

PRINCIPAL RISKS AND UNCERTAINTIES

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

RISK AREA	MITIGATION AND NET RISK RATING	RISK TREND
STRATEGIC		
COMPETITOR ACTIVITY  <p>The Group operates in highly competitive markets. Product innovation and changing consumer trends provide a constant challenge to the future success of the Group and its ability to compete effectively with its competitors.</p>	<p>The Group maintains and develops strong working relationships with its customers which are underpinned by delivering high levels of service, quality products and by continued focus on product development and innovation.</p> <p>●●●●●</p>	<p>⊖ The risk has stayed the same.</p>
GROWTH & CHANGE  <p>The Group continues to pursue growth strategies through securing contracts with new customers, obtaining additional contracts with existing customers and through the acquisition of appropriate businesses. The Group also has to navigate both internal and external change, such as changes in regulation. These present operational and compliance challenges and issues.</p>	<p>The Board routinely receives updates on the contractual position of all key customers and where required implements necessary actions. Regarding business acquisitions, rigorous due diligence reviews are carried out. Internal and external change is appropriately resourced to ensure operational excellence and compliance, with performance monitored by operational and senior management.</p> <p>●●●●●</p>	<p>⊖ The risk has stayed the same.</p>
COMMERCIAL		
CONSUMER DEMAND  <p>In common with other food industry manufacturers, a deterioration in the UK economy or a significant change in food consumption patterns could lead to a fall in demand for the Group's products and a fall in Group revenue.</p>	<p>The Group works closely with its key customers to adapt to changing consumer trends and also offers a range of products across premium, standard and value tiers which it is able to flex accordingly. Pork and chicken remain extremely competitively priced and sought after products.</p> <p>●●●●●</p>	<p>⊖ The risk has stayed the same.</p>
RELIANCE ON KEY CUSTOMERS & EXPORTS  <p>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 an export licence could adversely impact on the Group's operations.</p>	<p>The Group continually pursues opportunities to expand its customer base across all product categories and works closely with UK and export customers to ensure service, quality, food safety and new product developments are of the highest standard.</p> <p>●●●●●</p>	<p>⊖ The risk has stayed the same.</p>
PIG MEAT – AVAILABILITY & PRICE  <p>The Group is specifically exposed to issues associated with the pricing and availability of pig meat. An increase in pig prices or a lack of availability of pig meat could adversely impact on the Group's operations and the ability to supply manufacturing sites and key customers.</p>	<p>The Group has a trusted long standing farming supply base which is complemented by supply from the Group's own farms. These arrangements help to mitigate the risks associated with pig price volatility and supply.</p> <p>●●●●●</p>	<p>⊖ The risk has stayed the same.</p>
FINANCIAL		
INTEREST RATE, CURRENCY, LIQUIDITY & CREDIT RISK  <p>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.</p>	<p>The Group deploys effective currency hedging arrangements to mitigate risks associated with foreign currency movements. Sites have access to the Group's overdraft facility and bank balances are monitored on a daily basis by Group Finance. All bank debt is arranged centrally and appropriate headroom is maintained.</p> <p>●●●●●</p>	<p>⊖ The risk has stayed the same although the potential implications of Brexit are being closely monitored.</p>

STRATEGIC PILLAR

-  High Quality Products
-  Operating Excellence
-  Sales Growth
-  Sustainability
-  Considered in detail within Viability Statement

NET RISK AFTER MITIGATION

- Low risk
- Medium risk
- High risk

RISK TREND

- ⬆ Risk increased
- ⊖ Risk unchanged
- ⬇ Risk decreased

RISK AREA	MITIGATION AND NET RISK RATING	RISK TREND
OPERATIONAL		
DISRUPTION TO GROUP OPERATIONS  <p>The Group faces the risk of significant incidents such as fire, flood or loss of key utilities together with the risk of disruption to day to day operations from issues such as poor operational management or the breakdown of key equipment. Overall such issues could result in the prolonged disruption to site processes.</p>	<p>Robust business continuity plans are in place across the Group and appropriate insurance arrangements exist to mitigate financial loss. Potential business disruption is minimised through multi-site operations across many of the Group's core product lines.</p> <p>●●●●●</p>	<p>⊖ The risk has stayed the same.</p>
RECRUITMENT & RETENTION OF WORKFORCE  <p>As the Group continues to pursue its growth strategy, the success of the Group is dependent on attracting and retaining quality, skilled and experienced people.</p>	<p>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.</p> <p>●●●●●</p>	<p>⊖ The risk has stayed the same although the potential implications of Brexit are being closely monitored.</p>
HEALTH & SAFETY  <p>A significant breach of Health & Safety legislation could lead to reputational damage and regulatory penalties, including restrictions on operations, damages or fines.</p>	<p>The Group has strong Health & Safety processes and procedures in place and conforms to all relevant standards and regulations as well as pursuing industry best practice across its sites. All sites are subject to frequent audits by internal teams, customers and regulatory authorities to ensure standards are being adhered to.</p> <p>●●●●●</p>	<p>⊖ The risk has stayed the same.</p>
DISEASE & INFECTION WITHIN LIVESTOCK  <p>A significant infection or disease outbreak could result in the loss of supply of pig or poultry meat or the inability to move livestock freely, impacting on the supply of key raw materials into the Group's sites.</p>	<p>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. The Group's own poultry flock is predominately housed indoors. In addition, robust vaccination and bio-security procedures mitigate the risk of disease and infections.</p> <p>●●●●●</p>	<p>⊖ The risk has stayed the same.</p>
FOOD SCARES & PRODUCT CONTAMINATION  <p>In common with other food manufacturers the Group is subject to the risks of product and/or raw material contamination and potential health related industry-wide food scares. Such incidents could lead to product recall costs, reputational damage and regulatory penalties.</p>	<p>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 internal teams.</p> <p>●●●●●</p>	<p>⊖ The risk has stayed the same.</p>
IT SYSTEMS & CYBER SECURITY  <p>The Group relies heavily 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. Whilst no material cyber security breaches have occurred over the course of the year, the Board is mindful of the ongoing risks in this area given the increasing sophistication and evolving nature of this threat.</p>	<p>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. During the year, to further mitigate the risks associated with cyber-attacks, the Board approved the purchase of cyber insurance which provides specialist technical and legal support in the event of a cyber incident.</p> <p>●●●●●</p>	<p>⬆ The risk has increased due to the general number of reported cyber-attacks in the wider economy.</p>