CRANSWICK plc: PRELIMINARY RESULTS

A year of strong financial and strategic progress

23 May 2017

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 2017.

Financial highlights*:

- Revenue ahead by 22.5% at £1,245.1m (2016: £1,016.3m)
- Like-for-like revenue up 12.7%
- Adjusted Group operating margin of 6.1% (2016: 6.4%)
- Adjusted profit before tax increased 17.2% to £75.5m (2016: £64.4m)
- Adjusted earnings per share 17.6% higher at 120.9p (2016: 102.8p)
- Recommended final dividend increased by 19.7% to 31.0p (2016: 25.9p)
- Net debt of £11.0m (2016: net funds of £17.8m)
- Statutory profit before tax from continuing operations up 24.8% to £77.5m (2016: £62.1m)
- Statutory earnings per share on continuing operations 25.6% higher at 124.2p (2016: 98.9p)

Commercial and strategic progress:

Corporate activity

- Strong contribution from Crown Chicken following acquisition in April 2016 and integration proceeding to plan
- Acquisition of Dunbia Ballymena in November 2016 further strengthens the Group's UK pork processing capability
- Sale of Sandwich business in July 2016

Continued investment in existing operations

- Record capital expenditure of £47m to support strong growth pipeline
- Phase 2 upgrade to Norfolk primary processing facility completed in the year
- Work has commenced on new £25m Continental Foods facility in Bury, Lancashire

Export sales

- Further strong progress in key export markets, with Far East revenues ahead by 49%

Adam Couch, Cranswick's Chief Executive Officer commented:

"We have reported another year of strong growth in financial results, during which we have also made further strategic and commercial progress.

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

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

Presentation

A presentation of the results will be made to analysts and institutional investors today at 10.15am at Investec Bank plc, 2 Gresham Street, London EC2V 7QP.

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Note to Editors:

Cranswick was formed in the early 1970s by farmers in East Yorkshire to produce animal feed and has since evolved into a business focused on the supply of food products to the UK food retail and food service sectors. Well known for the production of gourmet sausages the Company 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' as well as under a number of brands such as 'Simply Sausages', 'The Black Farmer', 'Bodega', 'Welly' and 'Woodall's'.

Summary

The past year has been particularly positive for the business. Cranswick has delivered another strong trading performance, achieved record sales of over £1.2 billion, and made strategic progress in a number of key areas.

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

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

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

Results
Total revenue from continuing operations in the year was £1,245 million. This was 23 per cent ahead of the previous year and was driven by strong increases across a number of product categories and significant growth in exports. Like-for-like revenue (see Note 11), excluding the benefit of acquisitions, was 13 per cent higher than the prior year with corresponding volumes 15 per cent ahead.

Alongside record sales it is pleasing to report that adjusted profit before tax for the year increased 17 per cent to £75.5 million from £64.4 million previously. Adjusted earnings per share rose 18 per cent to 120.9 pence compared to 102.8 pence in the prior year. Details of trading are covered more fully in the Operating and Finance reviews.

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

Dividend
The Board is proposing to increase the final dividend to 31.0 pence per share from 25.9 pence previously, an increase of 19.7 per cent. Together with the interim dividend, which was raised 12.9 per cent to 13.1 pence per share, this gives a total dividend for the year of 44.1 pence per share, an increase of 17.6 per cent on the 37.5 pence per share paid last year. This is the 27th continuous year of increased dividends.

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

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

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

Operating review

Revenue and Adjusted operating profit

	2017 £'m	2016 £'m	Change
Revenue	**1,245.1**	**1,016.3**	**+22.5%**
Adjusted Group operating profit (Note 11)	**76.1**	**65.1**	**+17.0%**
Adjusted Group operating margin	**6.1%**	**6.4%**	**-29bps**

Revenue

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

Adjusted Group operating profit

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

Category Review

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

Fresh Pork

Fresh Pork includes our three primary processing facilities and associated farming operations and represents 32 per cent of Group revenue. Fresh Pork revenue increased by 6.7 per cent. Excluding the contribution from Ballymena like-for-like revenue growth was 2.1 per cent. Performance was comfortably ahead of the overall UK fresh pork category with market data for the 52 weeks to 26 March 2017 highlighting a decline in volumes of 4%, with much of this decline attributable to lower promotional expenditure and lower sales of traditional roasting joints.

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

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

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

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

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

Convenience

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

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

Revenue from Continental Products also grew strongly. The business continues to successfully source new products from a complex array of high quality premium suppliers across the Mediterranean region. The ‘Made in Manchester’ concept highlights the significant value add that the experienced and innovative teams at the two Manchester facilities bring to this fast-growing category. The two facilities, which have served the business so well since the Continental Fine Foods business was acquired, are now operating at full capacity. To enable the business to continue to grow and develop, a new £25 million facility is being built in the North West of England which will consolidate production from the two existing sites. The new site, based at Bury in Lancashire, will increase current capacity by approximately 70 per cent and will enable existing and new product ranges to be produced more efficiently.

Gourmet Products

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

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

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

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

Poultry

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

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

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

Finance review

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

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

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

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

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

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

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

Statutory profit measures
The statutory results of the business show a 24.8 per cent increase in profit before tax to £77.5 million (2016: £62.1 million), a 24.6 per cent increase in Group operating profit to £78.1 million (2016: £62.7 million) and a 25.6 per cent increase in earnings per share to 124.2 pence (2016: 98.9 pence). Full reconciliations of these results to the adjusted measures can be found in Note 11.

Sale of Sandwich business
On 23 July 2016, the Group sold its Sandwich business, The Sandwich Factory Holdings Limited, to Greencore plc for net proceeds of £15.7 million before costs. Further details of the transaction are set out in Note 9. The after-tax results of the Sandwich business for both the current and prior years, including profit on disposal of £4.5 million in the current year and a goodwill impairment charge of £4.6 million in the prior year, are included in a single line item 'Profit/(loss) for the year from discontinued operations' at the foot of the income statement.

Acquisition of Dunbia Ballymena
On 16 November 2016, the Group acquired the whole of the issued share capital of Dunbia Ballymena, a leading Northern Irish pork processing business, for an initial cash consideration of £16.7 million net of cash acquired, with further contingent consideration of £1.25 million. Further details of the transaction are set out in Note 10.

Cash flow and net debt
The net cash inflow from operating activities in the year was £72.9 million (2016: £83.8 million) reflecting higher Group operating profit offset by a working capital outflow of £18.6 million (2016: inflow of £9.0 million) reflecting the impact of acquisitions and the increasing scale of the business. Net debt increased by £28.8 million in the year to £11.0 million including the £40.5 million net spend on corporate transactions and the net £46.5 million invested in our asset base. Net debt was just 2.6 per cent of Shareholders' funds (2016: zero per cent) as our balance sheet continues to be conservatively managed.

Pensions

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

The Group also operates a defined benefit pension scheme which has been closed to further benefit accrual since 2004. The deficit on this scheme at 31 March 2017 was £9.5 million, compared to £4.4 million at 31 March 2016, reflecting our commitment to increased funding for the scheme over the next five years. Cash contributions to the scheme during the year, as part of the programme to reduce the deficit, were £1.3 million. The present value of funded obligations was £36.1 million and the fair value of plan assets was £26.6 million.

During the year, the triennial valuation of the scheme was completed. Following a review of the valuation the Directors agreed a new contribution schedule with the Trustees of the scheme to further reduce the deficit. Over the period from April 2017 to September 2022, cash contributions will be increased to £1.8 million per annum.

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 2016, dated 24 May 2016, a copy of which is available on the Group's website at www.cranswick.plc.uk. The principal risks and uncertainties are:

Strategic risks	Commercial risks	Financial risks	Operational risks
• Consumer demand • Competitor activity	• Reliance on key customers and exports • Pig meat – availability and price	• Interest rate, currency, liquidity and credit risk • Business acquisitions	• Business continuity • Recruitment and retention of workforce • Health and safety • Disease and infection within pig herd / poultry flock • Food scares and product contamination • Cyber security

UK Referendum on EU Membership

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

Group income statement

For the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Revenue		**1,245,058**	1,016,314
Adjusted Group operating profit		**76,118**	65,056
Net IAS 41 valuation movement on biological assets		**4,116**	(951)
Amortisation of customer relationship intangible assets		**(2,108)**	(1,396)
Group operating profit	*4*	**78,126**	62,709
Finance revenue		-	1
Finance costs		**(639)**	(640)
Profit before tax		**77,487**	62,070
Taxation		**(15,145)**	(13,022)
Profit for the year from continuing operations		**62,342**	49,048
Discontinued operations:			
Profit/(loss) for the year from discontinued operations	*9*	**4,836**	(3,653)
Profit for the year		**67,178**	45,395
Earnings per share (pence)			
On profit for the year from continuing operations:			
Basic	*5*	**124.2p**	98.9p
Diluted	*5*	**123.7p**	98.5p
On adjusted profit for the year from continuing operations:			
Basic	*5*	**120.9p**	102.8p
Diluted	*5*	**120.4p**	102.4p
On profit for the year:			
Basic	*5*	**133.8p**	91.5p
Diluted	*5*	**133.3p**	91.2p
On adjusted profit for the year:			
Basic	*5*	**121.5p**	104.7p
Diluted	*5*	**121.0p**	104.4p

Group statement of comprehensive income

For the year ended 31 March 2017

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

Group balance sheet

At 31 March 2017

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

Group statement of cash flows

For the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Operating activities			
Profit for the year		**67,178**	45,395
Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:			
Income tax expense		**15,219**	13,276
Net finance costs		**604**	536
Gain on sale of property, plant and equipment		**(117)**	(76)
Depreciation of property, plant and equipment		**27,715**	21,224
Amortisation of intangible assets		**2,108**	1,396
Impairment of goodwill	*9*	**-**	4,635
Profit on sale of business	*9*	**(4,539)**	-
Share-based payments		**3,650**	2,791
Difference between pension contributions paid and amounts recognised in the income statement		**(1,234)**	(1,160)
Release of government grants		**(215)**	(128)
Net IAS 41 valuation movement on biological assets		**(4,116)**	951
Decrease/(increase) in biological assets		**379**	(229)
(Increase)/decrease in inventories		**(14,623)**	2,962
(Increase)/decrease in trade and other receivables		**(24,914)**	841
Increase in trade and other payables		**20,607**	5,382
Cash generated from operations		**87,702**	97,796
Tax paid		**(14,812)**	(13,962)
Net cash from operating activities		**72,890**	83,834
Cash flows from investing activities			
Interest received		**-**	1
Acquisition of subsidiaries, net of cash acquired	*10*	**(56,042)**	-
Purchase of property, plant and equipment		**(46,969)**	(34,295)
Receipt of government grants		**-**	229
Proceeds from sale of property, plant and equipment		**517**	538
Proceeds from sale of discontinued operations, net of cash surrendered	*9*	**15,524**	-
Net cash used in investing activities		**(86,970)**	(33,527)
Cash flows from financing activities			
Interest paid		**(528)**	(444)
Proceeds from issue of share capital		**788**	606
Issue costs of long-term borrowings		**(1,096)**	-
Repayment of borrowings		**-**	(22,000)
Proceeds from borrowings		**16,000**	-
Dividends paid		**(14,565)**	(14,593)
Repayment of capital element of finance leases and hire purchase contracts		**(229)**	-
Net cash used in financing activities		**370**	(36,431)
Net (decrease)/increase in cash and cash equivalents	*7*	**(13,710)**	13,876
Cash and cash equivalents at beginning of year	*7*	**17,817**	3,941
Cash and cash equivalents at end of year	*7*	**4,107**	17,817

Group statement of changes in equity

For the year ended 31 March 2017

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

Notes to the accounts

1. Basis of preparation

The results comprise those of Cranswick plc and its subsidiaries for the year ended 31 March 2017. 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 2016 (except as detailed below) 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 2017 and 31 March 2016 have been reported on by the auditors who issued an unqualified opinion in respect of both periods and the auditors' reports for 2017 and 2016 did not contain statements under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2016 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2017, which were approved by the Board on 23 May 2017, 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 2016.

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

* 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 £67,178,000 (2016: £45,395,000) by the weighted average number of shares outstanding during the year. In calculating diluted earnings per share amounts, the weighted average number of shares is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2017	2016
	Thousands	Thousands
Basic weighted average number of shares	**50,191**	49,601
Dilutive potential ordinary shares – share options	**195**	191
	50,386	49,792

Adjusted earnings per share 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 1 September 2017 to Shareholders on the register at the close of business on 30 June 2017.

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

Group	At 31 March 2016 £'000	Cash flow £'000	Other non-cash changes £'000	**At 31 March 2017 £'000**
Cash and cash equivalents	17,817	(13,710)	-	**4,107**
Revolving credit	-	(14,904)	(91)	**(14,995)**
Finance lease and hire purchase contracts	-	229	(370)	**(141)**
Net (debt)/funds	17,817	(28,385)	(461)	**(11,029)**

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 but these transactions are reported for the Company below:

Company	Services rendered to related party £'000	Interest paid to related party £'000	Dividends received from related party £'000
Related party - Subsidiaries			
2017	**24,701**	**3,921**	**24,902**
2016	20,200	4,071	14,593

Amounts owed by or to subsidiary undertakings are unsecured and repayable on demand.

9. Discontinued operations

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

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

Results of discontinued operations	2017 £'000	2016 £'000
Revenue	**18,761**	53,290
Expenses	**(18,425)**	(52,157)
Impairment of goodwill	**-**	(4,635)
Operating profit/(loss)	**336**	(3,502)
Finance income	**35**	103
Profit/(loss) before tax from discontinued operations	**371**	(3,399)
Income tax expense on ordinary activities of the discontinued operations	**(74)**	(254)
Profit on sale of business	**4,539**	-
Profit/(loss) after tax from discontinued operations	**4,836**	(3,653)

Earnings per share from discontinued operations		
Basic earnings per share	**9.6**	(7.4)
Diluted earnings per share	**9.6**	(7.3)

Statement of cash flows		
The statement of cash flows includes the following amounts relating to discontinued operations:		
Operating activities	**(1,267)**	559
Investing activities	**(386)**	(722)
Financing activities	**35**	103
Net cash from discontinued operations	**(1,618)**	(60)

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 as follows:

	£'000
The net assets which were sold were as follows:	
Intangible assets - Goodwill	6,967
Property, plant and equipment	2,601
Inventories	1,086
Trade and other receivables	9,311
Trade and other payables	(8,980)
	10,985

	£'000
Cash proceeds received	16,238
Cash and cash equivalents surrendered	(534)
Legal costs incurred, settled in cash	(180)
	15,524
Profit on sale of business	**4,539**

10. Acquisitions

Cranswick Country Foods Ballymena
On 16 November 2016, the Group acquired 100 per cent of the issued share capital of Dunbia Ballymena (renamed Cranswick Country Foods Ballymena) for a total consideration of £18.1 million including £3.4 million settlement of intercompany creditors due to the previous owner and a deferred consideration of £1.3 million. The principal activity of Cranswick Country Foods Ballymena is primary pig processing. The acquisition enhances Cranswick's pig processing capability and establishes a significant presence in Northern Ireland.

Fair values of the net assets at the date of acquisition were as follows:

	Provisional fair value £'000
Net assets acquired:	
Customer relationships	1,701
Property, plant and equipment	1,746
Inventories	598
Trade and other receivables	8,219
Bank and cash balances	212
Trade and other payables	(6,333)
Corporation tax liability	(368)
Deferred tax liability	(252)
Provisions	(274)
	5,249
Goodwill arising on acquisition	9,528
Cost of acquisition	14,777
Satisfied by:	
Cash	13,527
Contingent consideration	1,250
Net cash outflow arising on acquisition:	
Cash consideration paid	13,527
Creditors repaid	3,353
Cash and cash equivalents acquired	(212)
	16,668

Intercompany loans were repaid on completion giving a total consideration for the acquisition of £18,130,000. The fair values on acquisition are provisional due to the timing of the transaction and will be finalised within twelve months of the acquisition date.

All of the trade receivables acquired are expected to be collected in full.

Included in the £9,528,000 of goodwill recognised above are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce.

Transaction costs in relation to the acquisition of £0.3 million have been expensed within administrative expenses.

Contingent consideration
The agreement includes contingent consideration payable in cash to the previous owners of Cranswick Country Foods Ballymena based on obtaining a licence to export to China. The amount payable will be either £nil or £1.25 million. The fair value of the contingent consideration on acquisition was estimated at £1.25 million, undiscounted in the table above.

10. Acquisitions (continued)

Crown Chicken

On 8 April 2016, the Group acquired 100 per cent of the issued share capital of CCL Holdings Limited and its wholly owned subsidiary Crown Chicken Limited ('Crown') for net cash consideration of £39.4 million. The principal activities of Crown Chicken Limited are the breeding, rearing and processing of fresh chicken, as well as the milling of grain for the production of animal feed. The acquisition provides the Group with a fully integrated supply chain for its growing poultry business.

Fair values of the net assets at the date of acquisition were as follows:

	Fair value £'000
Net assets acquired:	
Customer relationships	2,938
Property, plant and equipment	17,501
Biological assets	4,805
Inventories	1,865
Trade and other receivables	9,946
Bank and cash balances	3,946
Trade and other payables	(7,900)
Corporation tax liability	(584)
Deferred tax liability	(2,548)
Finance lease obligations	(370)
	29,599
Goodwill arising on acquisition	13,721
Total consideration	43,320
Satisfied by:	
Cash	43,320
Net cash outflow arising on acquisition:	
Cash consideration paid	43,320
Cash and cash equivalents acquired	(3,946)
	39,374

All of the trade receivables acquired have been collected in full.

Included in the £13,721,000 of goodwill recognised above are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce and the strategic benefits of vertical integration including security of supply.

Transaction costs in relation to the acquisition of £0.4 million have been expensed within administrative expenses.

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 is defined as total revenue less revenue from entities acquired during the year.

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

Like-for-like revenue

	2017 £'000	2016 £'000	Change
Revenue	**1,245,058**	1,016,314	+22.5%
Crown Chicken	**(82,561)**	-	
Ballymena	**(17,260)**	-	
Like-for-like revenue	**1,145,237**	1,016,314	+12.7%

Adjusted operating profit

	2017 £'000	2016 £'000	Change
Group operating profit	**78,126**	62,709	+24.6%
Net IAS 41 valuation movement	**(4,116)**	951	
Amortisation of customer relationship intangible assets	**2,108**	1,396	
Adjusted Group operating profit	**76,118**	65,056	+17.0%

Adjusted profit before tax

	2017 £'000	2016 £'000	Change
Profit before tax	**77,487**	62,070	+24.8%
Net IAS 41 valuation movement	**(4,116)**	951	
Amortisation of customer relationship intangible assets	**2,108**	1,396	
Adjusted profit before tax	**75,479**	64,417	+17.2%

Adjusted earnings per share

	2017 £'000	**2017 Basic pence**	**2017 Diluted pence**	2016 £'000	2016 Basic pence	2016 Diluted pence
On profit for the year from continuing operations	**62,342**	**124.2**	**123.7**	49,048	98.9	98.5
Amortisation of customer relationship intangible assets	**2,108**	**4.2**	**4.2**	1,396	2.8	2.8
Tax on amortisation of customer relationship intangible assets	**(379)**	**(0.7)**	**(0.7)**	(251)	(0.5)	(0.5)
Net IAS 41 valuation movement	**(4,116)**	**(8.2)**	**(8.2)**	951	1.9	1.9
Tax on net IAS 41 valuation movement	**700**	**1.4**	**1.4**	(171)	(0.3)	(0.3)
On adjusted profit for the year from continuing operations	**60,655**	**120.9**	**120.4**	50,973	102.8	102.4

11. Alternative performance measures (continued)

Adjusted earnings per share (continued)

	2017 £'000	2017 Basic pence	2017 Diluted pence	2016 £'000	2016 Basic pence	2016 Diluted pence
On profit for the year	**67,178**	**133.8**	**133.3**	45,395	91.5	91.2
Amortisation of customer relationship intangible assets	**2,108**	**4.2**	**4.2**	1,396	2.8	2.8
Tax on amortisation of customer relationship intangible assets	**(379)**	**(0.7)**	**(0.7)**	(251)	(0.5)	(0.5)
Net IAS 41 valuation movement	**(4,116)**	**(8.2)**	**(8.2)**	951	1.9	1.9
Tax on net IAS 41 valuation movement	**700**	**1.4**	**1.4**	(171)	(0.3)	(0.3)
Impairment of goodwill	**-**	**-**	**-**	4,635	9.3	9.3
Profit on sale of business	**(4,539)**	**(9.0)**	**(9.0)**	-	-	-
On adjusted profit for the year	**60,952**	**121.5**	**121.0**	51,955	104.7	104.4

Free cash flow

	2017 £'000	2016 £'000	Change
Net cash from operating activities	**72,890**	83,834	-13.1%
Net interest paid	**(528)**	(443)	
Free cash flow	**72,362**	83,391	-13.2%

12. Report and accounts

The Report and Accounts will be available on the Company's website at www.cranswick.plc.uk on 23 June 2017. Further copies will be available upon request from the Company Secretary, Cranswick plc, 74 Helsinki Road, Sutton Fields, Hull, HU7 0YW.