26 November 2012

CRANSWICK plc: INTERIM RESULTS

Continued growth

Cranswick plc ("Cranswick" or "the Company" or "the Group"), a leading UK supplier of pork products, announces its unaudited results for the six months ended 30 September 2012.

Highlights:

- Reported revenues up 6 per cent to £418.6m (2011: £393.9m)
- Underlying revenues increased by 5 per cent *
- Profit before tax rose by 21 per cent to £22.5m (2011: £18.5m)
- Earnings per share up 23 per cent to 35.8p (2011: 29.2p)
- Adjusted earnings per share 19 per cent higher at 35.8p (2011: 30.1p)
- Dividend increased to 9.4p per share (2011: 9.0p)
- Net debt £32.2m (30 Sept 2011: £48.2m)
- Kingston Foods Limited acquired on 29 June 2012

* Excluding Kingston Foods

Cranswick's Chairman, Martin Davey, said: "It is pleasing to report continued growth in sales, in what continues to be a difficult economic and consumer environment, reflecting the ongoing popularity of pork with the consumer, driven by both the versatility and the low relative price of pork to other proteins.

"Kingston Foods has made an encouraging contribution to the Group since acquisition and has further extended Cranswick's customer portfolio and strengthened the Group's cooked meat production capability.

"Rising input costs were a feature of trading during the period and this has continued into the second half, although efficiency improvements brought about by investment undertaken by the business and ongoing constructive pricing discussions with customers have helped offset the full impact of this.

"The Board currently anticipates a more balanced trading performance between the first and second halves compared to last year when there was a strong second half bias. The strategy for the development of the business remains unchanged with future growth being generated by a combination of acquisitions and organic initiatives".

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Enquiries:

Paul Quade	07947 186 694
CityRoad Communications	0207 248 8010

Note to editors:

Cranswick was formed in the early 1970s by farmers in East Yorkshire to produce animal feed and has since evolved into a business focused on the supply of food products to the UK food retail and food service sectors. Well known for the production of gourmet sausages the Company also supplies fresh pork, cooked meats, air-dried bacon, charcuterie, sandwiches and pastry products. Products are sold primarily under retailers own labels including Sainsbury's 'Taste The Difference' and Tesco's 'Finest' as well as under a number of brands such as 'Simply Sausages', 'The Black Farmer', 'Weightwatchers' and 'Red Lion Foods'. Sales in the year to March 2012 were £821 million and have grown more than 350 per cent over ten years.

Chairman's statement

It is pleasing to report continued growth in sales in what continues to be a difficult economic and consumer environment. Underlying turnover in the six months ended 30 September 2012 was 5 per cent ahead of the same period last year reflecting the ongoing popularity of pork with the consumer, driven by both the versatility and the low relative price of pork to other proteins.

Total sales for the six months were 6 per cent higher after taking into account the contribution from Kingston Foods which was acquired on 29 June 2012. Kingston Foods has made, as anticipated, an encouraging contribution to the Group since acquisition and has further extended Cranswick's customer portfolio and strengthened the Group's cooked meat production capability.

Profit before taxation for the period increased by 21 per cent to £22.5 million from the £18.5 million achieved in a tough first half a year ago. Earnings per share were up by 23 per cent at 35.8 pence compared to 29.2 pence last year. This has been a solid performance by the business during a period when further investment was undertaken in the asset base to provide the platform for continued growth. Trading highlights and details of capital expenditure are covered in the Review of Activities by the Chief Executive, Adam Couch. Adam was appointed Chief Executive on 1 August 2012 as indicated when reporting to Shareholders in May 2012.

Operating cash inflow in the period was £18.1 million compared to £19.0 million in the same period a year ago. At 30 September net debt stood at £32.2 million compared to £48.2 million at the same time last year and £21.7 million at the March financial year end. Interest was covered 60 times. The Group is in a sound financial position further details of which are provided in the Financial Review.

Rising input costs were a feature of trading during the period and this has continued into the second half. It impacted margins initially although efficiency improvements brought about by investment undertaken by the business and ongoing constructive pricing discussions with customers have helped offset the full impact of this.

The interim dividend is being increased to 9.4 pence per share from 9.0 pence previously and will be paid on 25 January 2013 to Shareholders on the register at the close of business on 7 December 2012. Shareholders will once again have the option to receive the dividend by way of scrip issue.

The successful performance of the business in the period is a reflection of the expertise, enthusiasm and commitment of the management and their colleagues at each of our product focussed facilities and on behalf of the Board I express our sincere thanks and appreciation.

The Board currently anticipates a more balanced trading performance between the first and second halves compared to last year when there was a strong second half bias. The strategy for the development of the business remains unchanged with future growth being generated by a combination of acquisitions and organic initiatives.

Martin Davey

Chairman
26 November 2012

Review of activities

It is pleasing to report continued growth, with underlying revenues increasing by 5 per cent for the 6 months to 30 September 2012. This growth is particularly satisfying when considered against the backdrop of the continuing difficult consumer environment.

The retail environment remains challenging with many of the Group's customers reporting flat or, at best, modest sales and earnings growth. This notwithstanding, the value proposition of pork remains strong, particularly compared to both beef and lamb. Pork's health attributes and versatility both as an ingredient and as a complete meal solution continue to find favour with the consumer.

Fresh pork sales increased by 1 per cent. This was on top of the 14 per cent growth achieved in the same period last year. Further investment in the infrastructure of both the Norfolk and Hull facilities has led to increased overall capacity and improved efficiencies. At the Hull site, investment in rapid chilling has increased carcass yields and further expenditure in butchery has delivered significant throughput improvements. Both operations now have full approval to export to China and the Asian market is being targeted with a wide ranging portfolio of pork products. In addition, breaded pork products continue to show good growth with further retail listings expected in the coming months.

Sausage sales grew by 15 per cent, despite the disappointing summer weather. This strong growth underlines the resilience of the premium sausage category, as consumers continue to recognise and appreciate the quality, value and versatility of Cranswick's gourmet sausage offering. These products are now a shopping basket staple with the top tier, premium range now representing over a third of total retail sausage sales. The strong growth in the first six months of the year was augmented by an exciting new range of gourmet beef burgers which have been developed with the same uncompromising focus on quality with fresh ingredients and an artisan production process.

Bacon sales improved by 6 per cent in the first six months of the year across a wide retail client base helped by targeted promotional plans and strong category management. The Group has also successfully developed further retail listings for gammon products which have significantly increased volumes through the factory and which are expected to lead to further opportunities going forward. These developments have been supported by further investment at the Sherburn-in-Elmet site to drive improved yields, increased operational efficiencies and enhanced volume capability going forward.

Cooked meats performed strongly during the first half of the year with total sales ahead by 10 per cent including the contribution from Kingston Foods. New product development continues to be a key focus of Group activities and particularly pleasing has been the development of a premium hand-cured, air-dried ham range for one of the Group's principal retail customers. This range is the culmination of work undertaken at the Hull, Sherburn-in-Elmet and Barnsley sites. This premium ham has delivered a new benchmark for taste and visual presentation in the category and sales are showing a pleasing positive trend. Work has started on extending the Sutton Fields cooked meats facility in Hull. The extension will provide increased capacity to meet anticipated sales growth and will also improve production flows through the factory which in turn will drive efficiency benefits.

Cranswick has a strong reputation for producing premium products of the highest quality. This ethos has been further demonstrated by the development of a range of artisan handmade pastry products. Pastry sales showed a good increase on the same period last year from a modest base. Buoyed by this positive performance and with the existing facilities operating at capacity, construction of a state of the art production facility in Malton, North Yorkshire is now underway. The project, which is earmarked for completion in the spring of 2013, will allow the Group to progress further its ambitions in this sector. Customers have been secured and an exciting range of products is being developed to launch when the site is commissioned next year.

