

## **CRANSWICK plc: INTERIM RESULTS**

### Continuing to invest for future growth

**27 November 2018**

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 2018.

#### **Strategic developments:**

- Record H1 capital expenditure of £41m to provide the platform for future growth
- Construction of new, world-class, £60m primary poultry processing facility in Eye, Suffolk underway
- New £27m Continental Foods facility in Bury, Lancashire fully commissioned
- Substantial investment in upstream agricultural operations in both pork and poultry to ensure supply chain integrity and sustainability

#### **Financial highlights<sup>1</sup>:**

- Revenue of £719.2m (2017: £714.6m)
- Adjusted Group operating margin<sup>1</sup> at 6.2% (2017: 6.2%)
- Adjusted profit before tax<sup>1</sup> of £44.8m (2017: £44.4m)
- Adjusted earnings per share<sup>1</sup> of 70.0p (2017: 70.0p)
- Dividend per share increased by 5.3% to 15.9p (2017: 15.1p)
- Net funds at £2.2m (2017: net debt of £16.7m)
  
- Statutory profit before tax down 4.3% to £42.6m (2017: £44.5m)
- Statutory earnings per share 5.4% lower at 66.4p (2017: 70.2p)

#### **Adam Couch, Cranswick’s Chief Executive Officer commented:**

“The first half performance was in line with our expectations. They were achieved despite more uncertain domestic market conditions and softer pricing in key export markets.

“The Group’s capital investment programme remains firmly on track. During the period we spent a record £41 million across our already well invested asset base as we build a platform for future growth.

“Our new £27 million Continental Products facility in Bury, Lancashire was commissioned during the period. We have also invested heavily in the Group’s agricultural operations and construction of a £60 million class-leading, primary poultry processing facility in Eye, Suffolk, which is due for completion towards the end of the next financial year, is now well underway.

“The Board is confident that continued focus on the strengths of the Company, which include its long-standing customer relationships, breadth and quality of products, developing export channels and asset infrastructure, will support the delivery of its expectations for the current year and its further successful development over the longer term.”

<sup>1</sup> ‘Adjusted’ 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 12

Enquiries:

**Cranswick plc**

Mark Bottomley, Finance Director

01482 372 000

**Powerscourt**

Nick Dibden / Lisa Kavanagh

020 7250 1446

**Note to Editors:**

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

Cranswick was formed in the early 1970s by farmers in East Yorkshire to produce animal feed and has since evolved into a business focused on the supply of food products to the UK food retail and food service sectors. Well known for the production of gourmet sausages, the Company is involved in the breeding and rearing of premium British pigs and also supplies fresh pork, fresh chicken, cooked meats, premium cooked poultry, air-dried bacon and gammon, continental products and pastry products. Products are sold primarily under retailers' own labels including Sainsbury's 'Taste The Difference' and Tesco 'Finest'.

Sales from continuing operations in the year to March 2018 were £1,465 million and have grown more than 140 per cent over ten years.

Cranswick recognises that farm animal welfare matters to our customers and is a focal point of our business. We are committed to the highest welfare standards on our farms and the ongoing quality of our products. Our commitment was recognised by us retaining our Tier 1 ranking in the 2017 global Business Benchmark on Farm Animal Welfare (BBFAW) report. Cranswick was one of only five companies globally to have achieved the highest Tier 1 level. The BBFAW is supported by leading animal welfare organisations; Compassion in World Farming and World Animal Protection.

Our Group sustainability strategy, Second Nature, seeks to address key issues across the life cycle of our products by integrating sustainability as second nature to what we do, how we work and why we do it. As part of our commitment to Second Nature we have made a number of major environmental and community pledges.

For more information go to: [www.cranswick.plc.uk](http://www.cranswick.plc.uk)

## Summary

The first half year performance by the business was in line with our expectations. Challenges in the period included reduced prices in certain key wholesale and export markets and the relocation of the Continental Products business to new premises.

Investment across the Group continues, increasing capacity and enhancing operating efficiencies. Construction of the new fresh poultry facility has commenced and is due for commissioning towards the end of the next financial year.

### Results

Total revenue in the period was a record £719.2 million, 0.6 per cent higher than in the corresponding period a year ago and featured a significant increase in sales of poultry products.

Adjusted profit before tax for the period was 0.9 per cent higher at £44.8 million compared to £44.4 million in the corresponding period last year.

Adjusted earnings per share on the same basis at 70.0 pence was in line with the equivalent period last year.

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

### Cash flow and financial position

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

### Dividend

The interim dividend is being increased by 5.3 per cent to 15.9 pence per share from 15.1 pence previously. The dividend will be paid on 25 January 2019 to Shareholders on the register at the close of business on 7 December 2018. Shareholders will again have the option to receive the dividend by way of a scrip issue.

### Board

As previously reported Steven Esom, having served as a Non-Executive Director for 9 years, has retired from the Board in accordance with the principles of good corporate governance. The Board would like to thank Steven for his encouragement, guidance and support over this period. Mark Reckitt has taken on the role of Senior Independent Director following Steven's retirement.

### Colleagues

The Board recognises that the Company's success would not be possible without talented and motivated management teams supported by skilled and enthusiastic colleagues at each site. We thank all our colleagues for their commitment and contribution.

### Outlook

The Board is confident that continued focus on the strengths of the Company, which include its long-standing customer relationships, breadth and quality of products, developing export channels and asset infrastructure, will support the delivery of its expectations for the current year and its further successful development over the longer term. Along the way there will inevitably be challenges to be confronted and overcome, not least of which is the uncertainty created by the ongoing Brexit discussions. The sooner there is finalisation and clarity on this then the better for all.

# Operating review

## Revenue and adjusted operating profit

	H1 18	H1 17	Change
Revenue	£719.2m	£714.6m	+0.6%
Adjusted Group operating profit*	£44.9m	£44.6m	+0.7%
Adjusted Group operating margin*	6.2%	6.2%	-

\* Adjusted 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 12

### Revenue

Reported revenue increased by 0.6 per cent to £719.2 million, with corresponding volumes ahead by 1.1 per cent.

Strong revenue growth from poultry, sausages and continental products offset lower year-on-year revenue in other pork related categories. Total export revenue was 2.6 per cent lower than the corresponding period last year reflecting softer pricing in our Far Eastern markets, albeit volumes shipped to the Far East were ahead 12.4 per cent.

### Adjusted Group operating profit

Adjusted Group operating profit increased by 0.7 per cent to £44.9 million in line with the increase in revenue. Adjusted Group operating margin at 6.2 per cent was in line with the same period last year.

## Category review

### Fresh Pork

Total Fresh Pork revenue fell by 5.5 per cent reflecting lower wholesale and export demand, with slightly fewer pigs processed as a direct consequence. However, retail sales increased by 4.7 per cent, underpinned by strong volume growth, as the World Cup and summer weather combined to deliver a strong barbecue season as well as good growth in added value convenience ranges launched with our key customers. This growth was offset by lower sales of roasting joints and other more traditional products. Overall our retail sales growth was still comfortably ahead of the wider Fresh Pork retail market performance.

We invested £7 million across the three pork primary processing facilities during the period, including spend on phase 1 of the extension to the Hull facility which is nearing completion and will further increase capacity and improve operational efficiencies.

Total export revenue reduced by 2.6 per cent reflecting lower overall volumes. Export volumes to our key Far Eastern markets were however 12.4 per cent ahead of the same period last year, driven by approval for direct export to China from our Ballymena site, and for additional product lines from our Hull processing facility, secured in the second half of the prior year. Volume gains in these markets were, however, offset by softer pricing.

The recent outbreak of African Swine Fever (ASF) in China, which was first detected in August 2018 and is now reported as being present in all but four provinces, is disrupting local pork markets and industry. ASF was also detected in the feral pig population in Belgium in mid-September. The region has been quarantined and intensive effort to eradicate ASF sources have so far been successful. We remain on full alert with heightened biosecurity protocols in place.

During the period we invested over £6 million in our farming infrastructure to increase breeding and finishing capacity and a further £2 million in a joint venture with one of our key commercial pig producers to increase our capability in this sector.

The average UK pig price (EU-spec SPP) for the six-month period to 30 September 2018 was 8 per cent lower year-on-year. The UK pig price ended the period 1 per cent higher than at the start of the period, after rising steadily through to the end of July before falling back. The EU reference pig price was unchanged between the start and end of the period, with the average price during the period down 15 per cent year-on-year.

## **Convenience**

Convenience revenue increased by 0.6 per cent reflecting strong growth in Continental Products offset by lower Cooked Meats sales.

Cooked Meats sales were lower than the same period last year due to lower pricing and reduced promotional activity. The premium tier continues to outperform the wider category and is now responsible for all retail market growth. We continue to develop our “Sous Vide” and “Slow Cook” ranges and, looking forward, we anticipate further growth and penetration in this sector. A further £11 million of capital investment was made across the three Cooked Meats facilities during the period on cooking, cooling and slicing equipment to add capacity and improve efficiencies.

Continental Products revenue grew strongly, with the new facility providing additional capacity for new olive business won in the period and increased sales of pre-pack corned beef. Demand for summer eating ranges drove a 10 per cent year-on-year increase in the overall market for olives and continental meats, with the Continental business outperforming the wider UK retail market. The new facility in Bury, which increases our capacity by approximately 70 per cent, was commissioned in May, as planned, with capital expenditure of £3 million during the period to complete the £27 million project. Although commissioning costs were higher than anticipated and expected efficiency improvements were not delivered immediately, the business is now making good progress towards achieving planned returns and revenue growth is ahead of expectations.

## **Gourmet Products**

Gourmet Products revenue increased by 0.1 per cent compared to the same period last year with moderate volume growth offset by lower prices. Strong Sausage sales growth, which was well ahead of the market, was offset by lower sales of bacon and pastry products.

Sausage sales growth reflected a strong promotional pipeline and the extended summer barbecue season. We secured additional business with our discount retail customers as they expand their premium ranges and we also secured a long-term supply agreement with our largest food service customer.

Lower bacon volumes in the period reflected reduced levels of promotional activity from one of our key retail customers as well as the delisting of another customer from April 2018. As we move towards peak seasonal trading, promotional activity and sales volumes have increased, with Christmas gammon sales expected to boost revenue.

Pastry sales were lower than the same period last year reflecting a range review by the anchor customer for this category. However, recent new listings with two of the business’ forecourt operators highlight the potential for our Pastry business to participate in the growing “food-to-go” market. A full Christmas order book and new product listings with the anchor customer from November will provide strong momentum for the Pastry business through the second half of the year.

## **Poultry**

Poultry revenue increased by 19.3 per cent compared to the same period last year. The “Ready to Eat” chicken category continues to grow ahead of the wider UK meat protein sector and Fresh Chicken also continues to outperform, with market volumes ahead by 6.1 and 3.1 per cent respectively over the last year.

Our Fresh Chicken business operated at full capacity during the period, processing an average 500,000 birds per week. The business was affected during the exceptionally warm summer by reduced bird growth and increased mortality. Also, higher soft commodity prices increased feed costs and wholesale chicken prices were lower year-on-year. The £60 million investment in a new poultry processing facility in Eye, Suffolk, which was announced this time last year is progressing to plan. Capital expenditure of £12 million in the period included £11 million on the project, with the steelwork frame now under construction. The factory, which will be capable of processing 1.2 million birds per week, will be operational towards the end of the next financial year. The facility will be the first of its kind to be constructed in the UK for almost 30 years and will, when fully commissioned, be the most technologically advanced and efficient facility in the UK industry. We have also committed to further substantial investment in our upstream agricultural operations to ensure that we have a sustainable supply chain to serve the new processing facility.

Sales of premium Cooked Poultry grew strongly reflecting the full period benefit of business wins with two of the Group’s principal retail customers in the prior year and the launch of new lateral sliced products with one of those customers during the period.

## Finance review

The Group is presenting its interim financial information for the six months to 30 September 2018 with comparative information for the six months to 30 September 2017 and the year to 31 March 2018.

### Revenue

Revenue at £719.2 million was 0.6 per cent ahead of the same period last year.

### Adjusted Group operating profit

Adjusted Group operating profit of £44.9 million, increased by 0.7 per cent. Adjusted Group operating margin was 6.2 per cent of sales in line with that reported in the same period last year.

### Finance costs

Net financing costs at £0.1 million were £0.1 million lower than the first half of the prior year, with lower average borrowings offsetting the increase in base rates.

The Group's banking facility is unsecured and runs to November 2022 with the option to extend by a further year and comprises a revolving credit facility of £160 million, including a committed overdraft of £20 million. It also includes the option to access a further £40 million on the same terms at any point during the term of the agreement. The facility provides the business with generous headroom for the future.

### Adjusted profit before tax

Adjusted profit before tax was 0.9 per cent higher at £44.8 million (2017: £44.4 million).

### Taxation

The tax charge as a percentage of profit before tax was 20.2 per cent (2017: 20.1 per cent). The standard rate of corporation tax was 19 per cent (2017: 19 per cent). The charge for the period was higher than the standard rate of corporation tax due to the impact of disallowed expenses, largely relating to non-qualifying depreciation, as in the same period last year.

### Adjusted earnings per share

Adjusted earnings per share for the six months to 30 September 2018 of 70.0 pence were in line with the corresponding period in the prior year. The average number of shares in issue was 51,188,000 (2017: 50,618,000).

### Statutory profit measures

Statutory profit before tax fell by 4.3 per cent to £42.6 million (2017: £44.5 million), statutory Group operating profit was 4.5 per cent lower at £42.7 million (2017: £44.7 million) and statutory earnings per share were down 5.4 per cent at 66.4 pence (2017: 70.2 pence). Full reconciliations of these results to the adjusted measures can be found in Note 12.

### Cash flow and net debt

Cash generated from operations in the period was £48.7 million (2017: £46.6 million), reflecting higher adjusted Group operating profit offset by a working capital outflow of £11.2 million (2017: £15.9 million). Net funds decreased by £18.4 million in the six-month period to £2.2 million including the net £40.1 million invested in the Group's asset base and £14.4 million of dividends paid. Full year capital expenditure guidance of £80 million is maintained. 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 2018 was £7.2 million which compared to £8.1 million at 31 March 2018. Cash contributions to the scheme during the period, as part of the programme to reduce the deficit, were £0.9 million. The present value of funded obligations was £36.3 million, and the fair value of plan assets was £29.1 million.

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

Since the period end, the High Court has ruled on the case of Lloyds Banking Group Pensions Trustees Ltd v Lloyds Bank plc and others. The ruling that Lloyds Bank Group must amend its three defined benefit pension schemes in order to equalise Guaranteed Minimum Pensions (GMPs) between males and females will impact how companies account for pension schemes under IAS 19. The ruling has no impact on the Group's reported pension liability, as the liability reported under IFRIC 14 is significantly higher than the underlying IAS 19 scheme deficit. Any impact arising from this ruling on the Group's underlying IAS 19 deficit will be disclosed in the Group's results for year ending 31 March 2019.

### **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 2018, dated 22 May 2018, a copy of which is available on the Group's website at [www.cranswick.plc.uk](http://www.cranswick.plc.uk). The principal risks and uncertainties which are set out in detail on pages 44 and 45 of the Report & Accounts for the year ended 31 March 2018 are:

#### Strategic risks

- Competitor activity
- Growth & change

#### Commercial risks

- Consumer demand
- Reliance on key customers & exports
- Pig meat – availability & price

#### Financial risks

- Interest rate, currency, liquidity & credit risk

#### Operational risks

- Disruption to Group operations
- Recruitment & retention of workforce
- Health & safety
- Disease & infection within livestock
- Food scares & product contamination
- IT systems & cyber security

### **UK referendum on EU membership**

The continued uncertainty over the nature of the UK's exit from the EU drives volatility in currency markets and uncertainty within the European labour market. The Group therefore continues to monitor and manage its business risks in these areas with the key issues facing the Group being; access to and cost of labour, the potential for import tariffs on EU pork and continental food products and the valuation of Sterling versus the Euro and other world currencies. As final negotiations continue the Board will monitor outcomes, assess the impact on all of its stakeholders and implement appropriate responses.

### **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.

## Cranswick plc: Group income statement (unaudited)

for the six months ended 30 September 2018

	Notes	Half year		Year to
		2018	2017	31 March 2018 (Audited)
		£'m	£'m	£'m
<b>Revenue</b>		<b>719.2</b>	714.6	1,464.5
<b>Adjusted Group operating profit</b>		<b>44.9</b>	44.6	92.8
Net IAS 41 valuation movement on biological assets		<b>(1.1)</b>	1.2	(2.2)
Amortisation of customer relationship intangible assets		<b>(1.1)</b>	(1.1)	(2.2)
<b>Group operating profit</b>	4	<b>42.7</b>	44.7	88.4
Finance costs		<b>(0.1)</b>	(0.2)	(0.4)
Share of result from Joint Venture		-	-	-
<b>Profit before tax</b>		<b>42.6</b>	44.5	88.0
Taxation	5	<b>(8.6)</b>	(8.9)	(18.0)
<b>Profit for the period</b>		<b>34.0</b>	35.6	70.0

### Earnings per share (pence)

On profit for the period:

Basic	<b>66.4</b>	70.2	137.8
Diluted	<b>66.1</b>	69.8	137.1

On adjusted profit for the period:

Basic	<b>70.0</b>	70.0	145.0
Diluted	<b>69.7</b>	69.6	144.3



## Cranswick plc: Group statement of comprehensive income (unaudited)

for the six months ended 30 September 2018

	Notes	Half year		Year to
		2018	2017	31 March
		£'m	£'m	2018 (Audited) £'m
<b>Profit for the period</b>		<b>34.0</b>	35.6	70.0
<b>Other comprehensive income</b>				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Cash flow hedges				
Profits/(losses) arising in the period	8	0.3	(0.1)	0.1
Reclassification adjustments for gains included in the income statement		(0.3)	(0.2)	(0.3)
Income tax effect		-	-	-
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		-	(0.3)	(0.2)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Actuarial losses on defined benefit pension scheme		-	(0.2)	(0.2)
Income tax effect		-	-	0.1
<b>Net other comprehensive income not being reclassified to profit or loss in subsequent periods</b>		-	(0.2)	(0.1)
<b>Other comprehensive income, net of tax</b>		-	(0.5)	(0.3)
<b>Total comprehensive income, net of tax</b>		<b>34.0</b>	35.1	69.7

# Cranswick plc: Group balance sheet (unaudited)

at 30 September 2018

	Notes	Half year		As at
		2018	2017	31 March
		£'m	£'m	2018
				(Audited)
				£'m
<b>Non-current assets</b>				
Intangible assets		155.1	157.3	156.2
Property, plant and equipment		263.5	229.1	237.3
Biological assets		0.4	0.8	0.8
<b>Total non-current assets</b>		<b>419.0</b>	<b>387.2</b>	<b>394.3</b>
<b>Current assets</b>				
Biological assets		19.2	20.4	17.0
Inventories		70.4	66.7	59.2
Trade and other receivables		158.9	167.6	160.1
Financial assets		2.3	0.1	0.1
Cash and short-term deposits	9	9.3	6.5	20.6
<b>Total current assets</b>		<b>260.1</b>	<b>261.3</b>	<b>257.0</b>
<b>Total assets</b>		<b>679.1</b>	<b>648.5</b>	<b>651.3</b>
<b>Current liabilities</b>				
Trade and other payables		(148.7)	(151.3)	(147.8)
Financial liabilities		(0.1)	(2.5)	(0.9)
Provisions		(0.5)	(0.5)	(0.2)
Income tax payable		(7.7)	(8.5)	(10.2)
<b>Total current liabilities</b>		<b>(157.0)</b>	<b>(162.8)</b>	<b>(159.1)</b>
<b>Non-current liabilities</b>				
Other payables		(1.2)	(1.1)	(0.9)
Financial liabilities		(7.2)	(23.1)	-
Deferred tax liabilities		(1.3)	(2.4)	(1.0)
Provisions		(1.8)	(2.3)	(2.3)
Defined benefit pension scheme deficit		(7.2)	(8.9)	(8.1)
<b>Total non-current liabilities</b>		<b>(18.7)</b>	<b>(37.8)</b>	<b>(12.3)</b>
<b>Total liabilities</b>		<b>(175.7)</b>	<b>(200.6)</b>	<b>(171.4)</b>
<b>Net assets</b>		<b>503.4</b>	<b>447.9</b>	<b>479.9</b>
<b>Equity</b>				
Called-up share capital		5.2	5.1	5.1
Share premium account		87.1	78.6	81.5
Share-based payments		23.5	18.8	21.0
Hedging reserve		-	(0.1)	-
Retained earnings		387.6	345.5	372.3
<b>Equity attributable to owners of the parent</b>		<b>503.4</b>	<b>447.9</b>	<b>479.9</b>

# Cranswick plc: Group statement of cash flows (unaudited)

for the six months ended 30 September 2018

	Notes	Half year		Year to
		2018	2017	31 March
		£'m	£'m	2018
				(Audited)
				£'m
<b>Operating activities</b>				
Profit for the period		34.0	35.6	70.0
<b>Adjustments to reconcile Group profit for the period to net cash inflows from operating activities:</b>				
Income tax expense		8.6	8.9	18.0
Net finance costs		0.1	0.2	0.4
(Gain)/loss on sale of property, plant and equipment		(0.3)	(0.2)	0.8
Depreciation of property, plant and equipment		13.8	16.9	35.7
Amortisation of intangibles		1.1	1.1	2.2
Share-based payments		2.5	2.1	4.3
Difference between pension contributions paid and amounts recognised in the income statement		(0.9)	(0.8)	(1.7)
Release of government grants		(0.1)	(0.1)	(0.2)
Net IAS 41 valuation movement on biological assets		1.1	(1.2)	2.2
Increase in biological assets		(2.9)	(0.4)	(0.4)
(Increase)/decrease in inventories		(11.2)	(4.5)	3.0
Decrease/(increase) in trade and other receivables		1.3	(17.0)	(9.0)
Increase in trade and other payables		1.6	6.0	2.4
Cash generated from operations		48.7	46.6	127.7
Tax paid		(9.7)	(7.0)	(15.6)
<b>Net cash from operating activities</b>		<b>39.0</b>	<b>39.6</b>	<b>112.1</b>
<b>Cash flows from investing activities</b>				
Acquisition of subsidiary, net of cash acquired	8	(0.8)	(4.0)	(5.3)
Loan to Joint Venture		(2.3)	-	-
Purchase of property, plant and equipment		(40.8)	(29.5)	(58.7)
Proceeds from sale of property, plant and equipment		0.3	0.2	0.7
Receipt of government grants		0.4	-	-
<b>Net cash used in investing activities</b>		<b>(43.2)</b>	<b>(33.3)</b>	<b>(63.3)</b>
<b>Cash flows from financing activities</b>				
Interest paid		-	(0.1)	(0.4)
Proceeds from issue of share capital		0.3	0.1	1.6
Issue costs of long-term borrowings		-	-	(0.2)
Repayment of borrowings		-	-	(15.0)
Proceeds from borrowings	9	7.0	8.0	-
Dividends paid		(14.4)	(11.9)	(18.2)
Repayment of capital element of finance leases		-	-	(0.1)
<b>Net cash used in financing activities</b>		<b>(7.1)</b>	<b>(3.9)</b>	<b>(32.3)</b>
Net (decrease)/increase in cash and cash equivalents	9	(11.3)	2.4	16.5
Cash and cash equivalents at beginning of period	9	20.6	4.1	4.1
<b>Cash and cash equivalents at end of period</b>	9	<b>9.3</b>	<b>6.5</b>	<b>20.6</b>

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

for the six months ended 30 September 2018

	Share capital	Share premium	Share- based payments	Hedging reserve	Retained earnings	Total equity
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 April 2018	5.1	81.5	21.0	-	372.3	479.9
Profit for the period	-	-	-	-	34.0	34.0
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	34.0	34.0
Share-based payments	-	-	2.5	-	-	2.5
Scrip dividend	-	5.3	-	-	-	5.3
Share options exercised	0.1	0.3	-	-	-	0.4
Dividends	-	-	-	-	(19.7)	(19.7)
Deferred tax relating to changes in equity	-	-	-	-	(0.4)	(0.4)
Corporation tax relating to changes in equity	-	-	-	-	1.4	1.4
<b>At 30 September 2018</b>	<b>5.2</b>	<b>87.1</b>	<b>23.5</b>	<b>-</b>	<b>387.6</b>	<b>503.4</b>
At 1 April 2017	5.0	74.8	16.7	0.2	324.7	421.4
Profit for the period	-	-	-	-	35.6	35.6
Other comprehensive income	-	-	-	(0.3)	(0.2)	(0.5)
Total comprehensive income	-	-	-	(0.3)	35.4	35.1
Share-based payments	-	-	2.1	-	-	2.1
Scrip dividend	0.1	3.7	-	-	-	3.8
Share options exercised	-	0.1	-	-	-	0.1
Dividends	-	-	-	-	(15.7)	(15.7)
Deferred tax relating to changes in equity	-	-	-	-	(0.1)	(0.1)
Corporation tax relating to changes in equity	-	-	-	-	1.2	1.2
At 30 September 2017	5.1	78.6	18.8	(0.1)	345.5	447.9
(Audited)						
At 1 April 2017	5.0	74.8	16.7	0.2	324.7	421.4
Profit for the year	-	-	-	-	70.0	70.0
Other comprehensive income	-	-	-	(0.2)	(0.1)	(0.3)
Total comprehensive income	-	-	-	(0.2)	69.9	69.7
Share-based payments	-	-	4.3	-	-	4.3
Scrip dividend	-	5.2	-	-	-	5.2
Share options exercised	0.1	1.5	-	-	-	1.6
Dividends	-	-	-	-	(23.4)	(23.4)
Deferred tax relating to changes in equity	-	-	-	-	(0.3)	(0.3)
Corporation tax relating to changes in equity	-	-	-	-	1.4	1.4
At 31 March 2018	5.1	81.5	21.0	-	372.3	479.9

## 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 2018, and their respective responsibilities, can be found on pages 48 and 49 of the 2018 Annual Report & Accounts.

On behalf of the Board

**Martin Davey**  
Chairman

**Mark Bottomley**  
Finance Director

27 November 2018

## Notes to the interim accounts

### 1. Basis of preparation

This interim report was approved by the Directors on 27 November 2018 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 2018 prepared under IFRS as adopted by the European Union have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts was not qualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The interim report is unaudited but has been subject to an independent review by PricewaterhouseCoopers LLP pursuant to the Auditing Practices Board guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

#### **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 in the Finance review. 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.

### 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 2018 except for:

#### **Taxation**

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

## 2. Accounting policies (continued)

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

*Annual improvements to IFRSs 2015-2017 Cycle:* the application has not had a material effect on the net assets, results and disclosures of the Group.

*IFRS 9: Financial instruments* was adopted by the Group in the current reporting period. The Group's accounting policy has been updated to reflect the new standard. The nature of the Group's current hedging activities and the quantum of its bad debt risk means there has been no material impact on the recognition and measurement of income and costs in the Income Statement or of assets and liabilities in the Balance Sheet.

*IFRS 15: Revenue from Contracts with Customers* was adopted by the Group in the current reporting period. The Group considered payments to customers and the timing of revenue recognition based on control of goods. There has been no material impact on adoption of IFRS 15.

Following the adoption of IFRS 15, the Group has also reviewed its accounting practice in respect of commercial accruals and has introduced a maximum holding period for aged balances, under normal circumstances, of three years.

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

*IFRS 16: Leases* will be effective for annual periods beginning on or after 1 January 2019. The standard changes the principles for the recognition, measurement, presentation and disclosure of leases. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise lease liabilities and 'right of use' assets on the balance sheet, with exemptions for low value and short-term leases. The Group is in the process of evaluating the impact of IFRS 16 on its current lease arrangements, which mainly consists of agricultural properties.

## 3. Segmental analysis

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

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

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

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

The revenue of the Group is not significantly impacted by seasonality.

#### 4. Group operating profit

Group operating costs comprise:

	Half year		Year to
	2018	2017	31 March
	£'m	£'m	2018
			£'m
Cost of sales excluding net IAS 41 valuation movement on biological assets	629.9	622.2	1,277.7
Net IAS 41 valuation movement on biological assets*	1.1	(1.2)	2.2
Cost of sales	<b>631.0</b>	621.0	1,279.9
<i>Gross profit</i>	<b>88.2</b>	93.6	184.6
Selling and distribution costs	<b>26.9</b>	28.7	55.7
Administrative expenses excluding amortisation of customer relationship intangible assets	<b>17.5</b>	19.1	38.3
Amortisation of customer relationship intangible assets	<b>1.1</b>	1.1	2.2
Administrative expenses	<b>18.6</b>	20.2	40.5
<b>Total operating costs</b>	<b>676.5</b>	669.9	1,376.1

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

#### 5. Taxation

The tax charge for the period was £8.6 million (2017: £8.9 million) and represents an effective rate of 20.2 per cent (2017: 20.1 per cent). The charge for the period was higher than the standard rate of corporation tax due to the impact of disallowed expenses, largely relating to non-qualifying depreciation, as in the same period last year.

A reduction to the standard rate of corporation tax in the UK from 19 per cent to 17 per cent from 1 April 2020 was enacted before the balance sheet date. Deferred tax is therefore provided at 17 per cent.

#### 6. 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 51,188,000 (31 March 2018: 50,787,000, 30 September 2017: 50,618,000). The calculation of diluted earnings per share is based on 51,429,000 shares (31 March 2018: 51,025,000, 30 September 2017: 50,910,000).

#### 7. Dividends – half year ended 30 September

	Half year		Year to
	2018	2017	31 March
	£'m	£'m	2018
			£'m
Interim dividend for year ended 31 March 2018 of 15.1p per share	-	-	7.7
Final dividend for year ended 31 March 2018 of 38.6p (2017: 31.0p) per share	<b>19.7</b>	15.7	15.7
	<b>19.7</b>	15.7	23.4

The interim dividend for the year ending 31 March 2019 of 15.9 pence per share was approved by the Board on 27 November 2018 for payment to Shareholders on 25 January 2019 and therefore has not been included as a liability as at 30 September 2018.

## 8. 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 86 of the Report & Accounts for the year ended 31 March 2018.

### Fair value of financial instruments

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

	Half year				Year to 31 March	
	2018		2017		2018	
	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m
Forward currency contracts	-	-	(0.1)	(0.1)	0.1	0.1
Contingent consideration	-	-	(2.2)	(2.2)	(0.8)	(0.8)

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

Reconciliation of contingent consideration:

	£'m
At 31 March 2018	(0.8)
Paid	0.8
At 30 September 2018	-

During the period the Group exercised its call option to acquire the remaining 10 per cent shareholding of Cranswick Gourmet Pastry Company Limited for £0.8 million reducing the contingent consideration balance to £nil.

### 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.

Contingent consideration was measured using Level 3 of the fair value hierarchy and related to future amounts payable on acquisitions. Amounts payable were based on agreements within purchase contracts, management's expectations of the future profitability of the acquired entity and the timings of the payments.



## 9. Analysis of Group net funds

	At 31 March 2018 £'m	Cash flow £'m	Non-cash movements £'m	At 30 September 2018 £'m
Cash and cash equivalents	20.6	(11.3)	-	9.3
Revolving credit	-	(7.0)	(0.1)	(7.1)
<b>Net funds</b>	20.6	(18.3)	(0.1)	2.2

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

## 10. 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.

## 11. Property, plant and equipment

Additions to property, plant and equipment during the period totalled £40.4 million (2017: £30.3 million). Future capital expenditure under contract at 30 September 2018 was £35.4 million (2017: £11.2 million).

## 12. 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 and amortisation of acquired intangible assets and, where relevant, 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.

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.

A reconciliation to relevant GAAP measures is given below:

### Adjusted Group operating profit

	Half year		Year to 31 March
	2018	2017	2018
	£'m	£'m	£'m
Group operating profit	42.7	44.7	88.4
Net IAS 41 valuation movement on biological assets	1.1	(1.2)	2.2
Amortisation of customer relationship intangible assets	1.1	1.1	2.2
<b>Adjusted Group operating profit</b>	<b>44.9</b>	<b>44.6</b>	<b>92.8</b>

## 12. Alternative performance measures (continued)

### Adjusted profit before tax

	Half year		Year to
	2018	2017	31 March
	£'m	£'m	2018
			£'m
Profit before tax	42.6	44.5	88.0
Net IAS 41 valuation movement on biological assets	1.1	(1.2)	2.2
Amortisation of customer relationship intangible assets	1.1	1.1	2.2
<b>Adjusted profit before tax</b>	<b>44.8</b>	<b>44.4</b>	<b>92.4</b>

### Adjusted earnings per share

On adjusted profit for the period:

	Half year				Year to	
	2018	2018	2017	2017	2018	2018
	Basic	Diluted	Basic	Diluted	Basic	Diluted
	pence	pence	pence	pence	pence	pence
On profit for the period	66.4	66.1	70.2	69.8	137.8	137.1
Net IAS 41 valuation movement on biological assets	2.2	2.2	(2.4)	(2.4)	4.3	4.3
Tax on net IAS 41 valuation movement on biological assets	(0.4)	(0.4)	0.4	0.4	(0.7)	(0.7)
Amortisation of customer relationship intangible assets	2.2	2.2	2.2	2.2	4.3	4.3
Tax on amortisation of customer relationship intangible assets	(0.4)	(0.4)	(0.4)	(0.4)	(0.7)	(0.7)
<b>On adjusted profit for the period</b>	<b>70.0</b>	<b>69.7</b>	<b>70.0</b>	<b>69.6</b>	<b>145.0</b>	<b>144.3</b>

### Free cash flow

	Half year		Year to
	2018	2017	31 March
	£'m	£'m	2018
			£'m
Net cash from operating activities	39.0	39.6	112.1
Net interest paid	-	(0.1)	(0.4)
<b>Free cash flow</b>	<b>39.0</b>	<b>39.5</b>	<b>111.7</b>

# Independent review report to Cranswick plc

## Report on the Group interim financial information

### Our conclusion

We have reviewed Cranswick plc's Group interim financial information (the "interim financial statements") in the interim results of Cranswick plc for the 6 month period ended 30 September 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### What we have reviewed

The interim financial statements comprise:

- the Group balance sheet as at 30 September 2018;
- the Group income statement and Group statement of comprehensive income for the period then ended;
- the Group statement of cash flows for the period then ended;
- the Group statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

## Responsibilities for the interim financial statements and the review

### Our responsibilities and those of the Directors

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

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

### What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP  
Chartered Accountants, Leeds  
27 November 2018

- a. The maintenance and integrity of the Cranswick plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
- b. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions