CRANSWICK plc: INTERIM RESULTS

Record H1 investment

28 November 2017

Cranswick plc ("Cranswick" or "the Company" or "the Group"), a leading UK food producer, today announces its unaudited results for the six months ended 30 September 2017.

Commercial and strategic progress:

- Record H1 capital expenditure of £29m to add capacity, extend capability and drive efficiencies
- Board approval for class-leading £54m primary poultry facility in Eye, Suffolk with further £13m associated investment to upscale existing milling and hatchery facilities
- New £28m Continental Foods facility in Bury, Lancashire progressing to plan
- Strong growth in poultry category following new product launches and retail listings

Financial highlights[1]:

- Revenue ahead by 23.0% at £714.6m (2016: £580.8m)
- Like-for-like[2] revenue up 18.0%
- Adjusted Group operating margin[2] at 6.2% (2016: 6.6%)
- Adjusted profit before tax[2] 17.2% higher at £44.4m (2016: £37.9m)
- Adjusted earnings per share[2] up 20.1% at 70.0p (2016: 58.3p)
- Dividend per share increased by 15.3% to 15.1p (2016: 13.1p)
- Net debt at £16.7m (2016: £2.9m)

- Statutory profit before tax up 9.9% to £44.5m (2016: £40.5m)
- Statutory earnings per share 12.3% higher at 70.2p (2016: 62.5p)

Adam Couch, Cranswick's Chief Executive Officer commented:

"We have invested a record £29 million in our infrastructure during the first half of the year.

"As part of the development of our rapidly growing poultry business we are announcing today our planned investment in a new primary poultry facility in Eye, Suffolk. This class-leading facility, which is scheduled for completion in late 2019, will double our existing capacity with further room for expansion. The facility will incorporate the highest animal welfare standards and latest generation production techniques and equipment to drive operational efficiency gains. We also plan to upscale our feed mill and hatchery operations to maintain our fully integrated supply chain model.

"During the period we have strengthened our asset base, enhanced market positions and developed new customer relationships. We continue to make good progress against each of our strategic objectives and we are well placed to continue our successful development in the current financial year and going forward."

[1] Financial highlights reflect results from continuing operations for all periods, which exclude the results of The Sandwich Factory, which was sold on 23 July 2016, from comparative periods

[2] Adjusted and like-for-like references throughout this statement refer to non-IFRS measures or Alternative Performance Measures ('APMs'). Definitions and reconciliations of the APMs to IFRS measures are provided in Note 14

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Note to Editors:
Cranswick is a leading and innovative supplier of premium, fresh and added value food products. The business employs over 10,000 people and operates from fifteen well invested, highly efficient production facilities in the UK.

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 is involved in the breeding and rearing of premium British pigs and also supplies fresh pork, fresh chicken, cooked meats, premium cooked poultry, air-dried bacon and gammon, continental products and pastry products. Products are sold primarily under retailers' own labels including Sainsbury's 'Taste The Difference' and Tesco's 'Finest'.

Sales from continuing operations in the year to March 2017 were £1,245 million and have grown more than 100 per cent over ten years.

Cranswick recognises that farm animal welfare matters to our customers and is a focal point of our business. We are committed to the highest welfare standards on our farms and the ongoing quality of our products. Our commitment was acknowledged by the 2016 Business Benchmark on Farm Animal Welfare (BBFAW) report which recognised Cranswick as one of only six companies globally to have achieved the highest, Tier 1, level. The BBFAW is supported by leading animal welfare organisations; Compassion in World Farming and World Animal Protection.

For more information go to: www.cranswick.plc.uk

Summary

The business performed well during the first half of the year.

Strategic progress
CCF Ballymena, acquired in November 2016, has made a positive contribution to the business in the period, is combining well with the Group's pre-existing pork activities and is being integrated in line with plan. Investment since acquisition has both increased capacity and enhanced operating efficiencies.

There has also been substantial capital investment across the Group. The new site for the continental products business is progressing to plan with commissioning anticipated next summer.

Results
Total revenue in the period to 30 September 2017 of £714.6 million was 23.0 per cent ahead of the same period last year driven by growth across all product categories.

Revenue for the current period includes a contribution from the CCF Ballymena pork business in Northern Ireland acquired in November 2016.

Like-for-like revenue was 18.0 per cent higher than the same period last year with corresponding volumes 9.9 per cent ahead.

Alongside record first-half sales, it is pleasing to report that adjusted profit before tax for the period increased 17.2 per cent to £44.4 million from £37.9 million in the corresponding period last year. This includes the contribution from CCF Ballymena.

Adjusted earnings per share on the same basis rose 20.1 per cent to 70.0 pence compared to 58.3 pence previously.

Details of trading are covered in the Operating and Finance reviews.

Cash flow and financial position
Cranswick's borrowings remain conservatively structured and cash generation from operating activities was once again very strong. The Group's unsecured facility of £160 million provides generous headroom for future growth through to 2022 along with an option to extend for a further year. Further details are provided in the Finance review.

