CRANSWICK plc: PRELIMINARY RESULTS

A year of record capital investment

22 May 2018

Cranswick plc ("Cranswick" or "the Company" or "the Group"), a leading UK food producer, today announces its audited preliminary results for the year ended 31 March 2018.

Commercial and strategic progress:

- Record capital expenditure of £59 million to add capacity, extend capability and drive efficiencies
- Planning approval granted for new world-class poultry primary processing facility in Eye, Suffolk with further associated investment to upscale existing milling and hatchery operations
- New Continental Foods facility in Bury, Lancashire complete and being commissioned
- Strong volume performance across each of our four product categories
- Export sales ahead by 30.2%

Financial highlights*:

- Revenue (including the benefit of a 53rd week) up 17.6% at £1,464.5m (2017: £1,245.1m)
- Like-for-like revenue ahead by 12.7%†
- Adjusted Group operating margin of 6.3% (2017: 6.1%)
- Adjusted profit before tax increased 22.4% to £92.4m (2017: £75.5m)
- Adjusted earnings per share on continuing operations 19.9% higher at 145.0p (2017: 120.9p)
- Full year dividend increased by 21.8% to 53.7p (2017: 44.1p)
- Net funds of £20.6m (2017: net debt of £11.0m)
- Return on capital employed‡ increased to 20.3% (2017: 19.0%)

- Statutory profit before tax up 13.5% to £88.0m (2017: £77.5m)
- Statutory earnings per share on continuing operations 11.0% higher at 137.8p (2017: 124.2p)

Adam Couch, Cranswick's Chief Executive Officer commented:

"We have delivered a strong financial performance for the year and made further progress in delivering our strategy. We grew like-for-like revenue by 13 per cent and increased adjusted profit before tax by 22 per cent.

"We spent a record £59 million across our already well invested asset base. This brings the total investment in our infrastructure over the last eight years to over £270 million.

"Over the last 12 months 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 over the longer term".

* 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 11.

† 2018 was a 53 week accounting period. For comparative purposes, like-for-like revenue excludes the 53rd week in the current year as well as the contribution from acquired businesses prior to the anniversary of their acquisition.

‡ Return on capital employed is defined as adjusted operating profit divided by the sum of average opening and closing net assets, net (debt)/funds, pension liabilities and deferred tax.

Presentation

A presentation of the results will be made to analysts and institutional investors today at 10.00am at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED.

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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 sixteen 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 'Finest'.

Summary

This has been a particularly positive year for the business, even allowing for the additional week, in what was a 53 week year. Key features have been the strong organic growth and the continued significant investment in the Company's infrastructure.

Revenue reached record levels as did capital expenditure. Further investment is planned to support future organic growth, deliver efficiencies and to maintain the quality of the fixed asset base.

The balance sheet is in great shape reflecting the strong cash generative nature of the business.

Management around the Group has been strengthened with recent additions to the Board and a number of appointments to the operational teams around the business.

Results
Total revenue in the year was £1,464.5 million. This was 18 per cent ahead of the previous year and was driven by robust growth across all product categories including further increases in exports. Like-for-like revenue increased 13 per cent over the prior year with corresponding volumes 8 per cent ahead.

Alongside record sales it is pleasing to report that adjusted profit before tax for the year increased 22 per cent to £92.4 million from £75.5 million previously. Adjusted earnings per share rose 20 per cent to 145.0 pence compared to 120.9 pence in the prior year.

Capital investment
Investment in the asset base amounted to £59 million, a level higher than in any previous year. The expenditure on the new site for Continental Products was the main individual item and this is now complete and being commissioned, as planned.

The major investment going forward is in the Poultry business. This will comprise a new processing facility, for which planning consent has recently been received, and expansion of the associated activities.

Cash flow and financial position
Cranswick's borrowings are conservatively structured. The Company's £160 million unsecured banking facility provides generous headroom and is in place through to November 2022. Strong cash generation from operating activities resulted in a net funds position at the end of the year of £20.6 million compared to borrowings of £11.0 million a year earlier.

Dividend
The Board is proposing to increase the final dividend to 38.6 pence per share from 31.0 pence previously, an increase of 24.5 per cent.

Together with the interim dividend, which was raised by 15.3 per cent to 15.1 pence per share, this gives a total dividend for the year of 53.7 pence per share, an increase of 21.8 per cent on the 44.1 pence per share paid last year. This is the 28th consecutive year of dividend growth.

The final dividend, if approved by Shareholders, will be paid on 7 September 2018 to Shareholders on the register at the close of business on 20 July 2018. Shareholders will again have the option to receive the dividend by way of scrip issue.

Board
As announced on 5 March, the Board has been strengthened with the appointment, in April, of Pam Powell and Tim Smith as Non-Executive Directors. They bring significant additional expertise and sector experience which the Group will benefit from as it continues to move forward and develop. Steven Esom will have served as a Non-Executive Director for 9 years in November 2018 when he intends to retire from the Board, in accordance with the principles of good corporate governance.

Outlook
The business has continued to make commercial and strategic progress over the past year and the Board believes there is a solid platform in place from which to progress further within the pork, poultry and associated categories of the food sector. The strengths of the Company include its long-standing customer relationships, breadth and quality of products, growing export channels and well invested asset infrastructure.

Trading in the current financial year, which will be weighted more towards the second half, has started in line with management's expectations. The Board believes that the Company is well positioned to continue its successful development in the current year and going forward.

Operating and Financial review

Operating review

Revenue and Adjusted operating profit

	2018 53 weeks	2017 52 weeks	Change (Reported)	Change (Like-for-like)
Revenue	**£1,464.5m**	**£1,245.1m**	**+17.6%**	**+12.7%**
Adjusted Group operating profit	**£92.8m**	**£76.1m**	**+21.9%**	
Adjusted Group operating margin	**6.3%**	**6.1%**	**+22bps**	

Revenue

Reported revenue from continuing operations increased by 17.6 per cent to £1,464.5 million.

Like-for-like revenue, which excludes the benefit of the 53rd week and the contributions from Crown Chicken and the Ballymena pork processing business prior to the anniversary of their acquisition, was 12.7 per cent higher, with corresponding volumes ahead by 7.7 per cent. Each of our categories delivered positive volume growth, ahead of overall category market performance. Stronger pricing during the first half reflected partial recovery of higher input costs compared to those experienced in the same period last year. Input costs eased in the second half of the year, with this downward trend reflected in selling prices.

Adjusted Group operating profit

Adjusted Group operating profit increased by 21.9 per cent to £92.8 million. Adjusted Group operating margin at 6.3 per cent was 22 basis points higher than in the same period last year, due to a combination of easing input prices during the second half of the year, 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 represented 33 per cent of Group revenue. Total Fresh Pork revenue increased by 20.1 per cent. Excluding the contribution from Ballymena prior to the anniversary of its acquisition and the 53rd week, like-for-like revenue growth was 10.0 per cent. Performance was comfortably ahead of the overall UK fresh pork market which saw volumes decline by just under 1 per cent. During the year we launched new added value summer ranges and developed new processing techniques which have delivered improved texture and succulence. The Ballymena butchery hall extension was completed resulting in capacity being increased from 8,000 to 12,000 pigs per week. Just over 59,000 pigs per week were processed through our three facilities. A new Deboflex shoulder deboning line was commissioned at the Hull facility during the year and this line, which is the first of its type to be installed in the UK, is performing well. Further investment is being made at the Hull facility to lift pig chill capacity and to upgrade the rapid chill system to improve yields. The lairage is also being expanded and improved. Both projects are due to complete in the second quarter of the current financial year.

Total export revenue grew by 30.2 per cent, with a modest decline in sales to Far Eastern markets of 6.1 per cent comfortably offset by a 104.0 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 in Europe resulting from a favourable Sterling : Euro exchange rate. Far East volumes improved quarter by quarter and returned to growth in the second half of the year. Like-for-like export sales, excluding the benefit from Ballymena prior to the anniversary of its acquisition and the 53rd week, grew by 20.7 per cent. The Ballymena facility is now approved to export directly to China and the first direct shipments were made in quarter four. We are growing our e-commerce business in China and exports to Japan are growing strongly with a focus on supplying premium outdoor bred pork to the food service sector.

The Wayland and Wold farming businesses currently supply approximately 17 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 farming operation to increase breeding and finishing capacity of premium pigs in response to customer demand. Productivity improvements in our outdoor herd lifted output by more than 10 per cent compared to the previous year.

The UK pig price (EU-spec SPP) rose steadily during the early part of the year, exceeding 164 pence in July before falling back through the second half of the year to just over 145 pence by year end. The average UK pig price for the year to 31 March 2018 was 13 per cent higher year-on-year reflecting a 17-month period of rising prices from March 2016 through to July 2017. The average EU 28 reference pig price during the period was also up 9 per cent year-on-year.

Convenience

Convenience, which comprises Cooked Meats and Continental Products, represented 36 per cent of Group revenue. Total Convenience revenue increased by 12.1 per cent, with like for-like revenue, excluding the benefit of the 53rd week, up 10.1 per cent. This positive performance reflected the full contribution of new business wins in the previous financial year. Growth was comfortably ahead of the overall market where volumes were flat year-on-year.

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 £11 million of capital investment was made across the three Cooked Meats facilities during the year. Working closely with our key retail customers, we continue to develop our ingredients ranges. We are also growing sales through business to business and manufacturing channels, particularly with ready meals, pizza and sandwich manufacturers.

Sales of Continental Products were 4.1 per cent up on 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. After a challenging first half the sub-category returned to volume growth in the second half of the year. The business continues to explore opportunities in the food service sector with sales through this channel growing strongly underpinned by new business with one of the Group's leading Quick Service Restaurant customers. The Woodall's range of British charcuterie products continues to perform well, with a new listing now secured with a key retail customer.

The new £28 million facility, based at Bury in Lancashire, is now being commissioned. 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. Transfer of all production from the current facilities is expected to be completed by the end of quarter one of the new financial year.

Gourmet Products

Gourmet Products, which comprise Sausage, Bacon and Pastry, represented 19 per cent of Group revenue. Total revenue increased by 22.2 per cent in the year, with like-for-like revenue, excluding the benefit of the 53rd week, ahead by 20.2 per cent. All categories delivered strong double-digit volume growth reflecting strong underlying, high single-digit, market growth of the super-premium tier of each category and market share gains due to business wins and new product launches.

Strong Sausage sales growth reflected the contribution from the new 'Butcher's Choice' business launched with one of our largest retail customers mid-way through the previous financial year together with other new business wins launched in summer 2017. The peak Christmas trading period was especially busy for the Hull and Norfolk facilities, with two additional production lines installed at the Hull Fresh Pork facility to accommodate the strong seasonal spike in demand.

Strong Bacon sales growth reflected the significant business win in quarter four of the previous financial year for gammon and wet cure bacon with one of the site's principal retail customers. 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 year. 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. New product listings over the Christmas period also contributed to a strong full year performance from the pastry business.

Poultry
Poultry, which includes Fresh and Cooked Poultry, represented 12 per cent of Group revenue. Including the 53rd week and a full year contribution from Crown, revenue increased by 21.6 per cent, with like-for-like sales growing 16.8 per cent.

The Crown Chicken business continues to make progress. The management team has been strengthened and investment has been made at the Weybread primary processing facility in Norfolk to drive efficiencies and lift throughput. More birds are being portioned due to new contracts secured and closer ties continue to be developed with the Hull Cooked Poultry facility. Shortly after the year end Crown secured a contract to supply fresh whole birds to one of the Group's strategic retail customers. Although the volume of business is initially modest it represents an important milestone in Crown's evolution and complements the chicken which Crown supplies to our Cooked Poultry business to service the same customer.

Plans for the new primary processing facility at Eye in Suffolk are being rapidly developed. Planning approval for the site was confirmed shortly after the year end and work at the site is due to start shortly. This world class 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.

Sales of premium Cooked Poultry grew strongly during the year, 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 both with retail customers and in the business's core food service and Quick Service Restaurant categories.

Finance review

Revenue
Reported revenue from continuing operations at £1,464.5 million (2017: £1,245.1 million) increased by 17.6 per cent compared to the previous year.

Adjusted Group operating profit
Adjusted Group operating profit of £92.8 million (2017: £76.1 million), including a full year contribution from acquisitions made in the previous year, increased by 21.9 per cent. Adjusted Group operating margin was 6.3 per cent of sales compared to 6.1 per cent last year.

Finance costs
Net financing costs at £0.4 million were £0.2 million lower than 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 22.4 per cent higher at £92.4 million (2017: £75.5 million).

Taxation
The tax charge of £18.0 million was 20.5 per cent of profit before tax (2017: 19.5 per cent). The standard rate of UK corporation tax was 19.0 per cent (2017: 20.0 per cent). The effective corporation tax rate was higher than the standard rate due to disallowable expenses. The lower than standard rate charge in the previous year reflected prior year adjustments, primarily relating to a capital allowance review during that year, partially offset by disallowable expenses.

Adjusted earnings per share
Adjusted earnings per share from continuing operations rose by 19.9 per cent to 145.0 pence (2017: 120.9 pence). The average number of shares in issue was 50,787,000 (2017: 50,191,000).

Statutory profit measures

The statutory results of the business show a 13.5 per cent increase in profit before tax to £88.0 million (2017: £77.5 million), a 13.2 per cent increase in Group operating profit to £88.4 million (2017: £78.1 million), and an 11.0 per cent increase in earnings per share from continuing operations to 137.8 pence (2017: 124.2 pence). Full reconciliations of these results to the adjusted measures can be found in Note 11.

Cash flow and net debt

The net cash inflow from operating activities in the year was £112.1 million (2017: £72.9 million) reflecting higher Group operating profit offset by a working capital outflow of just £4.0 million (2017: £18.5 million) despite significant growth in the scale of the business. Net funds at the end of the year were £20.6 million compared to net debt of £11.0 million for the prior year with the inflow from operating activities partially offset by the payment of £5.3 million of deferred consideration on acquisitions, a net £58.0 million invested in our asset base and £18.2 million of dividends paid to our Shareholders.

Pensions

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

The Group also operates a defined benefit pension scheme which has been closed to further benefit accrual since 2004. The deficit on this scheme at 31 March 2018 was £8.1 million, compared to £9.5 million at 31 March 2017, reflecting our commitment to increased funding for the scheme. Cash contributions to the scheme during the year, as part of the programme to reduce the deficit, were £1.8 million. The present value of funded obligations was £37.5 million, and the fair value of plan assets was £29.4 million.

Principal risks and uncertainties

There are a number of risks and uncertainties which could impact the business in the future. 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 are:

Strategic risks
- Competitor activity
- Growth and change

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

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

Operational risks
- Disruption to Group operations
- 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.

Group income statement

For the year ended 31 March 2018

	Notes	**2018** **£'m**	2017 £'m
Revenue		**1,464.5**	1,245.1
Adjusted Group operating profit		**92.8**	76.1
Net IAS 41 valuation movement on biological assets		**(2.2)**	4.1
Amortisation of customer relationship intangible assets		**(2.2)**	(2.1)
Group operating profit	*4*	**88.4**	78.1
Finance costs		**(0.4)**	(0.6)
Profit before tax		**88.0**	77.5
Taxation		**(18.0)**	(15.1)
Profit for the year from continuing operations		**70.0**	62.4
Discontinued operations:			
Profit for the year from discontinued operations	*9*	**-**	4.8
Profit for the year		**70.0**	67.2
Earnings per share (pence)			
On profit for the year from continuing operations:			
Basic	*5*	**137.8p**	124.2p
Diluted	*5*	**137.1p**	123.7p
On profit for the year:			
Basic	*5*	**137.8p**	133.8p
Diluted	*5*	**137.1p**	133.3p

Group statement of comprehensive income

For the year ended 31 March 2018

	2018 **£'m**	2017 £'m
Profit for the year	**70.0**	67.2
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges		
Gains arising in the year	**0.1**	0.3
Reclassification adjustments for gains included in the income statement	**(0.3)**	(0.1)
Income tax effect	**-**	(0.1)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(0.2)**	0.1
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial losses on defined benefit pension scheme	**(0.2)**	(6.3)
Income tax effect	**0.1**	1.3
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**(0.1)**	(5.0)
Other comprehensive income, net of tax	**(0.3)**	(4.9)
Total comprehensive income, net of tax	**69.7**	62.3

Group balance sheet

At 31 March 2018

	Notes	**2018 £'m**	2017 £'m
Non-current assets			
Intangible assets		**156.2**	158.4
Property, plant and equipment		**237.3**	215.7
Biological assets		**0.8**	1.0
Total non-current assets		**394.3**	375.1
Current assets			
Biological assets		**17.0**	18.6
Inventories		**59.2**	62.2
Trade and other receivables		**160.1**	150.6
Financial assets		**0.1**	0.3
Cash and short-term deposits	*7*	**20.6**	4.1
Total current assets		**257.0**	235.8
Total assets		**651.3**	610.9
Current liabilities			
Trade and other payables		**(147.8)**	(144.5)
Financial liabilities		**(0.9)**	(5.4)
Provisions		**(0.2)**	(0.1)
Income tax payable		**(10.2)**	(7.2)
Total current liabilities		**(159.1)**	(157.2)
Non-current liabilities			
Other payables		**(0.9)**	(1.1)
Financial liabilities		**-**	(16.0)
Deferred tax liabilities		**(1.0)**	(2.9)
Provisions		**(2.3)**	(2.8)
Defined benefit pension scheme deficit		**(8.1)**	(9.5)
Total non-current liabilities		**(12.3)**	(32.3)
Total liabilities		**(171.4)**	(189.5)
Net assets		**479.9**	421.4
Equity			
Called-up share capital		**5.1**	5.0
Share premium account		**81.5**	74.8
Share-based payments		**21.0**	16.7
Hedging reserve		-	0.2
Retained earnings		**372.3**	324.7
Equity attributable to owners of the parent		**479.9**	421.4

Group statement of cash flows

For the year ended 31 March 2018

	Notes	2018 £'m	2017 £'m
Operating activities			
Profit for the year		**70.0**	67.2
Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:			
Income tax expense		**18.0**	15.2
Net finance costs		**0.4**	0.6
Loss/(gain) on sale of property, plant and equipment		**0.8**	(0.1)
Depreciation of property, plant and equipment		**35.7**	27.7
Amortisation of intangible assets		**2.2**	2.1
Profit on sale of business	*9*	**-**	(4.5)
Share-based payments		**4.3**	3.6
Difference between pension contributions paid and amounts recognised in the income statement		**(1.7)**	(1.3)
Release of government grants		**(0.2)**	(0.2)
Net IAS 41 valuation movement on biological assets		**2.2**	(4.1)
(Increase)/decrease in biological assets		**(0.4)**	0.4
Decrease/(increase) in inventories		**3.0**	(14.6)
Increase in trade and other receivables		**(9.0)**	(24.9)
Increase in trade and other payables		**2.4**	20.6
Cash generated from operations		**127.7**	87.7
Tax paid		**(15.6)**	(14.8)
Net cash from operating activities		**112.1**	72.9
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	*10*	**(5.3)**	(56.0)
Purchase of property, plant and equipment		**(58.7)**	(47.0)
Proceeds from sale of property, plant and equipment		**0.7**	0.5
Proceeds from sale of discontinued operations, net of cash surrendered		**-**	15.5
Net cash used in investing activities		**(63.3)**	(87.0)
Cash flows from financing activities			
Interest paid		**(0.4)**	(0.5)
Proceeds from issue of share capital		**1.6**	0.8
Issue costs of long-term borrowings		**(0.2)**	(1.1)
Repayment of borrowings		**(15.0)**	-
Proceeds from borrowings		-	16.0
Dividends paid		**(18.2)**	(14.6)
Repayment of capital element of finance leases and hire purchase contracts		**(0.1)**	(0.2)
Net cash (used in)/from financing activities		**(32.3)**	0.4
Net increase/(decrease) in cash and cash equivalents	*7*	**16.5**	(13.7)
Cash and cash equivalents at beginning of year	*7*	**4.1**	17.8
Cash and cash equivalents at end of year	*7*	**20.6**	4.1

Group statement of changes in equity

For the year ended 31 March 2018

	Share capital £'m	Share premium £'m	Share-based payments £'m	Hedging reserve £'m	Retained earnings £'m	Total equity £'m
At 31 March 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 (proceeds)	-	0.8	-	-	-	0.8
Dividends	-	-	-	-	(19.6)	(19.6)
Deferred tax related to changes in equity	-	-	-	-	0.1	0.1
Current tax related to changes in equity	-	-	-	-	1.1	1.1
At 31 March 2017	5.0	74.8	16.7	0.2	324.7	421.4
Profit for the year	-	-	-	-	70.0	70.0
Other comprehensive income	-	-	-	(0.2)	(0.1)	(0.3)
Total comprehensive income	-	-	-	(0.2)	69.9	69.7
Share-based payments	-	-	4.3	-	-	4.3
Scrip dividend	-	5.2	-	-	-	5.2
Share options exercised (proceeds)	0.1	1.5	-	-	-	1.6
Dividends	-	-	-	-	(23.4)	(23.4)
Deferred tax related to changes in equity	-	-	-	-	(0.3)	(0.3)
Current tax related to changes in equity	-	-	-	-	1.4	1.4
At 31 March 2018	**5.1**	**81.5**	**21.0**	**-**	**372.3**	**479.9**

Notes to the accounts

1. Basis of preparation

The results comprise those of Cranswick plc and its subsidiaries for the year ended 31 March 2018. This preliminary announcement has been prepared on the basis of accounting policies as set out in the statutory accounts for the year ended 31 March 2017 and International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board as adopted by the European Union ("IFRS") and does not constitute the Company's statutory accounts within the meaning of Section 435 of the Companies Act 2006.

Statutory accounts for the years ended 31 March 2018 and 31 March 2017 have been reported on by the auditors who issued an unqualified opinion in respect of both years and the auditors' reports for 2018 and 2017 did not contain statements under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2017 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2018, which were approved by the Board on 22 May 2018, will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

2. Accounting policies

The accounting policies applied by the Group in this preliminary announcement are the same as those applied by the Group in the financial statements for the year ended 31 March 2017.

New standards and interpretations applied
The application of new and revised standards and interpretations has not had a material effect on the net assets, results and disclosures of the Group.

3. Business and geographical segments

IFRS 8 requires operating segments to be identified on the basis of the internal financial information reported to the Chief Operating Decision Maker (CODM). The Group's CODM is deemed to be the Executive Directors on the Board, who are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The CODM assesses profit performance principally through adjusted profit measures consistent with those disclosed in the Annual Report and Accounts.

For the purposes of managing the business, the Group is organised into one reportable segment, being Food: manufacture and supply of food products to UK grocery retailers, the food service sector and other UK and global food producers.

The reportable segment 'Food' represents the aggregation of four operating segments which are aligned to the product categories of the Group; Fresh Pork, Convenience, Gourmet Products and Poultry, all of which manufacture and supply food products through the channels described above. These operating segments have been aggregated into one reportable segment as they share similar economic characteristics. The economic indicators which have been assessed in concluding that these operating segments should be aggregated include the similarity of long-term average margins; expected future financial performance; and operating and competitive risks. In addition, the operating segments are similar with regard to the nature of the products and production process, the type and class of customer, the method of distribution and the regulatory environment.

4. Group operating profit

Group operating costs comprise:

	Continuing operations		Discontinued operations		Total	
	2018 £'m	2017 £'m	**2018 £'m**	2017 £'m	**2018 £'m**	2017 £'m
Cost of sales excluding net IAS 41 valuation movement on biological assets	**1,277.7**	1,086.2	**-**	16.6	**1,277.7**	1,102.8
Net IAS 41 valuation movement on biological assets*	**2.2**	(4.1)	**-**	-	**2.2**	(4.1)
Cost of sales	**1,279.9**	1,082.1	**-**	16.6	**1,279.9**	1,098.7
Gross profit	***184.6***	*163.0*	**-**	*2.2*	***184.6***	*165.2*
Selling and distribution costs	**55.7**	50.9	**-**	1.2	**55.7**	52.1
Administrative expenses excluding amortisation of customer relationship intangible assets	**38.3**	31.9	**-**	0.6	**38.3**	32.5
Amortisation of customer relationship intangible assets	**2.2**	2.1	**-**	-	**2.2**	2.1
Administrative expenses	**40.5**	34.0	**-**	0.6	**40.5**	34.6
Total operating costs	**1,376.1**	1,167.0	**-**	18.4	**1,376.1**	1,185.4

* This represents the difference between operating profit prepared under IAS 41 and operating profit prepared under historical cost accounting, which forms part of the reconciliation to adjusted operating profit.

5. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to members of the parent company of £70.0 million (2017: £67.2 million) by the weighted average number of shares outstanding during the year. In calculating diluted earnings per share amounts, the weighted average number of shares is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The weighted average number of ordinary shares for both basic and diluted amounts was as per the table below:

	2018 Thousands	2017 Thousands
Basic weighted average number of shares	**50,787**	50,191
Dilutive potential ordinary shares – share options	**238**	195
	51,025	50,386

Adjusted earnings per share are calculated using the weighted average number of shares for both basic and diluted amounts as detailed above (see Note 11).

6. Dividends

Subject to Shareholders' approval the final dividend will be paid on 7 September 2018 to Shareholders on the register at the close of business on 20 July 2018.

7. Analysis of changes in net (debt)/funds

Group	At 31 March 2017 £'m	Cash flow £'m	Other non-cash changes £'m	**At 31 March 2018 £'m**
Cash and cash equivalents	4.1	16.5	-	**20.6**
Revolving credit	(15.0)	15.2	(0.2)	**-**
Finance lease and hire purchase contracts	(0.1)	0.1	-	**-**
Net (debt)/funds	(11.0)	31.8	(0.2)	**20.6**

Net (debt)/funds is defined as cash and cash equivalents less interest-bearing liabilities net of unamortised issue costs.

8. Related party transactions

During the year the Group and Company entered into transactions, in the ordinary course of business, with related parties, including transactions between the Company and its subsidiary undertakings. In the Group accounts transactions between the Company and its subsidiaries are eliminated on consolidation.

9. Discontinued operations

On 23 July 2016, the Group sold its shareholding in The Sandwich Factory Holdings Limited ('The Sandwich Factory'). The sale allowed the Group to focus on its portfolio of high growth, premium product categories.

The results of discontinued operations in the prior year, which have been separately disclosed as a single line item at the foot of the Group income statement, were as follows:

Results of discontinued operations	**2018 £'m**	2017 £'m
Revenue	**-**	18.8
Expenses	**-**	(18.4)
Operating profit and profit before tax from discontinued operations	**-**	0.4
Income tax expense on ordinary activities of the discontinued operations	**-**	(0.1)
Profit on sale of business	**-**	4.5
Profit after tax from discontinued operations	**-**	4.8

Earnings per share from discontinued operations		
Basic earnings per share	**-**	9.6
Diluted earnings per share	**-**	9.6

Statement of cash flows		
The statement of cash flows includes the following amounts relating to discontinued operations:		
Operating activities	**-**	(1.2)
Investing activities	**-**	(0.4)
Net cash from discontinued operations	**-**	(1.6)

A profit of £4.5 million arose on the sale of The Sandwich Factory, being the difference between the cash proceeds and the carrying value of net assets plus attributable goodwill.

10. Acquisitions

Contingent consideration
During the year £5.3 million of contingent consideration was paid in relation to previous acquisitions. This amount was provided in full at March 2017.

11. 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 excludes the contribution from Crown Chicken and Ballymena prior to the anniversary of their acquisition and also the impact of the 53rd week in the current year.

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

Like-for-like revenue

	2018 **£'m**	2017 £'m	Change
Revenue	**1,464.5**	1,245.1	+17.6%
Crown Chicken	**(3.5)**	-	
Ballymena	**(33.2)**	-	
Impact of 53rd week	**(24.5)**	-	
Like-for-like revenue	**1,403.3**	1,245.1	+12.7%

Adjusted operating profit

	2018 **£'m**	2017 £'m	Change
Group operating profit	**88.4**	78.1	+13.2%
Net IAS 41 valuation movement	**2.2**	(4.1)	
Amortisation of customer relationship intangible assets	**2.2**	2.1	
Adjusted Group operating profit	**92.8**	76.1	+21.9%

Adjusted profit before tax

	2018 **£'m**	2017 £'m	Change
Profit before tax	**88.0**	77.5	+13.5%
Net IAS 41 valuation movement	**2.2**	(4.1)	
Amortisation of customer relationship intangible assets	**2.2**	2.1	
Adjusted profit before tax	**92.4**	75.5	+22.4%

11. Alternative performance measures (continued)

Adjusted earnings per share

	2018 £'m	**2018 Basic pence**	**2018 Diluted pence**	2017 £'m	2017 Basic pence	2017 Diluted pence
On profit for the year from continuing operations	**70.0**	**137.8**	**137.1**	62.4	124.2	123.7
Amortisation of customer relationship intangible assets	**2.2**	**4.3**	**4.3**	2.1	4.2	4.2
Tax on amortisation of customer relationship intangible assets	**(0.4)**	**(0.7)**	**(0.7)**	(0.4)	(0.7)	(0.7)
Net IAS 41 valuation movement	**2.2**	**4.3**	**4.3**	(4.1)	(8.2)	(8.2)
Tax on net IAS 41 valuation movement	**(0.4)**	**(0.7)**	**(0.7)**	0.7	1.4	1.4
On adjusted profit for the year from continuing operations	**73.6**	**145.0**	**144.3**	60.7	120.9	120.4

	2018 £'m	**2018 Basic pence**	**2018 Diluted pence**	2017 £'m	2017 Basic pence	2017 Diluted pence
On profit for the year	**70.0**	**137.8**	**137.1**	67.2	133.8	133.3
Amortisation of customer relationship intangible assets	**2.2**	**4.3**	**4.3**	2.1	4.2	4.2
Tax on amortisation of customer relationship intangible assets	**(0.4)**	**(0.7)**	**(0.7)**	(0.4)	(0.7)	(0.7)
Net IAS 41 valuation movement	**2.2**	**4.3**	**4.3**	(4.1)	(8.2)	(8.2)
Tax on net IAS 41 valuation movement	**(0.4)**	**(0.7)**	**(0.7)**	0.7	1.4	1.4
Profit on sale of business	**-**	**-**	**-**	(4.5)	(9.0)	(9.0)
On adjusted profit for the year	**73.6**	**145.0**	**144.3**	61.0	121.5	121.0

Free cash flow

	2018 £'m	2017 £'m	Change
Net cash from operating activities	**112.1**	72.9	+53.8%
Net interest paid	**(0.4)**	(0.5)	
Free cash flow	**111.7**	72.4	+54.3%

12. Report and accounts

The Report and Accounts will be available on the Company's website at www.cranswick.plc.uk on 29 June 2018. Further copies will be available upon request from the Company Secretary, Cranswick plc, 74 Helsinki Road, Sutton Fields, Hull, HU7 0YW.