Sales of continental products were 2 per cent ahead of the same period last year. This was an outstanding performance given the loss of business with a major retail customer over the last 12 months. Key highlights in this category have been the new listings of fresh pasta with a major grocery retailer and the introduction of a new retail customer for value added lines.

Sandwich sales increased by 9 per cent. The business has secured additional listings in the retail convenience market which will be used as a solid base upon which to build. Sales were also boosted by the Atherstone facility supplying sandwiches to key sporting events over the summer period which included the Olympic opening ceremony.

As has been widely reported in the media, food inflation is a key area of concern to retailers, processors and pig producers alike. Higher feed costs are being reflected in increased pig prices, not only in the UK but across Europe. In addition, the impending increased welfare legislation in the EU member states, which comes in to force on 1 January 2013, is already impacting availability and pricing of pig meat from that region and may lead to further EU herd contraction in 2013. With firm demand and tightening supply, UK pig prices are currently at record levels. This is an issue affecting the whole supply chain and the scale of the inflation and the need to ensure continuity of supply has necessitated discussions on price increases with the Group’s customers; these are underway and progressing well.

Despite the well documented challenges faced by the pig industry both at home and across Europe, the business’ retail customers and the UK consumer, the Group has delivered a pleasing first half performance through focused alignment with customer and consumer needs. This action is supported by well invested, highly efficient, industry leading facilities and strong management in all areas of the business. Given the difficult wider consumer environment, these key attributes are and will remain imperative to Cranswick’s future successful performance and development.

Adam Couch

Chief Executive
26 November 2012

Financial review

The Group is presenting its interim financial information for the six months to 30 September 2012 with comparative information for the six months to 30 September 2011 and the year to 31 March 2012.

Revenue

Revenue increased by 6 per cent from £393.9 million to £418.6 million. Adjusting for the contribution from Kingston Foods Limited which was acquired on 29 June 2012, underlying sales increased by 5 per cent, with positive contributions from all categories.

Group operating profit

Group operating profit at £22.8 million was 17 per cent higher. Operating margin at 5.5 per cent of sales was also well above the 5.0 per cent delivered in the same period last year, albeit lower than the 5.7 per cent, before goodwill impairment, reported for the last financial year as a whole. The lower operating margin reported in the first half of the previous financial year reflected a sharp increase in input costs during the first quarter. Input costs eased in the second quarter and this together with some inflation recovery from the Group's customers and robust export sales and margins led to a strong second half performance. There was modest input cost inflation during the first half of the current financial year and this, together with less buoyant export margins, resulted in the Group operating margin falling back from the level achieved in the second half of the last financial year.

Interest

Net financing costs at £0.4 million were 24 per cent lower than the first half of the prior year, reflecting lower net borrowings. Interest cover improved from 37.7 times to 59.9 times.

Taxation

The tax charge as a percentage of profit before tax was 23.3 per cent (2011: 24.7 per cent). The standard rate of corporation tax was 24 per cent (2011: 26 per cent). The charge for both the current and prior periods benefited from a £0.3 million deferred tax credit following a 1 per cent enacted reduction in the UK corporation tax rate from April 2013 (2011: April 2012). Adjusting for this credit the underlying effective rate was 24.6 per cent (2011: 26.5 per cent).

Earnings per share

Basic earnings per share rose by 23 per cent to 35.8 pence in the six months to 30 September 2012. After adjusting for the impact of the associate, Farmers Boy (Deeside) Limited, in the prior year, adjusted earnings per share were still 19 per cent higher (note 5). The average number of shares in issue was 48,115,000 (2011: 47,634,000).

Acquisitions

On 29 June 2012 the Group acquired 100 per cent of the issued share capital of Kingston Foods Limited for an initial cash consideration of £6.0 million net of cash acquired of £1.9 million. A further £2.5 million of consideration may become payable contingent on the performance of the business during a three year period from the date of acquisition. Kingston made an encouraging start under Cranswick ownership contributing £0.3 million to the Group's profit after tax in the period following acquisition.

Cash flow and borrowings

The net cash inflow from operating activities was £18.1 million (2011: £19.0 million) reflecting a £6.9 million working capital increase in the period driven by revenue growth and higher inventory levels which were built ahead of rising input costs. Net debt increased in the six month period by £10.6 million to £32.2 million, but was £16.0 million lower than the previous half year end level. Cash flow included £14.6 million of capital expenditure and the net £6.0 million spent on the acquisition of Kingston Foods Limited. Net debt fell to just 13 per cent of shareholders' funds (2011: 21 per cent) as the Group's balance sheet continues to be conservatively managed. The Group's current bank facility of £100 million extends to July 2015 and provides the business with generous headroom and medium term funding to meet its objectives.

Pensions

The Group operates a number of 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. 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 30 September 2012 was £5.7 million which compared to £5.3 million at 31 March 2012. Cash contributions to the scheme during the period, as part of the programme to reduce the deficit, were £0.6 million. The present value of funded obligations was £21.7 million and the fair value of plan assets was £16.0 million.

The valuation of the defined benefit pension liability is dependent upon market conditions and actuarial methods and assumptions (including mortality assumptions). Such changes in actuarial assumptions and the performance of the funds may result in changes to amounts charged or released through the income statement and the Group may be required to pay increased pension contributions in the future. The Board will regularly review its pension strategy with reference to the value of assets and liabilities under the pension scheme as well as the potential impact of changes in actuarial assumptions.

Principal risks and uncertainties

There are a number of risks and uncertainties facing the business in the second half of the financial year. The Board considers these risks and uncertainties to be the same as those described in the Report & Accounts for the year ended 31 March 2012, dated 21 May 2012, a copy of which is available on the Group's website at www.cranswick.co.uk. The principal risks and uncertainties which are set out in detail on pages 14 to 17 of the Report & Accounts for the year ended 31 March 2012 are:

Industry risks

- State of the economy
- Competition, customer retention and reliance on key customers
- Raw material price fluctuations
- Environmental matters
- Food scares and product contamination
- Supplier standards

Operational risks

- Food safety
- Business continuity
- Legislation
- Overseas markets
- Technology
- Business integration

Human resource risks

- Health & safety
- Ethical management
- Staff recruitment and retention
- Access to workforce

Financial risks

- Interest rate, currency, liquidity and credit risk
- Granting of credit and recoverability of debt
- Business acquisitions

Country and currency risk

The Board continues to be mindful of the current difficult global economic conditions and in particular those facing the Eurozone. The Board considers the risk facing the Group in this respect to be limited, with all of the Group's operations located in the UK and more than 95 per cent of the Group's sales being to UK customers. However, the Board continues to closely monitor the Group's policies on granting of credit to overseas customers and terms of trade with foreign suppliers including hedging foreign currency purchases and considers that the associated risks are being managed appropriately.

Forward looking information

This interim report contains certain forward looking statements. These statements are made by the Directors in good faith based on the information available to them at the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

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 facilities are described above. 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, despite the current uncertain economic outlook.

After 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 condensed consolidated interim financial statements.

Mark Bottomley
Finance Director
26 November 2012

Cranswick plc: Group income statement (unaudited)

for the six months ended 30 September 2012

	Notes	Half year 2012 £'000	Half year 2011 £'000	Year to 31 March 2012 £'000
Revenue		**418,645**	393,932	820,775
Cost of sales		**(367,649)**	(348,143)	(718,605)
Gross profit		**50,996**	45,789	102,170
Operating expenses excluding impairment		**(28,162)**	(26,269)	(55,434)
Group operating profit before impairment		**22,834**	19,520	46,736
Impairment of goodwill		**-**	-	(4,924)
Group operating profit		**22,834**	19,520	41,812
Share of results of associate		**-**	(514)	(712)
Profit on disposal of associate		**-**	-	8,254
Profit before net finance costs and tax		**22,834**	19,006	49,354
Finance revenue		**39**	78	151
Finance costs		**(420)**	(582)	(1,154)
Profit before tax		**22,453**	18,502	48,351
Taxation	4	**(5,238)**	(4,575)	(10,871)
Profit for the period		**17,215**	13,927	37,480
Earnings per share (pence)				
On profit for the period:				
Basic	5	**35.8p**	29.2p	78.6p
Diluted	5	**35.7p**	29.2p	78.4p
Adjusted (excluding effect of associate and goodwill impairment):				
Basic	5	**35.8p**	30.1p	72.9p
Diluted	5	**35.7p**	30.1p	72.7p

Cranswick plc: Group statement of comprehensive income (unaudited)

for the six months ended 30 September 2012

	Half year		Year to 31 March
	2012	2011	2012
	£'000	£'000	£'000
Profit for the period	**17,215**	13,927	37,480
Other comprehensive income			
Movement on hedging items:			
Losses arising in the period	**(15)**	(3)	(69)
Reclassification adjustment for losses/ (gains) included in the income statement	**69**	(146)	(146)
Actuarial losses on defined benefit pension scheme	**(899)**	(1,835)	(3,504)
Deferred tax relating to components of other comprehensive income	**195**	496	892
Other comprehensive income for the period, net of tax	**(650)**	(1,488)	(2,827)
Total comprehensive income for the period attributable to owners of the parent	**16,565**	12,439	34,653

Cranswick plc: Group balance sheet (unaudited)

at 30 September 2012

	Half year		As at 31 March
	2012	2011	2012
	£'000	£'000	£'000
Non–current assets			
Intangible assets	**130,382**	127,763	122,839
Property, plant and equipment	**138,003**	124,569	130,853
Investment in associate	**-**	5,277	-
Financial assets	**1,050**	3,846	1,398
Total non-current assets	**269,435**	261,455	255,090
Current assets			
Inventories	**44,311**	39,302	38,516
Trade and other receivables	**91,161**	85,611	85,534
Financial assets	**696**	1,321	696
Cash and short-term deposits	**10,705**	7,351	20,100
Total current assets	**146,873**	133,585	144,846
Assets held for sale	**-**	-	221
Total assets	**416,308**	395,040	400,157
Current liabilities			
Trade and other payables	**(94,572)**	(92,271)	(91,078)
Financial liabilities	**(326)**	(335)	(1,624)
Income tax payable	**(6,015)**	(5,182)	(5,936)
Provisions	**(189)**	(410)	(389)
Total current liabilities	**(101,102)**	(98,198)	(99,027)
Non-current liabilities			
Other payables	**(434)**	(526)	(462)
Financial liabilities	**(46,741)**	(59,236)	(42,301)
Deferred tax liabilities	**(6,446)**	(7,595)	(7,093)
Provisions	**(188)**	-	-
Defined benefit pension scheme deficit	**(5,725)**	(4,220)	(5,342)
Total non-current liabilities	**(59,534)**	(71,577)	(55,198)
Total liabilities	**(160,636)**	(169,775)	(154,225)
Net assets	**255,672**	225,265	245,932
Equity			
Called-up share capital	**4,833**	4,772	4,803
Share premium account	**60,221**	57,033	58,642
Treasury shares	**-**	(136)	-
Share-based payments	**6,579**	4,819	5,603
Hedging reserve	**(15)**	(3)	(69)
Retained earnings	**184,054**	158,780	176,953
Equity attributable to owners of the parent	**255,672**	225,265	245,932

Cranswick plc: Group statement of cash flows (unaudited)

for the six months ended 30 September 2012

	Half year		Year to 31 March
	2012	2011	2012
	£'000	£'000	£'000
Operating activities			
Profit for the period	**17,215**	13,927	37,480
Adjustments to reconcile Group profit for the period to net cash inflows from operating activities:			
Income tax expense	**5,238**	4,575	10,871
Net finance costs	**381**	504	1,003
Fair value adjustment to put option in relation to associate	**-**	(95)	(95)
Share of result of associate	**-**	514	712
Gain on sale of associate	**-**	-	(8,254)
Gain on sale of property, plant and equipment	**(32)**	(22)	(140)
Depreciation of property, plant and equipment	**7,579**	6,750	13,972
Impairment of goodwill	**-**	-	4,924
Amortisation of intangibles	**40**	-	-
Share-based payments	**976**	717	1,501
Difference between pension contributions paid and amounts recognised in the income statement	**(516)**	(529)	(1,076)
Release of government grants	**(32)**	(18)	(55)
Increase in inventories	**(5,362)**	(3,608)	(2,822)
Increase in trade and other receivables	**(3,758)**	(6,812)	(6,610)
Increase in trade and other payables	**2,261**	9,016	5,405
Cash generated from operations	**23,990**	24,919	56,816
Tax paid	**(5,937)**	(5,955)	(11,283)
Net cash from operating activities	**18,053**	18,964	45,533
Cash flows from investing activities			
Interest received	**39**	77	173
Principal amounts received in relation to loans advanced	**348**	-	1,906
Acquisition of subsidiary, net of cash acquired	**(5,986)**	-	-
Purchase of property, plant and equipment	**(14,596)**	(8,764)	(20,311)
Receipt of government grants	**4**	156	149
Proceeds from sale of property, plant and equipment	**48**	37	308
Proceeds from sales of associate	**-**	-	14,500
Proceeds from sale of investment classified as held for sale	**221**	-	-
Net cash used in investing activities	**(19,922)**	(8,494)	(3,275)
Cash flows from financing activities			
Interest paid	**(455)**	(698)	(1,305)
Proceeds from issue of share capital	**56**	33	702
Purchase of own shares	**-**	(136)	(136)
Proceeds from borrowings	**2,000**	10,000	-
Issue costs of long term borrowings	**-**	(1,005)	(1,005)
Repayment of borrowings	**-**	-	(7,000)
Dividends paid	**(7,828)**	(8,511)	(11,831)
Repayment of capital element of finance leases	**(183)**	(193)	(272)
Net cash used in financing activities	**(6,410)**	(510)	(20,847)
Net (decrease)/ increase in cash and cash equivalents	**(8,279)**	9,960	21,411
Cash and cash equivalents at beginning of period	**18,788**	(2,623)	(2,623)
Cash and cash equivalents at end of period	**10,509**	7,337	18,788

Cranswick plc: Group statement of changes in equity (unaudited)

for the six months ended 30 September 2012

	Share capital £'000	Share premium £'000	Treasury shares £'000	Share-based payments £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2012	4,803	58,642	-	5,603	(69)	176,953	245,932
Profit for the period	-	-	-	-	-	17,215	17,215
Other comprehensive income	-	-	-	-	54	(704)	(650)
Total comprehensive income	-	-	-	-	54	16,511	16,565
Share-based payments	-	-	-	976	-	-	976
Scrip dividend	19	1,534	-	-	-	-	1,553
Share options exercised	11	45	-	-	-	-	56
Dividends	-	-	-	-	-	(9,381)	(9,381)
Deferred tax relating to changes in equity	-	-	-	-	-	(68)	(68)
Corporation tax relating to changes in equity	-	-	-	-	-	39	39
At 30 September 2012	**4,833**	**60,221**	**-**	**6,579**	**(15)**	**184,054**	**255,672**
At 1 April 2011	4,764	56,609	-	4,102	146	155,311	220,932
Profit for the period	-	-	-	-	-	13,927	13,927
Other comprehensive income	-	-	-	-	(149)	(1,339)	(1,488)
Total comprehensive income	-	-	-	-	(149)	12,588	12,439
Own shares acquired	-	-	(136)	-	-	-	(136)
Share-based payments	-	-	-	717	-	-	717
Scrip dividend	5	394	-	-	-	-	399
Share options exercised	3	30	-	-	-	-	33
Dividends	-	-	-	-	-	(8,910)	(8,910)
Deferred tax relating to changes in equity	-	-	-	-	-	(255)	(255)
Corporation tax relating to changes in equity	-	-	-	-	-	46	46
At 30 September 2011	4,772	57,033	(136)	4,819	(3)	158,780	225,265
At 1 April 2011	4,764	56,609	-	4,102	146	155,311	220,932
Profit for the year	-	-	-	-	-	37,480	37,480
Other comprehensive income	-	-	-	-	(215)	(2,612)	(2,827)
Total comprehensive income	-	-	-	-	(215)	34,868	34,653
Own shares acquired	-	-	(136)	-	-	-	(136)
Share-based payments	-	-	-	1,501	-	-	1,501
Scrip dividend	19	1,351	-	-	-	-	1,370
Share options exercised (proceeds)	20	682	-	-	-	-	702
Share options exercised (transfer)	-	-	136	-	-	(136)	-
Dividends	-	-	-	-	-	(13,201)	(13,201)
Deferred tax relating to changes in equity	-	-	-	-	-	(52)	(52)
Corporation tax relating to changes in equity	-	-	-	-	-	163	163
At 31 March 2012	4,803	58,642	-	5,603	(69)	176,953	245,932

Responsibility statement

The Directors confirm that to the best of their knowledge the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* and includes a fair review of the information required by DTR 4.2.7R (an indication of important events during the first six months and a description of the principle risks and uncertainties for the remaining six months of the year) and by DTR 4.2.8R (a disclosure of related party transactions and changes therein) of the *Disclosure and Transparency Rules*.

On behalf of the Board

Martin Davey	**Mark Bottomley**
Chairman	Finance Director

26 November 2012

Notes to the interim accounts

1. Basis of preparation

This interim report was approved by the Directors on 26 November 2012 and has been prepared in accordance with the Disclosure and Transparency Rules of the UK's Financial Services Authority and the requirements of IAS 34 *Interim Financial Reporting* as adopted by the European Union. The information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2012 prepared under IFRS as adopted by the European Union have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts was not qualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The interim report has not been reviewed pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information' and does not include all of the information required for full annual financial statements.

2. Accounting policies

The accounting policies applied by the Group in this interim report are the same as those applied by the Group in the financial statements for the year ended 31 March 2012.

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

International Accounting Standards (IAS / IFRSs)		***Effective date***
IAS 12	Income Taxes (Amendment) – Deferred taxes: Recovery of underlying assets	1 January 2012

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

3. Segmental analysis

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 using profit before taxation measured on a basis consistent with the disclosure in the Group accounts.

The Group reported on just one reportable segment during the period and the preceding financial year. The revenues of the Group are not significantly impacted by seasonality.

Additions to property plant and equipment during the period totalled £14.1 million (2011: £8.1 million). Future capital expenditure under contract at 30 September 2012 was £5.0 million (2011: £3.4 million).

4. Taxation

The tax charge for the period was £5.2 million and represents a rate of 23.3 per cent (2011: 24.7 per cent). The tax charge for the period benefited from a £0.3 million deferred tax credit reflecting the enacted reduction in the UK corporation tax rate to 23 per cent from April 2013. Adjusting for this item the overall effective rate was 24.6 per cent.

5. Earnings per share

Basic earnings per share are based on profit attributable to shareholders and on the weighted average number of shares in issue during the period of 48,115,168 (2011: 47,634,237) excluding treasury shares and shares held by Cranswick Trustees Limited on behalf of the Cranswick plc Employee Benefit Trust. The calculation of diluted earnings per share is based on 48,236,454 shares (2011: 47,730,268).

Adjusted earnings per share

The Group acquired an interest in associate Farmers Boy (Deeside) Limited on 9 July 2010 and disposed of the investment on 30 March 2012. In addition, in the year ended 31 March 2012 the Group impaired the carrying value of goodwill in relation to its Sandwiches cash generating unit. As the investment in the associate and the goodwill impairment do not form part of the ongoing business of the Group the Directors consider it appropriate to present an adjusted EPS on the face of the income statement which excludes the effect of the associate and goodwill impairment to facilitate a more meaningful comparison with prior and future periods. Adjusted earnings per share are calculated using the weighted average number of shares for both basic and diluted amounts as detailed above.

Net profits excluding the effect of the associate and goodwill impairment are derived as follows:

	Half year		Year to 31 March
	2012	2011	2012
	£'000	£'000	£'000
Profit for the period	**17,215**	13,927	37,480
Share of results of associate	**-**	514	712
Profit on disposal of associate	**-**	-	(8,254)
Fair value adjustment to put option in relation to associate	**-**	(95)	(95)
Impairment of goodwill	**-**	-	4,924
Profit for the period excluding effect of associate and goodwill impairment	**17,215**	14,346	34,767

6. Dividends – half year ended 30 September

	Half year		Year to 31 March
	2012	2011	2012
	£'000	£'000	£'000
Interim dividend for year ended 31 March 2012 of 9.0p per share	**-**	-	4,291
Final dividend for year ended 31 March 2012 of 19.5p (2011: 18.7p) per share	**9,381**	8,910	8,910
	9,381	8,910	13,201

The interim dividend for the year ending 31 March 2013 of 9.4p per share was approved by the Board on 26 November 2012 for payment to shareholders on 25 January 2013 and therefore has not been included as a liability as at 30 September 2012.

7. Analysis of Group net debt

	At 31 March 2012 £'000	Cash flow £'000	Non-cash movements £'000	**At 30 September 2012 £'000**
Cash and short-term deposits	20,100	(9,395)	-	**10,705**
Overdrafts	(1,312)	1,116	-	**(196)**
Net cash and cash equivalents	18,788	(8,279)	-	**10,509**
Other financial assets	2,094	(348)	-	**1,746**
	20,882	(8,627)	-	**12,255**
Revolving credit	(42,246)	(2,000)	(126)	**(44,372)**
Finance leases	(298)	183	-	**(115)**
Net debt	(21,662)	(10,444)	(126)	**(32,232)**

Net debt is defined as cash and cash equivalents, loans receivable and interest rate swaps at fair value less interest bearing liabilities (net of unamortised issue costs).

8. Acquisition

On 29 June 2012, the Group acquired 100 per cent of the issued share capital of Kingston Foods Limited for a total consideration of £10.2 million. The principal activity of Kingston Foods Limited is the manufacture and distribution of cooked meat and poultry products.

Book and fair values of the net assets at the date of acquisition were as follows:

	Acquiree's book value before combination £'000	Provisional fair value £'000
Net assets acquired:		
Customer relationships	-	795
Property, plant and equipment	857	682
Inventories	433	433
Trade receivables	1,743	1,743
Bank and cash balances	1,857	1,857
Trade payables	(1,615)	(1,615)
Provisions	-	(187)
Corporation tax liability	(97)	(97)
Deferred tax liability	(100)	(200)
	3,078	3,411
Goodwill arising on acquisition		6,788
Total consideration		10,199
Satisfied by:		
Cash		7,843
Contingent consideration		2,356
		10,199
Net cash outflow arising on acquisition:		
Cash consideration paid		7,843
Cash and cash equivalents acquired		(1,857)
		5,986

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.

From the date of acquisition, the acquired business has contributed a net profit after tax of £0.3 million to the Group. If the combination had taken place at the beginning of the period, the Group's profit after tax for the period would have been £17.5 million and revenues would have been £422.7 million.

Included in the £6,788,000 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.

9. Related party transactions

During the period the Group entered into transactions, in the ordinary course of business, with its subsidiaries which are related parties. Balances and transactions with subsidiaries are eliminated on consolidation.