safely produced in technically and legally compliant facilities, is central to everything we do.

[Read more on page 26.](#)

### OPERATING EXCELLENCE

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

[Read more on page 28.](#)

### SALES GROWTH

Our long-term sales growth strategy is to consolidate existing market positions, develop new products and channels, and grow our international operations and customer base. Organic growth initiatives are complemented by targeted acquisitions.

[Read more on page 30.](#)

### SUSTAINABILITY

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

[Read more on page 32.](#)

[Read more on page 24.](#)

## OUR BUSINESS MODEL

## A RESPONSIBLE AND SUSTAINABLE APPROACH

We have a long track record of increasing sales and profits through a combination of investing in modern, efficient factories, developing a range of quality products and making value added acquisitions.

Supply chain security and integrity is a crucial component of our business model. Robust technical audits and traceability systems

ensure that our products are responsibly and sustainably sourced from suppliers whose values are aligned to our own.

We own pig breeding and rearing operations which supply approximately 16 per cent of our British pig requirements. In addition, we now also own a fully integrated chicken supply chain including a feed milling operation which

also supplies some of our pig breeding units. Our broiler farms now supply a proportion of the British chicken requirements of our premium cooked poultry business, further enhancing our supply chain transparency, security and efficiency.



See Sustainability on pages 32 and 33.

## INPUTS

**INVESTING IN MODERN FACTORIES**

Ensuring that we have sufficient capacity headroom to meet our growth aspirations, that our facilities operate as efficiently as possible and provide a safe and secure working environment for our workforce.

**DEVELOPING QUALITY PRODUCTS**

Our operations are focused on the manufacture and supply of premium food products. We operate primarily in the UK, with a small but increasing proportion of sales being exported.

**VALUE ADDING ACQUISITIONS**

The acquisition of Crown Chicken during the year represents important strategic progress in developing a meaningful presence in the poultry sector over the longer term. The acquisition of Ballymena strengthens our UK pork processing business and provides further supply chain security.

**SKILLED MANAGEMENT AND WORKFORCE**

The business is under the control of stable, experienced and talented operational management teams supported by a skilled workforce.

**STRONG CAPITAL POSITION**

We have a robust balance sheet supported by strong cash generation. During the year we successfully refinanced the Group's banking facility on improved terms.

## DIFFERENTIATORS

**COMMITTED TO TASTE**

We are committed to delivering outstanding food experiences every time.

**BRITISH HERITAGE**

We produce exceptional food by securing the supply chain from farm to fork.

**AUTHENTICALLY MADE**

We use artisanal skills to make great tasting food for everyone to enjoy.

**ENTREPRENEURIAL SPIRIT**

We encourage a culture that allows innovative, commercially focused ideas to flourish.





28%

PROPORTION OF TOTAL UK  
PIGS THAT ARE PROCESSED  
BY CRANSWICK

74%

PROPORTION OF PIGS  
PROCESSED TRAVELLING  
LESS THAN 50 MILES

## ENABLERS

**TECHNICAL**

- Exacting standards
- Exceptional track record
- Forward thinking and progressive



See High Quality  
Products on pages  
26 and 27.

**SUPPLY CHAIN**

- Vertically integrated
- Secure and traceable
- Customer specific breeding



See our Supply  
Chain Model  
on page 20.

**PEOPLE PLAN**

- Personal development plans
- Training and development
- Continuous engagement



See Operating  
Excellence on  
pages 28 and 29.

**INFRASTRUCTURE**

- World class manufacturing facilities
- Unique processes and capabilities
- Market leading innovation



See Operating and  
Financial Review  
on pages 36 to 38.

## VALUE CREATED

**CUSTOMERS**

- Value for money
- Choice
- Provenance

844

NEW PRODUCTS  
LAUNCHED DURING  
THE YEAR

**COMMUNITY**

- Jobs
- Local involvement
- Charitable support

16%

OF THE BRITISH PIGS WE  
PROCESS ARE FROM OUR  
OWN FARMS

**EMPLOYEES**

- Engagement
- Training
- Development opportunities

240

MANAGERS ATTENDED  
BESPOKE MANAGEMENT  
TRAINING COURSES  
DURING THE YEAR

**INVESTORS**

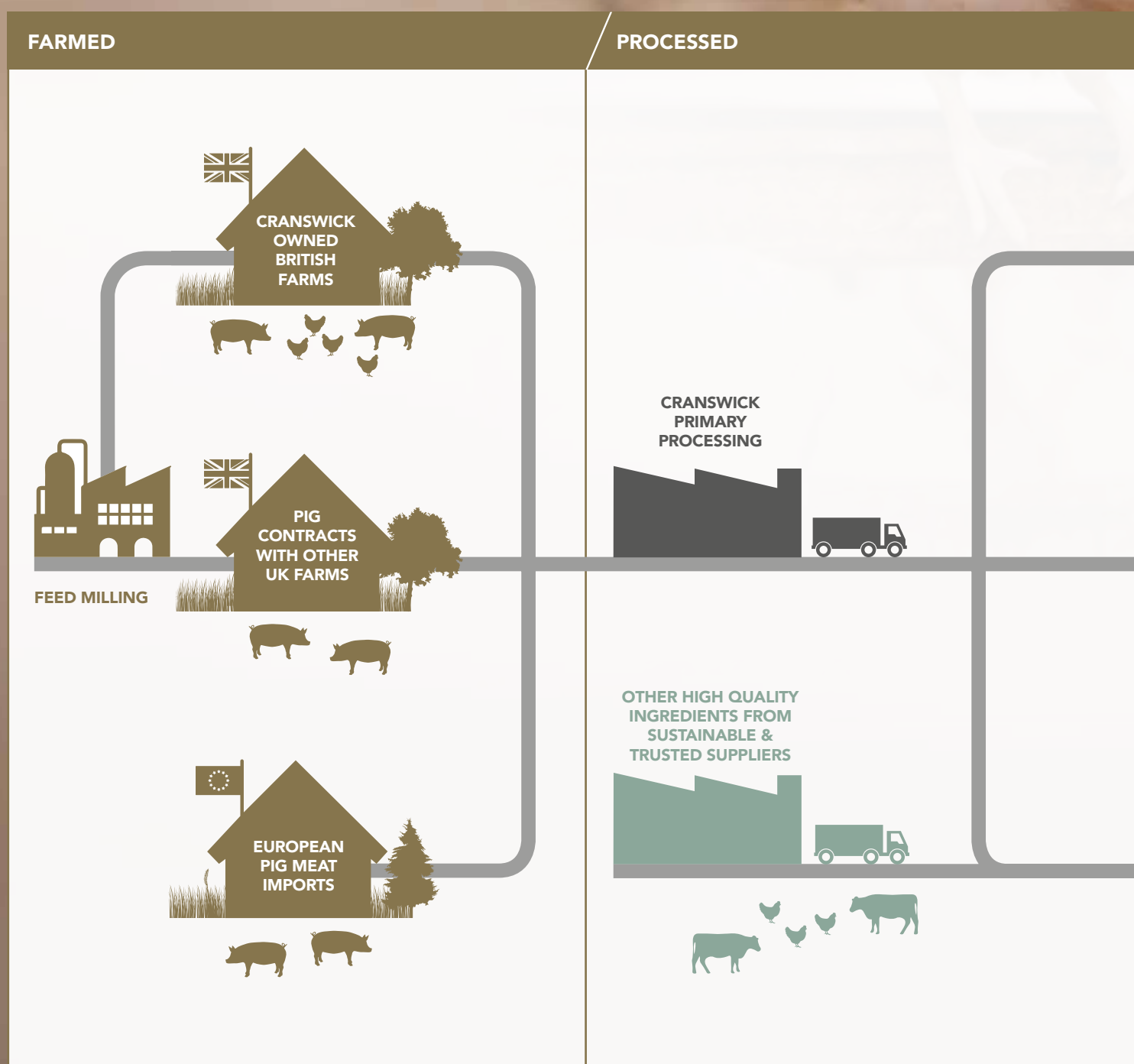
- Dividend growth
- EPS accretion
- Value creation

+17.6%

ADJUSTED EARNINGS  
PER SHARE

## SUSTAINABILITY AND TRACEABILITY ARE AT THE CORE OF WHAT WE DO

THE RECENT BALLYMENA ACQUISITION STRENGTHENS OUR UK PORK PROCESSING BUSINESS AND PROVIDES US WITH GREATER CONTROL OVER OUR SUPPLY CHAIN, ENSURING THAT WE CAN MAINTAIN THE PRODUCTION AND PROCESSING OF HIGH QUALITY, UK FARM ASSURED PIGS WHICH IS CENTRAL TO OUR CUSTOMERS' REQUIREMENTS.

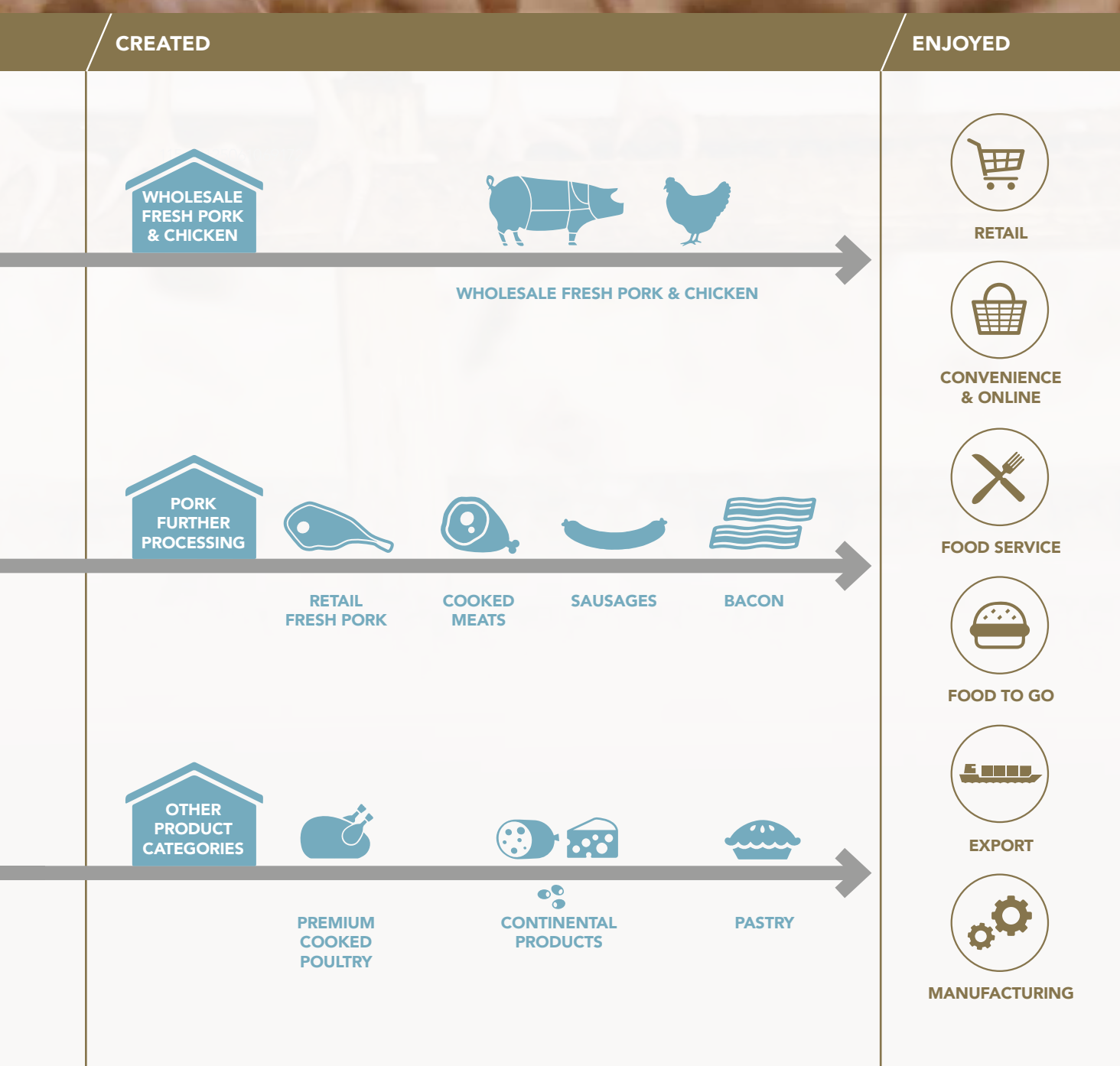




230

SUPPLY CHAIN AUDITS  
CARRIED OUT IN THE YEAR

100%

PROPORTION OF CHICKENS  
PROCESSED TRAVELLING  
LESS THAN 25 MILES

## OUR MARKETS

THE UK FOOD MARKET HAS UNDERGONE SIGNIFICANT CHANGES IN RECENT YEARS. OUR DIVERSE PRODUCT PORTFOLIO, WIDE RANGING CUSTOMER BASE AND EXCELLENT PRODUCT INNOVATION SKILLS ENSURE WE ARE ABLE TO RESPOND TO THESE CHANGES AND DELIVER GREAT TASTING, SUPERIOR QUALITY PRODUCTS OF THE HIGHEST INTEGRITY TO MEET OUR CUSTOMERS' NEEDS.

### RETAIL, CONVENIENCE AND ONLINE



#### TRENDS

- Tight pig meat supply and weaker Sterling driving price inflation
- Growth of the discount retailers slowing with recovery in Big Four supermarkets
- Strategic reduction in promotional activity by retailers
- Consumers demanding quick, easy, healthy and tasty meal solutions

#### OPPORTUNITIES

- Pork and poultry remain competitively priced proteins
- Longer term contracts with agreed pricing structures to secure the supply chain and differentiate through specific pig genetics
- Growing demand for poultry products
- Consumers looking for inspiration from added-value ranges for convenience and 'out of home' meals

### EATING OUT OF HOME



#### TRENDS

- 'Food to go' sector continues to expand
- Growth of 'out of home' breakfast occasions accelerating
- Focus on health and modern meal solutions

#### OPPORTUNITIES

- Global food trends driving growing number of operators and formats
- Increasing demand for quality products across breakfast, lunch and dinner
- Innovative, healthy solutions demanded by consumers

### EXPORT



#### TRENDS

- Strong demand for pork products from Far East markets
- Price premium on UK products
- Demand/supply imbalance across developed markets

#### OPPORTUNITIES

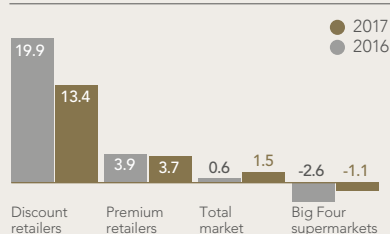
- Weaker Sterling making exports more competitive
- Higher welfare is a key differentiator
- Maximising the value of cuts through global markets



&gt;50%

**CHINA CONSUMPTION OF  
ALL PIG MEAT PRODUCED  
WORLDWIDE****RESPONSE**

- Continued focus on super-premium and premium within our product range
- Acquisition of Ballymena to further secure supply chains and UK pork presence
- Crown Chicken acquisition to extend our presence in the poultry sector and provide supply chain integration
- Developing products that appeal to health conscious convenience shoppers, including 'grab and go' lunchtime products and modern 'mid-week' meal solutions

**Fresh and chilled  
expenditure change yoy %**

Source: Kantar Worldpanel, 52 w/e 27 March 2016 and 26 March 2017

**RESPONSE**

- Recent acquisitions of poultry businesses have extended our coverage within the 'food to go' sector
- Innovative product solutions delivered by our dedicated team of development chefs, including slow cook and sous vide
- Growing range of healthy eating options within our categories

+35%

**GROWTH FORECAST OF  
'FOOD TO GO' MARKET  
BETWEEN 2016 AND 2021**

Source: IGD

**RESPONSE**

- Growing presence in China
- Investment in Norfolk facility to meet USDA food standards
- Ballymena acquisition to drive further export growth

>1.5M TONNES**CHINA PORK IMPORTS  
DURING 2016, MORE THAN  
DOUBLE 2015 FIGURE**

Source: AHDB



## OUR STRATEGIC PROGRESS

### STRATEGIC PILLARS

#### HIGH QUALITY PRODUCTS



The production of high quality products, which are safely produced in technically and legally compliant facilities, is central to everything we do.



See pages 26 and 27.

### PROGRESS DURING THE YEAR

- Our continued focus on super-premium and premium ranges has resulted in business wins across a number of categories in the year.
- Our facilities have continued to undergo exacting technical audits carried out by independent bodies, customers, government authorities and our own compliance teams.
- We have also increased the number of supply chain audits carried out by our technical teams to assure the safety, traceability, quality and provenance of our raw materials.

#### OPERATING EXCELLENCE



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



See pages 28 and 29.

- During the year we have invested £47 million in infrastructure to support future growth and increase efficiency.
- Major upgrades of our Cooked Meats sites at Hull, Barnsley and Milton Keynes were completed in the year, driving efficiencies and volume growth.
- We have boosted our graduate recruitment and apprenticeship schemes and have funded extensive training and development programmes at all levels across the business.

#### SALES GROWTH



Our long-term sales growth strategy is to consolidate existing market positions, develop new products and channels, and grow our international operations and customer base. Organic growth initiatives are complemented by targeted acquisitions.



See pages 30 and 31.

- Total revenue was 22.5 per cent ahead of the prior year, driven by strong volume growth across most product categories.
- Like-for-like revenue was 12.7 per cent higher than prior year, with corresponding volumes up 15.4 per cent as lower year-on-year prices in the first half of the year were offset by inflationary head-winds in the second half.
- Far East export sales were 49.3 per cent higher than prior year, reflecting strong demand from the region and increased output from the Group's primary processing facilities.

#### SUSTAINABILITY



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



See pages 32 and 33.

- We are one of only six food companies globally to be awarded a Tier 1 rating in the Business Benchmark on Farm Animal Welfare (BBFAW) 2016 report.
- We have continued to invest in dedicated supply chains in both pork and poultry which creates a point of difference for our customers and has enabled us to secure long-term supply agreements.
- The acquisition of Ballymena has provided further supply chain security with its strong links to the farming community in Northern Ireland.



See Operating and Financial review on pages 36 to 38.



## KEY PERFORMANCE INDICATORS

**15**

Number of BRC grade As (+7.1%)

**230**

Number of supplier audits (+20.4%)

**19**

Complaints per million units (-20.8%)

**6.1%**

Adjusted operating margin (-29 bps)

**£72.4m**

Free cash flow (-13.2%)

**19.0%**

Return on capital employed (+81 bps)

**£1,145.2m**

Like-for-like revenue (+12.7%)

**£54.6m**

Non-EU export sales (+37.5%)

**£143m**Sales from new products  
(11.5% of total revenue)**0.202 tonnes**Relative carbon footprint – tonnes of  
CO<sub>2</sub>e per tonne sales (-7.8%)**74%**

Pigs travelling less than 50 miles (-10 bps)

**0.52**RIDDOR accidents per 100 employees  
(-21.2%)

## FUTURE PLANS

- We are working closely with our customers to develop innovative premium product solutions to meet the rapidly changing demands of the UK consumer.
- Our Research and Development programme aims to enhance textures and flavours and improve eating quality across our product ranges.
- We are one of the founding members of the Centre for Innovation Excellence in Livestock, a £70 million innovation facility, which aims to transform the productivity of the UK livestock industry.

- We have commenced building a new £25 million facility for our Continental Products business, which is due to be completed by spring 2018, which will provide substantial capacity headroom to grow this part of the business.
- The upgrade of our Norfolk primary processing facility was completed in the year and extensions of our Hull and Ballymena facilities are in progress which will deliver additional capacity and efficiencies.
- The introduction of the new Government Apprenticeship Levy Scheme will enable us to offer additional apprenticeship opportunities across all areas of our business.

- We continue to develop products that appeal to the growing convenience sector, including 'grab and go' lunchtime products and modern 'mid-week' meal solutions.
- We are exploring opportunities to leverage relationships with our key retail customers to drive growth within our poultry operations.
- The acquisition of Ballymena provides the opportunity to drive growth in our core pork-based categories and increase export revenue.

- We aim to maintain our Tier 1 rating in the BBFAW report, the highest grading awarded to any company in the meat production sector.
- We remain focused on meeting our commitment to reduce our carbon footprint, with further investment in energy reduction technologies.
- We will provide ongoing Health & Safety training to continue to improve standards, and aim to further reduce the number of reportable accidents.

## PRINCIPAL RISKS

Food scares and product contamination

Disease and infection within livestock

Business continuity

Interest rate, currency, liquidity and credit risk

Business acquisitions

IT systems and cyber security

Consumer demand

Reliance on key customers and exports

Competitor activity

Recruitment and retention of workforce

Pig meat – availability and price

Health &amp; Safety

## HIGH QUALITY PRODUCTS



WE ASPIRE TO BE THE MANUFACTURER OF CHOICE FOR OUR CUSTOMERS; RENOWNED FOR PRODUCT QUALITY AND INNOVATION, TECHNICAL INTEGRITY, COMPLIANCE, FOOD SAFETY AND ANIMAL WELFARE.

Our production facilities are some of the best invested and most efficient in the UK and include the most modern and efficient pig processing facility in the country.

It is the combination of our people, facilities, approach and policies, and customer focus that enable us to remain the key supplier and category champion to a large number of UK and international clients as well as being a preferred partner on key technical initiatives and projects.

### PRODUCT QUALITY AND INNOVATION

We have a clear strategic focus on positioning ourselves in the premium and super-premium tiers of our product categories and this continues to underpin the success of the business. We work closely with our customers to develop premium product solutions to meet the changing demands of the UK consumer.

We have dedicated teams exploring consumer trends and food innovation opportunities across the globe. We constantly research and test new recipes and ideas allowing us to deliver unique product offerings to our customers with enhanced flavours and improved eating quality. See pages 8 and 12 for further details.

### MEETING EXTERNAL STANDARDS

Our facilities undergo exacting technical audits carried out by independent auditing bodies, customers, government authorities and our own technical compliance teams. During the year we hosted 486 separate external compliance audits and associated technical inspections, many of which were unannounced, and we are pleased to report that over 95 per cent of those audits were completed to the full satisfaction of our customers and other business stakeholders.

We recently celebrated our 126th consecutive Grade A or better rating against the British Retail Consortium (BRC) Global Standard for Food Safety. This record of technical excellence stretches back to 2005 and is one which we believe to be sector leading. All our manufacturing sites have elected to have their BRC audits carried out unannounced.

Many of our pork products fully comply with the Red Tractor Assurance Scheme and the British Meat Processors Association (BMPA) Pork and Pork Meat Product standards. This compliance gives consumers the confidence that our products are produced within an assured supply chain; to specified standards; and traceable all the way back to British Red Tractor assured farms.

Compliance integrity is challenged by third party announced and unannounced audits which incorporate traceability, mass balance and isotope provenance testing to confirm origin. We also produce organic products that are subject to an in-depth traceability review carried out by independent auditors working on behalf of The Soil Association.

In the year under review our Group Technical Compliance team completed 642 separate internal compliance audits against the BRC standard, retailer policy, Hazard and Critical Control Point (HACCP), hygiene inspections, and ethical standards. This programme is not only there to identify non-compliance but is also a means to proactively highlight best practice and shared learning across the Group which is a fundamental building block of the continuous improvement that underpins our robust technical performance.

Our long-term commitment to quality and compliance has resulted in the level of customer complaints falling during the year, and this continues to be closely monitored.

### RESPONSIBLE SUPPLY CHAIN

#### Ensuring responsible purchasing

We are committed to ensuring the integrity and traceability of raw materials, including the meat, ingredients and packaging we use in the manufacture of our products. 695 raw material suppliers and 5,847 products and associated specifications are approved and controlled centrally by Group Technical Services (GTS). Suppliers are approved either by an independent third party audit, such as the BRC Global Standard for Food Safety, or by audits carried out by members of our GTS team. Our expectations of our suppliers are clearly laid out in our Technical Conditions of Supply and our audit frequency is based on risk assessment, supply chain threat analysis, horizon scanning for known or emerging risks and previous supply record. In the last twelve months we carried out 230 supply chain audits to assure the safety, traceability, quality and provenance of the raw materials we use within our business.

We are addressing the wider challenges associated with preventing DNA cross-contamination during the manufacture of single species products in multi-species factories and we have been proactive in supporting the BMPA and the Food Standards Agency (FSA) in their work with industry stakeholders. We have an extensive risk-based DNA screening programme for raw materials used and finished products produced by our business. In the last year we spent more than £2 million on the laboratory screening of our products and raw materials to ensure compliance, provenance and safety.

#### Maintaining the highest ethical standards

We monitor ethical standards with our sites undergoing unannounced SEDEX Members Ethical Trade Audits (SMETA) every other year supported by our own ethical verification audits. We are AB (buyer/supplier) members of SEDEX (Supplier Ethical Data Exchange) and are currently working with our suppliers to register them with SEDEX so their ethical data is visible to us enabling us to drive ethical standards within our supply chain.



Key Sustainability Performance Indicator	Performance in 2015/16	Performance in 2016/17	Target in 2017/18
Complaints per million units sold	24	19	Maintain the downward trend
Number of suppliers linked to SEDEX	294	407	Continue the upward trend
Benchmark on Farm Animal Welfare	Tier 2	Tier 1	Maintain Tier 1

We take a leadership role within the wider industry with our Group Technical Director being an active member of the BMPA Council and Chairman of the technical committee responsible for the development of the BMPA Pork Schemes which are the assurance, traceability and product quality standards that sit behind the Red Tractor logo displayed on pork and pork meat products. Our Group Technical Compliance Controller represents the BMPA on the BRC working group responsible for the development of the BRC Global Food Standard.

#### Animal welfare

Many of the pigs supplied to us are reared to higher welfare standards associated with outdoor bred or outdoor reared production methods. Approximately 30 per cent of those processed by our Hull primary processing facility and 70 per cent at our Norfolk facility are reared to the exacting requirements of the RSPCA Freedom Foods welfare standard. The balance of pigs processed are reared indoors in full compliance with the Red Tractor/BMPA Quality Assured Pork (BQAP) welfare standards. All of our chickens are reared indoors in full compliance with the Red Tractor welfare standards.

The 2016 Business Benchmark on Farm Animal Welfare (BBFAW) report provides an account of how animal welfare is being managed by leading food companies around the world. The development of the Benchmark is funded by Compassion in World Farming and World Animal Protection and is a global measure of food businesses' commitment to animal welfare. Now in its third year the benchmark has continued to evolve and challenge the industry's commitment to animal welfare. We are therefore proud to be one of only six companies worldwide to have achieved the highest Tier 1 status, which endorses our commitment to animal welfare.

During the year, our Hull and Norfolk primary processing sites collectively processed an average of 48,500 pigs per week (up 4.7 per cent on the previous year). In addition, our Ballymena site has processed 8,000 pigs per week since acquisition. These facilities are key suppliers of pork to a number of our further processing businesses as well as third party food manufacturers.

They are strategically placed in three of the UK's largest pig breeding and rearing regions. Close supply chain proximity ensures that animal transportation times from farm to processing facility are minimised with resulting welfare and food mile reduction benefits.

Our agricultural team is working with several retailer specific pig producer groups on rearing systems, breed development, welfare, sustainability, environment and ethical standards. Projects include:

- collaborating with Bishop Burton Agricultural College on animal behaviour and welfare;
- researching links between animal feed and pork eating quality; and
- developing industry best practice guidance on the use of antibiotics.

During the year, Crown's Weybread poultry site processed an average of 500,000 birds per week (up 7 per cent on the previous year). The site is a key supplier of chicken to our Hull cooked poultry site and third party retail and wholesale customers. Fully integrated supply chain proximity ensures that animal transportation times from farm to processing facility are minimised, with all broiler farms within 25 miles of the processing facility. All of the chickens we process come from our own farms.

The map below provides an overview of farm locations and distances travelled by pigs and chickens from those farms to our processing sites:



## OPERATING EXCELLENCE



OUR COMMITMENT TO OPERATING EXCELLENCE IS UNDERPINNED BY OUR CONTINUED LONG-TERM INVESTMENT IN OUR INFRASTRUCTURE, OUR PRODUCTION PROCESSES AND OUR PEOPLE.

### INVESTING IN OUR INFRASTRUCTURE

During the year, the Group has invested £47 million in state-of-the-art equipment to support long-term future growth, introduce new capabilities and drive further operating efficiency gains. This commitment to ongoing investment over many years is reflected in the quality of our production facilities which are some of the most efficient and well invested in the sectors in which we operate. It ensures that we have sufficient capacity headroom to meet our growth aspirations and that we provide a safe and secure working environment for our workforce.

The expenditure in the year was spread across our asset base as we continue to successfully grow and develop all of our businesses and we have now invested in excess of £230 million in our infrastructure over the last eight years. For further information about capital projects delivered during the year see the Operating and Financial Review on pages 36 to 38.

### DEVELOPING OUR PEOPLE

Our Human Resources (HR) strategy is incorporated into our Sustainability policy and overall strategic plan to underpin our vision and purpose. We aspire for our people to be the best and we are committed to inspiring and developing a multi-skilled and motivated workforce. The HR strategy includes sustainability initiatives for attracting and retaining talented individuals who have key skills which are vital to the delivery of our long-term business goals. We encourage our employees to express their views via Works Councils or Union membership. Employees have a worker representative, who may be a union representative, to air their views on internal committees. We want our employees to feel valued and we view them as critical stakeholders in our business. We have a training and development strategy delivering workforce capabilities, skills and competencies through its apprenticeship scheme, graduate development programme and management training courses. Succession planning is actively managed and employees are given career opportunities which support staff retention and a sustainable and stable business.

### Attracting and developing talent Graduate development

Our graduate recruitment scheme remains a key focus for us and in 2016 this was broadened to allow current employees to join the scheme to develop our existing talent pool at this level. The number of applications for the scheme has doubled as we attended 16 University Recruitment Fairs across the UK. Further details can be found on page 14.

### Apprentices

We now have over 40 apprentices within the business ranging from butchery, engineering and planning to finance, technical and administration. These programmes will enable apprentices to gain cross-functional skills that will be positively recognised across the industry. One of our engineering apprentices won the Humberside Engineering Training Association (HETA) Apprentice of the Year Award and we are running a partnership with Thomas Danby College in Leeds to deliver a bespoke butchery training apprenticeship for individuals over the next year.



# £47m

INVESTED ACROSS  
OUR ASSET BASE

Cranswick Country Foods – Norfolk.



We are dedicated to delivering the benefits of the Apprenticeship Levy back in to the employee base of the group. Each site has carried out a skills gap analysis to understand where the training requirements are and will then match apprenticeships to these areas.

### Learning and development

The training and development of our teams is a vital contributing factor to the continued progression of the business and plays a critical part in succession planning ensuring we have the necessary skills set in place for the future. This is measured and regulated via an alignment to our appraisal system which feeds in to the development dashboards created across the business to identify where there are learning and succession gaps and how these will be filled over the designated period of time.

In 2016 we trained 240 middle and senior level managers on bespoke management courses which enabled them to understand their own management style, how this impacted on others and the skills set they needed to implement in order to make them managers of the future. In 2017 we will introduce a similarly created talent programme for our directors in waiting and all current Board Directors have the benefit of using a personal coach to develop their existing skills.

Providing appropriate training to all employees is key to the success of our Group Health & Safety standards. All new employees undertake a Health & Safety induction course including fire safety, manual handling, task and machinery training in their working environment. We also provide ongoing Health & Safety training throughout employment. All of our employees and agency staff are task trained to safe systems of work for any equipment or task they work on. We have suitable systems for communicating Health & Safety and training for our non-English speaking workforce.

### A diverse and integrated workforce

Encouraging the principles of equality and diversity is key to the successful and inclusive culture that lies at the heart of our business. All employment decisions, including recruitment and internal promotions, are based on merit, qualification and abilities and are not influenced or affected by an individual's race, colour, nationality, religion, gender, marital status, family status, sexual orientation, disability or age. We have recruited over 2,000 individuals in to the business over the last year and will continue to develop our business model to recruit more permanent members of the workforce as part of our commitment to ensuring

stability for all of our employees regardless of nationality. We currently employ more than 9,000 staff of whom more than 6,000 are permanent workers, encompassing over 50 nationalities.

In 2016, we were among the first businesses to issue a statement on the Modern Slavery Act and our commitment to the protection of vulnerable workers continues throughout our supply chain. All members of our HR teams have attended a workshop on Modern Slavery and Human Trafficking within the Supply Chain led by the Association of Labour Providers.

We recognise the benefits of diversity and our diversity policy provides equality and fairness. There are no differences in the pay structure for males and females performing the same or similar roles.

Further details of our diversity policy are shown in the Nomination Committee report on pages 60 and 61.

### Keeping our people healthy and safe

We comply with all relevant Health & Safety standards and regulations, and adopt industry best practice across all our sites. Our Group Health & Safety team implements and monitors new initiatives to maintain excellent standards. The Board reviews quarterly accident and claims statistics. We review monthly accident statistics using an industry leading web-based recording system which allows analysis of each accident and monitors control measures introduced to prevent recurrence. The system includes a tracker to ensure all required actions are completed in the required time period.

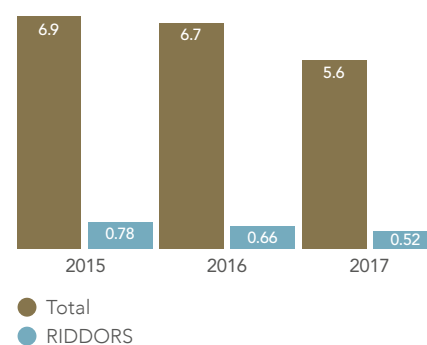
Our Group Health & Safety team is led by the Group Health & Safety Manager with the assistance of two Group Health & Safety Coordinators who work under the guidance of our Group Compliance Manager. All our sites have a dedicated Health & Safety Manager to provide the highest standards of Health & Safety management. All our Health & Safety employees hold the appropriate National Examination Board in Occupational Safety and Health (NEBOSH) qualification.

With the increasing complexity of equipment and legislation surrounding its design and use, our engineering teams have been trained in machinery safety and any new machinery will not be used unless it complies with the latest Certificate of Conformity (CEE) regulations and has undertaken an assessment in line with the Provision & Use of Work Equipment Regulations (PUWER).

Annual internal Health & Safety audits are carried out to measure the Health & Safety standards at each of our sites to confirm they achieve the required standard and provide an action plan for the following twelve months. In 2016/17 we continued to improve Health & Safety standards and reduce accident frequency. The behavioural safety of employees is key to this and we have developed a behavioural safety system which highlights our workers' attitude to risk and hazard. Behaviour modification is crucial to reducing unsafe acts and with encouraging positive reinforcement to staff we have seen accident rates decrease during the year and expect this trend to continue. This led to a 37 per cent reduction in claims.

The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDORS) was lower than the previous year. The RIDDORS incident ratio (accident against number of employees) reduced by 21 per cent compared to 2016. The total number of recorded accidents per 100 employees in 2017 was 16 per cent lower than in 2016.

### Accidents per 100 Employees



## SALES GROWTH



OUR LONG-TERM GROWTH STRATEGY IS TO CONSOLIDATE EXISTING MARKET POSITIONS, DEVELOP NEW PRODUCTS AND CHANNELS IN OUR CORE UK MARKET AND GROW OUR INTERNATIONAL OPERATIONS AND CUSTOMER BASE.