Dividend
The interim dividend is being increased by 15.3 per cent to 15.1 pence per share from 13.1 pence previously. The dividend will be paid on 26 January 2018 to Shareholders on the register at the close of business on 8 December 2017. Shareholders will again have the option to receive the dividend by way of scrip issue.

Colleagues
The Group operates on a decentralised basis across product categories, supported by business-wide collaboration in key areas. Whilst the Board considers this to be the most appropriate format for the Company it acknowledges that the continued success of Cranswick would not be possible without talented and motivated management teams supported by skilful and enthusiastic colleagues at each site.

Outlook
The Board believes that in continuing to work closely with customers to deliver appealing and competitively priced products to the consumer, the business is well positioned to deliver its expectations for the current financial year and to meet the challenges that may arise as it continues its successful long-term development.

Operating review

Revenue and adjusted operating profit

	H1 17	H1 16	Change (Reported)	Change (Like-for-like*)
Revenue	£714.6m	£580.8m	+23.0%	+18.0%
Adjusted Group operating profit*	£44.6m	£38.2m	+16.8%	
Adjusted Group operating margin*	6.2%	6.6%	-34bps	

* Adjusted and like-for-like references throughout this statement refer to non-IFRS measures or Alternative Performance Measures ('APMs'). Definitions and reconciliations of the APMs to IFRS measures are provided in Note 14

Revenue

Reported revenue from continuing operations increased by 23.0 per cent to £714.6 million. Growth was supported by contributions throughout the period from Crown Chicken and the Ballymena pork processing business which were acquired in the previous financial year.

Like-for-like revenue was 18.0 per cent higher, with corresponding volumes ahead by 9.9 per cent. Each of our categories delivered positive volume growth, comfortably ahead of overall category market growth, with stronger pricing reflecting partial recovery of higher input costs compared to those experienced in the same period last year.

Adjusted Group operating profit

Adjusted Group operating profit increased by 16.8 per cent to £44.6 million. Adjusted Group operating margin at 6.2 per cent was 34 basis points lower than in the same period last year, with pressure from higher input costs being partly offset by a combination of ongoing support from our customers, further operational efficiency improvements, better capacity utilisation and tight cost control.

Category review

Fresh Pork

Fresh Pork includes our three primary processing facilities and associated farming operations and represents 34 per cent of Group revenue. Fresh Pork revenue increased by 26.3 per cent. Excluding the contribution from Ballymena, like-for-like revenue growth was 12.8 per cent. Performance was comfortably ahead of the overall UK fresh pork market which saw volumes decline by a little over 1 per cent. More recent market data has, however, been more encouraging with volume growth of 4 per cent in the 12 weeks to 8 October 2017. Innovation has been the key driver of this positive trend with growth of meal kits and mid-week meal solutions supported by a strong AHDB TV advertising campaign. During the period we gained new listings including added value summer ranges and developed new processing techniques which have delivered significant eating quality improvements. The Ballymena butchery hall extension was completed during the period resulting in capacity being increased from 8,000 to 12,000 pigs per week. Further investment is being made at the Hull facility to lift pig chill capacity and to upgrade the rapid chill system to improve yields.

Total export revenue grew by 30.1 per cent, with a modest decline in sales to Far Eastern markets of 7.9 per cent comfortably offset by a 133.2 per cent increase in sales to other export markets which most notably include the US and Europe. Growth in these two markets reflected stronger volumes and higher prices resulting from Sterling weakness against the US Dollar and the Euro. Like-for-like export sales, excluding those from Ballymena, grew by 18.6 per cent.

The Wayland and Wold farming businesses supply approximately 18 per cent of our British pig requirements. We are the third largest pig producer in the UK and represent 4 per cent of the total UK pig herd. More than 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. We are investing £4 million in our Wayland operation to increase breeding and finishing capacity of premium pigs in response to customer demand.

The UK pig price (EU-spec SPP) increased by 6 per cent during the period rising steadily through to the end of July before falling back slightly. The average UK pig price for the period to 30 September 2017 was 29 per cent higher year-on-year, reflecting a 17-month period of rising prices from March 2016 through to July 2017. The EU 28 reference pig price rose by 5 per cent during the period, with the average pig price during the period up 23 per cent year-on-year.

Convenience
Convenience, which comprises Cooked Meats and Continental Products, represents 37 per cent of Group revenue. Convenience revenue increased by 17.2 per cent reflecting the full contribution during the period of new business wins in the previous financial year. Again, growth was comfortably ahead of the overall market.

Cooked Meats sales were very strong reflecting the benefit of the new business wins referred to above. New product launches in the fast growing "Ready to Cook" and "Slow Cook" ranges also helped underpin the strong growth in this category. A further £7 million of capital investment was made across the three Cooked Meats facilities during the period.

