



CRANSWICK plc: INTERIM RESULTS

Strong H1 performance

29 November 2016

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 2016.

Financial Highlights¹:

- Revenue ahead by 15.9% at £580.8m (2015: £501.0m)
- Underlying² revenue up 8.0%
- Adjusted Group operating margin³ increased to 6.6% (2015: 6.2%)
- Adjusted profit before tax³ 23.9% higher at £37.9m (2015: £30.6m)
- Adjusted earnings per share³ up 16.6% at 58.3p (2015: 50.0p)
- Dividend per share increased by 12.9% to 13.1p (2015: 11.6p)
- Net debt at £2.9m (2015: £4.8m)

- Statutory profit before tax up 38.4% to £40.4m (2015: £29.2m)
- Statutory earnings per share 30.8% higher at 62.5p (2015: 47.8p)

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 on 16 November 2016 further strengthens the Group’s UK pork processing capability
- Sale of sandwich business in July 2016

Continued investment in existing operations

- Record H1 capital expenditure of £24m to support strong growth pipeline
- Phase 2 upgrade to Norfolk primary processing facility, which underpins drive for site USDA accreditation, completed in the period
- Work to commence shortly on new £25m Continental Foods facility in Bury, Lancashire

Export sales

- Further strong progress in key export markets, with Far East revenues ahead by 83%

Martin Davey, CranSwick’s Chairman commented:

“The business performed strongly during the first half of the year.

“Crown has made a particularly positive contribution to the business, is combining well with the Group’s pre-existing poultry activity and is being integrated in line with plan.

“The interim dividend is being increased by 12.9 per cent to 13.1 pence per share from 11.6 pence previously.

“CranSwick has made further commercial and strategic progress during the period whilst working closely with customers to maintain its focus on service, quality and innovation in delivering appealing and competitively priced products to the consumer.

“The Board believes that CranSwick remains well positioned to deliver our expectations for the current financial year and also to meet the challenges that may arise as it continues its successful long-term development”.

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.

² underlying revenue excludes the contribution from Crown Chicken, which was acquired on 8 April 2016, in the current period.

³ adjusted Group operating margin, adjusted profit before tax and adjusted earnings per share exclude net IAS 41 valuation movement on biological assets and the amortisation of customer relationship intangible assets in both the current and prior period. These are the measures used by the Board to assess the Group's underlying performance.

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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'. Sales from continuing operations in the year to March 2016 were £1,016 million and have grown more than 100 per cent over ten years.

Chairman's statement

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

Results

Total revenue from continuing operations in the period to 30 September 2016 of £580.8 million was 16 per cent ahead of the same period last year and was driven by strong volume growth across most product categories.

Revenue for the current period includes the contribution from Crown Chicken Limited ('Crown') following its acquisition on 8 April 2016. The results of The Sandwich Factory, which was sold in July 2016, have been disclosed within discontinued operations in both the current year and comparative figures.

Underlying revenue was 8 per cent higher than the same period last year with corresponding volumes 16 per cent ahead.

Alongside record first-half sales it is pleasing to report to Shareholders that adjusted profit before tax for the period increased 24 per cent to £37.9 million from £30.6 million in the corresponding period last year. This includes the contribution from Crown since the date of acquisition.

Adjusted earnings per share on the same basis rose 17 per cent to 58.3 pence compared to 50.0 pence previously.

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

Investments

Crown has made a particularly positive contribution to the business, is combining well with the Group's pre-existing poultry activity and is being integrated in line with plan.

In addition, there is substantial ongoing capital investment across the Group. During the period this totalled £24.5 million and included significant projects within fresh pork, cooked meats and sausage.

Financial position

Operating cash inflow increased to £38.4 million from £35.5 million in the same period last year and at the end of the period net debt stood at £2.9 million, which compared to £4.8 million a year earlier. Following the refinancing of the Group's banking facility on 17 November 2016, the Company remains in a sound financial position and further details are provided in the Financial review.

Dividend

The interim dividend is being increased by 12.9 per cent to 13.1 pence per share from 11.6 pence previously. The dividend will be paid on 27 January 2017 to Shareholders on the register at the close of business on 9 December 2016. Shareholders will again have the opportunity to receive the dividend by way of scrip issue.

Staff

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. On behalf of the Board I thank all our colleagues for their commitment and contribution.

Outlook

Cranswick has made further commercial and strategic progress during the period whilst working closely with customers to maintain its focus on service, quality and innovation in delivering appealing and competitively priced products to the consumer.

The Board believes that Cranswick remains well positioned to deliver our expectations for the current financial year and also to meet the challenges that may arise as it continues its successful long-term development.

Martin Davey

Chairman

29 November 2016

Operating review

Reported revenue from continuing operations increased by 16 per cent to £580.8 million. Growth was supported by a positive contribution from Crown Chicken Limited (“Crown”) which was acquired on 8 April 2016. Underlying revenue grew by 8 per cent, with corresponding volumes ahead 16 per cent as the benefit of lower input prices in the early part of the year was passed on to the Group’s customers. New contract wins and a greater number of pigs being processed through the Group’s two primary processing facilities underpinned the strong volume growth.

Adjusted Group operating profit from continuing operations increased by 23.6 per cent to £38.2 million in the first half of the financial year and adjusted Group operating margin improved by 0.4 per cent to 6.6 per cent of revenue. The improvement in Group operating margin reflected the positive contribution from Crown, the uplift in production volumes and a tight focus on cost control and operational efficiencies across the Group.

The first half of the year has been particularly busy in terms of corporate activity. The strategically important acquisition of Crown at the beginning of the period was followed in July by the sale of our sandwich business to Greencore plc. We now have a focused portfolio of high growth, premium product categories, which are produced from well invested highly efficient facilities. Developing high quality, great tasting, innovative food products which are ideally suited to the fast moving food-to-go and convenience formats is a key component of our evolving growth strategy.

On 16 November, after the period end, we acquired Dunbia Ballymena, a leading Northern Irish pork processing business. Dunbia 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, farm assured pigs which is central to our customers’ requirements.

Corporate activity has been augmented by over £24 million of capital investment during the period to add capacity, new capability and drive further operating efficiency gains. The expenditure was spread across our asset base as we continue to successfully grow and develop our business. We have now invested in excess of £200 million in our infrastructure over the last eight years to give us some of the most efficient and well invested production facilities in the UK food manufacturing sector. Further detail on specific projects is provided in the category reviews below.

Pig prices increased sharply during the period, particularly during the second quarter of the year. The UK pig price rose 25 per cent during the period, albeit from a low starting point, but was on average still 5 per cent lower than during the same period last year. The steep rise reflected an even more pronounced increase in its European equivalent of 41 per cent resulting in the EU reference price reaching parity with the UK price by the half year end. The principal reason for the uplift in European prices was strong demand for European pig meat from China.

The Wayland and Wold farming businesses continue to supply approximately 20 per cent of the Group’s British pig requirements. Cranswick is the third largest pig producer in the UK and represents 6 per cent of the total UK pig herd. More than 80 per cent of the pigs produced from the two herds are bred outdoors providing a complete farm to fork solution for the premium pork ranges of the Group’s two largest retail customers. Provenance and end-to-end supply chain integrity are key differentiators enabling the Group to lock in key long-term retail relationships. Improvements in productivity together with rising pig prices as referred to above resulted in an improved contribution from pig production compared to the same period last year.

Total export volumes grew by 23 per cent during the period. Volume growth in Far Eastern markets of 37 per cent together with an 11 per cent increase into the US was offset by a 4 per cent decline in sales to other export markets. The strong growth in shipments to the Far East reflected an increase in pig numbers processed at our two primary processing facilities and growth in the number of products being supplied.

Fresh pork revenues grew by 3 per cent in the period with corresponding volumes up 10 per cent, driven by strong export growth, a buoyant wholesale market and the benefit of new, long-term retail contracts. The number of British pigs processed through the Group's two primary processing facilities increased by 9 per cent during the period. British pig meat accounts for over 80 per cent of total output with the balance being from meat procured in the EU. Market data for the 52 weeks to 9 October highlighted that UK retail fresh pork volumes fell 3 per cent year on year. Much of the reason for this decline can be attributed to lower promotional participation. We continue to work closely with our customers and the Agriculture and Horticulture Development Board (AHDB) to: rejuvenate the image of pork; differentiate pork from other red meat proteins; communicate the health benefits of pork; and highlight pork as an environmentally sustainable food. The next phase of redevelopment of our Norfolk facility was completed shortly after the half year end. The £6 million investment to replace the previous abattoir has increased capacity, improved efficiencies and will facilitate the site's push for USDA accreditation.

Sausage sales were 16 per cent higher with volumes ahead by 40 per cent. New contract wins with the Group's two largest retail customers for their "Butcher's Choice" ranges, which together delivered 350 tonnes of incremental volume, underpinned this robust category performance. Sausage production recommenced at our Norfolk facility during the period 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 with volumes up 24 per cent compared to the same period last year. New mixing and blending equipment has been successfully commissioned to support the next phase of growth and development of the facility. New product launches and increased volumes of festive garnish ranges will ensure the Lazenby's site has an extremely busy run in to Christmas. Over 40 million pigs in blankets are being produced this year – double last year's total.

Bacon sales were 4 per cent lower despite strong volume growth of 8 per cent as lower input prices were passed through to our customers. 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.

Cooked meat sales increased by 13 per cent, with volumes 17 per cent higher 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 second half of the year. The ongoing capital investment programme resulted in £13 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 on the go" and "barbecue" ranges which have been added to our portfolio of products following recent contract wins.

Sales of Crown fresh poultry grew by 8.3 per cent 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, is being integrated successfully and is forging strong links with our premium cooked poultry and pig farming operations.

Sales of premium cooked poultry grew by 13 per cent supported by a 22 per cent uplift in volumes. 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. Latest market data shows the UK cooked poultry category has grown at 4 per cent over the last 52 weeks, and that growth is accelerating.

Sales of continental products increased by 14 per cent with volumes up 18 per cent. 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 will be 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 the existing and new product ranges to be produced more efficiently.

Pastry sales were 1 per cent ahead of the prior year in revenue terms with volumes 4 per cent lower. Further improvements in operational performance at the site supported the modest sales growth in what is the quieter half of the year. New product lines continue to be launched, and these, together with a strong Christmas and seasonal promotional programme, leave the pastry business well placed to drive further volume growth moving into the second half of the financial year.

We have made excellent commercial and strategic progress during the period against the backdrop of turbulent economic conditions and a challenging retail environment.

Cranswick is committed to delivering everyday great food experiences to the UK consumer. This commitment is underpinned by a constant focus on quality, value and a drive to innovate and bring new and exciting products to market. The ongoing growth and development of the Group is a testament to the continued efforts of the highly skilled and committed people across the business.

Adam Couch
Chief Executive

29 November 2016

Financial review

The Group is presenting its interim financial information for the six months to 30 September 2016 with comparative information for the six months to 30 September 2015 and the year to 31 March 2016. Continuing operations exclude the results of The Sandwich Factory, which was sold to Greencore plc on 23 July 2016, for both the current and comparative periods.

Revenue

Reported revenue from continuing operations at £580.8 million was 15.9 per cent ahead of the same period last year, driven by double-digit volume growth across most product categories and revenues from Crown, acquired in April 2016. Underlying revenue from continuing operations, which excludes the contribution from Crown in the current period, was 8.0 per cent higher than the prior year, with corresponding volumes up 15.8 per cent as the benefit of lower input prices during the early part of the period were passed on to the Group's customers. Export sales to key Far East markets were particularly strong and increased by 83 per cent.

Adjusted Group operating profit

Adjusted Group operating profit of £38.2 million, including the contribution from Crown, increased by 23.6 per cent. Adjusted Group operating margin was 6.6 per cent of sales compared the 6.2 per cent reported in the same period last year with the improvement underpinned by strong sales volume growth, lower input costs in the first quarter, operating efficiency improvements and the positive contribution from Crown.

Finance costs

Net financing costs at £0.3 million were in line with the first half of the prior year, with lower bank base rates being offset by higher average borrowings.

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.

Adjusted profit before tax

Adjusted profit before tax was 23.9 per cent higher at £37.9 million (2015: £30.6 million).

Taxation

The tax charge as a percentage of profit before tax (including discontinued operations) was 20.4 per cent (2015: 22.5 per cent). The standard rate of corporation tax was 20 per cent (2015: 20 per cent). The charge for the period was higher than the standard rate of corporation tax due to the impact of disallowable expenses and the deferred tax charge in relation to the net IAS 41 valuation credit on biological assets offset by the benefit of the profit on disposal of the Sandwich Factory which is not expected to be chargeable to tax. The higher than standard rate charge in the prior year reflected the impact of disallowable expenses including the goodwill impairment charge.

Adjusted earnings per share

Adjusted earnings per share from continuing operations rose by 16.6 per cent to 58.3 pence (2015: 50.0 pence) in the six months to 30 September 2016. The average number of shares in issue was 50,024,000 (2015: 49,464,000).

Adjusted profit measures

The Group monitors performance principally through the adjusted profit measures which exclude certain non-cash items including the net IAS 41 valuation gain of £3.6 million on biological assets (2015: charge of £0.6 million), amortisation of acquired intangible assets of £1.0 million (2015: £0.7 million), profit on sale of a business of £4.5 million (2015: £nil) and in the prior year a goodwill impairment charge of £4.6 million. The statutory results from continuing operations, including these items, show a 38.4 per cent increase in profit before tax to £40.4 million (2015: £29.2 million), a 37.9 per cent increase in Group operating profit to £40.8 million (2015: £29.6 million) and a 30.8 per cent increase in earnings per share to 62.5 pence (2015: 47.8 pence).

Acquisition of Crown Chicken

On 8 April 2016, the Group acquired the whole of the issued share capital of CCL Holdings Limited ('Crown') and its 100 per cent owned subsidiary Crown Chicken Limited, a leading integrated poultry producer based in East Anglia, for a net cash consideration of £39.3 million. Further details of the transaction are set out in note 9. Crown is being successfully integrated into the Cranswick Group in line with plan and has made a positive contribution to the Group's results. Further details of the performance of the Crown business can be found in the Operating review.

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 £16.0 million, which includes £1.0 million of contingent consideration. Further details of the transaction are set out in note 6. The after-tax results of the sandwich business for both the current and comparative periods, including profit on disposal of £4.5 million in the current year and impairment of goodwill of £4.6 million in the prior year, are included in a single line item 'Profit from discontinued operations' at the foot of the income statement.

Cash flow and net debt

The net cash inflow from operating activities in the period was £38.4 million (2015: £35.5 million) reflecting higher Group operating profit offset by a working capital outflow of £7.6 million (2015: inflow of £0.9 million). Net debt increased by £20.7 million in the six-month period to £2.9 million including the £24.8 million net spend on corporate transactions and the net £24.3 million invested in the Group's asset base. The period end balance was however £2.0 million lower than at the previous half year end. Net debt was just 0.7 per cent of Shareholders' funds (2015: 1.4 per cent) 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 2016 was £8.2 million which compared to £4.4 million at 31 March 2016, with the movement reflecting significantly lower bond yields. Cash contributions to the scheme during the period, as part of the programme to reduce the deficit, were £0.7 million. The present value of funded obligations was £34.4 million and the fair value of plan assets was £26.2 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 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 which are set out in detail on pages 30 to 33 of the Report & Accounts for the year ended 31 March 2016 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 pig herd / poultry flock
- Food scares and product contamination
- Cyber security

UK referendum on EU membership

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

Events after the balance sheet date

On 16 November 2016, the Group acquired the whole of the issued share capital of Dunbia Ballymena, a leading pork processing business in Northern Ireland. Further details of the transaction are set out in note 13.

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.

Mark Bottomley
Finance Director

29 November 2016

Cranswick plc: Group income statement (unaudited)

for the six months ended 30 September 2016

	<i>Notes</i>	Half year		Year to 31
		2016 £'000	2015 £'000	March 2016 £'000
Revenue		580,780	501,046	1,016,314
Adjusted Group operating profit		38,183	30,897	65,056
Net IAS 41 valuation movement on biological assets		3,569	(637)	(951)
Amortisation of customer relationship intangible assets		(992)	(698)	(1,396)
Group operating profit	4	40,760	29,562	62,709
Finance revenue		-	-	1
Finance costs		(324)	(344)	(640)
Profit before tax		40,436	29,218	62,070
Taxation	5	(9,154)	(5,558)	(13,022)
Profit for the period from continuing operations		31,282	23,660	49,048
Discontinued operations:				
Profit for the period from discontinued operations	6	4,836	(3,884)	(3,653)
Profit for the period		36,118	19,776	45,395
Earnings per share (pence)				
On profit for the period from continuing operations:				
Basic		62.5	47.8	98.9
Diluted		62.2	47.6	98.5
On adjusted profit for the period from continuing operations:				
Basic		58.3	50.0	102.8
Diluted		58.0	49.8	102.4
On profit for the period:				
Basic		72.2	40.0	91.5
Diluted		71.8	39.8	91.2
On adjusted profit for the period:				
Basic		58.9	51.5	104.7
Diluted		58.5	51.3	104.3

Cranswick plc: Group statement of comprehensive income (unaudited)

for the six months ended 30 September 2016

	Half year		Year to
<i>Notes</i>	2016	2015	31 March
	£'000	£'000	2016
			£'000
Profit for the period	36,118	19,776	45,395
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Cash flow hedges			
(Losses)/profits arising in the period	<i>10</i> (531)	(169)	61
Reclassification adjustments for losses included in the income statement	(61)	210	210
Income tax effect	101	(8)	(52)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(491)	33	219
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial (losses)/gains on defined benefit pension scheme	(4,376)	44	14
Income tax effect	700	(9)	(3)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	(3,676)	35	11
Other comprehensive income, net of tax	(4,167)	68	230
Total comprehensive income, net of tax	31,951	19,844	45,625

Cranswick plc: Group balance sheet (unaudited)

at 30 September 2016

	Notes	Half year		As at
		2016	2015	31 March
		£'000	£'000	2016 £'000
Non-current assets				
Intangible assets		147,593	140,372	139,674
Property, plant and equipment		204,375	168,751	178,477
Biological assets		800	526	537
Total non-current assets		352,768	309,649	318,688
Current assets				
Biological assets		17,521	13,074	10,530
Inventories		57,241	50,616	46,163
Trade and other receivables		140,489	120,757	116,799
Financial assets		-	-	61
Cash and short-term deposits	11	8,358	14,623	17,817
Total current assets		223,609	199,070	191,370
Total assets		576,377	508,719	510,058
Current liabilities				
Trade and other payables		(144,341)	(123,962)	(121,764)
Financial liabilities		(4,680)	(169)	-
Provisions		(60)	(60)	(60)
Income tax payable		(8,207)	(4,848)	(6,507)
Total current liabilities		(157,288)	(129,039)	(128,331)
Non-current liabilities				
Other payables		(1,405)	(1,443)	(1,340)
Financial liabilities		(11,810)	(23,657)	(4,687)
Deferred tax liabilities		(3,476)	(3,837)	(1,781)
Provisions		(1,206)	(1,395)	(1,467)
Defined benefit pension scheme deficit		(8,214)	(5,004)	(4,449)
Total non-current liabilities		(26,111)	(35,336)	(13,724)
Total liabilities		(183,399)	(164,375)	(142,055)
Net assets		392,978	344,344	368,003
Equity				
Called-up share capital		5,031	4,971	4,984
Share premium account		72,573	67,660	69,014
Share-based payments		14,872	11,415	13,033
Hedging reserve		(441)	(136)	50
Retained earnings		300,943	260,434	280,922
Equity attributable to owners of the parent		392,978	344,344	368,003

Cranswick plc: Group statement of cash flows (unaudited)

for the six months ended 30 September 2016

	Notes	Half year		Year to
		2016	2015	31 March
		£'000	£'000	2016
				£'000
Operating activities				
Profit for the period		36,118	19,776	45,395
Adjustments to reconcile Group profit for the period to net cash inflows from operating activities:				
Income tax expense		9,228	5,752	13,276
Net finance costs		289	301	536
Gain on sale of property, plant and equipment		(134)	(113)	(76)
Depreciation of property, plant and equipment		13,315	9,435	21,224
Amortisation of intangibles		992	698	1,396
Impairment of goodwill		-	4,635	4,635
Profit on disposal of business		(4,539)	-	-
Share-based payments		1,839	1,173	2,791
Difference between pension contributions paid and amounts recognised in the income statement		(611)	(575)	(1,160)
Release of government grants		(108)	(56)	(128)
Net IAS 41 valuation movement on biological assets		(3,569)	637	951
Decrease/(increase) in biological assets		1,120	(2,448)	(229)
(Increase)/decrease in inventories		(10,235)	(1,491)	2,962
(Increase)/decrease in trade and other receivables		(22,307)	(3,669)	841
Increase in trade and other payables		23,805	8,486	5,382
Cash generated from operations		45,203	42,541	97,796
Tax paid		(6,846)	(7,045)	(13,962)
Net cash from operating activities		38,357	35,496	83,834
Cash flows from investing activities				
Interest received		-	-	1
Acquisition of subsidiary, net of cash acquired	9	(39,328)	-	-
Purchase of property, plant and equipment		(24,468)	(13,392)	(34,295)
Receipt of government grants		-	228	229
Proceeds from sale of property, plant and equipment		198	193	538
Proceeds from sale of discontinued operations		14,528	-	-
Net cash used in investing activities		(49,070)	(12,971)	(33,527)
Cash flows from financing activities				
Interest paid		(220)	(255)	(444)
Proceeds from issue of share capital		103	63	606
Proceeds from borrowings	11	11,000	-	-
Repayment of borrowings		-	(2,000)	(22,000)
Dividends paid		(9,484)	(9,651)	(14,593)
Repayment of capital element of finance leases		(145)	-	-
Net cash from/(used in) financing activities		1,254	(11,843)	(36,431)
Net (decrease)/increase in cash and cash equivalents	11	(9,459)	10,682	13,876
Cash and cash equivalents at beginning of period	11	17,817	3,941	3,941
Cash and cash equivalents at end of period	11	8,358	14,623	17,817

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

for the six months ended 30 September 2016

	Share capital	Share premium	Share- based payments	Hedging reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	4,984	69,014	13,033	50	280,922	368,003
Profit for the period	-	-	-	-	36,118	36,118
Other comprehensive income	-	-	-	(491)	(3,676)	(4,167)
Total comprehensive income	-	-	-	(491)	32,442	31,951
Share-based payments	-	-	1,839	-	-	1,839
Scrip dividend	16	3,487	-	-	-	3,503
Share options exercised	31	72	-	-	-	103
Dividends	-	-	-	-	(12,987)	(12,987)
Deferred tax relating to changes in equity	-	-	-	-	(272)	(272)
Corporation tax relating to changes in equity	-	-	-	-	838	838
At 30 September 2016	5,031	72,573	14,872	(441)	300,943	392,978
At 1 April 2015	4,926	65,689	10,242	(169)	251,685	332,373
Profit for the period	-	-	-	-	19,776	19,776
Other comprehensive income	-	-	-	33	35	68
Total comprehensive income	-	-	-	33	19,811	19,844
Share-based payments	-	-	1,206	-	-	1,206
Scrip dividend	12	1,941	-	-	-	1,953
Share options exercised	33	30	(33)	-	-	30
Dividends	-	-	-	-	(11,604)	(11,604)
Deferred tax relating to changes in equity	-	-	-	-	(161)	(161)
Corporation tax relating to changes in equity	-	-	-	-	703	703
At 30 September 2015	4,971	67,660	11,415	(136)	260,434	344,344
At 1 April 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	42	564	-	-	-	606
Dividends	-	-	-	-	(17,370)	(17,370)
Deferred tax relating to changes in equity	-	-	-	-	343	343
Corporation tax relating to changes in equity	-	-	-	-	858	858
At 31 March 2016	4,984	69,014	13,033	50	280,922	368,003

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 2016, and their respective responsibilities, can be found on pages 46 and 47 of the 2016 Annual Report & Accounts.

On behalf of the Board

Martin Davey
Chairman

Mark Bottomley
Finance Director

29 November 2016

Notes to the interim accounts

1. Basis of preparation

This interim report was approved by the Directors on 29 November 2016 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 2016 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 Ernst & Young 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".

The comparative information has been restated in accordance with IFRS 5 to reflect operations classified as discontinued during the period.

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 2016.

Non-GAAP measures – Adjusted Group operating profit, adjusted profit before tax and adjusted earnings per share

Adjusted Group operating profit, adjusted profit before tax and adjusted earnings per share are defined as being before net IAS 41 valuation movement on biological assets, profit for the period from discontinued operations, and other significant non-trading items (being amortisation of acquired customer relationship intangibles). These additional non-GAAP measures of performance are included as the Directors believe that they provide a useful alternative measure for Shareholders of the trading performance of the Group. The reconciliation between Group operating profit and adjusted Group operating profit is shown on the face of the Group income statement.

A reconciliation to relevant GAAP measures is given below:

Underlying revenue

	Half year		Year to
	2016	2015	31 March
	£'000	£'000	2016
			£'000
Revenue	580,780	501,046	1,016,314
Crown Chicken	39,613	-	-
Underlying revenue	541,167	501,046	1,016,314

Adjusted profit before tax

	Half year		Year to
	2016	2015	31 March
	£'000	£'000	2016
			£'000
Profit before tax	40,436	29,218	62,070
Net IAS 41 valuation movement on biological assets	(3,569)	637	951
Amortisation of customer relationship intangible assets	992	698	1,396
Adjusted profit before tax	37,859	30,553	64,417

A reconciliation of adjusted earnings per share is provided in note 7.

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

International Accounting Standards (IAS / IFRSs)
Annual Improvements to IFRSs 2012–2014 Cycle

Effective date
1 January 2016

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.

3. Segmental analysis

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

The CODM assesses profit performance using adjusted profit before taxation measured on a basis consistent with the disclosure in the Group accounts.

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

Additions to property, plant and equipment during the period totalled £24.5 million (2015: £12.2 million). Future capital expenditure under contract at 30 September 2016 was £10.4 million (2015: £4.3 million).

4. Group operating profit

Group operating costs comprise:

	Half year		Year to 31 March
	2016	2015	2016
	£'000	£'000	£'000
Cost of sales excluding net IAS 41 valuation movement on biological assets	503,061	434,374	879,696
Net IAS 41 valuation movement on biological assets*	(3,569)	637	951
Cost of sales	499,492	435,011	880,647
Gross profit	81,288	66,035	135,667
Selling and distribution costs	22,830	19,806	39,511
Administrative expenses excluding amortisation of customer relationship intangible assets	16,706	15,969	32,051
Amortisation of customer relationship intangible assets	992	698	1,396
Administrative expenses	17,698	16,667	33,447
Total operating costs	540,020	471,484	953,605

* 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 (including discontinued operations) was £9.2 million (2015: £5.8 million) and represents an effective rate of 20.4 per cent (2015: 22.5 per cent). The charge for the period was higher than the standard rate of corporation tax due to the impact of disallowable expenses and the deferred tax charge in relation to the net IAS 41 valuation credit on biological assets offset by the benefit of the profit on disposal of the Sandwich Factory which is not expected to be chargeable to tax.

A reduction to the standard rate of corporation tax in the UK from 20 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 disposed of its shareholding in The Sandwich Factory Holdings Limited ('The Sandwich Factory'). The disposal 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:

	Period ended 23 July 2016 £'000	Half year to 30 September 2015 £'000	Year to 31 March 2016 £'000
Result of discontinued operations			
Revenue	18,761	28,102	53,290
Expenses	(18,425)	(27,200)	(52,157)
Impairment of goodwill	-	(4,635)	(4,635)
Operating profit	336	(3,733)	(3,502)
Finance income	35	43	103
Profit before tax	371	(3,690)	(3,399)
Income tax expense on ordinary activities of the discontinued operation	(74)	(194)	(254)
Profit on disposal of business	4,539	-	-
Profit after tax	4,836	(3,884)	(3,653)

Earnings per share from discontinued operations

Basic earnings per share	9.7	(7.8)	(7.4)
Diluted earnings per share	9.6	(7.8)	(7.3)

Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations:

Operating activities	(1,208)	1,393	559
Investing activities	(386)	(426)	(722)
Financing activities	35	43	103
Net cash from discontinued operations	(1,559)	1,010	(60)

A profit on disposal of £4.5 million arose on the sale of The Sandwich Factory, being the difference between net proceeds of £16.0 million, which includes £1.0 million of contingent consideration, and the carrying value of net assets plus attributable goodwill of £11.5 million.

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 50,024,322 (31 March 2016: 49,600,431, 30 September 2015: 49,464,032). The calculation of diluted earnings per share is based on 50,287,229 shares (31 March 2016: 49,791,856, 30 September 2015: 49,666,112).

Adjusted earnings per share

The Directors consider it appropriate to present an adjusted measure of earnings per share on the face of the income statement which excludes certain non-cash items to provide a more meaningful measure of the underlying performance of the business. These items include the amortisation of customer relationship intangible assets, profit on disposal of business, impairment of goodwill, and gains and losses from the IAS 41 valuation movement on biological assets due to the volatility of pig prices.

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

Adjusted profit for the period and adjusted profit for the period from continuing operations are derived as follows:

	Half year		Year to
	2016	2015	31 March
	£'000	£'000	2016
			£'000
Profit for the period	36,118	19,776	45,395
Net IAS 41 valuation movement on biological assets	(3,569)	637	951
Tax on net IAS 41 valuation movement on biological assets	607	(127)	(171)
Amortisation of customer relationship intangible assets	992	698	1,396
Tax on amortisation of customer relationship intangible assets	(169)	(140)	(251)
Impairment of goodwill	-	4,635	4,635
Profit on disposal of business	(4,539)	-	-
Adjusted profit for the period	29,440	25,479	51,955
Profit from discontinued operations	(297)	(751)	(982)
Adjusted profit for the period from continuing operations	29,143	24,728	50,973

8. Dividends – half year ended 30 September

	Half year		Year to
	2016	2015	31 March
	£'000	£'000	2016
			£'000
Interim dividend for year ended 31 March 2016 of 11.6p per share	-	-	5,766
Final dividend for year ended 31 March 2016 of 25.9p (2015: 23.4p) per share	12,987	11,604	11,604
	12,987	11,604	17,370

The interim dividend for the year ending 31 March 2017 of 13.1 pence per share was approved by the Board on 29 November 2016 for payment to Shareholders on 27 January 2017 and therefore has not been included as a liability as at 30 September 2016.

9. Acquisitions

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 £39.3 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:

	Provisional 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	9,900
Bank and cash balances	3,946
Trade and other payables	(7,900)
Corporation tax liability	(584)
Deferred tax liability	(1,767)
Finance lease obligations	(370)
	30,334
Goodwill arising on acquisition	12,940
Total consideration	43,274
Satisfied by:	
Cash	43,274
Net cash outflow arising on acquisition:	
Cash consideration paid	43,274
Cash and cash equivalents acquired	(3,946)
	39,328

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 £12,940,000 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.

From the date of acquisition to 30 September 2016, the external revenues of Crown were £39.6 million and the business contributed a net profit after tax of £2.7 million to the Group. There is no material difference between the revenue and profit contributed to the Group had the acquisition taken place at the beginning of the financial period and those presented.

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 74 of the Report & Accounts for the year ended 31 March 2016.

Fair value of financial instruments

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

	Half year				Year to	
	2016		2015		31 March 2016	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Forward currency contracts	(531)	(531)	(169)	(169)	61	61

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.

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.

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.

The Group's 3.3 per cent retained shareholding in the aquatics business Tropical Marine Centre (2012) Limited would have been classified as Level 3; however as the investment is an unquoted entity and cannot be reliably measured the Directors consider that its value is immaterial and no fair value has been applied.

11. Analysis of Group net funds/(debt)

	At 31 March 2016 £'000	Cash flow £'000	Non-cash movements £'000	At 30 September 2016 £'000
Cash and cash equivalents	17,817	(9,459)	-	8,358
Revolving credit	-	(11,000)	-	(11,000)
Finance leases and hire purchase contracts	-	145	(370)	(225)
Net funds/(debt)	17,817	(20,314)	(370)	(2,867)

Net funds/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. Events after the balance sheet date

Acquisitions

On 16 November 2016, the Group acquired 100 per cent of the issued share capital of Dunbia Ballymena for an initial cash consideration of £16.9 million with further contingent consideration of up to £1.25 million. The principal activity of Dunbia Ballymena is primary pork processing. The acquisition enhances Cranswick's pig processing capability and establishes a significant presence in Northern Ireland. The fair values on acquisition are still being assessed due to the recentness of the transaction and will be finalised within twelve months of the acquisition date. Transaction costs of £0.3 million will be expensed within administrative expenses.

Bank facility

On 17 November 2016, the Group refinanced its banking facility, taking out a new agreement with Lloyds Bank plc, National Westminster Bank plc, HSBC Bank plc and Santander UK plc, with Lloyds Bank plc acting as agents.

The new facility which runs to November 2021 with the potential to extend for a further 2 years, comprises a revolving credit facility of £160 million, including a committed overdraft facility of £20 million.

INDEPENDENT REVIEW REPORT TO CRANSWICK PLC

Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2016 which comprises the Group income statement, Group statement of comprehensive income, Group balance sheet, Group statement of cash flows, Group statement of changes in equity and the related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of Review

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 Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

Hull

29 November 2016