### DELIVERING ON OUR GROWTH STRATEGY

We will implement our sales growth strategy by focusing primarily on the growing quality end of the market in which we operate and by establishing meaningful and long-lasting relationships with our customers. This action is underpinned by a drive to innovate and deliver outstanding product quality and customer service levels.

### DRIVING THE CORE

#### CONSOLIDATION OF EXISTING MARKET POSITIONS

Around three quarters of our revenues come from our retail customers with whom we continue to gain market share. In recent years, provenance, food quality and animal welfare have become increasingly important for our customers and consumers.

We have, for many years, invested heavily in our infrastructure and this year we spent a record £47 million across our estate to support future growth. This expenditure ensures that our facilities are some of the most efficient and safe in the UK food

manufacturing sector and, along with investment in our vertically integrated supply chains, underpins our core category growth strategy and supports the development of sustainable long-term contracts with our key retail customers.

We continue to differentiate our core offering through our focus on developing innovative, premium products which remain relevant to our customers and consumers. This approach enables us to sustain meaningful top-line growth.

### EXPANDING OUR OFFER

#### DEVELOPING NEW PRODUCTS AND CHANNELS

Our recent move into the fast growing premium fresh and cooked poultry market has enabled us to further diversify our product range and customer base.

Following our acquisition of Crown Chicken during the year we can now offer our customers a fully integrated and encapsulated British chicken supply chain for both fresh and cooked products.

The acquisition of Benson Park in October 2014 initially gave us access to the fast-growing 'food to go' and Quick Service Restaurant (QSR) market.

Following completion of a £9 million investment programme at our Hull facility and the acquisition

of Crown, we now have the capacity and capability to offer premium cooked poultry, sourced from our own internal supply chain, to our principal retail customers.

We have also invested in 'sous vide' cooking technology across our Convenience business to enable us to develop a range of products ideally suited to the rapidly developing 'ready to cook' and convenience market.

We also continue to expand our range of premium pastry products produced in our state-of-the-art facility in Malton, North Yorkshire.

### SEEKING NEW OPPORTUNITIES

#### GROWING OUR INTERNATIONAL OPERATIONS AND CUSTOMER BASE

We continue to make positive progress in developing our export trade. We now export to a number of countries in the Far East, albeit China, the world's largest pork producer and consumer, remains our most important market.

We now ship over 1,000 tonnes of product to the Far East each week and we account for over 50 per cent of all pig meat exports from the UK to this part of the world.

We continue to supply baby back ribs from our Hull facility, which is United States Department of Agriculture (USDA) approved, into the US market.



12.7%

**LIKE-FOR-LIKE REVENUE  
INCREASE FROM CONTINUING  
OPERATIONS**

49.3%

**INCREASE IN FAR EAST  
EXPORT REVENUE**

### PERFORMANCE DURING THE YEAR

Delivered like-for-like revenue growth of 12.7 per cent reflecting strong progress in our core markets.

Secured new online food retail business and further developed our 'food to go' offering.

Further developed our export trade, particularly into high growth Far Eastern markets.

- We made further progress during the year in consolidating our existing market positions by securing new business with our key retail customers. This business was spread across our product categories, but focused most strongly in our Convenience and Gourmet ranges.
- We continue to invest heavily in new product development, delivering innovative premium products to ensure they stay relevant to the rapidly evolving markets in which we operate.
- 11.5 per cent of revenues in the year were attributable to new product launches.

- We have delivered strong growth in our premium cooked poultry business and secured new retail listings.
- Our Convenience business has secured new listings for its recently developed 'slow cook' and 'sous vide' ranges.
- Our premium pastry business secured new business with a large national 'food to go' customer.

- We grew total export revenue by 38.4 per cent during the year.
- Far East revenue increased by 49.3 per cent, supported by strong pork prices in China.
- We lifted exports to our more traditional EU markets, helped by stronger European prices and the fall in value of Sterling.

### FUTURE OPPORTUNITIES

We will explore further growth opportunities by: continuing to leverage our strong customer relationships; identifying new routes to market; developing new products; expanding into adjacent tiers in our existing category portfolio; and broadening our reach in international markets.

We will continue to drive growth through gaining market share in existing tiers, moving into adjacent tiers and through building capacity in our facilities and our supply chain.

The addition of a third primary processing facility in Ballymena, Northern Ireland during the year helps give us the capability to deliver against our ambitious long-term growth aspirations.

Our new Continental Products facility in North Manchester, which is due to be commissioned in the spring of 2018, will provide substantial capacity headroom for this part of our business.

We will continue to leverage our existing retail relationships to grow our poultry business.

We will also continue to invest heavily in research and development and product innovation to drive growth in new channels and product categories.

We continue to explore new markets and develop new products with which to access both new and existing export markets.

The recent Ballymena acquisition not only adds scale to our UK pork business but also provides more product for our international export trade.

Substantial investment at our Norfolk site supports our objective of securing USDA accreditation for the facility.

# SUSTAINABILITY



OUR APPROACH TO SUSTAINABILITY IS ALIGNED WITH OUR BUSINESS MODEL AND STRATEGY. WE BELIEVE THAT A COMMITTED APPROACH TO ALL ASPECTS OF SUSTAINABILITY WILL BENEFIT OUR STAKEHOLDERS AND STRENGTHEN OUR BUSINESS, FACILITATING FUTURE GROWTH.

Our Sustainability Policy is clearly linked to our strategy, guiding principles, KPI reporting and risk management framework. Our Sustainability Group meets at least four times a year chaired by the Group Finance Director with representation from each of the key functions of Human Resources, Health & Safety, Environmental and Technical.

## OUR SUSTAINABILITY PRIORITIES

Our sustainability priorities are to:

- manufacture great quality food which is safely produced in technically and legally compliant facilities, prioritising food provenance;
- drive research and development innovation through excellence in food science and food sector technology;
- engage with industry stakeholders to remain at the forefront of legislative, food safety, agribusiness and other technological developments which may have an impact on our business; and
- operate our business in a sustainable way with measurable KPIs in place to manage its impact on the environment.

## ENGAGING WITH OUR STAKEHOLDERS

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

Our stakeholders:

- customers and consumers – requiring great quality food;
- producers and suppliers – providing us with raw materials that are approved to our quality standards;
- people – keeping our employees healthy, safe and motivated;

- environment – using our resources in an environmentally friendly and sustainable way;
- communities – being responsible to the communities in which we operate; and
- Shareholders – providing value in their investment and confidence in how we operate.

## SUPPLY CHAIN SECURITY

We have continued to invest in dedicated supply chains in both pork and poultry. This creates a point of difference for retailers and has enabled us to secure long-term supply agreements with them, which provide confidence that we have a sustainable business in the longer term. The acquisition of Ballymena during the year has provided further supply chain security with its strong links to the farming community in Northern Ireland. Further details on our supply chain and our focus on animal welfare and ethical standards can be found on pages 26 and 27.

## ENVIRONMENT

We are committed to protecting our natural environment, reducing the impact of our activities on all our stakeholders and ensuring our resource usage and products are sustainable.

Our leading approach to environmental management was recognised at the 2017 Made in Yorkshire Awards where we won the Green Manufacturer Award.

## Environmental management

Our sites are committed to helping meet our sustainability goals and have developed plans and programmes to ensure we do so. All of our significant facilities are accredited to the ISO14001 Environmental Management Standard.

## Carbon footprint and Greenhouse Gas (GHG) emissions

We measure our carbon footprint (all Scope 1, Scope 2 and our significant Scope 3 emissions) using the UK Government GHG Conversion Factors and use this as the overall measurement of our environmental performance.

Our long-term target of reducing our relative carbon footprint by 30 per cent by 2020 (against our 2010 baseline) has been met three years early. Success has been driven by good energy performance, reduction in GHG emissions and strong production efficiencies. Despite continued growth of 15 per cent in like-for-like sales volumes, we have achieved a 13.1 per cent reduction in our like-for-like absolute carbon footprint. The relative carbon footprint has also reduced by 7.8 per cent to 0.202 tonnes of CO<sub>2</sub>e per tonne of sales.

We continue to replace our conventional high Global Warming Potential (GWP) refrigeration systems with less damaging alternatives in line with our plan to replace all our high GWP F-Gas systems by 2020. This will further enhance and sustain our carbon reduction performance.

We acknowledge the requirement to disclose greenhouse gas emissions separately in the following categories:

Emissions in tonnes of carbon dioxide from:

- combustion of fuel and operation of facilities; and
- purchase of electricity, heat, steam and cooling.

It is impracticable for us to distinguish between the two categories due to the nature of our operations; however, the majority of emissions come from electricity and gas, which are monitored.

We recognise the significance of GHG emissions from animals. We are working with industry peers and the scientific community to identify a means of reliably quantifying and further understanding the impact.

## Energy

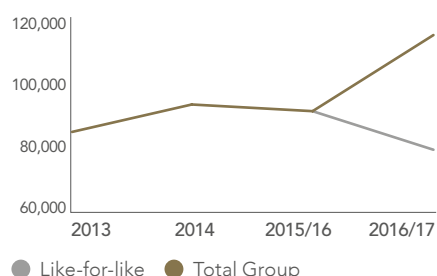
Our energy use and the reduction of the energy footprint of our products remains a high priority. We recognise that reductions in energy intensity bring significant financial and environmental benefits.

We have continued to invest in our energy infrastructure and the efficiency of production processes, as well as nurturing energy awareness with all our colleagues. This has

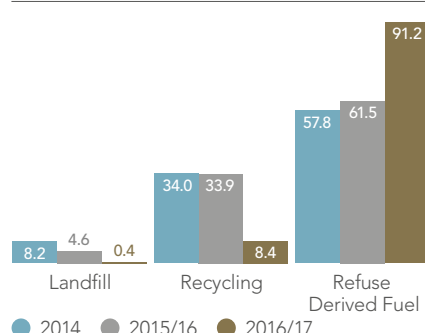
Key Performance Indicator	Performance in		Target 2017/18
	2015/16	2016/17	
Relative carbon footprint – Tonnes CO <sub>2</sub> e/Tonnes sales	0.219	0.202	reduce by 5%
Energy intensity – kWh/Tonnes sales	473	477	reduce by 5%
Waste to landfill – Tonnes	639	222	reduce to zero by end of 2017/18
Water intensity – cubic metres/Tonnes sales	2.59	2.73	reduce by 5%



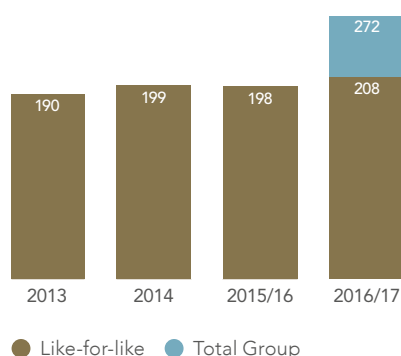
## Absolute Carbon Footprint (Tonnes CO<sub>2</sub>e)



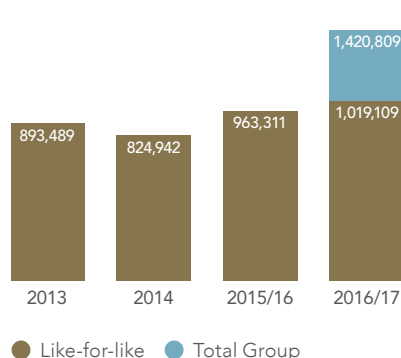
## Waste Disposal Routes (%)



## Absolute Energy Use (kWh million)



## Absolute Water Use (m<sup>3</sup>)



resulted in our continued accreditation to the ISO50001 Energy Management standard across the Group.

Our recent acquisitions and the major redevelopment of our Norfolk facility have had a small impact on overall energy performance this year, increasing our overall intensity by 0.8 per cent. This will be targeted for improvement in the coming year as we embed ISO50001 Energy Management System into our newly acquired sites.

### Waste disposal

We continue to make significant progress in reducing the impact of waste throughout the Group. Through our long-term partnership with Biffa/IRM and our ongoing engagement programmes we have reduced our landfill impact from the last financial year by 65 per cent and continue to be on track for our target of zero waste to landfill for the entire group by the end of 2017/18.

To further increase our alignment with the needs of our key stakeholders and our environmental strategy, we recognise the need to continue reducing food waste throughout our products' lifecycle and to continue to seek innovative ways to increase our recycling/re-use in a sustainable fashion.

### Water use

Water use in food manufacturing will always be high, driven primarily by the need to provide production facilities with the highest standards of hygiene and its importance in many of our processes. The need for sound water management and control of emissions continues to rise. We recognise that water is a resource with high strategic importance and so continue to use it efficiently and responsibly.

Our sites use technology to monitor usage closely and ensure our emissions do not place a disproportionate burden on local infrastructure. In line with our resource usage principles, we seek out and employ efficient technologies, as well as running staff engagement programmes to ensure our performance remains in line with best-in-class benchmarks. Our recent acquisitions have had an impact on our water usage, increasing our relative consumption by 5.4 per cent. This is primarily due to the higher water requirement in poultry farming and processing.

### SOCIAL INVESTMENT

#### Community engagement

As one of our commitments to sustainability, we continue to support both local and national communities who share links to us through our values and sustainable business strategy. We are one of the largest employers in the East Riding of Yorkshire and take a

proactive approach to engaging with the wider community, demonstrated through our role as City Partner to Hull UK City of Culture 2017 alongside our three year partnership with Hull Freedom Festival. Both events are designed to showcase the talent and cultural diversity within Hull and raise the profile of the city both locally and internationally. The business provides significant social, economic and environmental benefits to the city and we will utilise our position as City Partner to engage with the wider community through an inspiring programme of arts, culture and heritage, reaching out to diverse audiences, on both a local and international scale.

As well as sponsorship, we actively interact and engage with local communities during the festival through our own street food stall and informative event spaces.

We believe culture and arts have a positive transformational impact on audiences and we will be encouraging our employees to get involved with various opportunities including events, competitions, activities and volunteer programmes in alignment with our commitment to Hull 2017 to further reinforce our positive impact within the community.

We are also a key partner of 'For Entrepreneurs Only'; a community interest company which helps entrepreneurs of all ages to start and grow their businesses with the aim of creating wealth and jobs in the Hull and Humber region.

We work with local schools, colleges and universities across all business areas and this includes industry mentoring, attendance at interview workshops and raising awareness of the food industry at events such as the Flavours Food Festival and university seminars.

We support a number of local charities which have particular relevance to site employees and have been nominated through a voting system. Charities include a mix of local and national organisations such as Bluebell Children's Hospice, the Yorkshire Air Ambulance, Macmillan Cancer Support and Life for a Kid. In 2016, we joined 'More Together', a charity project which will encourage the entire Group to raise money for site nominated charities, along with several other businesses based in the East Yorkshire region. The project will encourage employees to participate in various physical challenges such as the Yorkshire Three Peaks, Total Warrior and the Humber Bridge Family Fun Walk in the upcoming summer months. This is an opportunity for employees across various functions and sites to raise money for charitable causes together.

## OUR KPIs

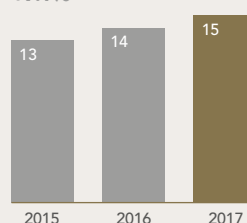
# WE MONITOR PERFORMANCE AGAINST OUR STRATEGIC OBJECTIVES THROUGH THE FOLLOWING KEY PERFORMANCE INDICATORS

## HIGH QUALITY PRODUCTS



The production of high quality products, which are safely produced in technically and legally compliant facilities, underpins everything we do.

### NUMBER OF BRC GRADE A RATINGS +7.1%



#### Definition

The number of Grade A ratings awarded during the year by the British Retail Consortium (BRC) against its Global Standard for Food Safety.

#### Comments

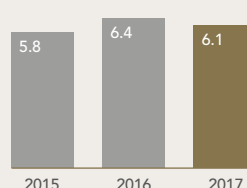
The number of Grade A ratings has increased following the acquisitions and the Group's long-standing commitment to technical excellence.

## OPERATING EXCELLENCE



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

### ADJUSTED OPERATING MARGIN (%) -29 BPS



#### Definition

Adjusted operating profit as a percentage of sales revenue.

#### Comments

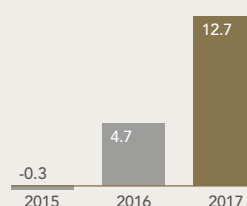
Adjusted operating margin reduced by 29 basis points to 6.1 per cent reflecting raw material price inflation offsetting volume growth, operational efficiencies and the positive contribution from acquisitions.

## SALES GROWTH



Our long-term sales growth strategy is to consolidate existing market positions, develop new products and channels, and grow our international operations and customer base. Organic growth initiatives are complemented by targeted acquisitions.

### LIKE-FOR-LIKE REVENUE GROWTH (%) +12.7%



#### Definition

The year-on-year increase in sales revenue excluding the contribution from acquisitions.

#### Comments

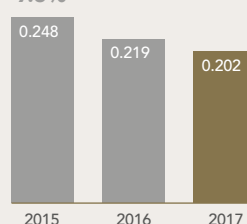
Revenue growth reflects significant business wins driving strong like-for-like volume growth of 15.4 per cent.

## SUSTAINABILITY



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

### RELATIVE CARBON FOOTPRINT -7.8%



#### Definition

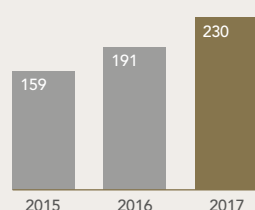
Tonnes of carbon dioxide equivalent per tonne of sales.

#### Comments

We committed to reducing our carbon footprint by 30 per cent by 2020 (against our 2010 baseline) and have now met this target three years early.

### NUMBER OF SUPPLIER AUDITS

+20.4%



#### Definition

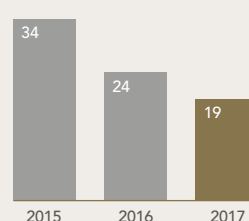
The number of supply chain audits carried out in the last twelve months by the Cranswick Technical Services team to ensure the safety, traceability and quality of raw materials used.

#### Comments

Significant effort has been made in the current year to ensure supply chain integrity.

### NUMBER OF COMPLAINTS PER MILLION UNITS

-20.8%



#### Definition

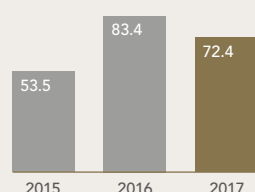
The number of units for which complaints have been made by customers per million units sold.

#### Comments

Our long-term commitment to quality has resulted in a further reduction in the number of customer complaints in the current year.

### FREE CASH FLOW (£'M)

-13.2%



#### Definition

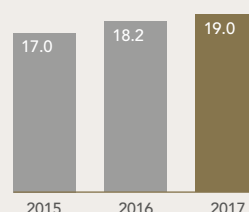
The level of cash generated from operations less tax and net interest payable.

#### Comments

Higher operating profit was offset by an increase in working capital reflecting the growth of the business and the impact of acquisitions.

### RETURN ON CAPITAL EMPLOYED (%)

+81 BPS



#### Definition

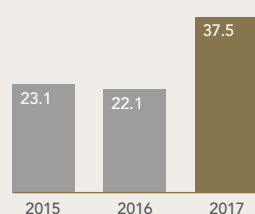
Adjusted operating profit divided by the sum of the average of opening and closing net assets, net (debt)/funds, pension liabilities and deferred tax.

#### Comments

Return on capital employed improved as we continued to see the benefit of the ongoing investment in our asset base to provide additional capacity and drive efficiencies.

### NON-EU EXPORT SALES GROWTH (%)

+37.5%



#### Definition

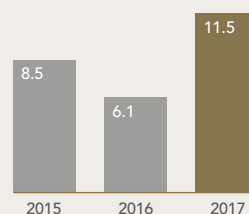
The year-on-year increase in sales made to non-EU customers including sales made to non-EU markets through UK-based meat trading agents.

#### Comments

Non-EU export sales have continued to grow strongly, driven by robust demand for pork products in Far Eastern markets together with higher prices.

### SALES FROM NEW PRODUCTS (%)

11.5% OF TOTAL REVENUE



#### Definition

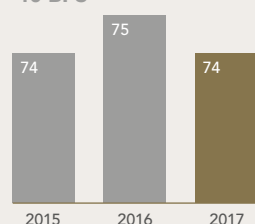
The percentage of total revenue derived from new products launched during their first six months of sale.

#### Comments

Significant business wins and our ongoing commitment to innovation to support strong relationships with our major retail customers saw new products account for over £143 million of sales in the current year.

### PIGS TRAVELLING LESS THAN 50 MILES (%)

-10 BPS



#### Definition

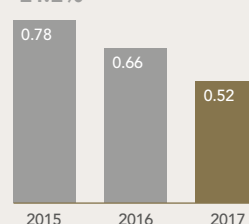
The percentage of pigs processed at our three facilities that have travelled less than fifty miles from the farm.

#### Comments

The majority of pigs processed continue to be sourced locally with resulting welfare benefits.

### NO. OF RIDDOR ACCIDENTS PER 100 EMPLOYEES

-21.2%



#### Definition

The number of accidents reportable to the Health & Safety Executive per 100 employees.

#### Comments

The development of our behavioural safety system has resulted in a reduction in the accident rate.



## OPERATING AND FINANCIAL REVIEW

# WE HAVE DELIVERED ANOTHER EXCELLENT YEAR OF GROWTH

REPORTED REVENUE INCREASED BY 23 PER CENT AND ADJUSTED PROFIT BEFORE TAX GREW BY 17 PER CENT.

## OPERATING REVIEW

## REVENUE AND ADJUSTED OPERATING PROFIT

	2017	2016	Change
Revenue	<b>£1,245.1m</b>	£1,016.3m	+22.5%
Adjusted Group operating profit (Note 31)	<b>£76.1m</b>	£65.1m	+17.0%
Adjusted Group operating margin	<b>6.1%</b>	6.4%	-29 bps

## REVENUE

Reported revenue from continuing operations increased by 22.5 per cent to £1,245.1 million. Growth was driven by a strong performance from each of our categories and reflected positive contributions from the Crown Chicken and Ballymena businesses acquired during the year. Like-for-like revenue was 12.7 per cent higher, with corresponding volumes up 15.4 per cent. The gap between revenue and volume growth reflected the benefit to our customers and consumers of passing through lower input costs from the final quarter of the previous year. New contract wins, strong export sales and a greater number of pigs being processed through our three primary processing facilities underpinned this strong volume growth.

## ADJUSTED GROUP OPERATING PROFIT

Adjusted Group operating profit increased by 17.0 per cent to £76.1 million. Operating margin at 6.1 per cent was 29 basis points lower with the delay, as anticipated, in recovering rising input costs through the second half of the year being partly mitigated by a positive contribution from our rapidly growing poultry and export businesses and a strong operational performance across each of our businesses.

## CATEGORY REVIEW

We now disclose information about four product categories or operating segments (Fresh Pork, Convenience, Gourmet Products and Poultry) which are aggregated into one reportable segment (Food). Details of category performance are provided below and we intend to report in this way going forward.

## FRESH PORK

Fresh Pork includes our three primary processing facilities and associated farming operations and represents 32 per cent of Group revenue. Fresh Pork revenue increased by 6.7 per cent. Excluding the contribution

from Ballymena like-for-like revenue growth was 2.1 per cent. Performance was comfortably ahead of the overall UK fresh pork category with market data for the 52 weeks to 26 March 2017 highlighting a decline in volumes of 4 per cent, with much of this decline attributable to lower promotional expenditure and lower sales of traditional roasting joints.

Total export revenue grew by 38.4 per cent, reflecting growth in Far Eastern markets of 49.3 per cent together with a 14.6 per cent increase into other export markets. The strong growth in shipments to the Far East reflected an increase in pig numbers processed at our three primary processing facilities, growth in the number of products being supplied and strong prices.

In November 2016, we acquired Dunbia Ballymena (now renamed Cranswick Country Foods Ballymena), a leading Northern Irish pork processing business. Ballymena operates from a modern, purpose built facility in Country Antrim, Northern Ireland and has a strategic, well-established supply chain with strong links to the local farming community. This acquisition strengthens our UK pork processing business and provides us with greater control over our supply chain, ensuring that we can maintain the production and processing of high quality, UK farm assured pigs which is central to our customers' requirements. The facility immediately adds 8,000 pigs per week to our existing production capacity.

We continue to invest heavily across all three sites with a major overhaul of our Norfolk facility being completed during the year. Work is also underway at Ballymena to extend the butchery operation which will enable more pigs to be processed through the facility more efficiently. We are also planning to extend our Hull facility with work expected to start in the next financial year.

Following the acquisition of Ballymena, the Wayland and Wold farming businesses now supply approximately 16 per cent of our British pig requirements. We are the third largest pig producer in the UK and represent 5 per cent of the total UK pig herd. Almost 90 per cent of the pigs produced from the two herds are bred outdoors, allowing us to provide a complete farm-to-fork solution for the premium pork ranges of our two largest retail customers. Provenance and end-to-end supply chain integrity are important differentiators that can enable us to lock in key long-term retail relationships. Improvements in productivity together with rising pig prices, as referred to below, resulted in an improved contribution from pig production.



17.2%

**INCREASE IN ADJUSTED PROFIT BEFORE TAX**

£72.9m

**NET CASH GENERATED FROM OPERATIONS**

The UK pig price (EU-spec SPP) increased by 34 per cent during the year rising steadily through to the end of December before stabilising through the final quarter. This was in direct contrast to a year earlier when pig prices fell by 15 per cent over the course of the year. The average price for the year to 31 March 2017 was 8 per cent higher year-on-year. The rise in the UK price over the summer months reflected a more pronounced increase in the EU reference price which peaked 42 per cent higher than at the start of the year, resulting in the EU price pushing beyond the UK price before easing back in the autumn. The principal reason for the increase in European prices was strong demand for European pig meat from China and tighter supply in European markets.

**CONVENIENCE**

Convenience, which comprises Cooked Meats and Continental Products, represents 38 per cent of Group revenue. Convenience revenue increased by 20.3 per cent reflecting new business wins and new product launches. Growth was again well ahead of the UK market.

Cooked Meats performed strongly reflecting new business wins coming on stream throughout the period. Three major new contracts, with business secured for the long-term and with built in pricing models to address raw material price movements, leave the Cooked Meats category in robust shape heading into the new financial year. The ongoing capital investment programme resulted in £19 million being spent across the three Cooked Meats sites during the period to upgrade the facilities, add capacity and introduce new capability to produce 'slow cook', 'sous vide', 'food to go' and 'barbecue' ranges, which have been added to our portfolio of products following recent contract wins.

Revenue from Continental Products also grew strongly. The business continues to successfully source new products from a complex array of high quality premium suppliers across the Mediterranean region. The 'Made in Manchester' concept highlights the significant value add that the experienced and innovative teams at the two Manchester facilities bring to this fast-growing category. The two facilities, which have served the business so well since the Continental Fine

Foods business was acquired, are now operating at full capacity. To enable the business to continue to grow and develop, a new £25 million facility is being built in the North West of England which will consolidate production from the two existing sites. The new site, based at Bury in Lancashire, will increase current capacity by approximately 70 per cent and will enable existing and new product ranges to be produced more efficiently.

**GOURMET PRODUCTS**

Gourmet Products, which comprise sausage, bacon and pastry, represents 19 per cent of Group revenue. Revenue increased by 16.4 per cent with all categories in growth.

Sausage sales were extremely strong. New contract wins with the Group's two largest retail customers for their 'Butcher's Choice' ranges, which together delivered 350 tonnes per week of incremental volume, underpinned this robust category performance. Sausage production recommenced at our Norfolk facility early in the year to meet this increase in demand with over 150 tonnes of sausage being produced each week from the site. Sales of premium beef burgers from the Lazenby's facility also grew strongly. New mixing and blending equipment has been successfully commissioned to support the next phase of growth and development of the facility with £6 million being invested across the two sausage sites during the year.

The premium bacon sector continues to outperform the overall category, but slower year-on-year growth compared to previous periods highlighted the recent trend by our retail customers to move away from promotional mechanics and multi-buy offers. Growth accelerated in the second half of the year following a new contract win.

Pastry returned to volume growth in the second half of the year driven by a strong promotional plan with the business' anchor customer and a new contract win in the 'food to go' market. Further improvements in operational efficiencies throughout the year allied to an improved top line performance leave the pastry business well placed to drive further volume growth in the next financial year.

**POULTRY**

Poultry, which includes fresh and cooked poultry, represents 11 per cent of Group revenue. Including the contribution from Crown, revenue increased by over 180 per cent. Excluding Crown, like-for-like revenue growth was 17.7 per cent. This was comfortably ahead of the overall UK market in which poultry continues to be the lead performer of the four principal meat protein categories. Recent UK market data shows fresh poultry growing at 6 per cent and ready to eat poultry at 8 per cent.

Sales of fresh poultry grew strongly in the period post acquisition compared to the same period in the prior year reflecting strong volume growth. Crown, with its fully integrated supply chain model, made a very positive contribution to the Group during the period and is forging strong links with our premium cooked poultry and pig farming operations. Since acquisition, the number of birds processed by Crown has increased by 9 per cent, with around 15 per cent of the chicken produced by Crown now being used internally.

Sales of premium cooked poultry also grew strongly. The £9 million capital investment programme which was completed at the start of the current financial year has enabled new business to be secured and produced more efficiently by using the latest in-line cooking and spiral chilling techniques. This category is perfectly suited to the latest consumer trends which are focused on quick, easy, healthy and tasty meal solutions, with convenient protein a core component. More recently contracts have been secured with two of the Group's principal grocery retail customers.

## OPERATING AND FINANCIAL REVIEW CONTINUED

## FINANCE REVIEW

## REVENUE

Reported revenue from continuing operations at £1,245.1 million increased by 22.5 per cent compared to the previous year.

## ADJUSTED GROUP OPERATING PROFIT

Adjusted Group operating profit of £76.1 million, including the post-acquisition contribution from Crown and Ballymena, increased by 17.0 per cent. Adjusted Group operating margin was 6.1 per cent of sales compared to 6.4 per cent last year.

## REFINANCING AND FINANCE COSTS

On 17 November 2016, the Group successfully refinanced its banking facility. The new agreement, which is on improved terms, is unsecured and runs to November 2021 with the option to extend by up to a further two years and comprises a revolving credit facility of £160 million, including a committed overdraft of £20 million. It also includes the option to access a further £40 million on the same terms at any point during the term of the agreement. The facility provides the business with generous headroom for the future.

Net financing costs at £0.6 million were in line with the prior year, with lower bank base rates and improved terms following refinancing being offset by higher average borrowings.

## ADJUSTED PROFIT BEFORE TAX

Adjusted profit before tax was 17.2 per cent higher at £75.5 million (2016: £64.4 million).

## TAXATION

The tax charge of £15.1 million was 19.5 per cent of profit before tax (2016: 21.0 per cent). The standard rate of UK corporation tax was 20.0 per cent (2016: 20.0 per cent). The effective corporation tax rate was lower than the standard rate due to prior year adjustments, primarily relating to a capital allowance review during the year, partially offset by disallowable expenses. The higher than standard rate charge in the prior year reflected the impact of disallowable expenses.

## TAX STRATEGY

Our approach to tax supports our strategic aims and protects shareholder value by only adopting tax planning arrangements that are low risk and have strong commercial merit. We have an approved tax strategy which ensures that we are in full compliance with applicable tax laws in whatever country we do business. Our tax strategy can be found on our website: [www.cranswick.plc.uk](http://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 27 years (see page 4). Our dividend policy can be found on our website: [www.cranswick.plc.uk](http://www.cranswick.plc.uk).

## ADJUSTED EARNINGS PER SHARE

Adjusted earnings per share from continuing operations rose by 17.6 per cent to 120.9 pence (2016: 102.8 pence). The average number of shares in issue was 50,191,000 (2016: 49,601,000).

## STATUTORY PROFIT MEASURES

The statutory results of the business show a 24.8 per cent increase in profit before tax to £77.5 million (2016: £62.1 million), a 24.6 per cent increase in Group operating profit to £78.1 million (2016: £62.7 million), and a 25.6 per cent increase in earnings per share to 124.2 pence (2016: 98.9 pence). Full reconciliations of these results to the adjusted measures can be found in Note 31.

## SALE OF SANDWICH BUSINESS

On 23 July 2016, the Group sold its Sandwich business, The Sandwich Factory Holdings Limited, to Greencore plc for net proceeds of £15.7 million before costs. Further details of the transaction are set out in Note 8. The after-tax results of the Sandwich business for both the current and prior years, including profit on disposal of £4.5 million in the current year and a goodwill impairment charge of £4.6 million in the prior year, are included in a single line item 'Profit/(loss) for the year from discontinued operations' at the foot of the income statement.

## ACQUISITION OF DUNBIA BALLYMENA

On 16 November 2016, the Group acquired the whole of the issued share capital of Dunbia Ballymena, a leading Northern Irish pork processing business, for an initial cash consideration of £16.7 million net of cash acquired, with further contingent consideration of £1.25 million. Further details of the transaction are set out in Note 15.

## CASH FLOW AND NET DEBT

The net cash inflow from operating activities in the year was £72.9 million (2016: £83.8 million) reflecting higher Group operating profit offset by a working capital outflow of £18.6 million (2016: inflow of £9.0 million)

reflecting the impact of acquisitions and the increasing scale of the business. Net debt increased by £28.8 million in the year to £11.0 million including the £40.5 million net spend on corporate transactions and the net £46.5 million invested in our asset base. Net debt was just 2.6 per cent of Shareholders' funds (2016: zero per cent) as our balance sheet continues to be conservatively managed.

## PENSIONS

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

The Group also operates a defined benefit pension scheme which has been closed to further benefit accrual since 2004. The deficit on this scheme at 31 March 2017 was £9.5 million, compared to £4.4 million at 31 March 2016, reflecting our commitment to increased funding for the scheme over the next five years. Cash contributions to the scheme during the year, as part of the programme to reduce the deficit, were £1.3 million. The present value of funded obligations was £36.1 million and the fair value of plan assets was £26.6 million. During the year, the triennial valuation of the scheme was completed. Following a review of the valuation the Directors agreed a new contribution schedule with the Trustees of the scheme to further reduce the deficit. Over the period from April 2017 to September 2022, cash contributions will be increased to £1.8 million per annum.

## UK REFERENDUM ON EU MEMBERSHIP

The recent triggering of Article 50, which formally commenced the UK's negotiations to leave the EU, has yet to provide stability in currency markets or clarify the uncertainty within the European labour market. The Group therefore continues to monitor and manage its business risks in these areas.

## SUMMARY

We have delivered another excellent year of growth, making good progress against each of our strategic objectives leaving us in a strong position to drive further growth going forward.



**Mark Bottomley**  
Finance Director

23 May 2017







## PRINCIPAL RISKS AND UNCERTAINTIES

# TO MINIMISE THE IMPACT OF SPECIFIC RISKS ON THE GROUP'S OPERATIONS, FINANCIAL PERFORMANCE AND REPUTATION, IT IS CRITICAL THAT RISKS ARE IDENTIFIED AND MANAGED

## RISK MANAGEMENT FRAMEWORK

As shown opposite, the Group has embedded formal risk management processes in place to support the identification and management of risks across the business. The Board has overall responsibility for the establishment and oversight of the Group's Risk Management Framework and Internal Control procedures which are summarised below and discussed further within the Governance Report on pages 48 to 52.

A Group Risk Committee is in place, consisting of Senior Managers and chaired by the Finance Director which meets four times a year and provides oversight and advice to the Audit Committee and Board in relation to current and future risk exposures and risk mitigation strategies.

In addition, the Group has a well-established, effective Internal Audit function which reports directly to the Audit Committee and provides independent assurance that the Group's risk management processes and key internal control procedures are operating effectively.

## IDENTIFYING AND MANAGING RISKS

The Group's risk management process enables the business to identify, prioritise and mitigate risk. Specifically a Group risk register is in place generated from site risk registers owned by Operational Management and this also contains identified overarching Group risks which could have a significant impact on the business as a whole.

The Board formally reviews the Group risk register on at least an annual basis and in addition receives a quarterly update report on the risk profile facing the Group.

All business units and functions perform regular risk assessments that consider a range of risks and issues. Overall through this formalised process the principal risks are determined and subsequently agreed by the Board. For the year ended 31 March 2017 the risks facing the Group are broadly consistent with the previous year, with no significant changes identified.

However, following the integration of Crown Chicken into the Group, the business is mindful of the specific risks associated within poultry flocks, for example Avian Influenza and the overall importance of the poultry flock to the operations of the Group.

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are summarised on pages 42 and 43. These have been considered during the production of the Viability Statement. However, it is not possible to identify or anticipate every risk that may affect the Group.

## VIABILITY STATEMENT

In accordance with provisions of the UK Corporate Governance Code, the Board has assessed the viability of the Group over a three year period, taking into account the current position, future prospects and the potential impact of the principal risks outlined on pages 42 and 43 of the Annual Report.

The Board has determined that a three year period to March 2020 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, and debt finance in place with the Group's banking syndicate being reviewed over a three year timeframe.

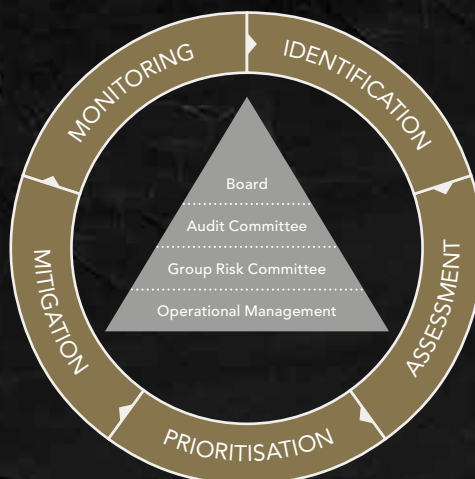
In making this assessment of viability, the Board carried out a robust assessment of the principal risks and uncertainties facing the Group. However, the Board specifically completed a detailed sensitivity analysis on risks assessed to have the highest likelihood of occurrence or the severest impact, crystallising both individually and in combination. These were a loss of a key customer, a significant decline in consumer demand and a reduction in overseas exports.

The impact of these risks occurring was measured by quantifying their financial impact on the strategic plan, and on the Group's viability against specific measures including liquidity, credit rating and bank covenants.

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

Based on the results of this analysis, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2020.

## RISK MANAGEMENT FRAMEWORK

**Board**

Responsible for the Group's system of risk management and internal control and for setting the Group's overall risk appetite.

**Audit Committee**


Reviews the systems of internal control that are in place and provides assurance to the Board that the processes of risk management and internal control are operating effectively.

**Group Risk Committee**

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

**Operational Management**

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

 Read more on pages 48 to 52.



## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP ARE SHOWN BELOW:

Risk Area	Strategic Pillar	Mitigation	Risk Rating	Risk Trend
<b>STRATEGIC</b>				
<b>CONSUMER DEMAND</b> VS		Deterioration in the UK economy would adversely affect the activity levels of consumers and the Group's immediate customers, leading to a fall in demand for the Group's products.		
<b>COMPETITOR ACTIVITY</b> VS		The Group trades 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.		
<b>COMMERCIAL</b>				
<b>RELIANCE ON KEY CUSTOMERS &amp; EXPORTS</b> VS		A significant proportion of the Group's results is 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 export licence would adversely impact on the Group's operations.		
<b>PIG MEAT – AVAILABILITY &amp; PRICE</b>		The Group is exposed to specific issues associated with the pricing and availability of pig meat. An increase in pig prices or a lack of availability of pig meat would adversely impact on the Group's operations.		
<b>FINANCIAL</b>				
<b>INTEREST RATE, CURRENCY, LIQUIDITY &amp; CREDIT RISK</b>		The Group is exposed to interest rate risk on borrowings and, in specific areas, foreign currency fluctuations. In addition the Group needs continued access to funding for both current business and future growth.		
<b>BUSINESS ACQUISITIONS</b>		As the Group grows, businesses may be acquired based on inaccurate information, unachievable forecasts or without appropriate consideration being given to the terms of the purchase.		

VS Considered in detail within Viability Statement

STRATEGIC  
PILLAR

Quality Products



Operational Efficiency



Sales Growth



Sustainability

NET RISK AFTER  
MITIGATION

● ● ● ● ● Low risk

● ● ● ● ● Medium risk

● ● ● ● ● High risk

Risk Area		Strategic Pillar	Mitigation	Risk Rating	Risk Trend
<b>OPERATIONAL</b>					
<b>BUSINESS CONTINUITY</b>	The Group faces the risk of significant incidents such as fire, flood or loss of key utilities, which could result in prolonged disruption to site manufacturing processes.		Robust business continuity plans are deployed across the Group and appropriate insurance arrangements are in place to mitigate financial loss. Potential business disruption is minimised through multi-site operations across many of the Group's core product lines.	● ● ● ● ●	
<b>RECRUITMENT &amp; RETENTION OF WORKFORCE</b>	The success of the Group is dependent on attracting and retaining quality, skilled and experienced labour, staff and senior management.		Across the Group robust recruitment processes, competitive remuneration packages and ongoing training and development plans are in place. Specifically for senior management, formalised succession planning is also in place.  The increase in the year reflects the uncertainty surrounding labour availability when the UK leaves the EU.	● ● ● ● ●	
<b>HEALTH &amp; SAFETY</b>	A breach of Health & Safety legislation may lead to reputational damage and regulatory penalties, including restrictions on operations, damages or fines.		The Group conforms to all relevant standards and regulations, and pursues industry best practice across its sites. All sites are subject to frequent audits by internal teams, customers and regulatory authorities to ensure standards are being adhered to.	● ● ● ● ●	
<b>DISEASE &amp; INFECTION WITHIN LIVESTOCK</b>	A significant infection or disease outbreak may result in the loss of supply of pig or poultry meat or the inability to move animals freely, impacting on the supply of key raw materials into the Group's sites.		The Group's pig farming activities, and other farms from which third party pig meat is ultimately sourced, have a broad geographical spread to avoid reliance on a single production area. Our poultry flock is all housed indoors. In addition, robust vaccination and bio-security procedures mitigate the risk of disease and infections.	● ● ● ● ●	
<b>FOOD SCARES &amp; PRODUCT CONTAMINATION</b>	The Group is subject to the risks of product and/or raw material contamination and potential health related industry-wide food scares. Such incidents could lead to product recall costs, reputational damage and regulatory penalties.		The Group ensures that all raw materials are traceable to original source and that site manufacturing, storage and distribution systems and those of our suppliers are continually monitored by experienced and appropriately trained technical teams.	● ● ● ● ●	
<b>IT SYSTEMS &amp; CYBER SECURITY</b>	The Group relies on information technology and key systems to support the business. In common with other organisations the Group is susceptible to cyber-attacks with the risk of a financial loss and threat to the overall confidentiality and availability of data in systems.		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 internal control procedures are also in place to reduce the potential risk of fraudulent payment requests being processed.	● ● ● ● ●	

It should be noted that following the vote on 23 June 2016, the Board have also considered the potential implications of the vote to leave the European Union on the short and medium term prospects of the Group. Whilst there are specific potential areas where Brexit could impact upon the Group, for example availability of labour, a sustained reduction in the value of Sterling and an overall downturn in consumer demand, the impact of these issues cannot be quantified until the exact terms and conditions for the United Kingdom to leave the European Union have been agreed.

## CHAIRMAN'S GOVERNANCE OVERVIEW

IT IS IMPORTANT TO THE BOARD AND TO THE SHAREHOLDERS AND OTHER STAKEHOLDERS THAT THE GROUP MAINTAINS A HIGH STANDARD OF CORPORATE GOVERNANCE TO SAFEGUARD ITS REPUTATION AND TO SUPPORT ITS LONG-TERM SUCCESS.

Dear fellow Shareholder,

Every year the Board assesses the Group's Corporate Governance procedures and I am pleased to report that the Group has continued to comply with the requirements of the UK Corporate Governance Code (the Code) throughout the year. In order to maintain compliance the Board supports the executive team, providing guidance and advice to complement and enhance the work the team performs. The Board consistently challenges processes, plans and actions, exercises a degree of rigorous enquiry and stimulates intellectual debate. This serves to promote continual and sustained improvement in governance across the business.

During the year the Nomination Committee has increased the frequency of its meetings to ensure that there is adequate assessment of the skills and expertise on the Board and consideration given to succession planning for both the Board and the senior executives. Kate Allum's first three year term ended during the year and I am pleased to report that the Nomination Committee and the Board have reappointed her for a further three years.

The Remuneration Committee continues to assess the incentives for the Executive Directors and senior executives to ensure they are aligned to the Group's strategy and are in the long-term interests of Shareholders and other stakeholders.

The Audit Committee continues to monitor the integrity of the financial statements and related Stock Exchange announcements together with assessing business risks and

the robustness of the internal controls that mitigate them. The Committee is giving ongoing consideration to the impact on the business of the UK ceasing to be a member of the EU, with key areas of focus being access to labour and foreign currency volatility.

During the year an external audit tender process was carried out with PricewaterhouseCoopers LLP being selected, subject to Shareholder approval at the AGM in July 2017, to engage as auditors for the year ended 31 March 2018. Ernst & Young LLP, our auditors for the last 45 years were, given their long association with the Company, asked not to re-tender for the audit. Further details of the audit tender process are provided on page 57.

The Board has undergone an independent external evaluation in the year carried out by EquityCommunications Limited, being three years since the previous evaluation. Overall the performance of the Board and each of its committees was considered to be effective and they continue to provide effective leadership and exert the required levels of governance and control. Details of this Board evaluation process are set out on page 51.

The Board has given consideration to a Group policy to comply with EU Market Abuse Regulations. It is expected that these regulations will continue to apply following the UK's exit from the EU, and the Board continues to keep this matter under review.

We remain committed to maintaining a high standard of governance and continue to have contact with our Shareholders through regular dialogue and effective communication. This report sets out how we have maintained this process and how we align governance to the strategic plans of the organisation.



**Martin Davey**  
Chairman

23 May 2017







## GOVERNANCE HIGHLIGHTS



### Leadership

The Board directs, develops and oversees implementation of the Group's strategy and monitors its operating performance. It is collectively responsible to Shareholders for the long-term success of the Company.

### Effectiveness

The Board maintains a twelve-month rolling programme of agenda items to ensure that all matters reserved for the Board and other key issues are considered at the appropriate time.

### Accountability

The Board has overall responsibility for the Group's system of internal control which safeguards the Shareholders' investment and the Group's assets, and for reviewing its effectiveness.

### Remuneration

Executive remuneration policy is monitored to ensure it is correctly aligned with the Group's strategy, targets and performance.

### Shareholders

The Board attaches great importance to maintaining relationships with all Shareholders who are kept informed of significant Company developments.



For more information see pages 48 to 52.

## A DRIVEN AND EXPERIENCED BOARD

### EXECUTIVE DIRECTORS



**MARTIN DAVEY**  
Chairman

**N** Martin, a chartered accountant, joined the Company as Finance Director in 1985 and led Cranswick's entry onto the Stock Exchange in that year. He has a deep knowledge of the Company and its business developed over the 32 years he has been with Cranswick. He was appointed Chief Executive Officer in 1988 and through his guidance the Group expanded, eventually entering the FTSE 250 in 2008. He became Chairman in 2004 and since September 2013 has fulfilled this role on a part-time basis. Martin is also Chair of the Nomination Committee.



**ADAM COUCH**  
Chief Executive

Adam joined Cranswick in 1991 and was originally on the operational side of the Fresh Pork business before being appointed to the Board in 2003 as Managing Director of Fresh Pork. His knowledge of the food industry over the 26 years he has been with Cranswick, led to him being appointed as Chief Operating Officer in 2011 and then advancing to the role of Chief Executive Officer in 2012. Under his leadership Cranswick has continued to expand and become a major player in the food processing industry. Adam was also a committee member of the British Pig Executive between 2005 and 2013.



**MARK BOTTOMLEY**  
Finance Director

Mark, who is a chartered accountant, has extensive food sector experience, previously holding a variety of senior finance roles in the food production industry before joining Cranswick in 2008 as Group Financial Controller. He was appointed to the Board as Finance Director in 2009 and is responsible for overseeing the financial operation of the Group and setting financial strategy.



**JIM BRISBY**  
Commercial Director

Jim has over 22 years' experience in sales and marketing. He joined Cranswick in 1995, and he has been a key member of the team that has grown the business over the years. His vast knowledge of the food and retail sector cumulated in him being appointed Sales and Marketing Director in 2010 and Commercial Director in 2014. He has been integral in developing the strategic direction of the business.

## NON-EXECUTIVE DIRECTORS



### STEVEN ESOM

#### Non-Executive Director

**N A R**

Steven joined Cranswick as a Non-Executive Director in 2009 and is the Senior Independent Non-Executive Director and Chair of the Remuneration Committee. He has a wealth of knowledge of the food industry holding a number of senior positions within the food sector including Executive Director of Food at Marks & Spencer plc which followed twelve years at Waitrose, the last five years of which he was Managing Director. He is currently a Non-Executive director of The Rank Group Plc where he is Chair of the Remuneration Committee and a member of the Audit and Nomination Committees. He is also the Non-Executive Chairman for the British Retail Consortium (trading) and Advantage Travel Centres.



### MARK RECKITT

#### Non-Executive Director

**N A R**

Mark, who joined Cranswick as a Non-Executive Director in 2014, has a wide range of experience across a number of sectors. He is a chartered accountant and is Chair of the Audit Committee. 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 he held a number of finance and strategy roles at Cadbury plc. Mark is also a Non-Executive Director of Mitie Group plc and Hill & Smith Holdings plc, where he is chair of the Audit Committee and a member of the Remuneration and Nomination Committees. Mark was a Non-Executive Director of JD Wetherspoon plc between 2012 and 2016.



### KATE ALLUM

#### Non-Executive Director

**N A R**

Kate joined Cranswick as a Non-Executive Director in 2013. She has first-hand knowledge of the food industry both within the UK and in Europe. Kate was Chief Executive of First Milk Limited from 2010 to 2015 and was also a former head of the European supply chain for McDonalds. She is currently the Chief Executive of CeDo Limited and a Non-Executive Director of Origin Enterprises plc.

### Committee Membership

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

## GROUP DIRECTORS

### Fresh Pork

Darren Andrew  
Charles Bowes  
Stuart Kelman  
Barry Lock  
Nick Mitchell  
James Pontone  
Neil Willis

### Convenience

Ian Fisher  
Paul Gartside  
Andy Jenkins  
Gary Landsborough  
Sam Pearl  
Simon Ravenscroft  
Norman Smith  
Clive Stephens  
Rollo Thompson

### Gourmet Products

John Fletcher  
Marcus Hoggarth  
Kate Maxwell  
Andy Mayer  
Gill Ridgard  
Drew Weir  
Steve Westhead

### Poultry

Nigel Armes  
Jason Key  
David Park  
Matthew Ward

### Food Central

Chris Aldersley  
Andrew Caines  
Rebecca Dearsly  
Miranda Walker  
Graeme Watson  
Malcolm Windeatt



## GOVERNANCE REPORT

### PRINCIPLES OF GOOD GOVERNANCE

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

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

This report, together with the Audit Committee Report, on pages 53 to 59, the Nomination Committee Report on pages 60 and 61, and the Remuneration Committee Report on pages 62 to 76, describes how the Board applies the principles of good governance and best practice as set out in the UK Corporate Governance Code (the 'Code') which can be found on the Financial Reporting Council's website: [www.frc.org.uk](http://www.frc.org.uk).

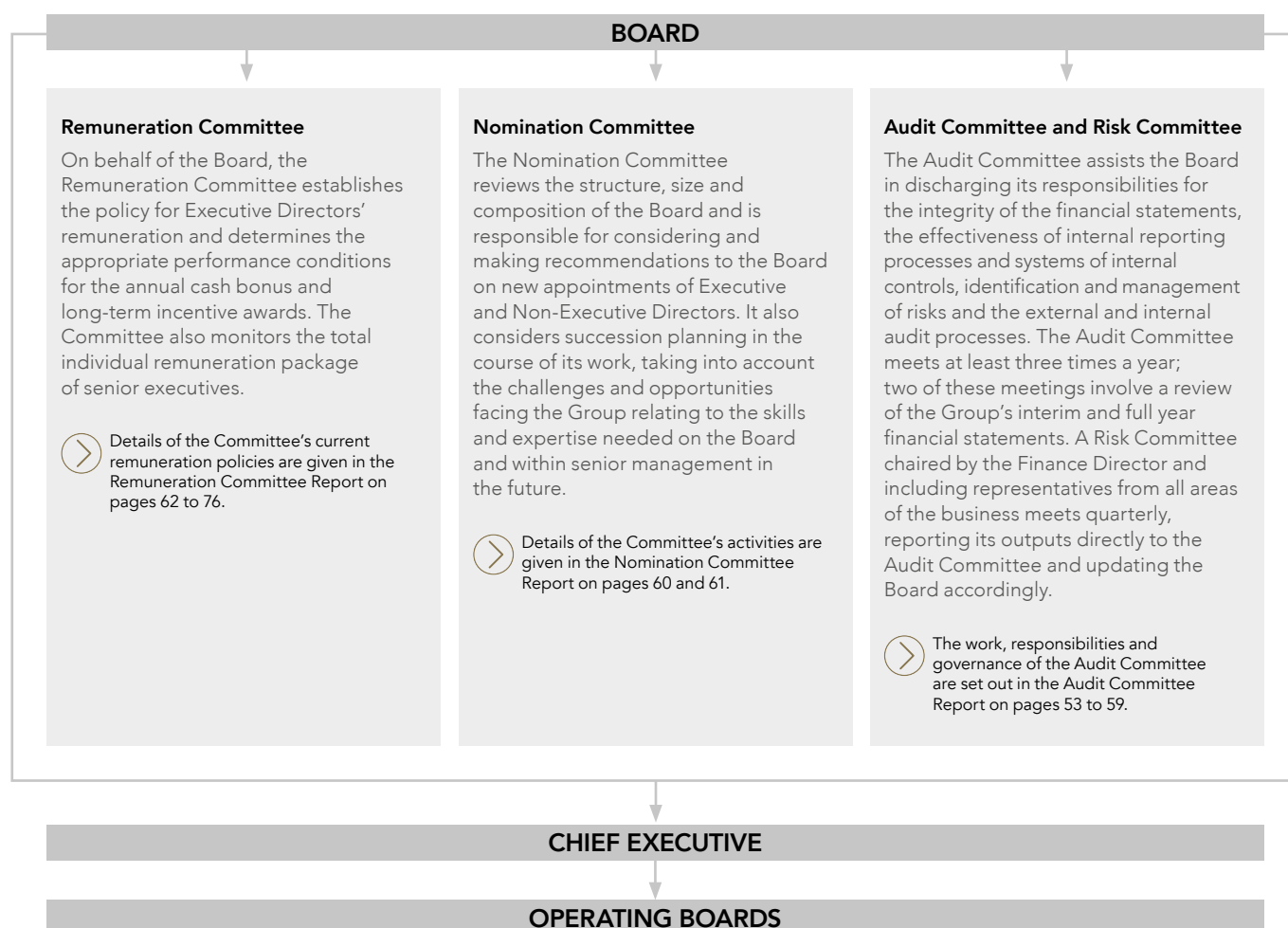
Our approach to governance, reported below, is in accordance with best practice as outlined by the key principles of the five sections of the Code: leadership; effectiveness; accountability; remuneration; and relations with Shareholders.

### LEADERSHIP

#### GROUP GOVERNANCE STRUCTURE

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 in accordance with the definition prescribed in the Code. The composition of the Board is reviewed annually by the Nomination Committee to ensure there is an effective balance of skills, experience and knowledge. Further biographical details on each Director can be found on pages 46 and 47.

To assist the Board in carrying out its functions and to ensure that there is independent oversight of internal controls and risk management, the Board delegates certain responsibilities to its principal committees: Remuneration, Nomination and Audit. Membership of these committees consists primarily of the independent Non-Executive Directors.



## ROLE OF THE BOARD

The Board is ultimately responsible for the business strategy and the financial robustness of the Group, for monitoring performance and for establishing a governance structure and practice which facilitates effective decision making and good governance. To enable the members of the Board to discharge these responsibilities, they have full and timely access to all relevant information and Board meetings are held at the Group's production facilities allowing the Directors to review the operations and meet the management teams of those particular sites. All Directors have allocated sufficient time to the Company to discharge their responsibilities effectively.

## KEY ROLES

### 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 our culture and values.
- Brings matters of particular significance or risk to the Chairman for discussion and consideration by the Board where appropriate.
- Responsible for overseeing the delivery of the sustainability agenda within the Group.

### Executive Directors – Mark Bottomley and Jim Brisby

- Provide specialist knowledge and experience to the Board.
- Support the CEO in the implementation of the Group's strategic policies.
- Responsible for the budgeting process and reporting of the financial performance of the Group.
- Responsible for the commercial affairs of the Group.
- Responsible for the successful leadership and management of commercial, risk and finance functions across the Group.

### Senior Independent Director (SID) – Steven Esom

- 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 Remuneration 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 and Mark Reckitt

- Bring complementary skills and experience to the Board.
- Constructively challenge the Executive Directors on matters affecting the Group.
- Chairs the Audit Committee (Mark Reckitt).
- Satisfy themselves as to the accuracy of the financial performance of the Group and the robustness and effectiveness of financial controls and risk management processes.
- Help develop strategy with an independent outlook.
- Together with the SID review management's performance.

### Company Secretary – Malcolm Windeatt

- 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.

## EXECUTIVE COMMITTEE

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

## GOVERNANCE REPORT CONTINUED

## EFFECTIVENESS

## BOARD OPERATION AND ATTENDANCE

There were eight scheduled Board meetings held during the year and a number of other meetings and conference calls were convened for specific business matters. Board agendas are set by the Chairman in consultation with the Chief Executive and with the assistance of the Company Secretary.

All Directors are expected to attend the scheduled Board meetings and relevant Committee meetings in addition to the Annual General Meeting unless they are prevented from doing so by prior work or extenuating personal commitments. Where a Director is unable to attend a meeting they have the opportunity to review relevant papers and discuss any issues with the Chairman in advance of the meeting. Following the meeting the Chairman, or Committee Chair as appropriate, also briefs any Director not present to update them on key matters discussed and decisions taken.

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

Board members (During 2016-17)	Board		Percentage attended
	Number of possible meetings attended	Actual meetings attended	
<b>Executive Directors</b>			
Martin Davey	8	8	100%
Adam Couch	8	8	100%
Mark Bottomley	8	8	100%
Jim Brisby	8	8	100%
<b>Non-Executive Directors</b>			
Steven Esom	8	8	100%
Kate Allum	8	8	100%
Mark Reckitt	8	8	100%

1 The Company Secretary attended all Board and Committee meetings.

2 All Directors attended the Annual General Meeting in July 2016.

## KEY ACTIVITIES

The Company Secretary maintains a twelve month rolling programme of agenda items to ensure that all matters reserved for the Board and other key issues are considered at the appropriate time.

The principal activities of the Board during the financial year were:

## Strategic Leadership

- Regularly discussing strategy at Board meetings throughout the year.
- Receiving presentations from operational management on future strategic opportunities.
- Considering potential acquisition opportunities and other strategic initiatives.
- Considering and subsequently approving the acquisition of Dunbia (Ballymena), renamed Cranswick Country Foods (Ballymena), in October 2016.
- Considering and approving of the sale of The Sandwich Factory (Holdings) Limited in July 2016.
- Discussing the ramifications of the UK vote in June 2016 to exit the EU.

## Governance and risk

- Tendering the external audit and selecting PricewaterhouseCoopers as the new external auditors (supported by the Audit Committee).
- Reviewing the three year forecasts and other factors in support of the Viability Statement. (Viability is considered in detail on page 40).
- Reviewing Board and Committees' effectiveness and Directors' conflicts of interest.
- Reviewing terms of reference for all Committees.
- Reviewing quarterly Health & Safety and Risk updates.
- Reviewing the principal financial and non-financial risks, including cyber, to which the Group is exposed (supported by the Audit Committee).
- Considering a bid defence plan in the circumstances of a hostile approach.
- Approving the Company policy to comply with EU Market Abuse Regulations.

## Performance monitoring

- Approving the Group's tax strategy.
- Approving the Company's dividend strategy.
- Recommending the 2015/16 final dividend and the 2016/17 interim dividend.
- Reviewing and approving the Group's annual budget, interim results and Annual Report.
- Considering whether the Annual Report and Accounts are fair, balanced and understandable.
- Considering monthly operational reports from the Chief Executive, Finance Director and Commercial Director.
- Reviewing reports from the Chairs of the Audit, Nomination and Remuneration Committees.
- Approving capital expenditure proposals in excess of £1 million.
- Approving the Group refinancing documents.



### People and succession

- Considering proposals on succession planning, when required, for the Board.
- Approving promotion of new senior executives to the subsidiary boards.
- Reviewing proposals on senior executive succession planning.
- Considering the talent management programme and the need to develop the managers and executives of the future.
- Reviewing the structure, size, composition and diversity of both the Board and its Committees (supported by the Nomination Committee).
- Approving a further three year term as a Non-Executive Director for Kate Allum.

### DIRECTOR INDUCTION AND DEVELOPMENT

There has been no change to the Directors on the Board during the year. In the past, the appointment of an Executive Director has usually been an internal promotion and their knowledge of the business has been well established. Non-Executive Directors are appointed from time to time and, on appointment, they receive a comprehensive introduction to the Group's activities and a tailored induction programme including a number of site visits. 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.

### CONFLICT OF INTEREST

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

### BOARD PERFORMANCE EVALUATION

In compliance with the Code, a performance evaluation was again conducted by external facilitator David Mensley of EquityCommunications Limited. Neither Mr Mensley nor EquityCommunications Limited has any connection to the Company and they are completely independent.

The performance evaluation process was undertaken in the late autumn of 2016. Having agreed an itinerary of matters for appraisal, EquityCommunications Limited prepared a questionnaire which included questions about Board administration, the role of the Chairman, strategy, risk oversight, succession planning and the Board committee structure. The questionnaire was completed by all Board members and the Company Secretary. A report on the outcome of the evaluation exercise was prepared by EquityCommunications Limited and was presented to the Board at its January 2017 meeting.

The independent report concluded from the feedback to their questionnaire that we operated an extremely unified, highly functional Board. The evaluation recognised the drive to continue the progress made to date in certain key areas such as people development and strategy.

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.

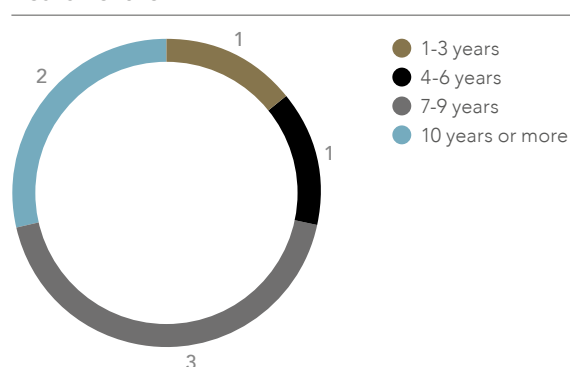
Overall the Board considered the performance of each Director to be effective and concluded that both the Board and its committees continue to provide effective leadership and exert the required levels of governance and control. The Board will continue to review its procedures, effectiveness and development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

### BOARD TENURE

The Board consists of a strong mix of experienced individuals with financial and sector knowledge and there are no plans at this stage to change the make-up of the Board. Their biographies and membership of the various Committees are shown on pages 46 and 47. The length of tenure of Board members is as follows:

Board diversity is considered within the Nomination Committee Report on page 61.

#### Board Tenure



## GOVERNANCE REPORT CONTINUED

### ACCOUNTABILITY

#### 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 53 to 59 outlines further this process.

The Group operates within a clearly defined organisational structure with established responsibilities, authorities and reporting lines to the Board. The organisational structure has been designed in order to develop, plan, execute, monitor and control the Group's objectives effectively and to ensure that internal control is embedded within the operations.

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

#### FINANCIAL REPORTING

The culture of the business extends to the provision of financial information. Operational management provide weekly forecasts, monthly trading reports, and annual budgets and these are forwarded to Group management and are discussed at monthly site 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 package and incentive scheme 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 2015 and this is included in the Remuneration Committee Report on pages 62 to 76 which provides details of how the policy has been implemented, together with the activities of the Remuneration Committee during the year.

### RELATIONS WITH SHAREHOLDERS

Regular engagement with investors provides the Group with the opportunity to discuss certain areas of interest and to ascertain any areas of concern they may have. The Group engages with shareholders through regular meetings and at the AGM. Presentations are made by the Chief Executive, the Finance Director and the Commercial Director to analysts and institutional Shareholders on the half year and full year results and on Company strategy. A similar presentation is made to Shareholders attending the Annual General Meeting. Significant matters relating to the trading or development of the business are disseminated to the market by way of Stock Exchange announcements. The Company's Annual and Interim Reports, related presentations and Stock Exchange announcements can be found on the Group's website: [www.cranswick.plc.uk](http://www.cranswick.plc.uk).

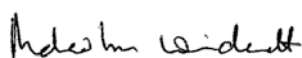
The views of Shareholders, expressed during meetings, are communicated by the Chairman or the Chief Executive, as appropriate, to the Board as a whole. The Chairman, Chief Executive or the Finance Director discuss governance and strategy with major Shareholders from time to time. The Board also welcomes the attendance and questions of Shareholders at the Annual General Meeting which is also attended by the Chairs of the Audit, Remuneration and Nomination Committees.

#### COMPLIANCE STATEMENT

The Board is pleased to report that it has complied with the requirements of the Code during the year ended 31 March 2017. The Board believes that it has the appropriate blend of skills, experience, independence and knowledge to support the business and will continue to ensure an optimal level of relevant skills, experience and diversity amongst its members, appropriate to support the future needs of the business.

The Board has reviewed the financial statements and, taken as a whole, consider 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 them in reaching this conclusion.

By order of the Board



**Malcolm Windeatt**  
Company Secretary

23 May 2017

## AUDIT COMMITTEE REPORT

### STATEMENT BY THE CHAIR OF THE AUDIT COMMITTEE



I am pleased to report on the activities of the Audit Committee during the year ended 31 March 2017. It has been a busy year for the Committee with the anticipated audit tender process, which was completed across the summer, adding to the usual full Committee agenda.

The report sets out full details of the external audit tender and selection process which resulted in PricewaterhouseCoopers LLP ('PwC') being chosen to take over the audit engagement from Ernst & Young LLP ('EY') following this year's AGM. Within the spirit of new corporate governance rules, given their long association with the Group, EY were not asked to re-tender for the audit. On behalf of the Board, I would like to thank EY for their input over the last 45 years. I would also like to welcome PwC to the role from next year and look forward to a strong working relationship with them in the coming years.

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

This report sets out:

- the role, composition, activities and responsibilities of the Audit Committee;
- a summary of the meetings of the Audit Committee during the year;
- the significant financial reporting issues debated by the Committee;
- the Committee's oversight of the Group's Risk Management and internal control systems in support of the Board;
- the respective roles and effectiveness of the internal and external auditors;
- details of the external audit tender and selection process; and
- details of the Group's response to the Financial Reporting Council's (FRC's) request for clarification of certain matters within the 2016 Report and Accounts.

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

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

Specific areas of financial reporting focus during the year included:

- the accounting treatment and disclosure of the transactions to acquire CCL Holdings Limited and Dunbia (Ballymena);
- the quantum and appropriateness of commercial accruals; and
- revenue recognition.

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

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

On behalf of the Board

A handwritten signature in black ink, appearing to read 'M. Reckitt'.

**Mark Reckitt**  
Chair of the Audit Committee

23 May 2017



**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 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.

**COMPOSITION OF THE AUDIT COMMITTEE**

The Audit Committee comprises the Non-Executive Directors. Membership of the Committee and attendance during the year are set out below:

Committee members	Meetings attended	Percentage attended
Mark Reckitt – Chair	4	100%
Steven Esom	3	75%
Kate Allum	4	100%

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 an additional meeting in January in preparation for the year end process. A further meeting was also added in September, when the Committee met to consider the audit tender proposals. Steven Esom was unable to attend the January 2017 meeting due to a pre-existing commitment.

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 pages 46 and 47.

**ACTIVITIES OF THE COMMITTEE**

The Committee is required to meet at least three times a year and its agenda is linked to the Group financial calendar. The Company Chairman, Chief Executive, Finance Director, Group Financial Controller, Head of Internal Audit and representatives of the external auditors are invited to attend each meeting. The Company Secretary also attends the meetings as secretary to the Committee. Both the external auditors and the Head of Internal Audit have the opportunity to access the Committee, without the Executive Directors being present, at any time, and the Committee formally meets with both the external auditors and internal audit independently, at least once a year.

**PRINCIPAL RESPONSIBILITIES OF THE AUDIT COMMITTEE**

The Committee's principal responsibilities include reviewing and monitoring:

- the integrity of the Group's financial statements;
- the Group's accounting policies;
- 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 auditors. The Committee also reviews its terms of reference annually and makes recommendations to the Board for any appropriate changes.

**FAIR, BALANCED AND UNDERSTANDABLE**

In addition, 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 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;
- holding discussions with both internal and external audit; and
- reviewing and discussing a paper from the Finance Director outlining issues to consider and why he believed the Annual Report was fair, balanced and understandable.

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

## VIABILITY STATEMENT

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

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

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

The Board and the Committee concluded that, based on the results of the analysis provided, they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a three year time horizon (see page 40).

## PERFORMANCE EVALUATION OF THE AUDIT COMMITTEE

An independent evaluation of the effectiveness of the Committee was carried out externally by EquityCommunications Limited. The evaluation was very positive with comments indicating that the Committee was working well. Recommended actions to further improve the performance of the Committee will be incorporated into the Committee's processes and activities for the year ending 31 March 2018.

## FINANCIAL REPORTING

During the year, the Audit Committee reviewed accounting papers prepared by management and considered, with input from the external auditors, the appropriateness of the main accounting policies, estimates and judgements made in preparing the financial statements. The key matters that the Committee considered in reviewing the financial statements for the year ended 31 March 2017 are set out below.

Financial reporting area	Judgement and assurance considered
Acquisitions – Crown and Dunbia (Ballymena)	In April 2016, the Group acquired CCL Holdings Limited and its 100 per cent subsidiary Crown Chicken Limited, a company engaged in the breeding, rearing and processing of British chickens, for net cash consideration of £39.4 million. In November 2016, the Group acquired 100 percent of the issued share capital of Dunbia (Ballymena), a company engaged in primary pork processing, for an initial net cash consideration of £16.7 million. In each case, the Committee reviewed management's proposed accounting treatment and the valuation methodology applied to the acquired assets and liabilities which was based on internal due diligence work and reports by external advisers and consultants. The allocation of the purchase price (provisional in the case of Dunbia (Ballymena)) between tangible assets, intangible assets and goodwill was subject to particular scrutiny. The external auditors also challenged the key assumptions used in the allocation methodology. The Committee specifically challenged management on the valuation of customer relationship intangible assets acquired as part of the Crown acquisition, and after a thorough review of all the information, agreed with management's approach to the allocation of the purchase price and, in the case of Dunbia (Ballymena), will continue to consider this during the measurement period prior to the allocations ceasing to be provisional. (See Note 15).
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 70 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 and the content of a letter received from the FRC requesting additional information in this area (see page 56) and asked management to consider fuller disclosure in the notes to the Report and Accounts. After reviewing 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 including the confirmation of the terms of agreements directly with some of the Group's key customers by the external auditor, the Committee supported management's assumptions and accounting treatment including the enhanced disclosures provided in this year's report and accounts. (See Note 20).
Revenue recognition	The Committee reviewed the Group policy on revenue recognition, to which there were no changes during the year, and concluded that it was appropriate for the business activities carried out by the Group. As a food production business, the Committee does not consider revenue recognition for the Group to be complex, but acknowledges that it is a key area of audit focus due to the risk of misstatement of revenues between periods as a result of management override. The Committee thoroughly reviewed the work of both internal and external audit in this area and concluded that revenues had been appropriately recognised in the correct period and that there was no evidence of management bias. (See Notes 2 and 3).

During the year, in light of the IASB's proposed improvements to IFRS 8 Operating segments, and the increasing scale of the Group's poultry business following the acquisition of Crown, the Committee asked management to carry out a review of the Group's reportable segments. Following a detailed review and discussion, it was unanimously concluded by the Committee, Management and the Auditors that the Group continued to have one reportable segment, being Food.

## AUDIT COMMITTEE REPORT CONTINUED

### CORRESPONDENCE WITH THE FRC

During February 2017, the Group received correspondence from the FRC requesting additional information on the 31 March 2016 Annual Report and Accounts. The principal areas where the FRC requested further information were:

- commercial accruals;
- composition of other payables;
- use of alternative performance measures and interaction with segment disclosures; and
- methodology in calculating discount rate.

The Group responded to the FRC within the required 28 days giving the necessary information to provide additional clarity on all the areas raised, along with undertakings to enhance certain disclosures within the 2017 Report and Accounts. The responses were accepted by the FRC and no further action was required. In preparing the 31 March 2017 Annual Report and Accounts management has provided the enhanced disclosures which were committed to in the response to the FRC.

### Scope and limitations of FRC review

The FRC review was conducted by FRC staff who have an understanding of the relevant legal and accounting framework. The review was based solely on the Group's 2016 Annual Report and Accounts and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. The review provides no assurance that the Report and 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 letter was written 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 systems through the work of Internal Audit, the external auditor's 'Control Themes and Observations Report' 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.

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 and mitigate risk. In addition, the Audit Committee Chair attended the March 2017 Risk Committee meeting to support his understanding of the workings of the Risk Committee. The Committee was satisfied that all principal risks had been identified and that the risk management framework is operating effectively.

### 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.

The Internal Audit approach takes into account the overall Group risk framework as well as risks specific to individual operations and is regularly updated to take into account changes to the risk profile of the Group. The plan set out at the beginning of the current year was achieved. Internal Audit findings together with responses from management were considered by the Audit Committee and where necessary challenged. The Audit Committee also reviewed progress by management in addressing the issues identified on a timely basis. The Audit Committee was satisfied that the Internal Audit function is operating effectively.

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

The Committee keeps the performance and effectiveness of the Internal Audit function under review and in doing so it also assesses the quality, experience and expertise within the department and is satisfied that this is appropriate to meet the Group's needs at the present time. To provide additional assurance that the Internal Audit department is operating effectively and is appropriately resourced, it is the Committee's intention to engage an independent third party to review the activities and effectiveness of the function, with the review expected to take place during July 2017.

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 taken to limit the potential for recurrence. In view of the work of internal audit, external audit and Group management, it is considered unlikely that a weakness at an individual site would have a significant impact on the Group.



## EFFECTIVENESS OF THE EXTERNAL AUDIT PROCESS

Ernst & Young LLP has been the Group's auditor since 1972. The Audit Committee assesses annually the qualifications, expertise, resources and independence of the auditor and the effectiveness of the audit process.

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

During the year, the Committee assessed the external auditor's performance and effectiveness through a questionnaire completed by Audit Committee members and the Group's senior finance team. The output from the process was reviewed and discussed by the Audit Committee and with the external auditors. The Committee also considered the external auditor's experience and expertise, the extent to which the audit plan had been met, the robustness and perceptiveness of work performed on key accounting and audit judgements and the content of its reports on audit findings, whilst noting some of the observations made. The Committee was satisfied with the effectiveness of the external audit process.

The Audit Committee also approves the terms of engagement and remuneration of the external auditors 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.

## EXTERNAL AUDIT TENDER AND APPOINTMENT

### Background

The Audit Committee is responsible for recommending the appointment, reappointment or removal of the external auditors. The Committee periodically reviews the tendering of the external audit, with the previous tender process being in 2008. As indicated in the 2016 Report and Accounts, the Committee initiated and supervised a tender process for the external audit during the year to ensure that a new audit appointment would take effect at the end of the current audit partner's five year term.

### Decision on which firms would tender

As previously indicated, Ernst & Young LLP were not invited to participate in the tender process due to their length of tenure as the Group's auditors and observing the spirit of Corporate Governance guidance and EU regulation. Following a detailed short-listing process, which included consideration of independence and ability to effectively manage the audit of a Group of Cranswick's scale, complexity and geography, four audit firms were selected to tender for the engagement including one mid-tier firm which the Committee felt had a realistic chance of being selected due to their recent, extensive food sector experience. The process was overseen by the Audit Committee Chair, who met with all the proposed lead audit partners from the firms involved prior to the formal tender process being initiated in July.

### Process

January 2016	→ Feb/Mar 2016	→ July 2016	→ Jul/Aug 2016	→ Aug/Sept 2016	→ Sept 2016
Tender process discussed at Audit Committee and selection panel agreed	Assessment criteria, submission format and scorecard developed	Invites to tender sent out. Initial basic information provisions in dataroom	Initial meetings and on site visits. Further information requests taken from firms	Tender documents received and reviewed. Presentations completed	New auditors selected and agreed by Audit Committee and Board

### Selection

Throughout the tender process a rigorous scoring procedure was carried out based on selection criteria established before the process started.

In making their formal recommendation, the Committee considered each firm's approach to:

- Ensuring a robust and challenging audit process that is both effective and efficient;
- Providing an independent, high quality audit;
- Sharing governance and regulatory best practice, plus other ideas and insight;
- Building an experienced audit team which understands Cranswick's culture and can build a strong working relationship with management;
- Working effectively with other advisors and assurance providers (e.g. Tax advisors and Internal Audit); and
- Providing a smooth transition process between audit firms.

In addition, the Committee also assessed the firm's:

- Technical and specialist expertise;
- Listed company experience;
- Sector knowledge; and
- Fee proposal.

The respective merits of the tendering firms were subsequently debated by the Committee and other members of the selection panel. Ultimately, the Committee recommended PricewaterhouseCoopers ('PwC'), with Ian Morrison as lead partner, to the Board as the Group's new external auditors as it was considered that PwC demonstrated that they were best placed to fulfil the selection criteria.

## AUDIT COMMITTEE REPORT CONTINUED

## EXTERNAL AUDIT TENDER AND APPOINTMENT CONTINUED

## Transition process

PwC will be formally appointed as the Group's external auditor at the AGM, on 24 July 2017. To ensure the firm's independence for the year ending 31 March 2018, PwC stepped down as tax advisers to the Group prior to the start of the new financial year.

To ensure that PwC are well prepared for their engagement as external auditors, transition meetings have already been held with Group management and the firm has shadowed aspects of Ernst & Young's audit process including attendance at the Group audit clearance meeting and the year end Audit Committee meeting to fully understand the audit approach taken and conclusions reached on significant audit issues and judgements.

## AUDITOR INDEPENDENCE

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

During the year, the Audit Committee reviewed and considered the following factors to assess the objectivity and independence of Ernst & Young LLP:

- The auditors' procedures for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the Group, other than those in the normal course of business permitted by UK ethical guidance.
- The auditors' policies for rotation of the audit partner every five years, and regular rotation of key audit personnel. The current Audit Partner (Alistair Denton) was selected by Ernst & Young LLP for the year ended 31 March 2013 with the current Audit Director and Senior Manager joining the audit team for the year ended 31 March 2016.
- 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 auditors for non-audit work in any one year should not exceed 70 per cent of the external audit fee on average over the last three years.
- A report from Ernst & Young LLP confirming that they have adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained.

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

Non-audit fees	£'000
Interim review	15
Other services	52
<b>Total Non-Audit Fees</b>	<b>67</b>
<b>Total Audit Fees</b>	<b>242</b>
<b>Ratio of Non-Audit Fees to Audit Fees*</b>	<b>0.31:1</b>

\* Based on a three year average audit fee of £216,000.

The ratio of non-audit fees to audit fees for the year was well below the 70 per cent limit set out in the Group's policy.

The work undertaken by the external auditors during the year and the safeguards considered by the Audit Committee to address any threats to independence included the following:

- The auditors provided limited tax advice. Their audit objectivity and independence was safeguarded through the use of a separate tax partner.
- Ernst & Young LLP advised the Company on a number of corporate transactions during the year. Following a tender for this type of work in the year ended 31 March 2012 and given the nature of the work during the following years the Committee concluded that Ernst & Young LLP were best placed to carry out this work. Their audit objectivity and independence was safeguarded through the use of a separate corporate transactions partner and through prior approval by the Chair of the Audit Committee on a case-by-case basis.

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

Following completion of the audit tender process in September 2016, the Audit Committee recommended to the Board that the appointment of PricewaterhouseCoopers LLP as the Company's external auditors should be proposed to Shareholders at the 2017 Annual General Meeting.



**Mark Reckitt**

Chair of the Audit Committee

23 May 2017



## NOMINATION COMMITTEE REPORT



As Chair of the Nomination Committee I am pleased to introduce its report for the year ended 31 March 2017 which details the role of the Committee and the work it has undertaken during the year.

### ROLE OF THE COMMITTEE

The Nomination Committee is responsible for assisting the Board by keeping the structure, size and composition of the Board under review. It also considers the optimal level of independence and diversity of skills, knowledge, experience and gender required for the Board in order for it to operate effectively and makes appropriate recommendations to the Board with respect to any necessary changes.

The Committee gives due consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Group and the skills and expertise needed within the Board and senior management.

### COMMITTEE MEETINGS DURING THE YEAR

During the year, there were two scheduled meetings and the attendance of the members at these meetings was as follows:

Committee members	Meetings attended	Percentage attended
Martin Davey – Chair	2	100%
Steven Esom	2	100%
Kate Allum	2	100%
Mark Reckitt	2	100%

Only members of the Committee have the right to attend meetings; however, the Chief Executive and Finance Director attend for all or part of the meetings by invitation as and when required. The Company Secretary also attends the meetings as secretary to the Committee.

### ACTIVITIES OF THE COMMITTEE

The Committee focused on the following key activities during the year:

#### Board Composition

The Committee reviewed the composition of the Board and concluded that the members have an appropriate background experience in either finance, industry or both, and have the right balance of skills, experience and knowledge to provide strong and effective leadership of the Company. As a result there are no plans to change the make-up of the current Board at the present time.

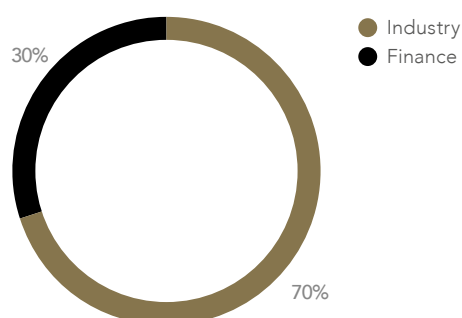
All Directors will be standing for re-election at the Annual General Meeting. The Board has set out in the Notice of the Meeting its reasons for supporting the re-election of the Directors and their biographical details on pages 46 and 47 demonstrate the range of experience and skills which each brings to the benefit of the Company.

#### Succession planning

Succession planning at both Board and senior executive level has been an area of focus for the Committee this year. The Committee has highlighted certain individuals who could stand in for Board members should such an occasion arise. There has also been greater emphasis this year on succession planning for senior executives and again the Committee has scheduled those individuals that can cover for existing executives should the need arise.

We are always looking ahead and through our talent management programme highlight prospective managers and executives of the future through the training that is taking place across the Group at all levels of the business. This includes an apprenticeship scheme, graduate development and management leadership programmes with a focus on skills, talent and career development. This year the Committee also considered and approved, in conjunction with the whole Board and as part of the progression of the business, the appointment of another senior executive to support the Executive Directors as the Group continues to expand.

### Mix of experience



### Non-Executive Directors

Consideration was also 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 the current discussions on 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 had completed the three years of her first period of engagement and the Committee agreed to issue her a further three year period as she continues to have the necessary skills, experience and knowledge to contribute to the Board.

### Diversity policy

Whilst the Board and Nomination Committee respects the benefits of diversity and supports it in its approach to external recruitment and internal appointments, it is not considered appropriate or necessary to set any specific or measurable targets. All appointments are made on individual merit regardless of race, colour, nationality, religion, gender, marital status, family status, sexual orientation, disability or age. The Group's principal concern is to ensure that all candidates have the appropriate skills, knowledge and experience to fulfil the role and a review of the Group's diversity policy highlighted that it provides for equality and fairness, recognising and respecting individual strengths and differences enabling all employees and prospective employees to be treated in the same way.

The gender breakdown of the workforce is as presented opposite.

### Governance and Evaluation

During the year, an effectiveness review of the Board and its committees was conducted through an external evaluation process. The report was particularly positive and included comments and recommended actions that will be incorporated into the Committee's processes and activities for year ending 31 March 2018. Further details of this review are reported in the Governance Report on page 51.

The Committee also considered its Terms of Reference to ensure they reflect the Committee's remit, and concluded that they remain appropriate.

A breakdown of how the Committee split its time between its key activities is shown opposite.

The Chair of the Nomination Committee will attend the Annual General Meeting to respond to any Shareholder questions that might be raised on the Committee's activities.

On behalf of the Committee

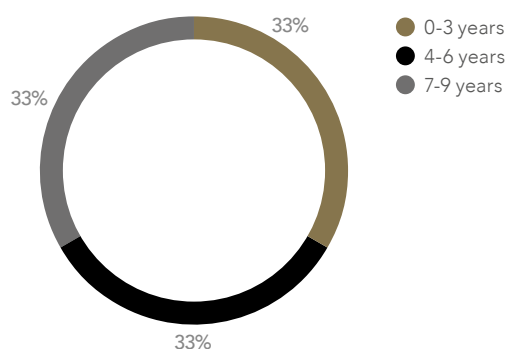
*Martin Davey*

**Martin Davey**

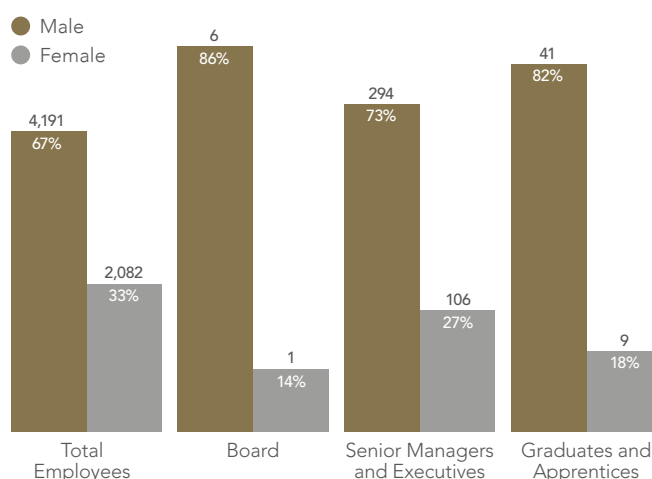
Chair of the Nomination Committee

23 May 2017

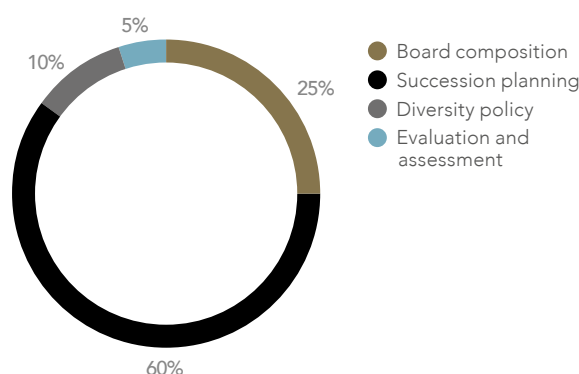
### Length of tenure of Non-Executive Directors



### Diversity of workforce



### Activities



## REMUNERATION COMMITTEE REPORT

### STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE



Dear fellow Shareholder,

On behalf of the Remuneration Committee and the Board, I am pleased to present the Remuneration Committee Report for the year ended 31 March 2017. The report sets out the Group's remuneration policy and gives details of the remuneration paid to Executive and Non-Executive Directors for their services to the Company during the year.

This introduction provides the context for the Committee's decision making and policy setting during the year, sets out the structure of the report and summarises the key messages from the report including business performance, incentive plan outcomes and Committee activities.

#### CONTEXT TO THE COMMITTEE'S DECISIONS

Cranswick has made further strong strategic, commercial and financial progress during the year. Revenue increased by 22.5 per cent to £1,245.1 million; adjusted Group profit before tax increased by 17.2 per cent to £75.5 million; adjusted earnings per share improved by 17.6 per cent to 120.9 pence; and the total dividend for the year has been increased by 17.6 per cent to 44.1 pence per share. These results reflected an excellent performance from the underlying business together with positive contributions from the Crown Chicken and Ballymena businesses

acquired during the year, and underpinned an increase of 20 per cent in Cranswick's share price from 2,133 pence at 31 March 2016 to 2,559 pence at 31 March 2017. The two acquisitions were intersected by the sale of the non-core Sandwich business in July 2016. In addition to 2017 being a busy year in terms of corporate activity, it was also one of record capital investment to add capacity and capability to, and drive further efficiency across, our asset base. This investment builds on the £200 million spent over the previous eight years and provides us with a robust platform to deliver future growth. The Executive Directors, whose average length of service extends to 22 years, have played a pivotal role in the success of Cranswick over that period and have laid solid foundations to ensure that the business is well placed to continue to develop and grow successfully over the long term.

#### STRUCTURE OF THE REPORT

The report contains the following separate sections:

- **The Chair's annual statement** on pages 62 and 63.
- **Remuneration at a glance** on pages 64 and 65.
- **The Directors' Remuneration Policy report**, which provides details of the Group's remuneration policy, its link to strategy, performance and headline remuneration. The policy report also highlights the different elements which make up Executive Directors' remuneration, explains how each component operates and details the performance metrics which underpin each element. This policy was approved by the shareholders at the 2015 AGM and is shown for reference purposes only on pages 66 to 69.
- **The Annual Report on Remuneration**, on pages 70 to 76, discloses how the Directors' Remuneration Policy has been applied during the year and how it will be implemented in the next financial year. That report and this statement will be subject to an advisory vote at the AGM.

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. Performance during the year reflects the commitment of the Executive Directors to delivery of the Group's strategic objectives and increasing returns for Shareholders. 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).

#### 2017 BONUSES

Bonus awards for 2017 reflect the outstanding strategic progress made and step change financial performance delivered during the year as highlighted above. The maximum bonus of 150 per cent of base salary has been awarded to each of the Executive Directors.

Measure	Threshold	Maximum	Actual
Adjusted profit before tax <sup>1</sup>	£70.6m	£78.8m	£80.6m
Bonus payable	20%	150%	150%

<sup>1</sup> Adjusted profit before tax targets are stated before deduction of bonuses paid to the Executive Directors and the Chief Operating Officer.

Further details are shown on page 70.

**2017 LTIP AWARDS**

The LTIP awards granted in 2014 were based on the three year performance period from April 2014 to March 2017 and were subject to adjusted EPS (50 per cent) and TSR (50 per cent) targets. Performance over the three year period as measured against each of these metrics has been strong, with the maximum target threshold met in both cases. Consequently, 100 per cent of the award will vest in June 2017. This is reflected in the table on page 70.

The Committee also awarded nil-cost share options under the LTIP scheme to senior executives, including the Executive Directors, during the year. The number of shares awarded to each Executive Director was equivalent to 150 per cent of base salary, based on the market value of the Company's shares at the date of award. These awards are reflected in the table on page 73.

**REMUNERATION FOR 2018**

The current remuneration policy, which was designed to align to the Company's strategy and deliver enhanced shareholder value, was approved by the Shareholders at the 2015 AGM. Under this policy the Executive Directors were awarded a pay increase of 3.1 per cent effective from 1 May 2017, in line with the senior executives and the wider workforce, reflecting the annualised increase in the Retail Price Index (RPI) as at 31 March 2017. Bonus opportunities and LTIP award levels will remain unchanged at 150 per cent of salary for 2018, subject to stretching targets on the same basis as previous years, namely 100 per cent on Adjusted Group profit before tax for the annual bonus, and 50 per cent on EPS and 50 per cent on Relative TSR for LTIP awards.

Further details on the metrics and targets for the annual bonus and LTIP awards are set out on pages 64 and 65.

**SHAREHOLDER ENGAGEMENT**

Ongoing engagement by the Chairman, Chief Executive and Finance Director has ensured that key Shareholders have been regularly updated on progress and performance throughout the year. The Committee is pleased to report that 99 per cent of those voting voted in favour of the Remuneration Committee's Report at last year's AGM and the full breakdown of the votes is reported on page 76.

**EVALUATION OF THE REMUNERATION COMMITTEE**

EquityCommunications Limited carried out an independent evaluation of the effectiveness of the Committee as part of the wider review of Board and Committee performance. The independent evaluation, which is discussed in more detail on page 51, concluded that the Committee is working well and has an appropriately balanced composition.

**SUMMARY**

The Remuneration Committee will continue to monitor the Directors' Remuneration Policy to ensure that Executive Director pay is strongly aligned with the Group's business strategy, financial performance and the creation of long-term Shareholder value. The Committee is aware that the executive remuneration landscape is evolving and of the potential for change, and will continue to monitor developments as they arise. The Committee will consider this as part of its review of executive remuneration in advance of next year's binding remuneration policy vote.

On behalf of the Board I would like to thank you, our Shareholders, for your 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 [steven.esom@cranswick.co.uk](mailto:steven.esom@cranswick.co.uk).



**Steven Esom**

Chair of the Remuneration Committee

23 May 2017



## REMUNERATION COMMITTEE REPORT CONTINUED

### REMUNERATION AT A GLANCE

#### REMUNERATION PRINCIPLES

The remuneration principles underpinning the Remuneration Policy are:

- to provide competitive salaries to attract and retain top class executives, with remuneration aligned to business strategy, performance and promotion of the long-term success of the business;
- to provide an appropriate balance of short-term and long-term incentives, to deliver sustainable growth in shareholder value; and
- to require a minimum shareholding limit by Executive Directors to ensure strong alignment with Shareholders' interests.

#### POLICY IMPLEMENTATION

Remuneration	Link to strategy	Remuneration in 2017	Policy implementation in 2018
Base salary including benefits and pension	To provide a market competitive base salary and benefits to attract and retain executives and to provide a framework to save for retirement.	Salary increase of 1.6 per cent, effective 1 May 2016 in line with RPI at 31 March 2016. Chairman: £304,800 Chief Executive Officer: £599,450 Finance Director: £396,250 Commercial Director: £396,250	Salary increase of 3.1 per cent, effective 1 May 2017 in line with RPI at 31 March 2017. Chairman: £314,250 Chief Executive Officer: £618,000 Finance Director: £408,500 Commercial Director: £408,500
Annual bonus	To incentivise Executive Directors and senior executives linked to the performance of the business, on an annual basis, based on key financial metrics.	Maximum bonus opportunity of 150 per cent of salary. 100 per cent on Adjusted Group profit before tax: Threshold target £70.6 million – 20 per cent of salary payable Maximum target £78.8 million – 150 per cent of salary payable.  Achieved Adjusted Group profit before tax of £80.6 million – maximum bonus achieved (150 per cent of salary).	Maximum bonus opportunity unchanged at 150 per cent of salary, based on Group profit targets.  Targets will be disclosed retrospectively in the 2018 Annual Report provided they are not considered commercially sensitive at that time.
LTIP	To ensure that Executive Directors and senior executives are involved in the long-term success of the Group.	Awards of 150 per cent of salary granted on 1 June 2016.  50 per cent on EPS growth: Threshold target: RPI plus 3 per cent Maximum target: RPI plus 7 per cent  50 per cent on Relative TSR: Threshold target: 50th percentile Maximum target: 75th percentile  Awards granted in 2014 Performance measured over the three year period ending 31 March 2017, EPS growth was RPI + 12.69 per cent, and TSR achieved the 100th percentile. LTIP awards made in June 2014 will therefore vest in full in June 2017 in respect of both the EPS and TSR elements.	No change to award levels, performance measures, weightings and targets.  A two year holding period will apply following vesting with malus and clawback arrangements in place.
Shareholding requirement	To align interest of Executive Directors with Shareholders.	200 per cent of salary for all Executive Directors.  All Executive Directors have holdings in excess of the shareholding requirement.	No change.

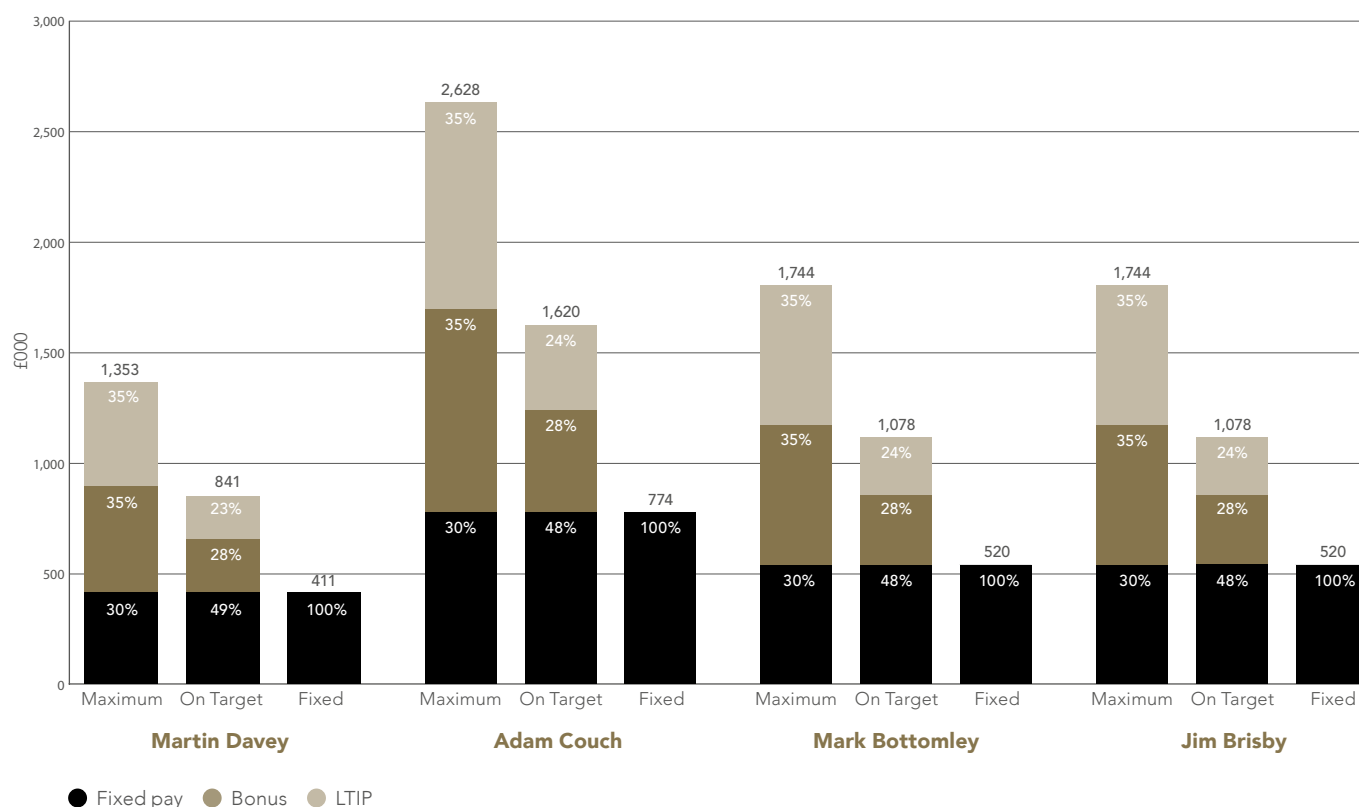
#### 2017 TOTAL REMUNERATION (SINGLE FIGURE)

£000	2017	2016
Mark Bottomley	1,878	1,862
Jim Brisby	1,769	1,773
Adam Couch	2,726	2,803
Martin Davey	1,579	2,093

Full details of the pay components making up the single figure values are shown in the table on page 70.

## REMUNERATION SCENARIOS

The charts below illustrate the level of remuneration which may be earned by the Executive Directors in the year ending 31 March 2018 under three different scenarios, based on the remuneration arrangements described in the Annual Report on Remuneration on pages 74 and 75. On target and maximum scenarios do not include share price appreciation or dividend roll up.



- Fixed – fixed pay only being base salary as at 1 May 2017, benefits and pension.
- On target – fixed pay plus 50 per cent of maximum annual bonus award and mid-point of LTIP award for EPS and TSR which equates to 62 per cent of the award vesting.
- Maximum – the maximum amount receivable under the annual bonus and LTIP awards of 150 per cent of salary.

## REMUNERATION COMMITTEE REPORT CONTINUED

### DIRECTORS' REMUNERATION POLICY

*The current remuneration policy, which was approved at the 2015 AGM on 27 July 2015, is set out below.*

#### LINK BETWEEN POLICY, STRATEGY AND STRUCTURE

Our remuneration policy is principally designed to attract, motivate and retain Executive Directors and senior executives to execute effectively our corporate and business strategy in order to deliver annual operating plans and sustainable year-on-year profit growth, as well as to generate and preserve value to our shareholders over the longer term without encouraging excessive levels of risk taking. 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:

- a non-performance part represented by basic salary (including pension and benefits); and
- a significant performance related element in the form of a profit related bonus and share-based awards.

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

Purpose and link to strategy	Operation	Performance metrics	Maximum entitlement
<b>Base salary</b>			
To provide a market competitive base salary to attract and retain executives.	Set competitively to reflect the individual's skills, experience and responsibilities. Periodic reviews of market rates. Base salaries are reviewed annually and take into account inflation and performance and any changes take effect from 1 May. Every three years a review is carried out, with external advisers, to benchmark the salaries and to ensure they remain competitive.	Any increase is based on individual performance, change in role and the Company pay award.	There is no prescribed maximum increase. Base salaries will move in line with the RPI and consideration of the level of pay awards for other employees. Every three years the base salary will be benchmarked against market rates.
<b>Pension</b>			
To provide a framework to save for retirement.	Executive Directors are entitled to non-contributory membership of the Group's defined contribution pension scheme with the employer's contribution set at up to 20 per cent of each Executive Director's base salary.  Alternatively, at their option, Executive Directors may have contributions of the same amount paid to them in cash, in lieu of pension, subject to the normal statutory deductions.  In some cases there are payments of pension contributions in lieu of salary.	N/A	Pension entitlement is limited to 20 per cent of base salary.
<b>Benefits</b>			
To provide market competitive benefits as part of the remuneration package.	Market competitive benefits principally comprise health insurance, personal tax advice, pension advice and Company car allowance.  Additional benefits might be provided from time to time if the Committee decides payment of such benefits is appropriate and in line with market practice.  Benefits are not pensionable.	N/A	Benefits will move in line with market rates.

Purpose and link to strategy	Operation	Performance metrics	Maximum entitlement
<b>Annual bonus</b>			
To incentivise Executive Directors and senior executives linked to the performance of the business, on an annual basis, based on key financial metrics.	<p>The majority of the annual bonus is based on achievement of targets aligned to the Group's annual financial performance as set and assessed by the Committee each year.</p> <p>A small part of the bonus relates to the achievement of a target profit performance for the first half of the year, where a fixed sum is paid, with the remaining element based on the Group's annual financial performance.</p> <p>The bonus targets are reviewed every year and changes take effect from 1 April with interim payments being made in November and final payments in June the following year, provided targets are achieved.</p> <p>The total bonus is capped at 150 per cent of basic salary and is non-pensionable.</p> <p>There is a clawback and malus arrangement in place should the need arise, for misstatement, performance error and misconduct by a participant.</p>	Details of the performance targets set for the year under review and performance against them are provided in the Annual Report on Remuneration. There is a sliding scale of targets set around financial performance.	The threshold amount payable is 20 per cent rising to a maximum payable of 150 per cent of base salary.
<b>Share-based awards</b>			
A Save As You Earn (SAYE) share scheme is available to all eligible employees.	Subject to approval by the Board of awards to be made, SAYE options are made available to eligible staff, including Executive Directors, with the full 20 per cent discount being given to the relevant share price at the time. Employees can save up to £500 per month in this scheme.	N/A	The maximum that can be saved is limited to £500 per month which is consistent with prevailing HMRC limits.
Long Term incentive (LTIP) awards are available to ensure that executives and senior management are involved in the longer term success of the Group.	<p>The LTIP awards may take the form of nil-cost share options or conditional awards which are granted by the Remuneration Committee and normally vest after three years on the achievement of demanding targets aligned to total shareholder return (TSR) and earnings per share (EPS). The full details of this are set out in the Annual Report of Remuneration.</p> <p>Executive Directors are required to hold the share award for a further two years after vesting.</p> <p>There is a clawback and malus arrangement in place should the need arise, for misstatement, performance error and misconduct by a participant.</p>	The LTIP award during the year will have a three year performance period commencing on 1 April of that year and ending three years later on 31 March.	<p>For Executive Directors the value of the normal maximum entitlement per annum is equivalent to 150 per cent of base salary. In exceptional circumstances this can be increased to 200 per cent of base salary.</p> <p>50 per cent of the award is based on EPS and 50 per cent on TSR targets and if both achieve the minimum performance then 27.5 per cent of the award will vest, rising to 100 per cent of the award vesting for the maximum performance.</p>
<b>Fees payable to Non-Executive Directors</b>			
To pay fees in line with those paid by other UK listed companies of comparable size.	<p>Fees are reviewed periodically and take into account market rates. Additional payments may be paid to the Senior Independent Non-Executive Director and to Chairs of Board Committees to reflect the additional responsibilities attached to these positions.</p> <p>Non-Executive Directors do not participate in the Group's incentive bonus arrangement, pension scheme or share-based awards.</p>	N/A	The maximum available is subject to review of market rates every three years.



## REMUNERATION COMMITTEE REPORT CONTINUED

### DIRECTORS' REMUNERATION POLICY CONTINUED

#### ANNUAL BONUS PERFORMANCE TARGETS

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

Historically, Group profit before tax, as adjusted for acquisitions, disposals and other non-trading items, was the sole metric against which the annual bonus award was assessed. The policy has been amended to allow flexibility for the Committee to introduce other financial measures, if deemed necessary, to provide an appropriately balanced and stretching incentive. Again, such metrics will be disclosed in the implementation section.

#### LONG TERM INCENTIVE PLAN

Under the policy approved at the 2015 AGM, an award to an individual cannot exceed 150 per cent of that individual's annual salary except in exceptional circumstances when up to 200 per cent of the annual salary is permitted.

A summary of the main terms of the scheme which was approved and adopted following the 2015 AGM is as follows:

- awards made to Executive Directors in the form of nil-cost options;
- a normal maximum award to the Executive Directors of 150 per cent per cent of base salary;
- a two year post vesting holding period applies; and
- a clawback and malus policy for profit misstatement, performance error or misconduct by a participant.

#### DISCRETION

The Committee retains discretion to make any payments, notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed 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 of the individual becoming a Director of the Company.

#### RECRUITMENT POLICY

The recruitment policy is that new Directors will be entitled to participate in the short term and Long Term Incentive Plans on the same basis as that for existing Directors set out in the policy table, including the same limits on quantum of awards under those plans. Where the new Director is an internal candidate their level of pay will be based on their increasing role and responsibilities and in line with market rates. Any incentive awards made before their promotion will continue to apply.

The Remuneration Committee reserves the right to make awards in addition to the normal participation in the Company's incentive plans to a new Director to 'buy out' the awards to which the Director would have been entitled from their previous employer where it considers that this is necessary to attract the right person. Such awards may be made through a combination of performance and non-performance awards which reflect the profile of the awards foregone and which take into account the likelihood of the performance conditions of those awards being met, in order and so far as is possible to provide an equivalent opportunity which is overall no more generous than the awards foregone.

Where appropriate the Company may also pay reasonable relocation and related costs.

#### TERMINATION POLICY

There are no termination or exit payments in any of the service contracts. Any sums payable up to the point of leaving will be considered by the Remuneration Committee and will include:

- salary, benefits and pension – earnings up to the date of leaving as per the service agreement;
- for a 'good leaver' only, any bonus earned (subject to the discretion of the Committee) – accrued and apportioned to the date of leaving;
- for a 'good leaver' only, any share awards due, as per the rules of the scheme, apportioned to the date of leaving; and
- any pay in lieu of notice.

A leaver will be a 'good leaver' in the event of:

- retirement;
- redundancy;
- illness, disability or injury;
- death; or
- in other circumstances if the Committee, in its discretion, considers it appropriate.

#### OVERALL POLICY

The Group's policy is that the overall remuneration package offered should be sufficiently competitive to attract, retain and motivate high quality executives whilst giving consideration to salary levels in similar sized quoted companies in the sector and in the region. Their share-based awards (LTIP) are aligned with the long-term progress of the Group and in line with the Shareholders' interests. The bonus award is linked to the performance of the business based on key financial metrics.

## SERVICE CONTRACTS

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

The service contract for Martin Davey includes a one year notice period from 1 May 2006 except in the case of a takeover of the Company when the notice period is two years for the first six months following the takeover. The contract also has special provisions relating to liquidated damages requiring that the notice period stipulated in the contract will be paid in full. These conditions were incorporated into new contracts several years ago when the Directors changed from contracts that had notice periods of up to three years. Whilst these contractual terms differ from the current policy, the Remuneration Committee has concluded that it would not be appropriate, in the circumstances, to seek to further amend the contractual terms agreed with this individual in 2006.

## NON-EXECUTIVE DIRECTORS

Each Non-Executive Director has an appointment letter – Steven Esom for three years from 12 November 2014, Kate Allum for three years from 1 July 2016 and Mark Reckitt for three years from 1 May 2017. The continuing appointments are subject to annual re-election at the Company's Annual General Meeting.

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

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

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

## PAY AND CONDITIONS ACROSS 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 & 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 holds shares in the Company.)

## REMUNERATION COMMITTEE REPORT CONTINUED

### 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:

£'000	Salary and fees		Benefits		Bonus		LTIP*		Pension		SAYE		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Executive Directors</b>														
Mark Bottomley	396	389	30	29	594	584	728	782	79	78	51	–	1,878	1,862
Jim Brisby	396	386	32	29	594	579	654	702	79	77	14	–	1,769	1,773
Adam Couch	599	588	31	29	898	882	1,078	1,148	120	118	–	38	2,726	2,803
Martin Davey	304	306	34	29	457	458	723	1,239	61	61	–	–	1,579	2,093
	1,695	1,669	127	116	2,543	2,503	3,183	3,871	339	334	65	38	7,952	8,531
<b>Non-Executive Directors</b>														
Kate Allum	48	47	–	–	–	–	–	–	–	–	–	–	48	47
Steven Esom	56	54	–	–	–	–	–	–	–	–	–	–	56	54
Mark Reckitt	56	54	–	–	–	–	–	–	–	–	–	–	56	54
	160	155	–	–	–	–	–	–	–	–	–	–	160	155
<b>Total emoluments</b>	<b>1,855</b>	<b>1,824</b>	<b>127</b>	<b>116</b>	<b>2,543</b>	<b>2,503</b>	<b>3,183</b>	<b>3,871</b>	<b>339</b>	<b>334</b>	<b>65</b>	<b>38</b>	<b>8,112</b>	<b>8,686</b>

\* The values of the LTIP awards which vested in June 2016 have been updated for the actual share price on the date of vesting. In line with the regulations the values for 2017 are based on the average share price over the three month period to 31 March 2017 as these awards will not vest until June 2017 (see tables on page 71).

As reported last year the Executive Directors had pay awards in the year effective from 1 May 2016 of:

Adam Couch	1.6%	In line with the change in RPI
Jim Brisby	1.6%	In line with the change in RPI
Mark Bottomley	1.6%	In line with the change in RPI
Martin Davey	1.6%	In line with the change in RPI

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 (2016: two).

#### ANNUAL BONUS ARRANGEMENT (AUDITED)

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

The performance in the year was adjusted to take into account acquisitions and disposals and other non-trading items that before charging bonus awards was £80.6 million. This exceeded the maximum profit target resulting in a bonus award of 150 per cent of salary as shown below.

	Threshold		Maximum		Actual
Adjusted profit targets	£70.6m	£73.8m	£76.8m	£78.8m	£80.6m
Bonus payable	20%	50%	100%	150%	150%

This award is reflected in the table above.

**LONG TERM INCENTIVE PLAN (AUDITED)**

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

- 50 per cent of each award is subject to an earnings per share (EPS) target measured against average annual increases in the Retail Price Index (RPI) over a three year period. The EPS target allows 25 per cent of the shares subject to the target to vest at an average annual outperformance above RPI of 3 per cent and 100 per cent of the shares to vest at an average annual outperformance of 7 per cent with outperformance between 3 and 7 per cent rewarded pro-rata.
- 50 per cent are aligned to a total shareholder return (TSR) target measured against a comparable group of companies over a three year period. The TSR target allows 30 per cent of the shares subject to the target to vest at the 50th percentile and 100 per cent at the 75th percentile with performance between the 50th and 75th percentiles rewarded pro-rata.

The comparison companies used are: Associated British Foods plc, AG Barr plc, Britvic plc, Carrs Milling Industries plc, Dairy Crest Group plc, Devro plc, Greencore Group plc, Hilton Food Group plc, Kerry Group plc, McBride plc, Premier Foods plc, and Tate and Lyle plc.

The Remuneration Committee, which decides whether performance conditions have been met, considers EPS and TSR to be the most appropriate measures of the long-term performance of the Group.

The value of the LTIP for the year ended 31 March 2017 relates to awards made in 2014 with a performance criteria based on the three years ended 31 March 2017 that will vest in June 2017 calculated at the average price for the three months ending on 31 March 2017 of 2,379 pence. Over the three year performance period the EPS element of the award, based on the criteria set above, gave an out performance of 12.69 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 116.4 per cent and put the Company at the top of its comparative group which was at the 100th percentile so again an award of 100 per cent was achieved. The total award of 100 per cent is reflected in the table on page 70, and below.

	Date of grant	Options granted	Vesting performance	Shares awarded	Average share price	Value of shares
Mark Bottomley	1 June 2014	30,600	100%	30,600	2,379	727,974
Jim Brisby	1 June 2014	27,500	100%	27,500	2,379	654,225
Adam Couch	1 June 2014	45,300	100%	45,300	2,379	1,077,687
Martin Davey	1 June 2014	30,400	100%	30,400	2,379	723,216

The value of the LTIP for the year ended 31 March 2016 relates to awards, made in 2013, with a performance criteria based on the three years ended 31 March 2016 that vested in June 2016, calculated at a vesting share price of 2,333 pence. The EPS element of the award achieved 100 per cent of its performance target and 100 per cent was achieved under the TSR measure giving an overall award of 100 per cent and this is reflected in the 2016 column of the table on page 70 and in the table below.

	Date of grant	Options awarded	Value of award as at 31 March 2016 based on an average price of 1,989p	Value of award when vested in June 2016 at the market price of 2,333p
Mark Bottomley	1 June 2013	33,500	£666,315	£781,555
Jim Brisby	1 June 2013	30,100	£598,689	£702,233
Adam Couch	1 June 2013	49,200	£978,588	£1,147,836
Martin Davey	1 June 2013	53,100	£1,056,159	£1,238,823

The value of the SAYE options relates to awards granted 3, 5 or 7 years ago that have had their full contribution paid by the Executive and have been exercised in the year. The awards in 2017 exercised by Mark Bottomley had an exercise price of 579 pence and a market value of 2,551 pence and for Jim Brisby an exercise price of 916 pence and a market value of 2,333 pence. The notional gains are shown in the 2017 column of the table on page 70.

**PAYMENTS TO PAST DIRECTORS (AUDITED)**

There have been no payments made to past Directors or payments made for loss of office in the year.

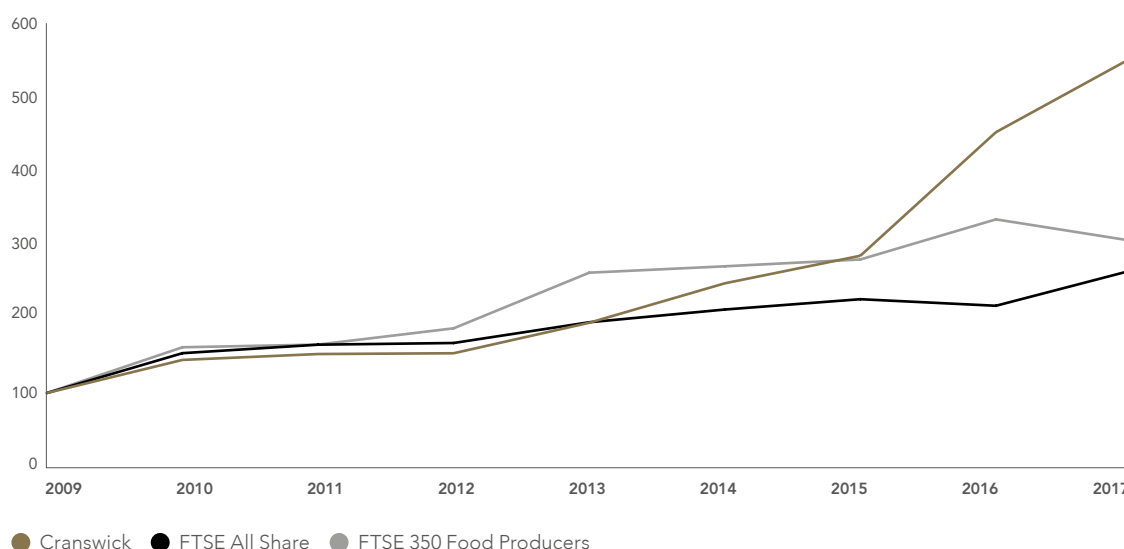


## REMUNERATION COMMITTEE REPORT CONTINUED

### ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

#### PERFORMANCE GRAPH – TOTAL SHAREHOLDER RETURN (UNAUDITED)

The graph below shows the percentage change (from a base of 100 in March 2009) in the Total Shareholder Return (with dividends reinvested) for each of the last eight 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.



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

£'000	2010	2011	2012	2013	2014	2015	2016	2017
Base salary	464	483	508	505	542	562	588	<b>599</b>
Benefits	24	25	28	28	31	29	29	<b>31</b>
Pension	93	97	102	86	108	112	118	<b>120</b>
Bonus	705	107	453	639	252	843	882	<b>898</b>
LTIP	172	207	243	171	149	825	1,148	<b>1,078</b>
SAYE	–	–	6	7	–	–	38	<b>–</b>
CEO total remuneration	1,458	919	1,340	1,436	1,082	2,371	2,803	<b>2,726</b>
Bonus award against maximum opportunity	97%	14%	56%	80%	31%	100%	100%	<b>100%</b>
LTIP vesting against maximum opportunity	85%	100%	93%	43%	25%	87%	100%	<b>100%</b>

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

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

The table below shows the percentage change from 2016 to 2017 in the Chief Executive's salary compared to the change for all permanent employees of the business (excluding all Board Directors).

	Total pay	Salary	Benefits	Bonus
Chief executive	-1%	2%	7%	2%
All other employees* (excluding all Board Directors)	8%	10%	2%	4%

#### 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 in respect of 2017 and the preceding financial year.

	2017 £'000	2016 £'000	Change %
Pay against distributions			
Remuneration paid to all employees*	<b>142,012</b>	131,761	7.78%
Total dividends paid in the year	<b>19,577</b>	17,370	12.71%

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

**SHARE OPTIONS (AUDITED)**

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

	Date of grant	Basis of award	Number of shares	Share price at grant*	Face value of shares	Vesting at minimum performance	End of performance period
Mark Bottomley	1 June 2016	150% of salary	25,700	2,313	£594,441	27.5%	31 March 2019
Jim Brisby	1 June 2016	150% of salary	25,700	2,313	£594,441	27.5%	31 March 2019
Adam Couch	1 June 2016	150% of salary	38,900	2,313	£899,757	27.5%	31 March 2019
Martin Davey	1 June 2016	150% of salary	19,800	2,313	£457,974	27.5%	31 March 2019

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

The awards are exercisable between 1 June 2019 and 1 June 2026, subject to performance. 50 per cent of the award depends on the performance of EPS and 50 per cent on TSR for the period from 1 April 2016 to 31 March 2019. If the minimum performance was achieved the EPS element would give 25 per cent and the TSR element would give 30 per cent; overall 27.5 per cent of the grant would vest.

**OUTSTANDING SHARE AWARDS (AUDITED)**

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

**Long Term Incentive Plan (audited)**

	Year of award	At 1 April 2016 Number	Granted in the year Number	Exercised in the year Number	Lapsed in the year Number	At 31 March 2017 Number	Exercise price p	Market price at grant p
Mark Bottomley	2013	33,500	—	(33,500)	—	—	nil	1,127
	2014	30,600	—	—	—	30,600	nil	1,266
	2015	35,900	—	—	—	35,900	nil	1,628
	2016	—	25,700	—	—	25,700	nil	2,333
Jim Brisby	2013	30,100	—	(30,100)	—	—	nil	1,127
	2014	27,500	—	—	—	27,500	nil	1,266
	2015	35,600	—	—	—	35,600	nil	1,628
	2016	—	25,700	—	—	25,700	nil	2,333
Adam Couch	2013	49,200	—	(49,200)	—	—	nil	1,127
	2014	45,300	—	—	—	45,300	nil	1,266
	2015	54,200	—	—	—	54,200	nil	1,628
	2016	—	38,900	—	—	38,900	nil	2,333
Martin Davey	2013	53,100	—	(53,100)	—	—	nil	1,127
	2014	30,400	—	—	—	30,400	nil	1,266
	2015	28,200	—	—	—	28,200	nil	1,628
	2016	—	19,800	—	—	19,800	nil	2,333

The performance periods run for three years from 1 April in each year and conclude on 31 March three years later and are exercisable on the attainment of certain performance criteria detailed on page 71. The range of exercise dates are 1 June 2017 to 1 June 2026.

The LTIP, issued in 2014, which vests in June 2017, will achieve 100 per cent of both the EPS target and the TSR measure giving a maximum share 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	33,500	21 June 2016	nil	2,105	705
Jim Brisby	30,100	21 June 2016	nil	2,105	634
Adam Couch	49,200	21 June 2016	nil	2,105	1,035
Martin Davey	53,100	21 June 2016	nil	2,105	1,118

## REMUNERATION COMMITTEE REPORT CONTINUED

### ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

#### Savings related share option scheme (audited)

	Year of award	At 1 April 2016 Number	Granted in the year Number	Exercised in the year Number	Lapsed in the year Number	At 31 March 2017 Number	Exercise price p	Range of exercise dates
Mark Bottomley	2011	2,590	–	(2,590)	–	–	579	1 Mar 2017–1 Sep 2017
	2014	1,276	–	–	–	<b>1,276</b>	1,187	1 Mar 2020–1 Sep 2020
Jim Brisby	2013	982	–	(982)	–	–	916	1 Mar 2017–1 Sep 2017
	2014	1,276	–	–	–	<b>1,276</b>	1,187	1 Mar 2020–1 Sep 2020
Adam Couch	2011	936	–	–	–	<b>936</b>	579	1 Mar 2019–1 Sep 2019
	2014	1,276	–	–	–	<b>1,276</b>	1,187	1 Mar 2020–1 Sep 2020
	2015	667	–	–	–	<b>667</b>	1,456	1 Mar 2021–1 Sep 2021
Martin Davey	2014	758	–	–	–	<b>758</b>	1,187	1 Mar 2018–1 Sep 2018
	2015	618	–	–	–	<b>618</b>	1,456	1 Mar 2019–1 Sep 2019

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

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

	Number	Date exercised	Exercise price p	Market price p	Notional gain £'000
Mark Bottomley	2,590	28 March 2017	579	2,551	51
Jim Brisby	982	1 March 2017	916	2,333	14

#### 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, with the holding to be built up over a five year period. The Directors' current holdings and value are now all in excess of the 200 per cent target and are shown below.

#### DIRECTORS' INTERESTS (AUDITED)

	LTIP (Unvested, subject to performance)	LTIP (Vested*, unexercised)	SAYE (Non-performance related)	Number of shares held as at 31 March 2017	Value of shares held as a % of base salary	Target %
Mark Bottomley	61,600	30,600	1,276	69,924	452	200
Jim Brisby	61,300	27,500	1,276	77,374	500	200
Adam Couch	93,100	45,300	2,879	112,746	482	200
Martin Davey	48,000	30,400	1,376	228,869	1,924	200
Steve Esom	–	–	–	1,441	–	–
Mark Reckitt	–	–	–	1,300	–	–

\* LTIP awards are due to vest in June 2017 with the performance criteria now completed.

The share price at 31 March 2017 of 2,559p 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 1 April 2017 to 23 May 2017.

#### REMUNERATION FOR THE YEAR ENDING 31 MARCH 2018

There are no planned changes to the basis of the Executive Directors' remuneration following the benchmarking exercise carried out in 2015. The Executive Directors were awarded an increase of 3.1 per cent which is in line with the annualised increase in the Retail Price Index (RPI) as at 31 March 2017. This increase is consistent with the average increase awarded to senior executives and to other employees in the Group taking into account local practices and regional variations in pay and conditions.

Following the increase in pay, which will be applicable from 1 May 2017, the Executive Directors' base salaries will be:

Director	New salary	Rationale
Mark Bottomley	£408,500	Increase In line with RPI
Jim Brisby	£408,500	Increase In line with RPI
Adam Couch	£618,000	Increase in line with RPI
Martin Davey	£314,250	Increase in line with RPI

The 2018 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 2018 targets are not disclosed as they are considered to be commercially sensitive. The targets will be declared retrospectively in the 2018 Annual Report, provided they are not considered commercially sensitive at that time. There are four bonus profit targets triggering awards of 20 per cent, 50 per cent, 100 per cent and 150 per cent of base salaries with a straight line pro-rata award for profits falling between the target. There is a fixed sum paid out at the half year stage based on the achievement of the half year target.

LTIP awards, equivalent to 150 per cent of basic salary, will be made in June 2017 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 71.

### THE REMUNERATION COMMITTEE

During the year the Committee comprised all the independent Non-Executive Directors: Steven Esom (Chair), Kate Allum and Mark Reckitt. Their experiences and suitability are highlighted in their biographical details on page 47. The Chairman attends the meetings, along with the Chief Executive and the Group Finance Director, in an advisory capacity as and when requested and the Company Secretary attends the meetings as secretary to the Committee. No individual is involved in decisions relating to their own remuneration.

### COMMITTEE MEETINGS DURING THE YEAR

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

Committee members	Meetings attended	Percentage attended
Steven Esom – Chair	4	100%
Kate Allum	4	100%
Mark Reckitt	4	100%

### ROLE OF THE REMUNERATION COMMITTEE AND PRINCIPLES OF REMUNERATION POLICY

The principal role of the Remuneration Committee is to determine and agree with the Board the policy for all aspects of the Executive Directors' remuneration including to:

- review the ongoing relevance and effectiveness of the Group remuneration policy;
- determine the remuneration of the Company's Executive Directors and other senior executives earning in excess of £150,000 per annum to make certain that they are aligned to the Group's strategy and goals;
- monitor the remuneration of the Group's other senior executives;
- approve the design of the Executive Directors' and the Group's senior executives annual bonus arrangement;
- approve the level and appropriateness of the Long Term Incentive Plan (LTIP) for the Executive Directors and senior executives; and
- listen to and consider any Shareholders' views relating to Directors' remuneration as expressed at the AGM.

It also undertakes a regular review of the incentive plans to ensure that they remain appropriate to the Company's current circumstances, prospects and strategic priorities and that, in particular, the remuneration policy adopted is aligned with and based on the creation of value for Shareholders and provides appropriate incentives for management to achieve this objective without taking inappropriate business risks. The Committee also reviews and notes annually the remuneration trends across the Group and any major changes in employee benefit structures.

### KEY ACTIVITIES OF THE COMMITTEE

The Committee's key activities during the year ended 31 March 2017 were as follows:

April 2016	<ul style="list-style-type: none"> <li>• review the Executives Directors' and other senior executives' base salaries;</li> <li>• set corporate and personal objectives for the annual bonus arrangements for 2017 for the Executive Directors and senior executives;</li> <li>• review the Committee's Terms of Reference.</li> </ul>
May 2016	<ul style="list-style-type: none"> <li>• review the achievements of the Executive Directors' bonus arrangement against the 2016 targets;</li> <li>• review the outcome of performance conditions for the LTIP awards which were granted in 2013;</li> <li>• approve the LTIP awards granted in 2016;</li> <li>• review the Executive Directors' shareholding requirement;</li> <li>• approve the Annual Remuneration Report for 2016.</li> </ul>
November 2016	<ul style="list-style-type: none"> <li>• review the interim bonus performance for the Executive Directors against the 2017 target;</li> <li>• approve the issue of the SAYE share scheme for 2017.</li> </ul>



## REMUNERATION COMMITTEE REPORT CONTINUED

### ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

#### ADVISERS TO THE COMMITTEE

The Committee keeps itself fully informed on the developments within the industry and in the field of remuneration and seeks advice from external advisers where appropriate. AON Hewitt have been retained by the Remuneration Committee for advice throughout the year and were paid £2,700 for their services. In addition PricewaterhouseCoopers (PwC) continue to give advice to the Remuneration Committee on share option awards and other benefit schemes, for which £3,750 was paid to them in the year. AON Hewitt is part of the AON Corporation which also provides insurance broking services to the Group and PwC are the Group's tax advisers. However the Committee have reviewed any potential conflicts of interest and judged that the two companies' advice is both objective and independent. As PwC will be appointed external auditors from 1 April 2017 (subject to shareholders approval at the 2017 AGM) the Committee will consider new advisers to replace them.

#### STATEMENT OF SHAREHOLDERS VOTING (UNAUDITED)

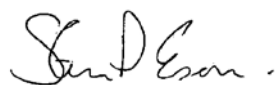
The resolutions to approve the 2016 Remuneration Committee Report were passed on a show of hands at the Company's last AGM held on 25 July 2016.

The votes cast by proxy in respect of those resolutions were:

Remuneration Committee report	Number	%
For	38,159,583	98.6
Against	524,823	1.4
Withheld	4,265	

#### REMUNERATION DISCLOSURE

This report complies with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013 (the Regulations), the principles of the 2014 UK Corporate Governance Code and the Listing Rules of the Financial Conduct Authority.



**Steven Esom**

Chair of the Remuneration Committee

23 May 2017

## DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements of the Company and the Group for the year ended 31 March 2017. The Directors' Report consists of pages 77 to 81 and has been drawn up and presented in accordance with and in reliance upon applicable English company law, and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law. The Report includes:

- Strategic Report, including Strategy, Principal Risks and Sustainability reporting, on pages 2 to 43;
- Governance Statement, including reports from the Audit Committee, Nomination Committee and the Remuneration Committee, on pages 48 to 76.

### DIRECTORS AND THEIR INTERESTS

The membership of the Board and biographical details of the Directors are given on pages 46 and 47. Details of the Directors' beneficial interests in the ordinary shares of the Company and in share options over the ordinary share capital of the Company are included in the Remuneration Committee Report on pages 62 to 76.

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

### 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.

### CONFLICTS OF INTEREST

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

### DISCLOSURE REQUIRED UNDER LISTING RULE 9.8.4R

The only information that is applicable to the Company in respect of the requirements of the Listing Rule 9.8.4R are the details of the Long Term Incentive Scheme which can be found in the Remuneration Committee Report on pages 62 to 76.

### PROFIT AND DIVIDENDS

The profit from continuing operations for the financial year, after taxation amounts to £62.3 million (2016: £49.0 million). The Directors have declared dividends as follows:

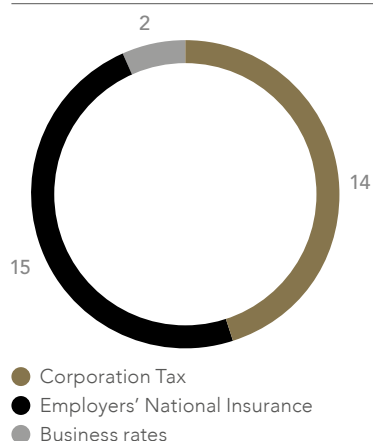
	2017	2016
Interim dividend per share paid on 27 January 2017	13.1p	11.6p
Final dividend per share proposed	31.0p	25.9p
Total dividend	£22.2m	£18.7m

Subject to approval at the Annual General Meeting, the final dividend will be paid in cash or scrip form on 1 September 2017 to members on the register at the close of business on 30 June 2017. The shares will go ex-dividend on 29 June 2017. The proposed final dividend for 2017 together with the interim paid in January 2017 amount to 44.1 pence per share which is 17.6 per cent higher than the previous year.

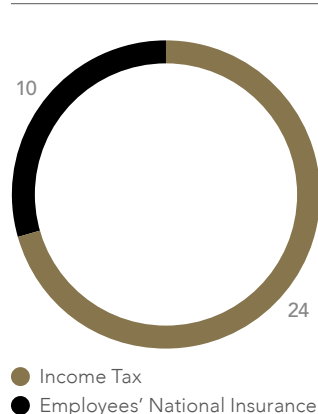
### TAX CONTRIBUTION

Within the UK our tax contribution to the UK treasury takes two forms: direct contributions, being a cost to the Company which includes corporation tax on profits, employer's National Insurance on wages paid and business rates; and indirect contributions, being income tax and employee's National Insurance on wages paid. The total paid in the year amounts to £65 million and is analysed as follows:

#### Direct Tax Contribution £'m



#### Indirect Tax Contribution £'m



**DIRECTORS' REPORT CONTINUED****SHARE CAPITAL**

The Company has one class of shares, being ordinary shares of 10 pence each. There are no special rights pertaining to any of the shares in issue; each share carries the right to one vote at general meetings of the Company. The allotted and fully paid up share capital is shown in Note 24. During the year the share capital increased by 620,690 shares. The increase comprised 390,082 of shares issued relating to share options exercised during the year and 230,608 of shares issued in respect of scrip dividends.

**MAJOR SHAREHOLDERS**

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

	At 31 March 2017		Nature of holding
	Number of shares	% of issued share capital	
Invesco Perpetual	12,157,850	24.09	Direct & Indirect
Wellington Management	3,621,568	7.18	Direct
Woodford Investment Management	2,832,038	5.61	Direct & Indirect
Standard Life Investments	2,578,612	5.11	Direct
Legal & General Investment Management	2,015,842	3.99	Direct
Fidelity Management & Research	1,898,157	3.76	Direct

There have been no notifications of any significant changes, a different whole percentage movement, to these shareholdings as at 23 May 2017.

**CAPITAL RAISING AND SHARE REPURCHASES**

The Directors of Cranswick plc have received limited authority to disapply Shareholders' pre-emption rights in certain circumstances, to authorise the Company to buy back a proportion of the Company's share capital and to allow the Directors to allot shares. Further resolutions will be placed before the Annual General Meeting to be held on 24 July 2017 to renew these powers.

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

**Allot Shares**

This gives Directors the authority to allot authorised but unissued shares and maintains the flexibility in respect of the Company's financing arrangements. The nominal value of ordinary shares which the Directors may allot in the period up to the next Annual General Meeting, to be held on 24 July 2017, is limited to £1,661,796 which represented approximately 33 per cent of the issued share capital as at 31 May 2016. The Directors do not have any present intention of exercising this authority other than in connection with the issue of ordinary shares in respect of the scrip dividend offer and the Company's share option plans. This authority will expire at the end of the Annual General Meeting to be held on 24 July 2017.

**Disapplication of pre-emption rights**

This dis-applies rights of pre-emption on the allotment of shares by the Company, or to grant rights to subscribe for, or to convert securities into ordinary shares or sell treasury shares for cash. The authority will allow the Directors to allot equity securities for cash pursuant to the authority to allot shares mentioned above, to grant rights for ordinary shares and to sell treasury shares for cash without a pre-emptive offer to existing Shareholders, up to an aggregate nominal amount of £498,538, representing 10 per cent of the Company's issued share capital as at 31 May 2016. This authority will expire at the end of the Annual General Meeting to be held on 24 July 2017.

**To buy own shares**

This authority allows the Company to buy its own shares in the market, as permitted under the Articles of Association of the Company, up to a limit of 10 per cent of the Company's issued share capital. The price to be paid for any share must not be less than 10 pence, being the nominal value of a share, and must not exceed 105 per cent of the average middle market quotations for the ordinary shares of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary shares are purchased. The Directors have no immediate plans to exercise the powers of the Company to purchase its own shares and undertake that the authority would only be exercised if the Directors were satisfied that a purchase would result in an increase in expected earnings per share and was in the best interests of the Company at the time. This authority will expire at the end of the Annual General Meeting to be held on 24 July 2017. The Directors would consider holding any of its own shares that it purchases pursuant to this authority as treasury shares.

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

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

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

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

The Annual General Meeting of Cranswick plc will be held at the Mercure Hull Grange hotel on Monday 24 July 2017. A notice convening the Annual General Meeting can be found in the separate Notice of Annual General Meeting accompanying this Report & Accounts.

Details of the Special Business to be transacted at the Annual General Meeting are contained in the separate letter from the Chairman which also accompanies this Report & Accounts, and covers the Directors' authority to allot shares, the partial disapplication of pre-emption rights and the authority for the Company to buy its own shares.

## ARTICLES OF ASSOCIATION

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

## CAPITAL STRUCTURE

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

The Group regards its Shareholders' equity and net debt as its capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ended 31 March 2016 and 31 March 2017.

The Group's capital structure is as follows:

	2017 £'m	2016 £'m
Net debt/(funds) (Note 27)	11.0	(17.8)
Cranswick plc Shareholders' equity	421.4	368.0
Capital employed	432.4	350.2

## 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;
- there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occur because of a takeover bid other than as stated in the Remuneration Committee Report, on page 69, relating to Martin Davey; and
- there are certain provisions in the Company's Save As You Earn share option plan and the Long Term Incentive Plan that may cause options and awards granted to vest on a takeover. The proportion of the awards that are capable of exercise will depend on the time in the scheme and as far as the LTIP is concerned the extent to which the performance targets (as adjusted or amended) have been satisfied.



**DIRECTORS' REPORT CONTINUED****FINANCIAL INSTRUMENTS****Functional currency**

The functional currency of all Group undertakings is Sterling.

**Foreign currency risk**

The main foreign exchange risk facing the Group is in the purchasing of charcuterie products and fresh pork cuts from continental Europe in Euros and the sale of fresh pork to the USA and China denominated in US Dollars. The policy of the Group is to seek to mitigate the impact of this risk by taking out forward contracts for up to twelve months ahead and for amounts that commence at approximately 25 per cent of the requirement and move progressively towards full cover. The Finance Director is consulted about the key decisions on currency cover.

**Interest rate risk**

The Group's current policy is to manage its cost of borrowing using a mix of fixed and variable rate debt. Whilst fixed rate interest-bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate borrowing means that the Group is exposed to unplanned costs should debt be restructured or repaid early as part of the liquidity management process. In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risk as costs increase if market rates rise. The Group has reduced its borrowings significantly in recent years and at 31 March 2017 gearing was at just 2.6 per cent (2016: zero). Given this conservative debt structure the Group has not fixed the interest rate on any part of its current facility. The Board will keep this situation under constant review and will fix the interest rate on a proportion of the Group's borrowings at such time as it becomes appropriate to do so. The monitoring of interest rate risk is handled entirely at head office, based on the monthly consolidation of cash flow projections and the daily borrowings position.

**Credit risk**

Practically all sales are made on credit terms, the majority of which are to the major UK food retailers. Overdue accounts are reviewed at monthly management meetings. The incidence of bad debts is low. For all major customers, credit terms are agreed by negotiation and for all other customers, credit terms are set by reference to external credit agencies and/or commercial awareness. Every attempt is made to resist advance payments to suppliers for goods and services; where this proves commercially unworkable, arrangements are put in place, where practical, to guarantee the repayment of the monies in the event of default.

**Liquidity risk**

The Group has historically been very cash-generative. The bank position for each site is monitored on a daily basis and capital expenditure is approved at local management meetings at which at least two members of the main Board are present and reported at the subsequent monthly main Board meeting. Major projects, in excess of £1 million, are approved by the main Board. Each part of the Group has access to the Group's overdraft facility and all term debt is arranged centrally. The Group renewed its bank facility in November 2016. The arrangement is made up of a revolving credit facility of £160.0 million including a committed overdraft facility of £20.0 million. The Group manages the utilisation of the revolving credit facility through the monitoring of monthly consolidated cash flow projections and the daily borrowings position. The current arrangement extends the maturity of the Group's available financing to November 2021 with the option to extend by up to a further two years, providing it with reduced liquidity risk and medium-term funding to meet its objectives. The unutilised element of the facility at 31 March 2017 was £148.1 million (2016: £120.0 million).

**GREENHOUSE GAS EMISSIONS**

The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible. Details of these greenhouse gas emissions are included within the Sustainability section on pages 32 and 33.

**POLITICAL DONATIONS**

The Group has made no political donations during the year ended 31 March 2017.

**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.

**EMPLOYMENT POLICIES**

The Group's policy on employee involvement is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Group's operations. Employees participate directly in the success of the business by participation in the SAYE share option schemes.

Employment policies are designed to provide equal opportunities irrespective of race, colour, nationality, religion, sex, marital status, family status, sexual orientation, disability or age. Full consideration is given to applications for employment by and the continuing employment, training and career development of disabled people.

More details on people management and employment policies, including human rights information, can be found within the Operating Excellence section on pages 28 and 29.

## FUTURE DEVELOPMENTS

Future developments are described in the Strategic Report on pages 2 to 43.

## GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of activities. The financial position of the Group, its cash flows, liquidity position and borrowing facility are described above, as are the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Group has considerable financial resources together with strong trading relationships with its key customers and suppliers. As a consequence, the Directors believe that the Group is well placed to manage its business risk successfully.

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

## AUDITORS

Ernst & Young LLP stand down as external auditors after 45 years in the role in accordance with the requirements of the UK Corporate Governance Code. A resolution to appoint PricewaterhouseCoopers LLP as independent external auditor will be proposed at the Annual General Meeting, together with the authority for the Audit Committee to determine their remuneration. A statement on the independence of the external auditors is included in the report of the Audit Committee on pages 58 and 59.

## DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 46 and 47. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirm that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

## DIRECTORS' RESPONSIBILITY STATEMENT

Each of the Directors of the Board listed on pages 46 and 47 confirms that to the best of their knowledge:

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

The Directors' Report was approved by a duly authorised committee of the Board on 23 May 2017 and signed on its behalf by:



**Malcolm Windeatt**  
Company Secretary

23 May 2017  
Company number: 1074383

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

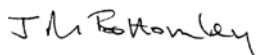
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies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

The Directors are also responsible for preparing the Strategic Report, the Directors' Report, the Remuneration Committee Report and the Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

On behalf of the Board



**Martin Davey**  
Chairman



**Mark Bottomley**  
Finance Director

23 May 2017

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRANSWICK PLC

### OUR OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- Cranswick plc's Group financial statements and Parent company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the group financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### WHAT WE HAVE AUDITED

Cranswick plc's financial statements comprise:

Group	Parent company
Group balance sheet as at 31 March 2017	Company balance sheet as at 31 March 2017
Group income statement for the year then ended	Company statement of comprehensive income for the year then ended
Group statement of comprehensive income for the year then ended	Company statement of changes in equity for the year then ended
Group statement of changes in equity for the year then ended	Company cash flow statement for the year then ended
Group cash flow statement for the year then ended	Related notes 1 to 31 to the financial statements
Related notes 1 to 31 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### OVERVIEW OF OUR AUDIT APPROACH

Risks of material misstatement	<ul style="list-style-type: none"> <li>• Revenue recognition – cut off.</li> <li>• Completeness and existence of commercial accruals – rebates and similar agreements.</li> <li>• Accounting for acquisitions.</li> </ul>
Audit scope	<ul style="list-style-type: none"> <li>• We performed an audit of the complete financial information of 15 of the 17 components.</li> <li>• The components where we performed full audit procedures accounted for 99% of Profit before tax, 99% of Revenue and 97% of Total assets.</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>• Overall Group materiality of £3.8m (2016: £3.2m) which represents 5% (2016: 5%) of adjusted profit before tax excluding non-cash transactions and non-recurring charges.</li> </ul>

### OUR ASSESSMENT OF RISK OF MATERIAL MISSTATEMENT

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRANSWICK PLC CONTINUED

Risk	Our response to the risk	What we concluded to the Audit Committee
<p><b>Revenue recognition – cut off</b> Revenue £1,245m (2016: £1,016m).</p> <p>The timing of when revenue is recognised is relevant to the reported performance of the Group. There is opportunity through management override to misstate the allocation of revenue between periods resulting in inappropriate cut off of revenue at the Balance Sheet date. There is also the risk of error. Therefore, there is risk that revenue could be under or over-stated.</p> <p>Refer to the Audit Committee Report (page 53); Accounting policies (page 100); and Note 2 of the Consolidated Financial Statements (page 99).</p>	<p>We gained an understanding of, and documented the key processes used to record revenue transactions and assessed the design effectiveness of the controls.</p> <p>At certain locations we identified and performed testing over key revenue controls supplemented in all locations with detailed testing of transactions.</p> <p>We performed analytical procedures over revenue in the year, comparing amounts recognised with our expectations and we corroborated any explanations provided in response to material variances noted.</p> <p>We performed detailed cut off testing of revenue transactions during the period either side of the balance sheet date with reference to delivery documentation. We also performed analytical testing procedures during that same period to establish whether cut off had been appropriately applied.</p> <p>We performed correlation testing to agree revenue to trade receivables to cash receipted using our journal tool. This allowed us to audit 100% of the revenue transactions in the financial year. Any material journals or other unexpected transactions we identified which did not correlate to trade receivables and/or cash receipts were investigated to supporting documentation to verify the appropriateness of the entry.</p> <p>We examined material journal entries that were posted to revenue accounts and obtained supporting evidence to ensure the appropriateness of revenue recognition.</p>	<p>We have concluded that revenue is appropriately recognised in the correct accounting period in accordance with IAS18 Revenue, and found no evidence of management bias.</p>
<p><b>Completeness and existence of commercial accruals – rebates and similar agreements</b> Commercial Accruals £10.2m (2016: £8.2m)</p> <p>The Group's pricing structure includes rebate and other similar arrangements ('rebates') with certain customers.</p> <p>Commercial accruals include advertising and marketing contributions. Management exercise a degree of judgment in determining the valuation of the liability and the timing of when the liability should be recognised.</p> <p>Commercial accruals also include retrospective discounts based on volumes, which are mechanical in nature whereby the amount due is based on the quantity supplied in a specific period of time at a set amount per unit. These amounts require less judgement and estimation to determine the quantity supplied or the period in which the supply occurred.</p> <p>As a result of these factors, there is risk of material misstatement.</p> <p>Refer to the Audit Committee Report (page 53) and Accounting policies (page 99).</p>	<p>Applicable to all material rebates and other arrangements with customers:</p> <p>We performed a walkthrough and gained an understanding and documented the procedures and controls in place over processes for recording rebate charges and liabilities and assessed the design effectiveness of controls.</p> <p>We performed analytical review procedures to understand movements in income statement and balance sheet accounts between the current and prior periods, including ageing analysis and corroborated any unexpected and material variance to underlying source documentation.</p> <p>We selected a sample of customers to send confirmations to verify the terms of the agreement. We issued 15 confirmation letters directly to customers in order to agree key terms of certain new and significant contracts entered into in the financial year where those contracts were consider material due to size, complexity or risk. We have received back 7 letters where customers confirmed the terms.</p> <p>To ensure we obtained sufficient audit evidence in those instances where a response to the confirmation may not be received, for all items selected we also performed the following additional procedures:</p> <p>We agreed the balance to post year end payments or settlements against customer invoices.</p> <p>We vouched a sample of rebate payments made and credit notes issued in the year to supporting documentation.</p> <p>We reviewed the ageing of rebates to identify old balances that remained unclaimed and we also compared amounts paid to the amounts previously provided, in order to gain assurance over the accuracy of historic balances.</p> <p>We tested the completeness of amounts provided by reference to the Group's customer base. Using the data extracted from the accounting system, we tested the appropriateness of material journal entries and other adjustments posted to the over-rider income statement accounts.</p> <p>We audited management's disclosure within Note 20 in respect of supplier arrangement amounts recorded in the income statement and balance sheet.</p>	<p>We have concluded that the commercial accruals are appropriately recognised in the income statement and balance sheet and the disclosures included are appropriate in accordance with IAS18 Revenue and IAS1 Presentation of Financial Statements.</p>

Risk	Our response to the risk	What we concluded to the Audit Committee
<p><b>Accounting for acquisitions</b></p> <p>Consideration £58.1m (2016: £nil). There have been two acquisitions during the financial year; CCL Holdings Limited and its subsidiary Crown Chicken Limited and Dunbia Ballymena. The accounting for acquisitions under IFRS3 can be complex and require significant judgement. The recognition and valuation of assets and liabilities acquired, such as customer relationships and other intangible assets, is inherently complex and judgmental. As a result there is a risk of material misstatement to the fair value allocated to assets and liabilities acquired including intangible assets.</p> <p>Refer to the Audit Committee Report (page 53) and Accounting policies (page 100).</p>	<p>For each transaction, we performed the following procedures:</p> <p>We obtained and understood the sale and purchase agreement to understand the terms and conditions of the agreements to ensure the accounting treatment under IFRS3 is consistent with the terms of the agreement.</p> <p>We obtained management's assessment of separately identifiable intangible assets arising on acquisition and their fair value. We audited this assessment to ensure all material separately identifiable intangible assets were recognised on acquisition based on our understanding of the business acquired, the terms of the agreement and the guidance in IFRS3. We evaluated the existence of any further material intangible assets that were not initially recognised by management.</p> <p>With the assistance of our valuations specialists we tested the most significant assumptions used to determine the valuation, which included the discount rate, forecast revenues and margin, and customer churn. This included performing sensitivity analysis on these assumptions to quantify the potential impact of movements in discount rate, growth rates and customer churn. We validated the inputs to the assumptions, such as the discount factor, and corroborated these to external sources where appropriate and management's internally approved budgets.</p> <p>We have tested how the model calculates the Weighted Average Cost of Capital, the carrying value of the assets and the discounted cash flows in order to gain assurance over the formulas in the model. We audited the appropriateness of the allocation of the purchase price, including the fair value of assets and liabilities acquired in addition to the fair value of intangible assets recognised on acquisition.</p> <p>We have considered the completeness of fair value adjustments recognised based on events subsequent to the transaction date.</p> <p>We evaluated the accounting treatment of contingent consideration to ensure that it is appropriate. We obtained management's calculation of the amounts payable, verified the calculations were appropriately performed, validated inputs to the sale and purchase agreement and external sources as appropriate to ensure the recognition of this element of total consideration was in accordance with IFRS 3.</p>	<p>We have concluded that the provisional acquisition accounting is appropriately calculated and recognised correctly.</p> <p>The fair value of assets and liabilities acquired has been recognised and disclosed in accordance with IFRS3 Business Combinations.</p>

We have removed the risk presented in the 2016 Audit Report relating to the impairment of goodwill. Following the disposal of the Sandwiches business in the year there is significant headroom in the remaining Cash Generating Units in the Group and we have therefore determined there not to be a material risk of misstatement in respect of goodwill impairment.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRANSWICK PLC CONTINUED

## THE SCOPE OF OUR AUDIT

## Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Group financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 17 reporting components (2016: 15 reporting components) of the Group, we selected 15 components (2016: 14 components), which represent the principal business units within the Group.

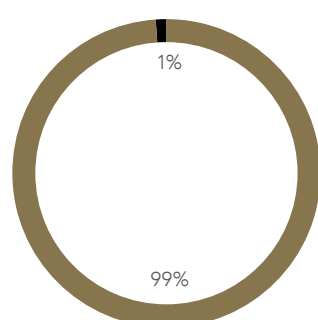
Of the 15 components selected, we performed an audit of the complete financial information on all 15 components ('full scope components') which were selected based on their size or risk characteristics.

The full scope reporting components where we performed audit procedures accounted for 99% (2016: 99%) of the Group's adjusted profit before tax measure used to calculate materiality, 99% (2016: 100%) of the Group's Revenue and 97% (2016: 98%) of the Group's Total assets. Adjusted Profit before tax excludes non-cash transactions and non-recurring charges as they are not appropriate for evaluating the financial performance of the Group in the year.

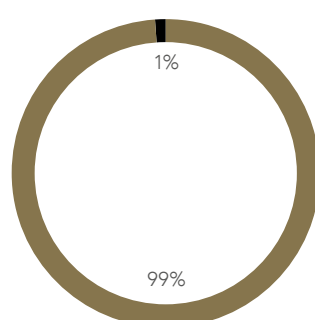
Of the remaining 2 components that together represent 1% of the Group's adjusted Profit before tax excluding impairment of goodwill and non-recurring charges, we performed analytical procedures to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

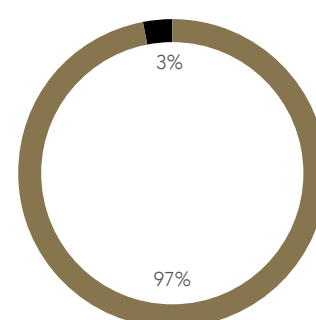
## Profit before tax



## Revenue



## Total assets



- Full scope components
- Other procedures

## Changes from the prior year

As a result of the acquisition of CCL Holdings Limited and its trading subsidiary Crown Chicken Limited, the acquisition of Dunbia Ballymena and the disposal in the period of The Sandwich Factory Holdings Limited, there was a net increase of 1 entity in scope for Group reporting.

## Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

## OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

## Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £3.8 million (2016: £3.2 million), which is 5% (2016: 5%) of Adjusted Profit before tax. Adjusted Profit before tax excludes the impact of fair value adjustments (IAS41 fair value movements), non-cash transactions not directly linked to operating performance (amortisation of customer relationship intangible assets) and one off, non-recurring charges (gain on disposal of a subsidiary in 2017 and impairment of goodwill in 2016). Profit before tax as reported in the Income Statement is from continuing operations only and already excludes the gain on disposal of a subsidiary in the period of £4.5m.

Adjusted Profit before tax therefore provides an appropriate basis for evaluating the financial performance of the Group in the year.

<b>STARTING BASIS</b>	<ul style="list-style-type: none"> <li>Reported profit before tax from continuing operations – £77.5m</li> </ul>
<b>ADJUSTMENTS</b>	<ul style="list-style-type: none"> <li>IAS41 fair value adjustment gain £4.1m (2016 charge £0.9m)</li> <li>Non-recurring gains £nil (2016 impairment of goodwill £4.6m)</li> <li>Amortisation of customer relationships £2.1m (2016 £1.4m)</li> </ul>
<b>MATERIALITY</b>	<ul style="list-style-type: none"> <li>Adjusted profit before tax excluding impairment of goodwill and non-recurring charges £75.5m</li> <li>Materiality of £3.8m (5% of materiality basis)</li> </ul>

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £2.8m (2016: £2.4m). We have set performance materiality at this percentage due to the past history of misstatements indicating a lower risk of misstatement in the financial statements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.1m to £1.6m (2016: £0.2m to £1.4m).

### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2016: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 81, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRANSWICK PLC CONTINUED

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- based on the work undertaken in the course of the audit:
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

<b>ISAs (UK and Ireland) reporting</b>	<p>We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:</p> <ul style="list-style-type: none"> <li>• materially inconsistent with the information in the audited financial statements; or</li> <li>• apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or</li> <li>• otherwise misleading.</li> </ul> <p>In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.</p>	We have no exceptions to report.
<b>Companies Act 2006 reporting</b>	<p>In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.</p> <p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>• adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>• the parent company financial statements and the part of the Remuneration Committee Report to be audited are not in agreement with the accounting records and returns; or</li> <li>• certain disclosures of directors' remuneration specified by law are not made; or</li> <li>• we have not received all the information and explanations we require for our audit.</li> </ul>	We have no exceptions to report.
<b>Listing Rules review requirements</b>	<p>We are required to review:</p> <ul style="list-style-type: none"> <li>• the directors' statement in relation to going concern, set out on page 82, and longer-term viability, set out on page 40; and</li> <li>• the 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.</li> </ul>	We have no exceptions to report.

## STATEMENT ON THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE ENTITY

### ISAs (UK and Ireland) reporting

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' 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 entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

### Alistair Denton (Senior statutory auditor)

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

23 May 2017

### Notes:

1. The maintenance and integrity of the Cranswick plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**GROUP INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	2017 £'000	2016 £'000
<b>Revenue</b>	3	<b>1,245,058</b>	1,016,314
<b>Adjusted Group operating profit</b>		<b>76,118</b>	65,056
Net IAS 41 valuation movement on biological assets	16	<b>4,116</b>	(951)
Amortisation of customer relationship intangible assets	12	<b>(2,108)</b>	(1,396)
<b>Group operating profit</b>	4	<b>78,126</b>	62,709
Finance revenue	6	–	1
Finance costs	6	<b>(639)</b>	(640)
<b>Profit before tax</b>		<b>77,487</b>	62,070
Taxation	7	<b>(15,145)</b>	(13,022)
<b>Profit for the year from continuing operations</b>		<b>62,342</b>	49,048
<b>Discontinued operations:</b>			
Profit/(loss) for the year from discontinued operations	8	<b>4,836</b>	(3,653)
<b>Profit for the year</b>		<b>67,178</b>	45,395
<b>Earnings per share (pence)</b>			
<b>On profit for the year from continuing operations:</b>			
Basic	11	<b>124.2p</b>	98.9p
Diluted	11	<b>123.7p</b>	98.5p
<b>On adjusted profit for the year from continuing operations:</b>			
Basic	11	<b>120.9p</b>	102.8p
Diluted	11	<b>120.4p</b>	102.4p
<b>On profit for the year:</b>			
Basic	11	<b>133.8p</b>	91.5p
Diluted	11	<b>133.3p</b>	91.2p
<b>On adjusted profit for the year:</b>			
Basic	11	<b>121.5p</b>	104.7p
Diluted	11	<b>121.0p</b>	104.4p

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
<b>Profit for the year</b>		<b>67,178</b>	45,395
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Cash flow hedges			
Gains arising in the year	21	286	61
Reclassification adjustments for (gains)/losses included in the income statement	21	(61)	210
Income tax effect	7	(37)	(52)
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>188</b>	219
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial (losses)/gains on defined benefit pension scheme	26	(6,306)	14
Income tax effect	7	1,287	(3)
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>		<b>(5,019)</b>	11
<b>Other comprehensive income, net of tax</b>		<b>(4,831)</b>	230
<b>Total comprehensive income, net of tax</b>		<b>62,347</b>	45,625

## COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017


Company profit for the year of £25,317,000 (2016: £15,105,000) was equal to total comprehensive income for the year attributable to owners of the parent in both years.

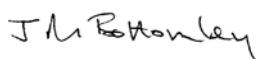


**GROUP BALANCE SHEET  
AT 31 MARCH 2017**

	Notes	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Intangible assets	12	158,487	139,674
Property, plant and equipment	13	215,660	178,477
Biological assets	16	953	537
<b>Total non-current assets</b>		<b>375,100</b>	<b>318,688</b>
<b>Current assets</b>			
Biological assets	16	18,656	10,530
Inventories	17	62,163	46,163
Trade and other receivables	18	150,620	116,799
Financial assets	19	286	61
Cash and short-term deposits	27	4,107	17,817
<b>Total current assets</b>		<b>235,832</b>	<b>191,370</b>
<b>Total assets</b>		<b>610,932</b>	<b>510,058</b>
<b>Current liabilities</b>			
Trade and other payables	20	(144,497)	(121,764)
Financial liabilities	21	(5,391)	–
Provisions	22	(60)	(60)
Income tax payable		(7,253)	(6,507)
<b>Total current liabilities</b>		<b>(157,201)</b>	<b>(128,331)</b>
<b>Non-current liabilities</b>			
Other payables	20	(1,116)	(1,340)
Financial liabilities	21	(15,987)	(4,687)
Deferred tax liabilities	7	(2,887)	(1,781)
Provisions	22	(2,831)	(1,467)
Defined benefit pension scheme deficit	26	(9,521)	(4,449)
<b>Total non-current liabilities</b>		<b>(32,342)</b>	<b>(13,724)</b>
<b>Total liabilities</b>		<b>(189,543)</b>	<b>(142,055)</b>
<b>Net assets</b>		<b>421,389</b>	<b>368,003</b>
<b>Equity</b>			
Called-up share capital	24	5,047	4,984
Share premium account		74,751	69,014
Share-based payments		16,683	13,033
Hedging reserve		238	50
Retained earnings		324,670	280,922
<b>Equity attributable to owners of the parent</b>		<b>421,389</b>	<b>368,003</b>

On behalf of the Board


**Martin Davey**  
Chairman


**Mark Bottomley**  
Finance Director

23 May 2017

## COMPANY BALANCE SHEET AT 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	13	566	569
Investments in subsidiary undertakings	14	161,474	163,166
Deferred tax assets	7	1,140	983
<b>Total non-current assets</b>		<b>163,180</b>	<b>164,718</b>
<b>Current assets</b>			
Trade and other receivables	18	39,450	36,162
Cash and short-term deposits	27	1,985	2,175
<b>Total current assets</b>		<b>41,435</b>	<b>38,337</b>
<b>Total assets</b>		<b>204,615</b>	<b>203,055</b>
<b>Current liabilities</b>			
Trade and other payables	20	(51,218)	(80,617)
Provisions	22	(60)	(60)
Income tax payable		(870)	(592)
<b>Total current liabilities</b>		<b>(52,148)</b>	<b>(81,269)</b>
<b>Non-current liabilities</b>			
Financial liabilities	21	(14,995)	–
Provisions	22	(663)	(650)
<b>Total non-current liabilities</b>		<b>(15,658)</b>	<b>(650)</b>
<b>Total liabilities</b>		<b>(67,806)</b>	<b>(81,919)</b>
<b>Net assets</b>		<b>136,809</b>	<b>121,136</b>
<b>Equity</b>			
Called-up share capital	24	5,047	4,984
Share premium account		74,751	69,014
General reserve		4,000	4,000
Merger reserve		1,806	1,806
Share-based payments		16,683	13,033
Retained earnings		34,522	28,299
		<b>136,809</b>	<b>121,136</b>

The Company's profit for the year was £25,317,000 (2016: £15,105,000).

On behalf of the Board



**Martin Davey**  
Chairman



**Mark Bottomley**  
Finance Director

23 May 2017

**GROUP STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	2017 £'000	2016 £'000
<b>Operating activities</b>			
Profit for the year		<b>67,178</b>	45,395
<i>Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:</i>			
Income tax expense	7	<b>15,219</b>	13,276
Net finance costs		<b>604</b>	536
Gain on sale of property, plant and equipment		<b>(117)</b>	(76)
Depreciation of property, plant and equipment	13	<b>27,715</b>	21,224
Amortisation of intangible assets	12	<b>2,108</b>	1,396
Impairment of goodwill	12	<b>–</b>	4,635
Profit on sale of business	8	<b>(4,539)</b>	–
Share-based payments		<b>3,650</b>	2,791
Difference between pension contributions paid and amounts recognised in the income statement		<b>(1,234)</b>	(1,160)
Release of government grants		<b>(215)</b>	(128)
Net IAS 41 valuation movement on biological assets		<b>(4,116)</b>	951
Decrease/(increase) in biological assets		<b>379</b>	(229)
(Increase)/decrease in inventories		<b>(14,623)</b>	2,962
(Increase)/decrease in trade and other receivables		<b>(24,914)</b>	841
Increase in trade and other payables		<b>20,607</b>	5,382
Cash generated from operations		<b>87,702</b>	97,796
Tax paid		<b>(14,812)</b>	(13,962)
<b>Net cash from operating activities</b>		<b>72,890</b>	83,834
<b>Cash flows from investing activities</b>			
Interest received		<b>–</b>	1
Acquisition of subsidiaries, net of cash acquired	15	<b>(56,042)</b>	–
Purchase of property, plant and equipment		<b>(46,969)</b>	(34,295)
Receipt of government grants		<b>–</b>	229
Proceeds from sale of property, plant and equipment		<b>517</b>	538
Proceeds from sale of discontinued operations, net of cash surrendered	8	<b>15,524</b>	–
<b>Net cash used in investing activities</b>		<b>(86,970)</b>	(33,527)
<b>Cash flows from financing activities</b>			
Interest paid		<b>(528)</b>	(444)
Proceeds from issue of share capital		<b>788</b>	606
Issue costs of long term borrowings		<b>(1,096)</b>	–
Repayment of borrowings		<b>–</b>	(22,000)
Proceeds from borrowings		<b>16,000</b>	–
Dividends paid		<b>(14,565)</b>	(14,593)
Repayment of capital element of finance leases and hire purchase contracts		<b>(229)</b>	–
<b>Net cash from/(used in) financing activities</b>		<b>370</b>	(36,431)
Net (decrease)/increase in cash and cash equivalents	27	<b>(13,710)</b>	13,876
Cash and cash equivalents at beginning of year	27	<b>17,817</b>	3,941
<b>Cash and cash equivalents at end of year</b>	27	<b>4,107</b>	17,817

## COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
<b>Operating activities</b>			
Profit for the year		25,317	15,105
<i>Adjustments to reconcile Company profit for the year to net cash inflows from operating activities:</i>			
Dividends received		(24,902)	(14,593)
Income tax expense		1,918	906
Net finance cost		4,797	4,671
Depreciation of property, plant and equipment	13	34	23
Reduction in carrying value of investment	14	3,869	–
Share-based payments		1,470	1,072
Increase in trade and other receivables		(3,098)	(6,048)
(Decrease)/increase in trade and other payables		(29,499)	28,937
Cash generated from operations		(20,094)	30,073
Tax paid		(1,311)	(513)
<b>Net cash (used in)/from operating activities</b>		<b>(21,405)</b>	<b>29,560</b>
<b>Cash flows from investing activities</b>			
Dividends received		24,902	14,593
Purchase of property, plant and equipment		(31)	(44)
<b>Net cash from investing activities</b>		<b>24,871</b>	<b>14,549</b>
<b>Cash flows from financing activities</b>			
Interest paid		(4,783)	(4,640)
Proceeds from issue of share capital		788	606
Issue costs of long term borrowings		(1,096)	–
Repayment of borrowings		–	(22,000)
Proceeds from new borrowings		16,000	–
Dividends paid		(14,565)	(14,593)
<b>Net cash used in financing activities</b>		<b>(3,656)</b>	<b>(40,627)</b>
Net (decrease)/increase in cash and cash equivalents	27	(190)	3,482
Cash and cash equivalents at beginning of year	27	2,175	(1,307)
<b>Cash and cash equivalents at end of year</b>	27	<b>1,985</b>	<b>2,175</b>

**GROUP STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2017**

	Share capital Note (a) £'000	Share premium Note (b) £'000	Share-based payments Note (e) £'000	Hedging reserve Note (f) £'000	Retained earnings £'000	Total equity £'000
At 31 March 2015	4,926	65,689	10,242	(169)	251,685	332,373
Profit for the year	–	–	–	–	45,395	45,395
Other comprehensive income	–	–	–	219	11	230
Total comprehensive income	–	–	–	219	45,406	45,625
Share-based payments	–	–	2,791	–	–	2,791
Scrip dividend	16	2,761	–	–	–	2,777
Share options exercised (proceeds)	42	564	–	–	–	606
Dividends	–	–	–	–	(17,370)	(17,370)
Deferred tax related to changes in equity	–	–	–	–	343	343
Current tax related to changes in equity	–	–	–	–	858	858
At 31 March 2016	4,984	69,014	13,033	50	280,922	368,003
Profit for the year	–	–	–	–	67,178	67,178
Other comprehensive income	–	–	–	188	(5,019)	(4,831)
Total comprehensive income	–	–	–	188	62,159	62,347
Share-based payments	–	–	3,650	–	–	3,650
Scrip dividend	23	4,989	–	–	–	5,012
Share options exercised (proceeds)	40	748	–	–	–	788
Dividends	–	–	–	–	(19,577)	(19,577)
Deferred tax related to changes in equity	–	–	–	–	112	112
Current tax related to changes in equity	–	–	–	–	1,054	1,054
<b>At 31 March 2017</b>	<b>5,047</b>	<b>74,751</b>	<b>16,683</b>	<b>238</b>	<b>324,670</b>	<b>421,389</b>



## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Share capital Note (a) £'000	Share premium Note (b) £'000	General reserve Note (c) £'000	Merger reserve Note (d) £'000	Share-based payments Note (e) £'000	Retained earnings £'000	Total equity £'000
At 31 March 2015	4,926	65,689	4,000	1,806	10,242	30,119	116,782
Profit for the year, being total comprehensive income	–	–	–	–	–	15,105	15,105
Share-based payments	–	–	–	–	2,791	–	2,791
Scrip dividend	16	2,761	–	–	–	–	2,777
Share options exercised (proceeds)	42	564	–	–	–	–	606
Dividends	–	–	–	–	–	(17,370)	(17,370)
Deferred tax related to changes in equity	–	–	–	–	–	140	140
Current tax related to changes in equity	–	–	–	–	–	305	305
At 31 March 2016	4,984	69,014	4,000	1,806	13,033	28,299	121,136
Profit for the year, being total comprehensive income	–	–	–	–	–	25,317	25,317
Share-based payments	–	–	–	–	3,650	–	3,650
Scrip dividend	23	4,989	–	–	–	–	5,012
Share options exercised (proceeds)	40	748	–	–	–	–	788
Dividends	–	–	–	–	–	(19,577)	(19,577)
Deferred tax related to changes in equity	–	–	–	–	–	49	49
Current tax related to changes in equity	–	–	–	–	–	434	434
<b>At 31 March 2017</b>	<b>5,047</b>	<b>74,751</b>	<b>4,000</b>	<b>1,806</b>	<b>16,683</b>	<b>34,522</b>	<b>136,809</b>

### 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 £4,000,000 which was credited to a separate reserve named the general reserve.
- d) *Merger reserve*  
Where shares have been issued as consideration for acquisitions, the value of shares issued in excess of nominal value has been credited to the merger reserve rather than to the share premium account.
- e) *Share-based payments reserve*  
This reserve records the fair value of share-based payments expensed in the income statement, and in the case of the Company in relation to share-based payments to employees of subsidiary companies, capital contributions to cost of investments (Note 25).
- f) *Hedging reserve*  
This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

## NOTES TO THE ACCOUNTS

**1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSs**

The Group and Company financial statements of Cranswick plc (the 'Company') for the year ended 31 March 2017 were authorised for issue by the Board of Directors on 23 May 2017 and the balance sheets were signed on the Board's behalf by Martin Davey and Mark Bottomley. Cranswick plc is a public limited company incorporated and domiciled in England and Wales (Company number: 1074383, registered office: 74 Helsinki Road, Hull, HU7 0YW). The Company's ordinary shares are traded on the London Stock Exchange.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Company's financial statements have been prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group and by the Company are set out in Note 2.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

**2. ACCOUNTING POLICIES****Basis of preparation**

The financial statements of Cranswick plc, both consolidated and Company, have been prepared under IFRS as adopted by the European Union and in accordance with the Companies Act 2006. A summary of the principal accounting policies, which have been consistently applied throughout the year and the preceding year, is below.

The comparative information has been restated in accordance with IFRS 5 to reflect operations classified as discontinued during the year.

**Basis of consolidation**

The Group financial statements consolidate the financial statements of Cranswick plc and its subsidiaries. The results of undertakings acquired or sold are consolidated for the periods from the date of acquisition or up to the date of disposal. Acquisitions are accounted for under the acquisition method of accounting.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2017. 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 have the most significant effect on the amounts recognised in the financial statements:

**Significant estimates and assumptions:**

Share-based payments	Note 25 – measurement of share-based payments. The fair value of share-based payments is estimated using inputs including expected share price volatility, the expected life of the options and the number of awards that will ultimately vest.
Pensions	Note 26 – pension scheme actuarial assumptions. The valuation of the defined benefit pension scheme is determined using assumptions including mortality, discount rates and inflation.
Acquisitions	Note 15 – fair value adjustments on acquisition include the valuation of intangible assets with inputs based on discount rate, sales growth and customer churn assumptions.
Biological assets	Note 16 – valuation includes assumptions in relation to mortality and growth rate.

**Significant judgements:**

Share-based payments	Note 25 – measurement of share-based payments. The selection of valuation models requires the use of management's judgement. The fair value of share-based payments is estimated as at the date of grant using the Black-Scholes option pricing model.
Alternative measures	Note 31 – alternative performance measures. Management apply judgement to identify the significant non-cash items to exclude when calculating adjusted performance measures. The Board believe alternative measures are useful as they exclude volatile, one-off and non-cash items.
Commercial accruals (Advertising and marketing contributions)	Note 20 – trade and other payables. The level of commercial accruals is viewed by management as an area sensitive to a moderate level of judgement in determining the timing and quantum of liabilities to be recognised.

Other estimates and judgements have been applied by management in producing the Annual Report and Accounts including, but not limited to, depreciation and amortisation rates, and provision for impairment of trade receivables. However, these are not considered to have a significant risk of material adjustment.

**New standards and interpretations applied**

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

<b>International Accounting Standards (IAS/IFRSs)</b>		<b>Effective date</b>
Annual Improvements to IFRSs 2012-2014 Cycle		1 January 2016
IFRS 10	Consolidated Financial Statements (amendment) – application of consolidation exemption	1 January 2016
IFRS 12	Disclosures of Interests in Other Entities (amendment)	1 January 2016
IAS 1	Presentation of Financial Statements (amendment)	1 January 2016
IAS 19	Employee Benefits (amendment)	1 January 2016
IAS 27	Separate Financial Statements (amendment)	1 January 2016
IAS 38	Intangible Assets (amendment)	1 January 2016

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

**New standards and interpretations not applied**

The IASB and IFRIC have issued a number of new standards and interpretations with an effective date after the date of these financial statements. The Directors are in the process of assessing the impact on the Group's and Company's financial statements (in particular IFRS 9 and IFRS 15) and do not consider that those standards which became effective on 1 January 2017 will have a material effect on the net assets, results and disclosures of the Group. The standards not applied are as follows:

<b>International Accounting Standards (IAS/IFRSs)</b>		<b>Effective date*</b>
Annual improvements to IFRSs 2014-2016 Cycle		1 January 2017
IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers (including amendments)	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 7	Statement of Cash Flows (amendment)	1 January 2017
IAS 12	Income Taxes (amendment)	1 January 2017
IAS 28	Investment in Associates (amendment)	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

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

**Revenue**

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and any associated costs can be measured reliably. Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer on despatch and represents the value of sales to customers net of discounts, similar allowances and estimates of returns and excludes value added tax.

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.

## NOTES TO THE ACCOUNTS CONTINUED

**2. ACCOUNTING POLICIES CONTINUED**

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 judgments above, and Note 20).

**Alternative performance measures**

The Board monitors performance principally through the adjusted performance measures. Adjusted profit and earnings per share measures exclude certain non-cash items including the net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, profit on sale of a business and goodwill impairment charges. Free cash flow is defined as net cash from operating activities less interest paid and like-for-like revenue is defined as total revenue less revenue from entities acquired during the year.

The Board believes that such alternative measures are useful as they exclude volatile (net IAS 41 valuation movement on biological assets), one-off (impairment of goodwill and profit on sale of a business) and non-cash (amortisation of intangible assets) items which are normally disregarded by investors, analysts and brokers in gaining a clearer understanding of the underlying performance of the Group when making investment and other decisions. Equally, like-for-like revenue provides these same stakeholders with a clearer understanding of the organic sales growth of the business. (Reconciliations of alternative performance measures can be found in Note 31).

**Taxation**

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

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised:

- i) except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity and not in the income statement. Otherwise income tax is recognised in the income statement.

**Dividends**

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

**Business combinations**

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss.

**Intangible assets**

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

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

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

### Property, plant and equipment

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

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

Useful economic lives are principally as follows:

Freehold buildings	50 years
Short leasehold improvements	Remainder of lease
Plant and equipment	5-11 years
Motor vehicles	4 years

The carrying value of property, plant and equipment is reviewed for impairment individually or at the cash-generating unit level when events or changes in circumstances indicate that the carrying value may not be recoverable.

### Capitalised borrowing costs

Borrowing costs incurred in financing the construction of qualifying assets such as property, plant and equipment are capitalised up to the date at which the relevant asset is substantially complete. Borrowing costs are calculated using the Group's weighted average cost of borrowing during the period of capitalisation. All other borrowing costs are expensed as incurred.

### Investments

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

### Accounting for leases

#### i) Finance leases

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

#### ii) Operating leases

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

### Government grants and contributions

UK Regional Development Grants and grants receivable from the European Union and DEFRA in respect of property, plant and equipment are credited to deferred income and released to the income statement over the relevant depreciation period.

### Inventories

Inventories are stated at the lower of cost (on a first in, first out basis) and net realisable value after making allowance for any obsolete or slow-moving items. In the case of finished goods, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads based on a normal level of activity.

### Biological assets

The Group's biological assets consist of pigs in the form of breeding sows (classified as non-current assets) and their progeny for processing within the Group and externally (classified as current assets) and chickens in the form of breeder stocks (classified as non-current assets) and their progeny for processing within the Group and externally (classified as current assets). On initial recognition and at the balance sheet date biological assets have been measured at their fair value less costs to sell, in line with IAS 41. Gains and losses in relation to the fair value of biological assets are recognised in the income statement, within 'cost of sales', in the period in which they arise.

### Cash and cash equivalents

Cash equivalents are defined as cash at bank and in hand including short-term deposits with original maturity within three months. For the purposes of the Group cash flow statement, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts.



## NOTES TO THE ACCOUNTS CONTINUED

**2. ACCOUNTING POLICIES CONTINUED****Financial instruments****i) Debt instruments, including bank borrowings**

Debt instruments are initially recognised at the fair value of net proceeds received after the deduction of issue costs. Subsequently debt instruments are recognised at amortised cost using the effective interest method. Issue costs are charged to the income statement over the term of the debt at a constant rate on the balance sheet carrying amount under the effective interest method.

**ii) Derivative financial instruments**

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its cash flow risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward contracts is calculated by reference to current forward exchange rates for contracts with a similar maturity profile. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

Where derivatives meet the hedging criteria under IAS 39 for cash flow hedges the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in the income statement. Gains or losses recognised in comprehensive income are transferred to the income statement in the same period in which the hedged item affects the net profit or loss. If a forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the income statement.

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

**Financial assets – loans and receivables**

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

**Foreign currencies**

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

**Employee benefits****i) Pensions**

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

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

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

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

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

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

The Group also operates defined contribution schemes for employees under which contributions are paid into schemes managed by major insurance companies. Contributions are calculated as a percentage of employees' earnings and obligations for contributions to the schemes are recognised as cost of sales or operating expenses in the income statement in the period in which they arise.

## ii) Equity settled share-based payments

The Group operates a savings related share option scheme under which options have been granted to Group employees (SAYE scheme). In addition, the Group operates an Executive share option scheme (albeit currently not in use) and a Long Term Incentive Plan (LTIP) for senior Executives. Share options awarded are exercisable subject to the attainment of certain market-based and non-market-based performance criteria.

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

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

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.

	2017 £'000	2016 £'000
Continuing operations – sale of goods	1,245,058	1,016,314
Discontinued operations – sale of goods	18,761	53,290
	1,263,819	1,069,604

## NOTES TO THE ACCOUNTS CONTINUED

## 3. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

## Geographical segments

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

	2017 £'000	2016 £'000
UK	1,238,640	1,051,370
Continental Europe	13,292	8,955
Rest of world	11,887	9,279
	<b>1,263,819</b>	<b>1,069,604</b>

In addition to the non-UK sales disclosed above the Group also made sales to export markets through UK-based meat trading agents totalling £48,657,000 (2016: £35,132,000). Including these sales, total sales to export markets were £73,836,000 for the year (2016: £53,366,000).

Revenue from discontinued operations relates wholly to the UK in both current and prior years.

## Customer concentration

The Group has two customers (2016: two) which individually account for more than 10 per cent of the Group's total revenue. These customers account for 24 per cent and 20 per cent respectively. In the prior year these same two customers accounted for 24 per cent and 23 per cent respectively.

The Group's non-current assets were all located within the UK for both 2017 and 2016.

## 4. GROUP OPERATING PROFIT

Group operating costs comprise:

	Continuing operations		Discontinued operations		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cost of sales excluding net IAS 41 valuation movement on biological assets	1,086,206	879,696	16,588	46,222	1,102,794	925,918
Net IAS 41 valuation movement on biological assets*	(4,116)	951	–	–	(4,116)	951
Cost of sales	1,082,090	880,647	16,588	46,222	1,098,678	926,869
Gross profit	162,968	135,667	2,173	7,068	165,141	142,735
Selling and distribution costs	50,949	39,511	1,171	3,303	52,120	42,814
Administrative expenses excluding amortisation of customer relationship intangible assets and impairment of goodwill	31,785	32,051	666	2,632	32,451	34,683
Amortisation of customer relationship intangible assets	2,108	1,396	–	–	2,108	1,396
Impairment of goodwill	–	–	–	4,635	–	4,635
Administrative expenses	33,893	33,447	666	7,267	34,559	40,714
<b>Total operating costs</b>	<b>1,166,932</b>	<b>953,605</b>	<b>18,425</b>	<b>56,792</b>	<b>1,185,357</b>	<b>1,010,397</b>

\* 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):

	Continuing operations		Discontinued operations		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Depreciation of property, plant and equipment	27,576	20,849	139	375	27,715	21,224
Amortisation of customer relationship intangible assets	2,108	1,396	–	–	2,108	1,396
Release of government grants	(215)	(128)	–	–	(215)	(128)
Operating lease payments – minimum lease payments	7,865	4,409	105	320	7,970	4,729
Net foreign currency differences	155	11	–	–	155	11
Cost of inventories recognised as an expense	706,684	595,025	7,080	31,372	713,764	626,397
Increase in provision for inventories	1,162	1,239	–	4	1,162	1,243
Research and development expenditure	2,631	2,559	–	42	2,631	2,601

#### Auditors' remuneration

##### Fees payable to the Company's auditors in respect of the audit

Audit of these financial statements	50	40	–	–	50	40
Local statutory audits of subsidiaries	192	163	–	12	192	175
Total audit remuneration	242	203	–	12	242	215

##### Fees payable to the Company's auditors in respect of non-audit related services

Tax advisory services	–	1	–	–	–	1
Other services	67	144	–	–	67	144
Total non-audit related remuneration	67	145	–	–	67	145

Of the 'Other' non-audit related services £52,000 (2016: £129,000) was in respect of corporate finance services in relation to acquisition related activities.

Fees paid to Ernst & Young LLP for non-audit services by the Company itself are not disclosed in the individual accounts of Cranswick plc because Group financial statements are prepared which are required to disclose such fees on a consolidated basis.

## 5. EMPLOYEES

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Staff costs:				
Wages and salaries	153,399	131,761	7,382	5,343
Social security costs	15,176	13,487	1,796	1,819
Other pension costs	3,044	2,467	83	151
	171,619	147,715	9,261	7,313

Included within wages and salaries is a total expense for share-based payments of £3,650,000 (2016: £2,791,000) all of which arises from transactions accounted for as equity-settled share-based payment transactions.

## NOTES TO THE ACCOUNTS CONTINUED

## 5. EMPLOYEES CONTINUED

The average monthly number of employees during the year was:

	Group		Company	
	2017 Number	2016 Number	2017 Number	2016 Number
Production	5,092	4,501	–	–
Selling and distribution	286	274	–	–
Administration	236	227	36	27
	5,614	5,002	36	27

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 62 to 76. The employee costs shown on page 105 include the following remuneration in respect of Directors of the Company:

Group and Company	2017 £'000	2016 £'000
Directors' remuneration	4,845	4,684
Pension contribution	19	93
	4,864	4,777
Aggregate gains made by Directors on exercise of share options	3,557	2,842
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 70. The total Directors' remuneration of £4,864,000 (2016: £4,777,000) comprises salary and fees £1,855,000 (2016: £1,824,000), benefits £127,000 (£2016: £116,000), bonus £2,543,000 (2016: £2,503,000) and pension £339,000 (2016: £334,000). The difference between pension contributions noted above and pension contributions on page 70 is cash paid in lieu of pension.

## 6. FINANCE REVENUE AND COSTS

	Continuing operations		Discontinued operations		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Other interest receivable	–	1	–	–	–	1
<b>Total finance revenue</b>	–	1	–	–	–	1
<b>Finance costs</b>						
Bank interest paid and similar charges	438	377	(35)	(103)	403	274
Total interest expense for financial liabilities not at fair value through profit or loss	438	377	(35)	(103)	403	274
Net finance cost on defined benefit pension deficit (Note 26)	86	160	–	–	86	160
Movement in discount on provisions and financial liabilities	115	103	–	–	115	103
<b>Total finance costs</b>	639	640	(35)	(103)	604	537

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:

	2017 £'000	2016 £'000
Current income tax:		
UK corporation tax on profit for the year	16,642	14,659
Adjustments in respect of prior years	(810)	(36)
Total current tax	15,832	14,623
Deferred tax:		
Origination and reversal of temporary differences	(147)	(1,148)
Deferred tax rate change	(184)	(436)
Adjustments in respect of prior years	(282)	237
Total deferred tax	(613)	(1,347)
<b>Tax on profit on ordinary activities</b>	<b>15,219</b>	<b>13,276</b>

Continuing and discontinued activities:

	2017 £'000	2016 £'000
Income tax expense from continuing operations	15,145	13,022
Income tax expense from discontinued operations	74	254
	15,219	13,276

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

Group	2017 £'000	2016 £'000
<i>Recognised in Group statement of comprehensive income</i>		
Deferred tax on revaluation of cash flow hedges	37	52
Deferred tax on actuarial (losses)/gains on defined benefit pension scheme	(1,040)	3
Corporation tax credit on actuarial losses on defined benefit pension scheme	(247)	–
	(1,250)	55

*Recognised in Group statement of changes in equity*

Deferred tax credit on share-based payments	(112)	(343)
Corporation tax credit on share options exercised	(1,054)	(858)
	(1,166)	(1,201)
<b>Total tax credit recognised directly in equity</b>	<b>(2,416)</b>	<b>(1,146)</b>

Company	2017 £'000	2016 £'000
<i>Recognised in Company statement of changes in equity</i>		
Deferred tax credit on share-based payments	(49)	(140)
Corporation tax credit on share options exercised	(434)	(305)
<b>Total tax credit recognised directly in equity</b>	<b>(483)</b>	<b>(445)</b>

## NOTES TO THE ACCOUNTS CONTINUED

## 7. TAXATION CONTINUED

## b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax (including discontinued operations)	82,397	58,671
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20 per cent (2016: 20 per cent)	16,479	11,734
Effect of:		
Disallowed expenses	703	1,808
Deferred tax rate change	36	(436)
Non-taxable income	(907)	(31)
Adjustments in respect of prior years	(1,092)	201
<b>Total tax charge for the year</b>	<b>15,219</b>	<b>13,276</b>

Analysed as:

	2017 £'000	2016 £'000
Continuing operations	15,145	13,022
Discontinued operations	74	254
	<b>15,219</b>	<b>13,276</b>

## c) Deferred tax

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

Group	2017 £'000	2016 £'000
<b>Deferred tax liability in the balance sheet</b>		
Accelerated capital allowances	5,998	5,372
Biological assets	90	(846)
Rollover and holdover relief	52	59
Other temporary differences	(292)	(363)
Share-based payments	(2,545)	(2,418)
Deferred tax on defined benefit pension scheme	(1,539)	(801)
Customer relationships intangibles	1,123	778
<b>Deferred tax liability</b>	<b>2,887</b>	<b>1,781</b>

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

	2017 £'000	2016 £'000
<b>Deferred tax in the income statement</b>		
Accelerated capital allowances	(1,440)	(996)
Biological assets	870	(96)
Rollover and holdover relief	(7)	(6)
Other temporary differences	121	(70)
Share-based payments	(15)	(45)
Deferred tax on defined benefit pension scheme	301	232
Customer relationships intangibles	(443)	(366)
<b>Deferred tax credit</b>	<b>(613)</b>	<b>(1,347)</b>

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

Company	2017 £'000	2016 £'000
<b>Deferred tax asset in the balance sheet</b>		
Accelerated capital allowances	(21)	(33)
Other temporary differences	(71)	(18)
Share-based payments	(1,048)	(932)
<b>Deferred tax asset</b>	<b>(1,140)</b>	<b>(983)</b>

#### d) Change in corporation tax rate

A reduction in the main rate of corporation tax in the UK from 20 per cent to 17 per cent from 1 April 2020 was enacted before the balance sheet date. Deferred tax is therefore provided at 17 per cent.

## 8. DISCONTINUED OPERATIONS

On 23 July 2016, the Group sold its shareholding in The Sandwich Factory Holdings Limited (The Sandwich Factory). The sale allows the Group to focus on its portfolio of high growth, premium product categories.

The results of discontinued operations, which have been separately disclosed as a single line item at the foot of the Group income statement, were as follows:

Results of discontinued operations	2017 £'000	2016 £'000
Revenue	18,761	53,290
Expenses	(18,425)	(52,157)
Impairment of goodwill	–	(4,635)
Operating profit/(loss)	336	(3,502)
Finance income	35	103
Profit/(loss) before tax from discontinued operations	371	(3,399)
Income tax expense on ordinary activities of the discontinued operations	(74)	(254)
Profit on sale of business	4,539	–
<b>Profit/(loss) after tax from discontinued operations</b>	<b>4,836</b>	<b>(3,653)</b>
<b>Earnings per share from discontinued operations</b>		
Basic earnings per share	9.6	(7.4)
Diluted earnings per share	9.6	(7.3)

#### Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations:

Operating activities	(1,267)	559
Investing activities	(386)	(722)
Financing activities	35	103
<b>Net cash from discontinued operations</b>	<b>(1,618)</b>	<b>(60)</b>

A profit of £4.5 million arose on the sale of The Sandwich Factory, being the difference between cash proceeds and the carrying value of net assets plus attributable goodwill.

## NOTES TO THE ACCOUNTS CONTINUED

**8. DISCONTINUED OPERATIONS CONTINUED**

The net assets which were sold were as follows:

	£'000
Intangible assets – Goodwill	6,967
Property, plant and equipment	2,601
Inventories	1,086
Trade and other receivables	9,311
Trade and other payables	(8,980)
	10,985
Cash proceeds received	16,238
Cash and cash equivalents surrendered	(534)
Legal costs incurred, settled in cash	(180)
	15,524
Profit on sale of business	4,539

**9. PROFIT ATTRIBUTABLE TO MEMBERS**

Of the profit attributable to members, the sum of £25,317,000 (2016: £15,105,000) has been dealt with in the accounts of Cranswick plc.

**10. EQUITY DIVIDENDS**

	2017 £'000	2016 £'000
Declared and paid during the year:		
Final dividend for 2016 – 25.9p per share (2015: 23.4p)	12,987	11,604
Interim dividend for 2017 – 13.1p per share (2016: 11.6p)	6,590	5,766
<b>Dividends paid</b>	<b>19,577</b>	<b>17,370</b>
<b>Proposed for approval of Shareholders at the Annual General Meeting on 24 July 2017:</b>		
Final dividend for 2017 – 31.0p (2016: 25.9p)	15,644	12,912

**11. EARNINGS PER SHARE**

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to members of the parent company of £67,178,000 (2016: £45,395,000) by the weighted average number of shares outstanding during the year. In calculating diluted earnings per share amounts, the weighted average number of shares is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The weighted average number of ordinary shares for both basic and diluted amounts was as per the table below:

	2017 Thousands	2016 Thousands
Basic weighted average number of shares	50,191	49,601
Dilutive potential ordinary shares – share options	195	191
	50,386	49,792

**Adjusted earnings per share**

Adjusted earnings per share are calculated using the weighted average number of shares for both basic and diluted amounts as detailed above (see Note 31).

## 12. INTANGIBLE ASSETS

Group	Goodwill £'000	Customer relationships £'000	Total £'000
<b>Cost</b>			
At 31 March 2015 and 31 March 2016	144,598	6,980	151,578
On acquisition (Note 15)	23,249	4,639	27,888
On sale of business	(16,526)	–	(16,526)
At 31 March 2017	151,321	11,619	162,940
<b>Amortisation and impairment</b>			
At 31 March 2015	4,924	949	5,873
Amortisation	–	1,396	1,396
Impairment	4,635	–	4,635
At 31 March 2016	9,559	2,345	11,904
Amortisation	–	2,108	2,108
On sale of business	(9,559)	–	(9,559)
At 31 March 2017	–	4,453	4,453
<b>Net book value</b>			
At 31 March 2015	139,674	6,031	145,705
At 31 March 2016	135,039	4,635	139,674
<b>At 31 March 2017</b>	<b>151,321</b>	<b>7,166</b>	<b>158,487</b>

### Impairment testing

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

Cash-generating unit	2017 £'000	2016 £'000
Fresh Pork	21,759	12,231
Livestock	1,691	1,691
Cooked Meats	90,167	90,167
Sandwiches	–	6,967
Continental Fine Foods	10,968	10,968
Premium Cooked Poultry	9,259	9,259
Fresh Chicken	13,721	–
Other	3,756	3,756
	151,321	135,039

### Assumptions used

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

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

A pre-tax discount rate of 6.2 per cent has been used (2016: 7.0 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

### 12. INTANGIBLE ASSETS CONTINUED

#### **Impairment testing** continued

#### **Assumptions used** continued

The calculation is most sensitive to the following assumptions:

#### **Sales volumes**

Sales volumes are influenced by the growth of the underlying food segment, the market shares of our customers, selling prices and the quality of our products and service. Historical volumes are used as the base and adjusted over the projection period in line with current growth rates.

#### **Gross margin**

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

#### **Discount rates**

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

#### **Sensitivity**

Management believes that currently there is no reasonably possible change to the assumptions that would reduce the value in use below the value of the carrying amount for any of the Group's cash-generating units. Assumptions and projections are updated on an annual basis.

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

Following a change in the customer base of the Sandwiches category, an impairment review was performed on the Sandwiches cash-generating unit as at 30 September 2015. This cash-generating unit had historically been the most sensitive to a reasonably possible change in assumptions.

The recoverable amount for the Sandwiches cash-generating unit was determined based on value in use calculations. The projected cash flows were updated to reflect the latest Sandwiches forecasts for the years ending 31 March 2016 and 31 March 2017 and cash flow projections for the next three years. Forecast replacement capital expenditure was included from forecasts and thereafter capital spend was assumed to represent 100 per cent of depreciation.

Subsequent cash flows were forecast to grow in line with an assumed long term industry growth rate of 3 per cent derived from third party market information, including Kantar Worldpanel data. A pre-tax discount rate of 7.7 per cent was used, being management's estimate of the weighted average cost of capital.

Based on these calculations, which gave a value in use below the value of the carrying amount, the Group recognised an impairment charge within administrative expenses for goodwill allocated to the Sandwiches cash-generating unit of £4,635,000.

Following the recognition of this impairment the carrying amount of the Sandwiches cash-generating unit was the same as the recoverable amount of £8.9 million, so any further adverse change in key assumptions would have led to an additional impairment charge. On 23 July 2016, the Group disposed of its shareholding in The Sandwich Factory Holdings Ltd. See Note 8 for further details.

### 13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £'000	Leasehold improvements £'000	Plant, equipment and vehicles £'000	Assets in the course of construction £'000	Total £'000
<b>Cost</b>					
At 31 March 2015	100,075	3,294	192,096	1,346	296,811
Additions	2,159	93	24,938	6,886	34,076
Transfers between categories	2,583	–	2,763	(5,346)	–
Disposals	–	(338)	(2,655)	–	(2,993)
At 31 March 2016	104,817	3,049	217,142	2,886	327,894
Additions	6,061	152	31,116	11,229	48,558
On acquisition	12,826	–	6,515	–	19,341
Transfers between categories	1,290	–	6,567	(7,857)	–
Disposals	(160)	(91)	(2,236)	–	(2,487)
On sale of business	–	(2,105)	(7,511)	–	(9,616)
At 31 March 2017	124,834	1,005	251,593	6,258	383,690
<b>Depreciation</b>					
At 31 March 2015	13,398	2,098	115,228	–	130,724
Charge for the year	2,175	187	18,862	–	21,224
Relating to disposals	–	(338)	(2,193)	–	(2,531)
At 31 March 2016	15,573	1,947	131,897	–	149,417
Charge for the year	3,033	398	24,284	–	27,715
Relating to disposals	–	(91)	(1,996)	–	(2,087)
On sale of business	–	(1,249)	(5,766)	–	(7,015)
At 31 March 2017	18,606	1,005	148,419	–	168,030
<b>Net book amounts</b>					
At 31 March 2015	86,677	1,196	76,868	1,346	166,087
At 31 March 2016	89,244	1,102	85,245	2,886	178,477
<b>At 31 March 2017</b>	<b>106,228</b>	<b>–</b>	<b>103,174</b>	<b>6,258</b>	<b>215,660</b>

Included in freehold land and buildings is land with a cost of £9,185,000 (2016: £8,661,000), which is not depreciated, relating to the Group, and £509,000 (2016: £509,000) relating to the Company.

Cost includes £1,082,000 (2016: £1,082,000) in respect of capitalised interest. No interest was capitalised during the year (2016: £nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.75 per cent, which was the effective rate of the borrowing used to finance the construction.

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

## NOTES TO THE ACCOUNTS CONTINUED

## 13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Company	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
<b>Cost</b>			
At 31 March 2015	509	448	957
Additions	–	44	44
At 31 March 2016	509	492	1,001
Additions	–	31	31
At 31 March 2017	509	523	1,032
<b>Depreciation</b>			
At 31 March 2015	–	409	409
Charge for the year	–	23	23
At 31 March 2016	–	432	432
Charge for the year	–	34	34
At 31 March 2017	–	466	466
<b>Net book amounts</b>			
At 31 March 2015	509	39	548
At 31 March 2016	509	60	569
<b>At 31 March 2017</b>	<b>509</b>	<b>57</b>	<b>566</b>

## 14. INVESTMENTS

Company	Subsidiary undertakings £'000
Shares at cost:	
At 31 March 2015	161,447
Capital contribution relating to share options	1,719
At 31 March 2016	163,166
Capital contribution relating to share options	2,177
Reduction in carrying value on sale of business	(3,869)
<b>At 31 March 2017</b>	<b>161,474</b>

The subsidiary undertakings as at 31 March 2017 were:

- Cranswick Country Foods plc
- Cranswick Gourmet Pastry Company Limited (90 per cent owned by Cranswick Country Foods plc)
- Wayland Farms Limited (100 per cent owned by Cranswick Country Foods plc)
- Wold Farms Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Convenience Foods Limited
- Kingston Foods Limited (100 per cent owned by Cranswick Convenience Foods Limited)
- Warwick One Limited (registered in Scotland, registered office 21 Jenny Moores Road, St. Boswells, Melrose, Roxburghshire, TD6 0AN)
- Benson Park Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Bio Limited (100 per cent owned by Cranswick Country Foods plc)
- Mulberry House Foods Limited (100 per cent owned by Cranswick Country Foods plc)
- Weeton Foods Limited (100 per cent owned by Cranswick Country Foods plc)
- Potterdale Foods Limited (100 per cent owned by Cranswick Country Foods plc)
- CCL Holdings Limited (100 per cent owned by Cranswick Country Foods plc)
- Crown Chicken Limited (100 per cent owned by CCL Holdings Limited)
- Cranswick Country Foods Ballymena (registered in Northern Ireland, registered office 166 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
- Roma (No.2) Limited
- Roma (No.3) Limited (100 per cent owned by Roma (No.1) plc)
- Arrow 1 Limited (100 per cent owned by Cranswick Country Foods (Norfolk) Limited)
- Brookfield Foods Limited
- Cambury Limited (100 per cent owned by Cranswick Country Foods plc)
- Charter Pork Cuts Limited
- Continental Fine Foods Limited
- North Wales Foods Limited
- Warwick Two Limited (100 per cent owned by Warwick One Limited)
- Cranswick Country Foods (Norfolk) Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Country Foods (Sutton Fields) 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 Limited (100 per cent owned by Cranswick Country Foods plc)
- Cranswick Mill Limited
- Cranswick Trustees Limited
- Cranswick Tuck Marketing Limited
- Delico Limited
- F T Sutton and Son (Rossendale) 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)

Except where otherwise stated, each of the companies is registered in England and Wales, with registered office 74 Helsinki Road, Hull, HU7 0YW and Cranswick plc holds directly 100 per cent of the shares and voting rights of each subsidiary undertaking.

Following the sale of The Sandwich Factory Holdings Limited by Warwick One Limited during the year, the Company reduced the carrying value of its investments in Warwick One Limited to bring it in line with the net assets of the remaining investment.

In April 2009 the Group disposed of its pet and aquatics segment, retaining a 5.5 per cent share of both businesses. Following a subsequent reorganisation Cranswick plc sold its 5.5 per cent investment in the pet products business. The transaction resulted in the Group retaining its 5.5 per cent interest in the aquatics business, this interest was later reduced to a 3.3 per cent holding of Tropical Marine Centre (2012) Limited following a further reorganisation and change in major shareholders. The investment, being an unquoted entity, the value of which cannot be reliably measured, is held at a carrying value of £nil.

## NOTES TO THE ACCOUNTS CONTINUED

**15. ACQUISITIONS****Cranswick Country Foods Ballymena**

On 16 November 2016, the Group acquired 100 per cent of the issued share capital of Dunbia Ballymena (renamed Cranswick Country Foods Ballymena) for a total consideration of £18.1 million including £3.4 million settlement of intercompany creditors due to the previous owner and a deferred consideration of £1.3 million. The principal activity of Cranswick Country Foods Ballymena is primary pig processing. The acquisition enhances Cranswick's pig processing capability and establishes a significant presence in Northern Ireland.

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

	Provisional fair value £'000
Net assets acquired:	
Customer relationships	1,701
Property, plant and equipment	1,746
Inventories	598
Trade and other receivables	8,219
Bank and cash balances	212
Trade and other payables	(6,333)
Corporation tax liability	(368)
Deferred tax liability	(252)
Provisions	(274)
	5,249
Goodwill arising on acquisition	9,528
Cost of acquisition	14,777
Satisfied by:	
Cash	13,527
Contingent consideration	1,250
Net cash outflow arising on acquisition:	
Cash consideration paid	13,527
Creditors repaid	3,353
Cash and cash equivalents acquired	(212)
	16,668

Intercompany loans were repaid on completion giving a total consideration for the acquisition of £18,130,000. The fair values on acquisition are provisional due to the timing of the transaction and will be finalised within twelve months of the acquisition date.

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

Included in the £9,528,000 of goodwill recognised above are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce.

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

From the date of acquisition to 31 March 2017, the external revenues of Ballymena were £17.3 million and the business contributed a net profit after tax of £1.0 million to the Group. Had the acquisition taken place at the beginning of the financial period, revenues would be £27.4 million higher and profit would be £1.8 million higher.

**Contingent consideration**

The agreement includes contingent consideration payable in cash to the previous owners of Cranswick Country Foods Ballymena based on obtaining a licence to export to China. The amount payable will be either £nil or £1.25 million.

The fair value of the contingent consideration on acquisition was estimated at £1.25 million, undiscounted in the table above.



### Crown Chicken

On 8 April 2016, the Group acquired 100 per cent of the issued share capital of CCL Holdings Limited and its wholly owned subsidiary Crown Chicken Limited (Crown) for net cash consideration of £39.4 million. The principal activities of Crown Chicken Limited are the breeding, rearing and processing of fresh chicken, as well as the milling of grain for the production of animal feed. The acquisition provides the Group with a fully integrated supply chain for its growing poultry business.

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

	Fair value £'000
Net assets acquired:	
Customer relationships	2,938
Property, plant and equipment	17,501
Biological assets	4,805
Inventories	1,865
Trade and other receivables	9,946
Bank and cash balances	3,946
Trade and other payables	(7,900)
Corporation tax liability	(584)
Deferred tax liability	(2,548)
Finance lease obligations	(370)
	29,599
Goodwill arising on acquisition	13,721
Total consideration	43,320
Satisfied by:	
Cash	43,320
Net cash outflow arising on acquisition:	
Cash consideration paid	43,320
Cash and cash equivalents acquired	(3,946)
	39,374

All of the trade receivables acquired have been collected in full.

Included in the £13,721,000 of goodwill recognised above are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce and the strategic benefits of vertical integration including security of supply.

Transaction costs in relation to the acquisition of £0.4 million have been expensed within administrative expenses.

From the date of acquisition to 31 March 2017, the external revenues of Crown were £82.6 million and the business contributed a net profit after tax of £4.5 million to the Group. There is no material difference between the revenue and profit contributed to the Group had the acquisition taken place at the beginning of the financial period and those presented.

### 2015 – Benson Park

#### Contingent consideration

On 22 October 2014, the Group acquired 100 per cent of the issued share capital of Benson Park Limited for a total consideration of £23.8 million.

The agreement includes contingent consideration payable in cash to the previous owners of Benson Park Limited based on the performance of the business over a 2.5 year period. The amount payable will be between £nil and £4.0 million dependant on the average profit before interest and tax of the business during the 2.5 year period versus an agreed target level.

The value has been reassessed at the end of the reporting period, with an additional £0.2 million being charged to administrative expenses in the income statement. Total contingent consideration of £4.0 million (2016: £3.8 million) has been recognised in relation to this transaction.

## NOTES TO THE ACCOUNTS CONTINUED

## 15. ACQUISITIONS CONTINUED

## 2015 – Yorkshire Baker

On 2 April 2014, the Group acquired the goodwill associated with the Yorkshire Baker business in exchange for certain property, plant and equipment and 10 per cent of the issued share capital of Cranswick Gourmet Pastry Company Limited. Goodwill of £397,000 was recognised on acquisition representing certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies and the assembled workforce. Transaction costs were £nil. There is a put and call option in place over the 10 per cent shareholding, exercisable at fixed points over a three year period. The value paid for the shares will be based on the results of Cranswick Gourmet Pastry Company Limited during that period. The value has been reassessed at the end of the reporting period, with an additional £0.2 million being charged to administrative expenses in the income statement. Total contingent consideration of £1.0 million (2016: £0.8 million) has been recognised in relation to the option.

## 16. BIOLOGICAL ASSETS

The Group's biological assets consist of pigs in the form of breeding sows (classified as non-current assets) and their progeny for processing within the Group and externally (classified as current assets) and chickens in the form of breeder stocks (classified as non-current assets) and their progeny for processing within the Group and externally (classified as current assets).

Reconciliation of carrying amounts of livestock:

Group	Pigs £'000	Chickens £'000	Total £'000
At 31 March 2015	11,789	–	11,789
Increases due to purchases	13,130	–	13,130
Decrease attributable to harvest	(56,228)	–	(56,228)
Decreases attributable to sales	(705)	–	(705)
Changes in fair value less estimated costs to sell	43,081	–	43,081
At 31 March 2016	11,067	–	11,067
On acquisition	–	4,805	4,805
Increases due to purchases	12,428	922	13,350
Decrease attributable to harvest	(53,588)	(37,829)	(91,417)
Decreases attributable to sales	(1,867)	(4,567)	(6,434)
Changes in fair value less estimated costs to sell	46,323	41,915	88,238
<b>At 31 March 2017</b>	<b>14,363</b>	<b>5,246</b>	<b>19,609</b>

Group	2017 £'000	2016 £'000
Non-current biological assets:		
Pigs	748	537
Chickens	205	–
	<b>953</b>	537

Current biological assets:

Pigs	13,615	10,530
Chickens	5,041	–
	<b>18,656</b>	10,530

Group	2017 £'000	2016 £'000
Net IAS 41 valuation movement on biological assets*		
Changes in fair value of biological assets	88,238	43,081
Biological assets transferred to cost of sales	(84,122)	(44,032)
	<b>4,116</b>	(951)

\* This represents the difference between operating profit prepared under IAS 41 and operating profit prepared under historical cost accounting, which forms part of the reconciliation to adjusted operating profit.

The Group's valuation model for biological assets utilises quoted (unadjusted) prices in an active market for the valuation of finished pigs, sucklers, weaners and broilers (Level 1 in the fair value hierarchy as detailed in Note 23). The valuation of sows, boars and breeder chickens is based on recent transactions for similar assets (Level 2 in the fair value hierarchy).

The main assumption used in relation to the valuation is mortality which has been based on historical data for each category of pig and chicken.

Additional information:

Group	2017 Number	2016 Number
Quantities at year end:		
Breeding sows (Bearer biological assets)	12,140	12,684
Boars	236	232
Pigs (Consumable biological assets)	185,175	199,254
Breeder chickens (Bearer biological assets)	253,613	–
Broiler chickens (Consumable biological assets)	3,353,845	–
Number of pigs produced in the year	432,491	476,364
Number of chickens produced in the year	28,555,684	–

## 17. INVENTORIES

Group	2017 £'000	2016 £'000
Raw materials	47,250	33,319
Finished goods and goods for resale	14,913	12,844
	62,163	46,163

## 18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Financial assets:				
Trade receivables	138,715	105,408	65	10
Amounts owed by Group undertakings	–	–	38,747	35,114
Other receivables	4,854	5,589	139	245
	143,569	110,997	38,951	35,369
Non-financial assets:				
Prepayments and accrued income	7,051	5,802	499	793
	150,620	116,799	39,450	36,162

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

Group	Trade receivables	Of which: Not due	Past due date in the following periods:		
	£'000	£'000	Less than 30 days £'000	Between 30 and 60 days £'000	More than 60 days £'000
2017	138,715	125,199	10,615	1,378	1,523
2016	105,408	96,434	6,797	738	1,439

## NOTES TO THE ACCOUNTS CONTINUED

**18. TRADE AND OTHER RECEIVABLES CONTINUED**

Trade receivables are non-interest-bearing and are generally on 30 to 60 day terms and are shown net of any provision for impairment. As at 31 March 2017, trade receivables at nominal value of £1,004,000 (2016: £681,000) were impaired and fully provided for. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

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

Group	£'000
<b>Bad debt provision</b>	
At 31 March 2015	613
Provided in year	105
Utilised	(37)
At 31 March 2016	681
Provided in year	546
Utilised	(223)
<b>At 31 March 2017</b>	<b>1,004</b>

There are no bad debt provisions against other receivables.

**19. FINANCIAL ASSETS**

Group	2017 £'000	2016 £'000
<b>Current</b>		
Forward currency contracts	286	61

**20. TRADE AND OTHER PAYABLES**

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Current</b>				
Trade payables	91,315	81,441	294	114
Amounts owed to Group undertakings	–	–	43,502	72,101
Tax and social security	2,730	4,068	692	1,748
Other creditors	9,095	7,529	4,793	5,240
Commercial accruals*	10,185	8,207	–	–
Other accruals	30,990	20,346	1,937	1,414
Deferred income – Government grants	182	173	–	–
	<b>144,497</b>	<b>121,764</b>	<b>51,218</b>	<b>80,617</b>
<b>Non-current</b>				
Deferred income – Government grants	1,116	1,340	–	–
	<b>1,116</b>	<b>1,340</b>	<b>–</b>	<b>–</b>

Government grants received relate to Regional Growth Fund, Rural Development Programme for England and Business Investment Scheme payments. The amounts received have been used to fund fixed asset investment with the objective of creating and safeguarding jobs at the Group's facilities.

For the Company, amounts owed to Group undertakings reflect the net of the financial liabilities disclosed in Note 23 of £236,100,000 (2016: £219,400,000) 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 £'000	Advertising and marketing contributions £'000	Total £'000
At 31 March 2015	8,936	2,196	11,132
Paid	(19,894)	(4,119)	(24,013)
Charged to income statement	16,881	4,207	21,088
At 31 March 2016	5,923	2,284	8,207
On acquisition	89	17	106
Paid	(9,334)	(4,194)	(13,528)
Charged to income statement	10,568	5,322	15,890
On sale of business	(164)	(326)	(490)
<b>At 31 March 2017</b>	<b>7,082</b>	<b>3,103</b>	<b>10,185</b>

## 21. FINANCIAL LIABILITIES

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Current</b>				
Contingent consideration (Note 15)	5,250	–	–	–
Finance lease and hire purchase contracts	141	–	–	–
	<b>5,391</b>	–	–	–
<b>Non-current</b>				
Amounts outstanding under revolving credit facility	14,995	–	14,995	–
Contingent consideration (Note 15)	992	4,687	–	–
	<b>15,987</b>	4,687	<b>14,995</b>	–
			Group	
			2017 £'000	2016 £'000
Movement on hedged items:				
Gains arising in the year			286	61
Reclassification adjustment for (gains)/losses included in the income statement			(61)	210
			<b>225</b>	271

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

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

Forward currency contracts are used to hedge a proportion of anticipated purchases denominated in foreign currencies and held at fair value in the balance sheet. To the extent that these forward contracts represent effective hedges, movements in fair value are taken directly to other comprehensive income and are then reclassified through the income statement in the period during which the hedged item impacts the income statement. A description of amounts and maturities is contained in Note 23.



## NOTES TO THE ACCOUNTS CONTINUED

**21. FINANCIAL LIABILITIES CONTINUED****Banking facility**

On 17 November 2016, the Group refinanced its banking facility, taking out a new agreement with Lloyds Bank plc, National Westminster Bank plc, HSBC Bank plc and Santander UK plc, with Lloyds Bank plc acting as agents.

The new facility, which runs to November 2021 with the potential to extend for a further two years, comprises a revolving credit facility of £160 million, including a committed overdraft facility of £20 million.

The arrangement fees of £1.1 million are being amortised over the period of the facility.

A committed bank overdraft facility of £20 million is in place until November 2021 (2016: £20 million in place until July 2018), of which £nil (2016: £nil) was utilised at 31 March 2017. Interest is payable at a margin over base rate.

A revolving credit facility of £160 million (including the £20 million committed overdraft facility) is in place of which £16,000,000 was utilised as at 31 March 2017 (2016: a revolving credit facility of £120 million of which £nil was utilised). This facility expires in November 2021 (2016: expired July 2018). Interest is payable on the revolving credit facility at a margin over LIBOR.

The maturity profile of bank loans is as follows:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
In one year or less	–	–	–	–
Between one year and two years	–	–	–	–
Between two years and five years	16,000	–	16,000	–
	16,000	–	16,000	–
Unamortised issue costs	(1,005)	–	(1,005)	–
	14,995	–	14,995	–

The bank facility for both years was unsecured and subject to normal bank covenant arrangements.

Unamortised issue costs relate to the revolving credit facility which expires in November 2021. £16,000,000 (2016: £nil) was drawn down under the facility at the year end.

**22. PROVISIONS**

	Group	Company
	Lease provisions £'000	Lease provisions £'000
At 31 March 2016	1,527	710
Created in the year	1,063	–
On acquisition	274	–
Movement on discount	27	13
<b>At 31 March 2017</b>	<b>2,891</b>	<b>723</b>

Analysed as:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current liabilities	60	60	60	60
Non-current liabilities	2,831	1,467	663	650
	2,891	1,527	723	710

Lease provisions are held against dilapidation obligations on leased properties and onerous leases. These provisions are expected to be utilised over the next ten years.

## 23. FINANCIAL INSTRUMENTS

An explanation of the Company and Group's financial instruments risk management strategy is set out on page 80 in the Directors' Report.

### Interest rate risk profile of financial assets and liabilities

The interest rate profile of the interest-earning financial assets and interest-bearing liabilities of the Group as at 31 March 2017 and their weighted average interest rates is set out below:

#### As at 31 March 2017

Group	Weighted average effective interest rate %	Total £'000	At floating interest rates £'000	Fixed interest		
				1 year or less £'000	1-2 years £'000	2-3 years £'000
Financial liabilities:						
Revolving credit facility	1.00%	(16,000)	(16,000)	–	–	–
Financial assets:						
Cash at bank	0.00%	4,107	4,107	–	–	–
		(11,893)	(11,893)	–	–	

#### As at 31 March 2016

Group	Weighted average effective interest rate %	Total £'000	At floating interest rates £'000	Fixed interest		
				1 year or less £'000	1-2 years £'000	2-3 years £'000
Financial assets:						
Cash at bank	0.00%	17,817	17,817	–	–	–
		17,817	17,817	–	–	–

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

The interest rate profile of the interest-earning financial assets and interest-bearing liabilities of the Company as at 31 March 2017 and their weighted average interest rates is set out below:

#### As at 31 March 2017

Company	Weighted average effective interest rate %	Total £'000	At floating interest rates £'000	Fixed interest		
				1 year or less £'000	1-2 years £'000	2-3 years £'000
Financial liabilities:						
Amounts owed to Group undertakings	1.50%	(236,100)	(236,100)	–	–	–
Revolving credit facility	1.00%	(16,000)	(16,000)			
		(252,100)	(252,100)	–	–	–
Financial assets:						
Cash at bank	0.00%	1,985	1,985	–	–	–
		(250,115)	(250,115)	–	–	

#### As at 31 March 2016

Company	Weighted average effective interest rate %	Total £'000	At floating interest rates £'000	Fixed interest		
				1 year or less £'000	1-2 years £'000	2-3 years £'000
Financial liabilities:						
Amounts owed to Group undertakings	2.00%	(219,400)	(219,400)	–	–	–
		(219,400)	(219,400)	–	–	–
Financial assets:						
Cash at bank	0.00%	2,175	2,175	–	–	–
		(217,225)	(217,225)	–	–	

## NOTES TO THE ACCOUNTS CONTINUED

**23. FINANCIAL INSTRUMENTS CONTINUED****Currency profile**

The Group's financial assets at 31 March 2017 include Sterling denominated cash balances of (£132,000) (2016: £18,465,000), Euro £4,493,000 (2016: (£595,000)), US Dollar (£71,000) (2016: (£53,000)) and AUD (£183,000) (2016: £nil), all of which are held in the UK.

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

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

**Credit risk**

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

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

**Fair value hierarchy**

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

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

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

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

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

The Group's forward currency contracts are measured using Level 2 of the fair value hierarchy. The valuations are provided by the Group's bankers from the 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.

The Group's 3.3 per cent retained shareholding in the aquatics business Tropical Marine Centre (2012) Limited would have been classified as Level 3; however, as the investment is an unquoted entity and cannot be reliably measured, the Directors consider that its value is immaterial and no fair value has been applied.

**Fair value of financial instruments**

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

Group	2017		2016	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Forward currency contracts (Note 19 and Note 21)	286	286	61	61
Contingent consideration (Note 15 and Note 21)	(6,242)	(6,242)	(4,687)	(4,687)

The book value of trade and other receivables, trade and other payables, cash balances, loans receivable, overdrafts, amounts outstanding under revolving credit facility and finance leases and hire purchase contracts equates to fair value for the Group and Company.

**Hedges**

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

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

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

**Group**

Currency	Amount	Maturities	Exchange rates	Fair value £'000
Euros	15,200,000	3 April 2017–15 June 2018	€1.13–€1.19	193

**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 IAS 39 changes in fair value are posted directly to other comprehensive income and subsequently reclassified through the income statement at the time that the hedged item affects profit or loss.

**Group**

Currency	Amount	Maturities	Exchange rates	Fair value £'000
US Dollars	14,500,000	12 April 2017–11 July 2017	£0.76–£0.82	91
Euros	4,500,000	21 April 2017–8 February 2018	£0.78–£0.91	2

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

The Company does not hold any forward contracts.

**Interest rate risk**

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

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

	Increase/ decrease in basis points	Effect on profit before tax £'000
<b>2017</b>		
<b>Sterling</b>	+100	(240)
	–100	240
<b>2016</b>		
<b>Sterling</b>	+100	(135)
	–100	135

**Liquidity risk**

The tables below summarise the maturity profile of the Group's financial liabilities at 31 March 2017 and 2016 based on contractual undiscounted payments:

**At 31 March 2017**

Group	Less than 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
Revolving credit facility	232	232	16,609	17,073
Contingent consideration (note 21)	5,250	1,000	–	6,250
Trade and other payables	144,497	–	–	144,497
	149,979	1,232	16,609	167,820

**At 31 March 2016**

Group	Less than 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
Contingent consideration (note 21)	–	3,983	834	4,817
Trade and other payables	121,764	–	–	121,764
	121,764	3,983	834	126,581

## NOTES TO THE ACCOUNTS CONTINUED

**23. FINANCIAL INSTRUMENTS CONTINUED**

At 31 March 2017

Company	Less than 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
Revolving credit facility	232	232	16,609	17,073
Trade and other payables	51,218	–	–	51,218
	<b>51,450</b>	<b>232</b>	<b>16,609</b>	<b>68,291</b>

At 31 March 2016

Company	Less than 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
Trade and other payables	80,617	–	–	80,617
	<b>80,617</b>	<b>–</b>	<b>–</b>	<b>80,617</b>

The impact of liquidity risk on the Group is discussed in detail in the Directors' Report on page 80.

**24. CALLED-UP SHARE CAPITAL**

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

Group and Company	2017 Number	2016 Number	2017 £'000	2016 £'000
At 1 April	<b>49,844,854</b>	49,255,746	<b>4,984</b>	4,926
On exercise of share options	<b>390,082</b>	422,789	<b>40</b>	42
Scrip dividends	<b>230,608</b>	166,319	<b>23</b>	16
<b>At 31 March</b>	<b>50,465,544</b>	49,844,854	<b>5,047</b>	4,984

On 2 September 2016, 162,823 ordinary shares were issued at 2,151.6 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2016 final dividend.

On 27 January 2017, 67,785 ordinary shares were issued at 2,226.4 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2016 interim dividend.

During the course of the year, 390,082 ordinary shares were issued to employees exercising SAYE and LTIP options at prices between nil and 1,456.0 pence.

Ordinary share capital of £131,708 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	3,291	594p	March 2013–October 2017
Savings related	638	692p	March 2014–October 2018
Savings related	7,258	579p	March 2015–October 2019
Savings related	22,353	629p	March 2016–October 2018
Savings related	20,683	916p	March 2017–October 2019
Savings related	212,807	1,187p	March 2018–October 2020
Savings related	155,903	1,456p	March 2019–October 2021
Savings related	183,079	1,788p	March 2020–October 2022
LTIP	790,656	Nil	June 2017–June 2026

On 4 September 2015, 121,860 ordinary shares were issued at 1,601.8 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2015 final dividend.

On 29 January 2016, 44,459 ordinary shares were issued at 1854.2 pence as a result of Shareholders exercising the scrip dividend option in lieu of the cash payment for the 2016 interim dividend.

During the course of the year, 422,789 ordinary shares were issued to employees exercising SAYE and LTIP options at prices between nil and 1,187.0 pence.



## 25. SHARE-BASED PAYMENTS

The Group operates two share option schemes, a Revenue approved scheme (SAYE) and a Long Term Incentive Plan (LTIP), both of which are equity settled. The total expense charged to the income statement during the year in relation to share-based payments was £3,650,000 (2016: £2,791,000).

### Long Term Incentive Plan (LTIP)

During the course of the year 215,696 options at nil cost were granted to Directors and senior executives, the share price at that time was 2,333.0 pence. Details of the performance criteria relating to the LTIP scheme can be found in the Remuneration Committee report on page 71. The maximum term of LTIP options is ten years.

Group	2017 Number	2017 WAEP (£)	2016 Number	2016 WAEP (£)
Outstanding as at 1 April	867,363	–	977,676	–
Granted during the year (i)	215,696	–	295,525	–
Lapsed during the year	(5,082)	–	(79,773)	–
Exercised during the year (ii)	(287,321)	–	(326,065)	–
Outstanding as at 31 March (iii)	790,656	–	867,363	–
Exercisable at 31 March	4,000	–	–	–

Company	2017 Number	2017 WAEP (£)	2016 Number	2016 WAEP (£)
Outstanding as at 1 April	487,939	–	607,400	–
Granted during the year (i)	115,600	–	160,150	–
Lapsed during the year	–	–	(59,095)	–
Exercised during the year (ii)	(182,426)	–	(220,516)	–
Outstanding as at 31 March (iii)	421,113	–	487,939	–
Exercisable at 31 March	–	–	–	–

- i) The weighted average fair value of options granted during the year was £22.04 (2016: £15.38). The share options granted during the year were at £nil per share. The share price at the date of grant was £23.33 (2016: £16.50).
- ii) The weighted average share price at the date of exercise for the options exercised was £21.57 (2016: £16.02).
- iii) For the share options outstanding as at 31 March 2017, the weighted average remaining contractual life is 8.13 years (2016: 8.23 years).

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

### All Employee Share Option Scheme (SAYE)

All employees are entitled to a grant of options once they have been in service for one year or more. The exercise price is equal to the market price of the shares less 20 per cent on the date of the grant. The contractual life of the options is three, five or seven years. The maximum term of SAYE options is 3.5, 5.5 or 7.5 years.

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

Group	2017 Number	2017 WAEP (£)	2016 Number	2016 WAEP (£)
Outstanding as at 1 April	577,515	11.50	517,758	9.36
Granted during the year (i)	185,043	17.88	188,491	14.56
Lapsed during the year	(53,785)	12.93	(32,010)	10.59
Exercised during the year (ii)	(102,761)	7.60	(96,724)	6.27
Outstanding as at 31 March (iii)	606,012	13.97	577,515	11.50
Exercisable at 31 March	14,346	7.45	12,262	6.02

## NOTES TO THE ACCOUNTS CONTINUED

## 25. SHARE-BASED PAYMENTS (CONTINUED)

Company	2017 Number	2017 WAEP (£)	2016 Number	2016 WAEP (£)
Outstanding as at 1 April	29,556	10.52	27,533	9.65
Granted during the year (i)	3,017	17.88	3,596	14.56
Exercised during the year (ii)	(5,838)	7.13	(1,573)	6.29
Outstanding as at 31 March (iii)	26,735	12.09	29,556	10.52
Exercisable at 31 March	3,119	6.36	1,087	6.29

- i) The share options granted during the year were at £17.88 (2016: £14.56), representing a 20 per cent discount on the price at the relevant date. The share price at the date of grant was £23.43 (2016: £19.24).  
ii) The weighted average share price at the date of exercise for the options exercised was £23.81 (2016: £19.43).  
iii) For the share options outstanding as at 31 March 2017, the weighted average remaining contractual life is 2.75 years (2016: 2.93 years).

The weighted average fair value of options granted during the year was £6.87 (2016: £5.81). The range of exercise prices for options outstanding at the end of the year was £5.79-£17.88 (2016: £4.74-£14.56).

The fair value of the SAYE and LTIP equity-settled options granted is estimated as at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 March 2017 and 31 March 2016:

Group and Company	2017 LTIP	2017 SAYE	2016 LTIP	2016 SAYE
Dividend yield	1.89%	1.88%	2.34%	2.00%
Expected share price volatility	31.0%	31.0%	31.0%	31.0%
Risk-free interest rate	0.59%	0.11%-0.48%	0.99%	0.84%-1.29%
Expected life of option	3 years	3, 5 years	3 years	3, 5 years
Exercise prices	£nil	£17.88	£nil	£14.56

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

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

## 26. PENSION SCHEMES

## Defined benefit pension scheme

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

Pension costs are determined with the advice of an independent qualified actuary on the basis of a triennial valuation using the projected unit credit method. The latest available formal actuarial valuation of the scheme was carried out as at 31 December 2015. This valuation was updated to the year end. Plan assets are stated at fair value at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

	2017 £'000	2016 £'000
a) Change in benefit obligation		
Benefit obligation at the beginning of the year	26,729	30,219
Interest cost	869	927
Remeasurement losses/(gains):		
Actuarial losses/(gains) arising from changes in financial assumptions	7,525	(2,234)
Actuarial gains arising from changes in demographic assumptions	(560)	–
Other experience items	–	(124)
Movement on additional liability recognised due to minimum funding requirement	2,006	1,235
Benefits paid from plan	(466)	(3,294)
Benefit obligation at the end of the year	36,103	26,729

	2017 £'000	2016 £'000
b) Change in plan assets		
Fair value of plan assets at the beginning of the year	22,280	24,596
Interest income	783	767
Return on plan assets	2,665	(1,109)
Employer contributions	1,320	1,320
Benefits paid from plan	(466)	(3,294)
Fair value of plan assets at the end of the year	26,582	22,280
c) Amounts recognised in the balance sheet		
Present value of funded obligations	(36,103)	(26,729)
Fair value of plan assets	26,582	22,280
Net liability recorded in the balance sheet	(9,521)	(4,449)
d) Components of pension cost		
Amounts recognised in the income statement:		
Interest cost	869	927
Expected return on plan assets	(783)	(767)
Total pension cost recognised in the income statement	86	160
Actual return on assets		
Actual return on plan assets	3,448	(342)
Amounts recognised in the Group statement of comprehensive income		
Actuarial (losses)/gains immediately recognised	(6,306)	14
Cumulative amount of actuarial losses recognised	(12,666)	(6,360)

During the prior year, following the UK government's introduction of flexible retirement options, the trustees arranged presentations for members over 55 years of age explaining their pre-existing rights to transfer their benefits out of the scheme. Following this process, which included independent financial advice, 20 members transferred benefits of £2.6 million from the scheme. There was no impact on the income statement as a result of these transfers.

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

e) Principal actuarial assumptions	2017	2016
Discount rate	2.55%	3.45%
Rate of price inflation	3.40%	2.90%
Revaluation of deferred pensions:		
Benefits accrued prior to 1 January 1998	5.00%	5.00%
Benefits accrued after 1 January 1998	3.40%	2.90%
Rate of compensation increase:		
Benefits accrued prior to 1 January 1997	3.00%	3.00%
Benefits accrued after 1 January 1997	3.40%	2.90%

## NOTES TO THE ACCOUNTS CONTINUED

## 26. PENSION SCHEMES CONTINUED

Future expected lifetime of pensioner at age 65:	2017	2016
<i>Current pensioners</i>		
Male	22.5	23.1
Female	24.6	25.4
<i>Future pensioners</i>		
Male	24.7	25.3
Female	26.9	27.8

The mortality rates used have been taken from Base tables S2PA (CMI 2012 improvements 1.5 per cent long term rate of improvement) (2016: S1PA (CMI 2012 improvements 1.5 per cent long term rate of improvement)).

At 31 March 2017, the average duration of the scheme liabilities was 24 years (2016: 24 years). For deferred pensions the average duration was 28 years (2016: 27 years) and for pensions in payment the average duration was 13 years (2016: 13 years).

The Group's deficit as measured under IFRIC 14 is £9,521,000 (2016: £4,449,000) as a result of the Group's commitment to future contributions to the scheme. This compares to an underlying IAS 19 deficit of £6,217,000 (2016: £3,151,000).

A 0.1 per cent increase/decrease in the discount rate would give rise to a £26,000 decrease/£27,000 increase (2016: £8,000 decrease/£8,000 increase) in the deficit at 31 March 2017.

A 0.1 per cent increase/decrease in the inflation assumption would give rise to a £nil increase/£nil decrease (2016: £nil increase/£nil decrease) in the deficit at 31 March 2017.

A one year increase/decrease in the life expectancy assumption would give rise to a £nil increase/£nil decrease (2016: £nil increase/£nil decrease) in the deficit at 31 March 2017.

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

f) Plan assets	2017 Fair value of plan assets £'000	2016 Fair value of plan assets £'000
<i>Return seeking:</i>		
UK equities	3	–
Overseas equities	12	–
Diversified growth funds	14,172	13,002
	14,187	13,002
<i>Debt instruments:</i>		
Corporate bonds	3,559	1,288
Gilts	2,882	2,244
Index linked bonds	5,819	5,012
	12,260	8,544
<i>Other:</i>		
Cash	135	734
<b>Total</b>	<b>26,582</b>	<b>22,280</b>

All of the plan assets have a quoted price in an active market except for cash.

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

The Group expects to contribute approximately £1,800,000 to the scheme during the year ending 31 March 2018 in respect of regular contributions, and intends to contribute the same amount annually through to September 2022.

The risks to which the plan exposes the entity have been minimised by investing the assets of the scheme across a broad range of return seeking funds and debt instruments.

### Defined contribution pension schemes

The Group also operates defined contribution pension schemes whereby contributions are made to schemes operated by major insurance companies. Contributions to these schemes are determined as a percentage of employees' earnings. Contributions owing to the insurance companies at the year end, included in trade and other payables, amounted to £230,000 (2016: £274,000). Contributions during the year totalled £3,044,000 (2016: £2,467,000).

## 27. ADDITIONAL CASH FLOW INFORMATION

Analysis of changes in net (debt)/funds:

Group	At 31 March 2016 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 March 2017 £'000
Cash and cash equivalents	17,817	(13,710)	–	<b>4,107</b>
Revolving credit	–	(14,904)	(91)	<b>(14,995)</b>
Finance lease and hire purchase contracts	–	229	(370)	<b>(141)</b>
Net (debt)/funds	17,817	(28,385)	(461)	<b>(11,029)</b>

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

Group	At 31 March 2015 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 March 2016 £'000
Cash and cash equivalents	3,941	13,876	–	17,817
Revolving credit	(21,265)	22,000	(735)	–
Net (debt)/funds	(17,324)	35,876	(735)	17,817

Analysis of changes in net (debt)/funds:

Company	At 31 March 2016 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 March 2017 £'000
Cash and cash equivalents	2,175	(190)	–	<b>1,985</b>
Revolving credit	–	(14,904)	(91)	<b>(14,995)</b>
Net (debt)/funds	2,175	(15,094)	(91)	<b>(13,010)</b>

Company	At 31 March 2015 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 March 2016 £'000
Cash and cash equivalents	501	1,674	–	2,175
Overdrafts	(1,808)	1,808	–	–
	(1,307)	3,482	–	2,175
Revolving credit	(21,265)	22,000	(735)	–
Net (debt)/funds	(22,572)	25,482	(735)	2,175

## 28. CONTINGENT LIABILITIES

The Company, together with its subsidiary undertakings, has entered into a cross guarantee with Lloyds Banking Group plc, The Royal Bank of Scotland plc, HSBC UK plc and Santander UK plc (2016: Lloyds Banking Group plc, The Royal Bank of Scotland plc and Clydesdale Bank PLC (trading as Yorkshire Bank)) in respect of the Group's facility with those banks. Drawn down amounts totalled £16,000,000 as at 31 March 2017 (2016: £nil).

For the Company, the amounts drawn down by other Group companies which were guaranteed by the Company at the year end totalled £nil (2016: £nil).



## NOTES TO THE ACCOUNTS CONTINUED

**29. COMMITMENTS**

(a) The Directors have contracted for future capital expenditure for property, plant and equipment totalling £15,852,000 (2016: £16,437,000).

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

Group	2017 £'000	2016 £'000
Not later than one year	5,930	2,705
After one year but not more than five years	11,559	4,535
After five years	4,627	2,300
	<b>22,116</b>	<b>9,540</b>

The Company has no non-cancellable operating leases.

**30. RELATED PARTY TRANSACTIONS**

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

Company	Services rendered to related party £'000	Interest paid to related party £'000	Dividends received from related party £'000
Related party – Subsidiaries			
<b>2017</b>	<b>24,701</b>	<b>3,921</b>	<b>24,902</b>
2016	20,200	4,071	14,593

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

Remuneration of key management personnel:

Group	2017 £'000	2016 £'000
Short-term employee benefits	5,990	5,715
Post-employment benefits	19	93
Share-based payments	1,553	1,231
	<b>7,562</b>	<b>7,039</b>

**31. ALTERNATIVE PERFORMANCE MEASURES**

The Board monitors performance principally through adjusted and like-for-like performance measures. Adjusted profit and earnings per share measures exclude certain non-cash items including the net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, profit on sale of a business and goodwill impairment charges. Free cash flow is defined as net cash from operating activities less net interest paid and like-for-like revenue is defined as total revenue less revenue from entities acquired during the year.

The Board believes that such alternative measures are useful as they exclude volatile (net IAS 41 valuation movement on biological assets), one-off (impairment of goodwill and profit on sale of a business) and non-cash (amortisation of intangible assets) items which are normally disregarded by investors, analysts and brokers in gaining a clearer understanding of the underlying performance of the Group when making investment and other decisions. Equally, like-for-like revenue provides these same stakeholders with a clearer understanding of the organic sales growth of the business.

**Like-for-like revenue**

	2017 £'000	2016 £'000	Change
Revenue	1,245,058	1,016,314	+22.5%
Crown Chicken	(82,561)	–	
Ballymena	(17,260)	–	
Like-for-like revenue	<b>1,145,237</b>	<b>1,016,314</b>	<b>+12.7%</b>

**Adjusted Group operating profit**

	2017 £'000	2016 £'000	Change
Group operating profit	<b>78,126</b>	62,709	+24.6%
Net IAS 41 valuation movement	<b>(4,116)</b>	951	
Amortisation of customer relationship intangible assets	<b>2,108</b>	1,396	
Adjusted Group operating profit	<b>76,118</b>	65,056	+17.0%

**Adjusted profit before tax**

	2017 £'000	2016 £'000	Change
Profit before tax	<b>77,487</b>	62,070	+24.8%
Net IAS 41 valuation movement	<b>(4,116)</b>	951	
Amortisation of customer relationship intangible assets	<b>2,108</b>	1,396	
Adjusted profit before tax	<b>75,479</b>	64,417	+17.2%

**Adjusted earnings per share**

	2017 £'000	2017 Basic pence	2017 Diluted pence	2016 £'000	2016 Basic pence	2016 Diluted pence
On profit for the year from continuing operations	<b>62,342</b>	<b>124.2</b>	<b>123.7</b>	49,048	98.9	98.5
Amortisation of customer relationship intangible assets	<b>2,108</b>	<b>4.2</b>	<b>4.2</b>	1,396	2.8	2.8
Tax on amortisation of customer relationship intangible assets	<b>(379)</b>	<b>(0.7)</b>	<b>(0.7)</b>	(251)	(0.5)	(0.5)
Net IAS 41 valuation movement	<b>(4,116)</b>	<b>(8.2)</b>	<b>(8.2)</b>	951	1.9	1.9
Tax on net IAS 41 valuation movement	<b>700</b>	<b>1.4</b>	<b>1.4</b>	(171)	(0.3)	(0.3)
On adjusted profit for the year from continuing operations	<b>60,655</b>	<b>120.9</b>	<b>120.4</b>	50,973	102.8	102.4
On profit for the year	<b>67,178</b>	<b>133.8</b>	<b>133.3</b>	45,395	91.5	91.2
Amortisation of customer relationship intangible assets	<b>2,108</b>	<b>4.2</b>	<b>4.2</b>	1,396	2.8	2.8
Tax on amortisation of customer relationship intangible assets	<b>(379)</b>	<b>(0.7)</b>	<b>(0.7)</b>	(251)	(0.5)	(0.5)
Net IAS 41 valuation movement	<b>(4,116)</b>	<b>(8.2)</b>	<b>(8.2)</b>	951	1.9	1.9
Tax on net IAS 41 valuation movement	<b>700</b>	<b>1.4</b>	<b>1.4</b>	(171)	(0.3)	(0.3)
Impairment of goodwill	–	–	–	4,635	9.3	9.3
Profit on sale of business	<b>(4,539)</b>	<b>(9.0)</b>	<b>(9.0)</b>	–	–	–
On adjusted profit for the year	<b>60,952</b>	<b>121.5</b>	<b>121.0</b>	51,955	104.7	104.4

**Free cash flow**

	2017 £'000	2016 £'000	Change
Net cash from operating activities	<b>72,890</b>	83,834	-13.1%
Net interest paid	<b>(528)</b>	(443)	
Free cash flow	<b>72,362</b>	83,391	-13.2%

## FIVE YEAR STATEMENT

	2017 £'m	2016 £'m	2015 £'m	2014 £'m	2013 £'m
Turnover^	<b>1,245.1</b>	1,016.3	1,003.3	994.9	875.2
Profit before tax^	<b>77.5</b>	62.1	52.8	54.8	47.3
Adjusted profit before tax*^	<b>75.5</b>	64.4	57.8	52.2	49.1
Earnings per share^	<b>124.2p</b>	98.9p	84.1p	88.7p	74.9p
Adjusted earnings per share*^	<b>120.9p</b>	102.8p	92.1p	84.1p	78.7p
Dividends per share	<b>44.1p</b>	37.5p	34.0p	32.0p	30.0p
Capital expenditure	<b>48.6</b>	34.1	23.3	22.9	33.2
Net (debt)/funds	<b>(11.0)</b>	17.8	(17.3)	(17.0)	(20.1)
Net assets	<b>421.4</b>	368.0	332.4	302.7	273.7

\* Adjusted profit before tax and earnings per share exclude the effects of net IAS 41 valuation movement and acquisition related amortisation in 2017; the effects of net IAS 41 valuation movement, acquisition related amortisation and impairment of goodwill in 2016; net IAS 41 valuation movement and acquisition related amortisation in 2015; release of contingent consideration and net IAS 41 valuation movement on biological assets in 2014 and impairment of property, plant and equipment in 2013. These are the measures used by the Board to assess the Group's underlying performance.

^ 2017 and 2016 reflect continuing operations only.

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

Net (debt)/funds is defined as per Note 27 to the accounts.

## FINANCIAL CALENDAR

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

## SHAREHOLDER ANALYSIS AT 5 MAY 2017

	Number of holdings	Number of shares
<b>Classification</b>		
Private Shareholders	1,149	4,752,533
Corporate bodies and nominees	692	45,721,913
	1,841	50,474,446

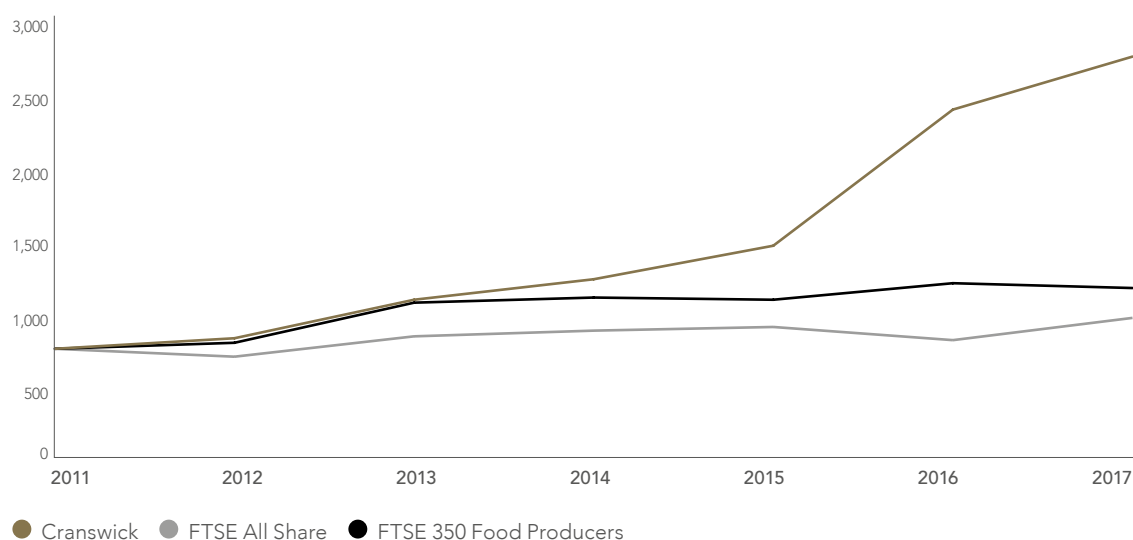
<b>Size of holding (shares)</b>		
1–1,000	1,040	369,636
1,001–5,000	440	995,533
5,001–10,000	116	825,830
10,001–50,000	131	3,042,251
50,001–100,000	45	3,196,591
Above 100,000	69	42,044,605
	1,841	50,474,446

### Share price

Share price at 31 March 2016	2,133p
Share price at 31 March 2017	2,559p
High in the year	2,580p
Low in the year	1,975p

### Share price movement

Cranswick's share price movement over the six year period to May 2017 and comparison against the FTSE 350 Food Producers and Processors Price Index (FTSE FPP) and against the FTSE All Share Price Index (FTSE All Share), all rebased to Cranswick's share price at 4 May 2011 (735p), is shown below:

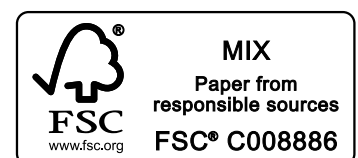


Source: Investec

## ADVISERS

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<b>Registered office</b>	74 Helsinki Road Sutton Fields Hull HU7 0YW
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<b>Registrars</b>	Capita Asset Services The Registry 34 Beckenham Road Kent BR3 4TU  Tel: 0871 664 0300 (calls cost 10 pence per minute plus network extras; lines are open 8.30am to 5.30pm, Monday – Friday) If calling from overseas please call +44 208 639 3399  email: <a href="mailto:shareholderenquiries@capita.co.uk">shareholderenquiries@capita.co.uk</a> <a href="http://www.capitaassetservices.com">www.capitaassetservices.com</a>
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<b>Tax advisers</b>	KPMG – Leeds
<b>Solicitors</b>	Rollits LLP – Hull
<b>Bankers</b>	Lloyds Banking Group plc The Royal Bank of Scotland plc HSBC Bank plc Santander UK plc
<b>Merchant bankers</b>	N M Rothschild & Sons – Leeds







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