Sales of Continental Products were in line with the same period last year with higher prices, resulting from the devaluation of Sterling against the Euro, offsetting lower volumes following the loss of pizza toppings business with one retail customer. New business wins with other retail customers, including new platter range launches and pre-pack corned beef, boosted sales. The business continues to explore opportunities in the food service sector which offers exciting growth opportunities. Additionally, the Woodall's range of British charcuterie products continues to perform well, with new listings secured during the period. The new £28 million facility, based at Bury in Lancashire, is progressing to plan with completion expected by summer 2018. When finished the site will consolidate production from the two existing facilities, lift capacity by approximately 70 per cent, add new capability and drive efficiency improvements on existing product ranges.

Gourmet Products
Gourmet Products, which comprise Sausage, Bacon and Pastry, represents 18 per cent of Group revenue. Revenue increased by 27.7 per cent in the period with all sub-categories delivering double digit volume growth. The overall market for these categories grew by 1 per cent in volume terms, but super premium ranges, which continue to out-perform the wider market, were up by 9 per cent.

Strong Sausage sales growth reflected the contribution from the new "Butcher's Choice" business launched mid-way through the previous financial year together with new business wins launched in summer 2017. Both the Hull and Norfolk sausage facilities are gearing up for the peak Christmas trading period with two additional production lines installed at the Hull Fresh Pork facility to accommodate the expected seasonal spike in demand.

New gammon and wet cure bacon business with one of the site's principal retail customers, secured in quarter four of the previous financial year, helped drive strong Bacon sales growth. Consumers continue to switch from standard tier products into the premium and super premium ranges, encouraged by a combination of new product launches, multi-buy mechanics and every day low pricing.

Pastry sales grew strongly, reflecting the contribution from new business with a "food-to go" customer launched at the start of the period. The business has also successfully developed a range of frozen products for one of the Group's retail customers. These new business wins augmented continued growth with the site's anchor retail customer. A strong new product development pipeline and full Christmas order book leaves the pastry business well placed moving into the second half of the year.

Poultry
Poultry, which includes fresh and Cooked Poultry, represents 11 per cent of Group revenue. Including the full contribution from Crown during the period, revenue increased by 26.6 per cent, with like-for-like sales growing 21.3 per cent. The Fresh and Ready to Eat chicken categories continue to be the stand out performers in the wider UK meat protein sector, with market volume growth of 5 and 9 per cent respectively over the last year.

The Crown chicken business continues to make pleasing progress. The management team has been strengthened and investment at the Weybread primary processing facility is driving efficiencies and lifting throughput. More birds are being portioned due to new contracts secured and closer ties continue to be developed with the Hull Cooked Poultry facility.

Sales of premium Cooked Poultry grew strongly during the period, reflecting underlying market growth and the successful launch of contracts with two of the Group's principal retail customers. Further lines have been added since these contracts were launched and looking forward there is a strong new product development pipeline to drive further growth.

Finance review

The Group is presenting its interim financial information for the six months to 30 September 2017 with comparative information for the six months to 30 September 2016 and the year to 31 March 2017. For comparative periods, continuing operations exclude the results of The Sandwich Factory, which was sold on 23 July 2016.

Revenue

Reported revenue from continuing operations at £714.6 million was 23.0 per cent ahead of the same period last year, driven by double-digit volume growth across the majority of product categories and revenues from CCF Ballymena, acquired in November 2016. Like-for-like revenue was 18.0 per cent higher than the prior year, with corresponding volumes up 9.9 per cent. Export sales increased by 30.1 per cent.

Adjusted Group operating profit

Adjusted Group operating profit of £44.6 million, including the contribution from Ballymena, increased by 16.8 per cent. Adjusted Group operating margin was 6.2 per cent of sales compared to the 6.6 per cent reported in the same period last year.

Finance costs

Net financing costs at £0.2 million were £0.1 million lower than the first half of the prior year, reflecting lower average borrowings and improved terms on the Group's banking facility following refinancing in November 2016.

The Group's banking facility is unsecured and runs to November 2022 with the option to extend by a further year 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.

Adjusted profit before tax

Adjusted profit before tax was 17.2 per cent higher at £44.4 million (2016: £37.9 million).

Taxation

The tax charge as a percentage of profit before tax was 20.1 per cent (2016: 22.7 per cent). The standard rate of corporation tax was 19 per cent (2016: 20 per cent). The charge for the period was higher than the standard rate of corporation tax due to the impact of disallowed expenses, largely relating to non-qualifying depreciation. The charge for the prior period was higher than the standard rate of corporation tax due to the impact of disallowed expenses.

Adjusted earnings per share

Adjusted earnings per share rose by 20.1 per cent to 70.0 pence (2016: 58.3 pence) for the six months to 30 September 2017. The average number of shares in issue was 50,618,000 (2016: 50,024,000).

Statutory profit measures

The statutory results for continuing operations of the business showed a 9.9 per cent increase in profit before tax to £44.5 million (2016: £40.5 million), a 9.6 per cent increase in Group operating profit to £44.7 million (2016: £40.8 million) and a 12.3 per cent increase in earnings per share to 70.2 pence (2016: 62.5 pence). Full reconciliations of these results to the adjusted measures can be found in Note 14.

Cash flow and net debt

The net cash inflow from operating activities in the period was £39.6 million (2016: £38.4 million), reflecting higher Group operating profit offset by a working capital outflow of £15.9 million (2016: £7.6 million). Net debt increased by £5.7 million in the six-month period to £16.7 million including the net £29.3 million invested in the Group's asset base and a £4.0 million contingent payment relating to a previous acquisition. Net debt was just 3.7 per cent of Shareholders' funds (2016: 0.7 per cent) and net debt to adjusted EBITDA ratio was 0.15x (2016: 0.03x) as the Group's 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 30 September 2017 was £8.9 million which compared to £9.5 million at 31 March 2017. Cash contributions to the scheme during the period, as part of the programme to reduce the deficit, were £0.9 million. The present value of funded obligations was £37.0 million and the fair value of plan assets was £28.1 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 regularly reviews 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 2017, dated 23 May 2017, a copy of which is available on the Group's website at www.cranswick.plc.uk. The principal risks and uncertainties which are set out in detail on pages 42 and 43 of the Report & Accounts for the year ended 31 March 2017 are:

Strategic risks
- Consumer demand
- Competitor activity

Commercial risks
- Reliance on key customers and exports
- Pig meat – availability and price

Financial risks
- Interest rate, currency, liquidity and credit risk
- Business acquisitions

Operational risks
- Business continuity
- Recruitment and retention of workforce
- Health and safety
- Disease and infection within livestock
- Food scares and product contamination
- IT systems and cyber security

UK referendum on EU membership

The outcome of the UK referendum on EU membership and the subsequent uncertainty over the nature of the UK's exit from the EU continue to drive volatility in currency markets and uncertainty within the European labour market. The Group therefore continues to monitor and manage its business risks in these areas.

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 Operating review. 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.

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.

Cranswick plc: Group income statement (unaudited)

for the six months ended 30 September 2017

	Notes	Half year 2017 £'m	Half year 2016 £'m	Year to 31 March 2017 £'m
Revenue		**714.6**	580.8	1,245.1
Adjusted Group operating profit		**44.6**	38.2	76.1
Net IAS 41 valuation movement on biological assets		**1.2**	3.6	4.1
Amortisation of customer relationship intangible assets		**(1.1)**	(1.0)	(2.1)
Group operating profit	*4*	**44.7**	40.8	78.1
Finance costs		**(0.2)**	(0.3)	(0.6)
Profit before tax		**44.5**	40.5	77.5
Taxation	*5*	**(8.9)**	(9.2)	(15.1)
Profit for the period from continuing operations		**35.6**	31.3	62.4
Discontinued operations:				
Profit for the period from discontinued operations	*6*	**-**	4.8	4.8
Profit for the period		**35.6**	36.1	67.2
Earnings per share (pence)				
On profit for the period from continuing operations:				
Basic		**70.2**	62.5	124.2
Diluted		**69.8**	62.2	123.7
On adjusted profit for the period from continuing operations:				
Basic		**70.0**	58.3	120.9
Diluted		**69.6**	58.0	120.4
On profit for the period:				
Basic		**70.2**	72.2	133.8
Diluted		**69.8**	71.8	133.3
On adjusted profit for the period:				
Basic		**70.0**	58.9	121.5
Diluted		**69.6**	58.5	121.0

Cranswick plc: Group statement of comprehensive income (unaudited)

for the six months ended 30 September 2017

		Half year		Year to 31 March
	Notes	**2017**	2016	2017
		£'m	£'m	£'m
Profit for the period		**35.6**	36.1	67.2
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Cash flow hedges				
(Losses)/profits arising in the period	*10*	**(0.1)**	(0.5)	0.3
Reclassification adjustments for gains included in the income statement		**(0.2)**	(0.1)	(0.1)
Income tax effect		**-**	0.1	(0.1)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(0.3)**	(0.5)	0.1
Items not to be reclassified to profit or loss in subsequent periods:				
Actuarial losses on defined benefit pension scheme		**(0.2)**	(4.4)	(6.3)
Income tax effect		**-**	0.7	1.3
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**(0.2)**	(3.7)	(5.0)
Other comprehensive income, net of tax		**(0.5)**	(4.2)	(4.9)
Total comprehensive income, net of tax		**35.1**	31.9	62.3

Cranswick plc: Group balance sheet (unaudited)

at 30 September 2017

	Notes	Half year **2017** **£'m**	Half year 2016 £'m	As at 31 March 2017 £'m
Non-current assets				
Intangible assets		**157.3**	147.6	158.4
Property, plant and equipment		**229.1**	204.4	215.7
Biological assets		**0.8**	0.8	1.0
Total non-current assets		**387.2**	352.8	375.1
Current assets				
Biological assets		**20.4**	17.5	18.6
Inventories		**66.7**	57.2	62.2
Trade and other receivables		**167.6**	140.5	150.6
Financial assets		**0.1**	-	0.3
Cash and short-term deposits	*11*	**6.5**	8.4	4.1
Total current assets		**261.3**	223.6	235.8
Total assets		**648.5**	576.4	610.9
Current liabilities				
Trade and other payables		**(151.3)**	(144.3)	(144.5)
Financial liabilities		**(2.5)**	(4.7)	(5.4)
Provisions		**(0.5)**	(0.1)	(0.1)
Income tax payable		**(8.5)**	(8.2)	(7.2)
Total current liabilities		**(162.8)**	(157.3)	(157.2)
Non-current liabilities				
Other payables		**(1.1)**	(1.4)	(1.1)
Financial liabilities		**(23.1)**	(11.8)	(16.0)
Deferred tax liabilities		**(2.4)**	(3.5)	(2.9)
Provisions		**(2.3)**	(1.2)	(2.8)
Defined benefit pension scheme deficit		**(8.9)**	(8.2)	(9.5)
Total non-current liabilities		**(37.8)**	(26.1)	(32.3)
Total liabilities		**(200.6)**	(183.4)	(189.5)
Net assets		**447.9**	393.0	421.4
Equity				
Called-up share capital		**5.1**	5.0	5.0
Share premium account		**78.6**	72.6	74.8
Share-based payments		**18.8**	14.9	16.7
Hedging reserve		**(0.1)**	(0.4)	0.2
Retained earnings		**345.5**	300.9	324.7
Equity attributable to owners of the parent		**447.9**	393.0	421.4

Cranswick plc: Group statement of cash flows (unaudited)

for the six months ended 30 September 2017

	Notes	Half year 2017 £'m	Half year 2016 £'m	Year to 31 March 2017 £'m
Operating activities				
Profit for the period		**35.6**	36.1	67.2
Adjustments to reconcile Group profit for the period to net cash inflows from operating activities:				
Income tax expense		**8.9**	9.2	15.2
Net finance costs		**0.2**	0.3	0.6
Gain on sale of property, plant and equipment		**(0.2)**	(0.1)	(0.1)
Depreciation of property, plant and equipment		**16.9**	13.3	27.7
Amortisation of intangibles		**1.1**	1.0	2.1
Profit on disposal of business		**-**	(4.5)	(4.5)
Share-based payments		**2.1**	1.8	3.6
Difference between pension contributions paid and amounts recognised in the income statement		**(0.8)**	(0.6)	(1.3)
Release of government grants		**(0.1)**	(0.1)	(0.2)
Net IAS 41 valuation movement on biological assets		**(1.2)**	(3.6)	(4.1)
(Increase)/decrease in biological assets		**(0.4)**	1.1	0.4
Increase in inventories		**(4.5)**	(10.2)	(14.6)
Increase in trade and other receivables		**(17.0)**	(22.3)	(24.9)
Increase in trade and other payables		**6.0**	23.8	20.6
Cash generated from operations		**46.6**	45.2	87.7
Tax paid		**(7.0)**	(6.8)	(14.8)
Net cash from operating activities		**39.6**	38.4	72.9
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	*9, 10*	**(4.0)**	(39.3)	(56.0)
Purchase of property, plant and equipment		**(29.5)**	(24.5)	(47.0)
Proceeds from sale of property, plant and equipment		**0.2**	0.2	0.5
Proceeds from sale of discontinued operations		**-**	14.5	15.5
Net cash used in investing activities		**(33.3)**	(49.1)	(87.0)
Cash flows from financing activities				
Interest paid		**(0.1)**	(0.2)	(0.5)
Proceeds from issue of share capital		**0.1**	0.1	0.8
Issue costs of long term borrowings		**-**	-	(1.1)
Proceeds from borrowings	*11*	**8.0**	11.0	16.0
Dividends paid		**(11.9)**	(9.5)	(14.6)
Repayment of capital element of finance leases		**-**	(0.1)	(0.2)
Net cash (used in)/from financing activities		**(3.9)**	1.3	0.4
Net increase/(decrease) in cash and cash equivalents	*11*	**2.4**	(9.4)	(13.7)
Cash and cash equivalents at beginning of period	*11*	**4.1**	17.8	17.8
Cash and cash equivalents at end of period	*11*	**6.5**	8.4	4.1

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

for the six months ended 30 September 2017

	Share capital £'m	Share premium £'m	Share-based payments £'m	Hedging reserve £'m	Retained earnings £'m	Total equity £'m
At 1 April 2017	5.0	74.8	16.7	0.2	324.7	421.4
Profit for the period	-	-	-	-	35.6	35.6
Other comprehensive income	-	-	-	(0.3)	(0.2)	(0.5)
Total comprehensive income	-	-	-	(0.3)	35.4	35.1
Share-based payments	-	-	2.1	-	-	2.1
Scrip dividend	0.1	3.7	-	-	-	3.8
Share options exercised	-	0.1	-	-	-	0.1
Dividends	-	-	-	-	(15.7)	(15.7)
Deferred tax relating to changes in equity	-	-	-	-	(0.1)	(0.1)
Corporation tax relating to changes in equity	-	-	-	-	1.2	1.2
At 30 September 2017	**5.1**	**78.6**	**18.8**	**(0.1)**	**345.5**	**447.9**
At 1 April 2016	5.0	69.0	13.1	0.1	280.9	368.1
Profit for the period	-	-	-	-	36.1	36.1
Other comprehensive income	-	-	-	(0.5)	(3.7)	(4.2)
Total comprehensive income	-	-	-	(0.5)	32.4	31.9
Share-based payments	-	-	1.8	-	-	1.8
Scrip dividend	-	3.5	-	-	-	3.5
Share options exercised	-	0.1	-	-	-	0.1
Dividends	-	-	-	-	(13.0)	(13.0)
Deferred tax relating to changes in equity	-	-	-	-	(0.3)	(0.3)
Corporation tax relating to changes in equity	-	-	-	-	0.9	0.9
At 30 September 2016	5.0	72.6	14.9	(0.4)	300.9	393.0
At 1 April 2016	5.0	69.0	13.1	0.1	280.9	368.1
Profit for the year	-	-	-	-	67.2	67.2
Other comprehensive income	-	-	-	0.1	(5.0)	(4.9)
Total comprehensive income	-	-	-	0.1	62.2	62.3
Share-based payments	-	-	3.6	-	-	3.6
Scrip dividend	-	5.0	-	-	-	5.0
Share options exercised	-	0.8	-	-	-	0.8
Dividends	-	-	-	-	(19.6)	(19.6)
Deferred tax relating to changes in equity	-	-	-	-	0.1	0.1
Corporation tax relating to changes in equity	-	-	-	-	1.1	1.1
At 31 March 2017	5.0	74.8	16.7	0.2	324.7	421.4

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 principal 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*. The Board of Directors that served during the six months ended 30 September 2017, and their respective responsibilities, can be found on pages 46 and 47 of the 2017 Annual Report & Accounts.

On behalf of the Board

Martin Davey	**Mark Bottomley**
Chairman	Finance Director

28 November 2017

Notes to the interim accounts

1. Basis of preparation

This interim report was approved by the Directors on 28 November 2017 and has been prepared in accordance with the Disclosure and Transparency Rules of the UK's Financial Conduct 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 435 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2017 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 is unaudited but has been subject to an independent review by PricewaterhouseCoopers LLP pursuant to the Auditing Practices Board guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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 2017 except for:

Taxation
Taxes for the interim periods are accrued using the tax rate that is expected to be applicable to total earnings for the full year based on enacted tax rates at the interim date.

The following accounting standards and interpretations became effective, and were adopted by the Group, for the current reporting period:

International Accounting Standards (IAS / IFRSs)	***Effective date***
Annual Improvements to IFRSs 2014–2016 Cycle	1 January 2017

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

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Accounting policies (continued)

The Group has considered IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments' to assess whether these standards will have a material impact on when and how revenue is recognised or on the classification and measurement of financial liabilities. Due to the straightforward nature of the Group's contractual and trading relationships, and the Group's straightforward financing arrangements, these standards are not expected to have a material effect on the results, net assets 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 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.

The revenues of the Group are not significantly impacted by seasonality.

4. Group operating profit

Group operating costs comprise:	Half year		Year to 31 March
	2017	2016	2017
	£'m	£'m	£'m
Cost of sales excluding net IAS 41 valuation movement on biological assets	**622.2**	503.1	1,086.2
Net IAS 41 valuation movement on biological assets*	**(1.2)**	(3.6)	(4.1)
Cost of sales	**621.0**	499.5	1,082.1
Gross profit	***93.6***	*81.3*	*163.0*
Selling and distribution costs	**28.7**	22.8	50.9
Administrative expenses excluding amortisation of customer relationship intangible assets	**19.1**	16.7	31.9
Amortisation of customer relationship intangible assets	**1.1**	1.0	2.1
Administrative expenses	**20.2**	17.7	34.0
Total operating costs	**669.9**	540.0	1,167.0

* 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 of adjusted operating profit.

5. Taxation

The tax charge for the period was £8.9 million (2016: £9.2 million) and represents an effective rate of 20.1 per cent (2016: 22.7 per cent). The charge for the period was higher than the standard rate of corporation tax due to the impact of disallowable expenses, largely relating to non-qualifying depreciation. The prior year charge was higher than the standard rate of corporation tax for the period due to the impact of disallowable expenses.

A reduction to the standard rate of corporation tax in the UK from 19 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.

6. 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:

	Half year		Year to 31 March
	2017	2016	2017
Results of discontinued operations	**£'m**	£'m	£'m
Revenue	-	18.8	18.8
Expenses	-	(18.4)	(18.4)
Operating profit	-	0.4	0.4
Finance income	-	-	-
Profit before tax	-	0.4	0.4
Income tax expense on ordinary activities of the discontinued operation	-	(0.1)	(0.1)
Profit on sale of business	-	4.5	4.5
Profit after tax	-	4.8	4.8
Earnings per share from discontinued operations			
Basic earnings per share	-	9.7	9.6
Diluted earnings per share	-	9.6	9.6
Statement of cash flows			
The statement of cash flows includes the following amounts relating to discontinued operations:			
Operating activities	-	(1.2)	(1.2)
Investing activities	-	(0.4)	(0.4)
Net cash from discontinued operations	-	(1.6)	(1.6)

6. Discontinued operations (continued)

The net assets which were sold were as follows:

	£'m
Intangible assets - Goodwill	7.0
Property, plant and equipment	2.6
Inventories	1.1
Trade and other receivables	9.3
Trade and other payables	(9.0)
	11.0
Cash proceeds received	16.2
Cash and cash equivalents surrendered	(0.5)
Legal costs incurred, settled in cash	(0.2)
	15.5
Profit on sale of business	4.5

7. Earnings per share

Basic earnings per share are based on profit for the period attributable to Shareholders and on the weighted average number of shares in issue during the period of 50,618,000 (31 March 2017: 50,191,000, 30 September 2016: 50,024,000). The calculation of diluted earnings per share is based on 50,910,000 shares (31 March 2017: 50,386,000, 30 September 2016: 50,287,000).

8. Dividends – half year ended 30 September

	Half year		Year to 31 March
	2017	2016	2017
	£'m	£'m	£'m
Interim dividend for year ended 31 March 2017 of 13.1p per share	**-**	-	6.6
Final dividend for year ended 31 March 2017 of 31.0p (2016: 25.9p) per share	**15.7**	13.0	13.0
	15.7	13.0	19.6

The interim dividend for the year ending 31 March 2018 of 15.1 pence per share was approved by the Board on 28 November 2017 for payment to Shareholders on 26 January 2018 and therefore has not been included as a liability as at 30 September 2017.

9. Acquisitions

Ballymena

On 16 November 2016, the Group acquired 100 per cent of the issued share capital of Dunbia Ballymena (renamed Cranswick Country Foods Ballymena). The provisional fair values of the net assets at the date of acquisition which have now been finalised and the terms of the contingent consideration payable to the previous owners are in line with those disclosed in Note 15 of the 2017 Annual Report and Accounts.

Contingent consideration

During the period £4.0 million of contingent consideration was paid in relation to a previous acquisition. This balance was provided in full at March 2017.

10. Financial instruments

The Group's activities expose it to a number of financial risks which include foreign currency risk, interest rate risk, credit risk and liquidity risk. The Board considers the Group's financial instruments risk management strategy to be the same as described within the Directors' Report on page 80 of the Report & Accounts for the year ended 31 March 2017.

Fair value of financial instruments

All financial instruments are shown in the balance sheet at fair value as follows:

	Half year				Year to 31 March	
	2017		2016		2017	
	Book value £'m	**Fair value £'m**	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m
Forward currency contracts	**(0.1)**	**(0.1)**	(0.5)	(0.5)	0.3	0.3
Contingent consideration	**(2.2)**	**(2.2)**	(4.7)	(4.7)	(6.2)	(6.2)

The book value of trade and other receivables, trade and other payables, cash balances, overdrafts, amounts outstanding under the revolving credit facility and finance leases and hire purchase contracts equates to fair value for the Group.

Reconciliation of contingent consideration:

	£'m
At 31 March 2017	(6.2)
Paid	4.0
At 30 September 2017	(2.2)

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. There were no such transfers in the period.

10. Financial instruments (continued)

Fair value hierarchy (continued)

The Group's forward currency contracts are measured using Level 2 of the fair value hierarchy. The valuations are provided by the Group's bankers from their proprietary valuations models and are based on mid-market levels as at close of business on the Group's 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 the payments.

11. Analysis of Group net debt

	At 31 March 2017 £'m	Cash flow £'m	Non-cash movements £'m	**At 30 September 2017 £'m**
Cash and cash equivalents	4.1	2.4	-	**6.5**
Revolving credit	(15.0)	(8.0)	(0.1)	**(23.1)**
Finance leases and hire purchase contracts	(0.1)	-	-	**(0.1)**
Net debt	(11.0)	(5.6)	(0.1)	**(16.7)**

Net debt is defined as cash and cash equivalents and loans receivable less interest bearing liabilities net of unamortised issue costs.

12. 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.

13. Property, plant and equipment

Additions to property, plant and equipment during the period totalled £30.3 million (2016: £24.5 million). Future capital expenditure under contract at 30 September 2017 was £11.2 million (2016: £10.4 million).

14. 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 period.

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.

A reconciliation to relevant GAAP measures is given below:

Like-for-like revenue

	Half year		Year to 31 March
	2017	2016	2017
	£'m	£'m	£'m
Revenue	**714.6**	580.8	1,245.1
Crown Chicken	**(3.5)**	-	-
Ballymena	**(26.0)**	-	-
Like-for-like revenue	**685.1**	580.8	1,245.1

Like-for-like revenue excludes the contribution from CCF Ballymena in the current period and Crown Chicken in the current period prior to 8 April as these businesses were acquired on 16 November 2016 and 8 April 2016 respectively.

Adjusted Group operating profit

	Half year		Year to 31 March
	2017	2016	2017
	£'m	£'m	£'m
Group operating profit	**44.7**	40.8	78.1
Net IAS 41 valuation movement on biological assets	**(1.2)**	(3.6)	(4.1)
Amortisation of customer relationship intangible assets	**1.1**	1.0	2.1
Adjusted Group operating profit	**44.6**	38.2	76.1

Adjusted profit before tax

	Half year		Year to 31 March
	2017	2016	2017
	£'m	£'m	£'m
Profit before tax	**44.5**	40.5	77.5
Net IAS 41 valuation movement on biological assets	**(1.2)**	(3.6)	(4.1)
Amortisation of customer relationship intangible assets	**1.1**	1.0	2.1
Adjusted profit before tax	**44.4**	37.9	75.5

14. Alternative performance measures (continued)

Adjusted earnings per share

On adjusted profit for the period from continuing operations:

	Half year				Year to 31 March	
	2017 Basic pence	**2017 Diluted pence**	2016 Basic pence	2016 Diluted pence	2017 Basic pence	2017 Diluted pence
On profit for the period from continuing operations	**70.2**	**69.8**	62.5	62.2	124.2	123.7
Net IAS 41 valuation movement on biological assets	**(2.4)**	**(2.4)**	(7.1)	(7.1)	(8.2)	(8.2)
Tax on net IAS 41 valuation movement on biological assets	**0.4**	**0.4**	1.2	1.2	1.4	1.4
Amortisation of customer relationship intangible assets	**2.2**	**2.2**	2.0	2.0	4.2	4.2
Tax on amortisation of customer relationship intangible assets	**(0.4)**	**(0.4)**	(0.3)	(0.3)	(0.7)	(0.7)
On adjusted profit for the period from continuing operations	**70.0**	**69.6**	58.3	58.0	120.9	120.4

On adjusted profit for the period:

	Half year				Year to 31 March	
	2017 Basic pence	**2017 Diluted pence**	2016 Basic pence	2016 Diluted pence	2017 Basic pence	2017 Diluted pence
On profit for the period	**70.2**	**69.8**	72.2	71.8	133.8	133.3
Net IAS 41 valuation movement on biological assets	**(2.4)**	**(2.4)**	(7.1)	(7.1)	(8.2)	(8.2)
Tax on net IAS 41 valuation movement on biological assets	**0.4**	**0.4**	1.2	1.2	1.4	1.4
Amortisation of customer relationship intangible assets	**2.2**	**2.2**	2.0	2.0	4.2	4.2
Tax on amortisation of customer relationship intangible assets	**(0.4)**	**(0.4)**	(0.3)	(0.3)	(0.7)	(0.7)
Profit on sale of business	**-**	**-**	(9.1)	(9.1)	(9.0)	(9.0)
On adjusted profit for the period	**70.0**	**69.6**	58.9	58.5	121.5	121.0

Free cash flow

	Half year		Year to 31 March
	2017 £'m	2016 £'m	2017 £'m
Net cash from operating activities	**39.6**	38.4	72.9
Net interest paid	**(0.1)**	(0.2)	(0.5)
Free cash flow	**39.5**	38.2	72.4

INDEPENDENT REVIEW REPORT TO CRANSWICK PLC

Report on the Group Interim Financial Information

Our conclusion

We have reviewed Cranswick plc's Group interim financial information (the 'interim financial statements') in the interim results of Cranswick plc for the 6 month period ended 30 September 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- The Group balance sheet as at 30 September 2017;
- The Group income statement and Group statement of comprehensive income for the period then ended;
- The Group statement of cash flows for the period then ended;
- The Group statement of changes in equity for the period then ended; and
- The explanatory notes to the interim financial statements.

The interim financial statements included in the interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Leeds
28 November 2017

a. The maintenance and integrity of the Cranswick plc website 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 interim financial statements since they were initially presented on the website.
b. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions