7.00am, Monday 18 May 2015

# CRANSWICK plc: PRELIMINARY RESULTS

Strategic and Commercial Progress

Cranswick plc ("Cranswick" or "the Company" or "the Group"), a leading UK food producer, announces its audited preliminary results for the year ended 31 March 2015.

## FINANCIAL HIGHLIGHTS

- Revenue up 0.8 per cent to £1,003.3m (2014: £994.9m)
- Adjusted Group operating margin[1] of 5.8 per cent (2014: 5.4 per cent)
- Adjusted profit before tax [1] up 10.6 per cent to £57.8m (2014: £52.2m)
- Adjusted earnings per share[1] up 9.5 per cent to 92.1p (2014: 84.1p)
- Recommended final dividend up 6.4 per cent to 23.4p (2014: 22.0p)
- Net debt at £17.3m (2014: £17.0m)

- Statutory profit before tax of £52.8m (2014: £54.8m)
- Statutory earnings per share of 84.1p (2014: 88.7p)

## STRATEGIC AND OPERATIONAL HIGHLIGHTS

- Acquired Benson Park Limited, a leading producer of premium British cooked poultry
- £21 million investment in the Group's asset base
- Extension of the Delico cooked meats facility in Milton Keynes completed on time and to budget
- Major upgrade to the Norfolk fresh pork site
- 23 per cent growth in non-EU export sales

Cranswick Chairman Martin Davey said:

"I am pleased to report that Cranswick has made excellent strategic and commercial progress in the last year.

"Sales have exceeded £1 billion for the first time, an achievement in which all at the Company can be rightfully proud.

"The Board's strategy for the development of the protein base and customer profile of the business was illustrated by the acquisition, in October 2014, of Benson Park, a leading producer of premium British cooked poultry products serving the fast growing 'food to go' sector.

"Adjusted profit before tax was £57.8 million, an increase of 10.6 per cent on the previous year. Adjusted earnings per share rose 9.5 per cent to 92.1 pence.

"The Board is proposing to increase the final dividend by 6.4 per cent to 23.4 pence per share.

"Following a year of significant commercial and strategic progress for Cranswick, the Board looks forward to the opportunities that lie ahead. Cranswick benefits from some of the most efficient and well-invested production facilities in the UK food producer sector. This, in conjunction with our growing international export channels and strategy of diversifying our product portfolio, leaves the Board confident that Cranswick is well positioned to continue its successful long term development."

[1] adjusted Group operating margin, adjusted profit before tax and adjusted earnings per share exclude net IAS 41 valuation movement on biological assets in 2014 and 2015, amortisation of customer relationship intangible assets in 2015 and release of contingent consideration in 2014. These are the measures used by the Board to assess the Group's underlying performance.

**Presentation**
A presentation of the results will be made to analysts and institutional investors today at 9.30am at Investec Bank plc, 2 Gresham Street, London EC2V 7QP.

Enquiries:

**Cranswick plc**
Mark Bottomley, Finance Director 01482 372 000

**Powerscourt**
Nick Dibden/Sophie Moate 020 7250 1446

# CHAIRMAN'S STATEMENT

I am pleased to report that Cranswick has made excellent strategic and commercial progress in the last year. This has come at a time of a significant shift in the dynamics of UK food retailing against a backdrop of food price deflation.

Sales have exceeded £1 billion for the first time, an achievement in which all at the Company can be rightfully proud. This underlines Cranswick's strong relationship with its customer base and its continued supply of quality food at affordable prices for today's consumer.

The Board's strategy for the development of the protein base and customer profile of the business was illustrated by the acquisition, in October 2014, of Benson Park, a leading producer of premium British cooked poultry products serving the fast growing 'food to go' sector.

**Results**

Total sales of £1.0 billion were slightly ahead of last year and reflect the impact of lower input prices being passed on to customers. Volumes were 3 per cent ahead with growth strongest in the second half, particularly during the final quarter of the year. Continental, Bacon and Sausage were the product areas which saw particularly good increases. Underlying sales for the year were comparable to the previous year. Export sales to non-European markets continued to grow with full year volumes increasing strongly compared to the previous year. Adjusted operating profit rose 10.1 per cent to £58.7 million.

Reported profit before taxation was £52.8 million and earnings per share were 84.1 pence. Adjusted profit before tax was £57.8 million, an increase of 10.6 per cent on the previous year. Adjusted earnings per share rose 9.5 per cent to 92.1 pence. Details of trading are covered more fully in the Operating Review.

**Investments**

Cranswick invested £21.1 million in its asset base during the year. This provided additional capacity, the upgrade of equipment, improved operational efficiencies and new product development resources. The principal areas of expenditure were the Delico cooked meats facility in Milton Keynes, and the Hull and Norfolk fresh pork sites.

The strategy for the development of the business to date has been to complement organic growth with appropriate acquisitions. Benson Park is an important acquisition in meeting strategic objectives and we welcome David Park, Managing Director, and his colleagues to Cranswick and look forward to working with them to develop the business further. The business has traded in line with expectations since joining the Group and the major capital expenditure programme envisaged at the time of the acquisition has commenced with commissioning anticipated towards the end of 2015.

**Cash Flow**

The borrowings of the business are conservatively structured and the Company's banking facility is in place through to July 2018. This £120 million unsecured facility provides generous headroom for the future. Net finance costs were covered 60 times by Group operating profit. Operating cash flow in the period remained strong, notwithstanding the investment in the Group's asset base and £17.7 million spent on acquisitions. Net debt at the end of the year stood at £17.3 million compared to £17.0 million a year earlier.

**Dividend**

The Board is proposing to increase the final dividend by 6.4 per cent to 23.4 pence per share. Together with the interim dividend, which was raised 6.0 per cent to 10.6 pence per share, this makes a total dividend for the year of 34 pence per share. Compared to the 32 pence per share paid last year this is an increase of 6.3 per cent. The final dividend, if approved by Shareholders, will be paid on 4 September 2015 to Shareholders on the register at the close of business on 3 July 2015. Shareholders will again have the option to receive the dividend by way of scrip issue.

**Corporate Governance**
The Board is mindful of the UK Corporate Governance Code and embraces this as part of its culture. A statement relating to compliance with the Code will be included within the Corporate Governance Statement in the Group's annual Report and Accounts.

**Environmental initiatives**
Managing and reducing the impact that the business has on the environment is an integral part of the Company's activities and has been the focus of attention for some years under a dedicated project team. Areas covered include waste, water, energy, packaging and carbon footprint and for the second successive year the Group was successful in winning the industry's "Environmental Initiative of The Year" award.

**Staff**
The Group operates on a decentralised basis across product categories supported by business-wide collaboration in key areas. The Board considers this to be the most appropriate format for the Company and 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**
Following a year of significant commercial and strategic progress for Cranswick, the Board looks forward to the opportunities that lie ahead. Cranswick benefits from some of the most efficient and well-invested production facilities in the UK food producer sector. This, in conjunction with our growing international export channels and strategy of diversifying our product portfolio, leaves the Board confident that Cranswick is well positioned to continue its successful long term development.

**Martin Davey**
Chairman

18 May 2015

# OPERATIONAL REVIEW

Adjusted Group operating profit increased by 10.1 per cent to £58.7 million in the financial year on revenues of £1,003 million which were 1 per cent ahead of the previous year. Strong revenue growth in several of the Group's product categories offset lower fresh pork sales and a decision to use all of Cranswick's own pigs internally. Revenue growth was also supported by the contribution from Benson Park, which was acquired on 22 October 2014. Group operating margin at 5.8 per cent of sales was 0.4 per cent ahead of the previous financial year, reflecting an unstinting focus on improving operational efficiencies across the Group and the benefit of lower pig prices in the current financial year compared to the previous year when prices had risen rapidly to record levels.

**Acquisition of Benson Park**

On 22 October 2014 Cranswick acquired Benson Park, a leading producer of premium British cooked poultry. It supplies ingredients to customers which operate in the fast growing food to go sector of the retail multi-channel, convenience and foodservice markets. This strategic acquisition moves Cranswick into a new protein sector broadening both the Group's product range and its customer base. The integration of Benson Park is progressing as anticipated and the positive performance of the business continues to be in line with the Board's expectations. The major investment programme at the site, which will substantially increase capacity, improve efficiencies and allow the business to offer a broader product range, remains on track and is expected to complete in the autumn of 2015.

**Pig herd**

Following the substantial investment in the Group's pig breeding and rearing activities during the previous financial year, the business this year has focused on improving the quality of the herd and the performance of the breeding, rearing and finishing units. There is now capacity to provide more than 20 per cent of the Group's overall British pig requirements and there will be ongoing investment to improve productivity and efficiencies.

**Export trade**

Exports to non-European markets were 23 per cent ahead of the same period last year, as the business continues to make positive progress in developing its export trade. The business is now exporting to a number of countries in the Far East and has recently sent shipments to West Africa and Australia. One-third of the tonnage being processed through the Group's two primary processing facilities is being shipped overseas each week. Cranswick now has a dedicated business development manager based in Shanghai and is working with the China British Business Council to expand its knowledge of the Chinese market. Exports to Europe were lower than in the same period last year as more product was sold into the UK market where prices were more attractive.

**Infrastructure investment**

A further £21 million was invested in the Group's infrastructure during the year to increase capacity, improve operating efficiencies and improve the quality of its asset base. This brings our total investment over the last five years to £137 million, resulting in the business having some of the most efficient and well-invested production facilities in the UK food manufacturing sector.

**Category review**

**Fresh Pork (Down 10 per cent)**

Fresh pork sales were 10 per cent lower than the prior year. This was due, in part, to the loss of business with one customer at the start of the year, which has now been recovered in full. The fall in sales was also partly attributable to a 9 per cent year on year fall in the average pig price, with this reduction being reflected in lower selling prices. Fresh pork sales were supported by a strong barbecue season in the first half of the year allied to a buoyant Christmas trading period. During the year work on the new rapid chill system at the Norfolk abattoir was completed. This investment which is part of an ongoing upgrade to the East Anglian facility has made the plant more energy efficient as well as improving yields and throughput speeds.

**Sausage (Up 6 per cent)**
Sausage sales increased by 6 per cent with growth in premium sausage and beef burgers partly countered by lower sales of frozen and mid-tier ranges. According to the latest Kantar market research data, retail sales of super-premium sausages, which Cranswick produces predominantly, continue to grow ahead of the overall category both in volume and value terms. The price differential between the premium and standard tiers is relatively modest which makes trading up an attractive option for consumers.

**Bacon (Up 4 per cent)**
Bacon sales were 4 per cent ahead as continued growth of the business' hand-cured, air-dried bacon was supported by a substantial uplift in sales of premium gammons. The latest Kantar data also confirmed that the super-premium bacon category grew strongly during the year to March 2015. This is a tier in which Cranswick has a strong market position and where the barriers to entry are high. During the year, the business moved to sole supply status for premium bacon and gammons with one of the Group's leading retail customers. Sales over the key Christmas trading period were particularly strong, with volumes well ahead of the same period last year.

**Cooked meat (Up 2 per cent)**
Cooked meat sales grew by 2 per cent supported by new product launches and a strong promotional calendar as well as increased business with a key retail customer after securing a long term supply agreement in the previous financial year. The project to extend the Milton Keynes facility was completed during the year, on time and to budget. This investment has substantially increased capacity at the site and will deliver further efficiency gains as well as improving product quality. During the final quarter of the year, all production at the Kingston Foods site in Milton Keynes was transferred to the Group's Sutton Fields facility in Hull. The consolidation of production at one site will allow the business to better serve its customers and to deliver cost savings for the Group. All Kingston employees were given the opportunity to transfer to the Group's Delico facility, also in Milton Keynes, with the vast majority taking up this offer. The Board has recently agreed further investment at the Kingston site which will see it used as a satellite gammon production facility.

**Pastry (Up 72 per cent)**
Pastry sales were well ahead of the prior year, continuing the positive development since this category was introduced. The rapid growth of the business initially added complexity and cost resulting in the return from the investment being below initial expectations; however the performance of the Malton facility improved markedly during the second half. During the year several new products were listed with this category's lead customer and further products will shortly be launched for the coming spring/summer season. Good progress was made during the year in broadening the customer base for these products both through food service, forecourt and food to go channels, including some existing customers of the Group's sandwich business.

**Continental products (Up 8 per cent)**
Sales of continental products increased by 8 per cent reflecting the UK consumer's growing taste for speciality continental products including charcuterie, cheeses, pasta and olives. Category growth was supported by new product launches and new retail contracts in the second half of the previous financial year together with a renewed focus on sourcing high quality, artisan products across Europe. During the final quarter of the year, a range of fresh olives was launched with a new premium grocery customer. The business increased sales of its British charcuterie range and is investing £0.6 million in a new salami production facility at its Guinness Circle site in Manchester to provide capability and capacity to support future development of this fast growing category.

**Sandwiches (Up 15 per cent)**
Sandwich sales grew by 15 per cent, driven partly by new contract wins at the start of the period and by additional sales to existing customers. The new contracts brought additional complexity to the business through an increased product range which adversely impacted operational efficiencies; however a clear improvement was seen during the second half of the year leaving the business well placed as it starts the new financial year. This improvement was achieved by both a relentless focus on labour efficiencies and yields and by streamlining the customer base and product range.

Cranswick has performed positively during a period in which the UK grocery market has remained highly competitive. The business continues to focus on delivering high quality premium products which deliver real value to the UK consumer. This focus on quality and value is underpinned by a constant drive to innovate and bring new, exciting and relevant products to market. The ongoing growth and development of the Company is underpinned by the continued efforts of the highly skilled and committed people across the business.

Cranswick remains highly cash generative allowing for attractive returns to Shareholders, continued investment in the Group's infrastructure and complementary acquisitions. Cranswick's facilities are amongst the very best in the industry and ongoing investment, both in these assets and the teams which make them run so effectively, will support the Group's future successful development.

**Adam Couch**
Chief Executive

18 May 2015

# FINANCIAL REVIEW

**Revenue**

Reported revenue at £1,003.3 million increased by 0.8 per cent with volumes 3 per cent higher. Underlying revenue* was in line with the prior year with growth across most product categories offset by lower fresh pork sales. Underlying volume growth was countered by lower input prices being passed on to the Group's customers, particularly in the final quarter of the year. Export sales to key non-European markets increased by 23 per cent.

**Adjusted Group operating profit**

Adjusted Group operating profit of £58.7 million, including the post-acquisition contribution from Benson Park, increased by 10.1 per cent. Adjusted Group operating margin at 5.8 per cent of sales was 0.4 per cent higher than last year's level, reflecting lower input costs, operating efficiency improvements and the benefit of product innovation. Operating margin in the second half of the year improved to 6.2 per cent from 5.4 per cent reported at the interim stage.

**Finance costs**

Net financing costs at £0.9 million were £0.1 million lower than last year, reflecting lower average bank borrowings and improved terms following the extension of the Group's banking facilities at the end of the previous financial year. Interest cover was 59.6 times compared to 54.4 times a year earlier.

**Adjusted profit before tax**

Adjusted profit before tax at £57.8 million increased by 10.6 per cent from £52.2 million.

**Taxation**

The tax charge of £11.6 million was 21.9 per cent of profit before tax (2014: 21.1 per cent). The standard rate of UK corporation tax was 21 per cent (2014: 23 per cent). The effective tax rate for the year was higher than the standard rate of corporation tax due to disallowable expenses of £0.5 million. The prior year charge included a £1.0 million deferred tax credit following the 3 per cent enacted reduction in the UK corporation tax rate. In addition, last year's £1.1 million contingent consideration provision release was not chargeable to tax.

**Adjusted earnings per share**

Adjusted earnings per share increased by 9.5 per cent from 84.1 to 92.1 pence reflecting the underlying profitability increase. The weighted average number of shares in issue was 49,071,000 (2014: 48,734,000).

**Adjusted profit measures**

Following investment in its pig breeding and rearing activities last year, the Group now monitors performance principally through adjusted profit measures which exclude certain non-cash items including: the net IAS 41 biological assets valuation charge of £4.2 million (2014: £1.4 million credit); amortisation of acquired intangible assets of £0.7 million; and, in the prior year, the release of a £1.1 million provision for contingent consideration payable to the previous owners of Kingston Foods. Statutory profit before tax fell by 3.5 per cent to £52.8 million (2014: £54.8 million). Operating profit on the same basis was 3.7 per cent lower at £53.7 million (2014: £55.8 million) and earnings per share were 84.1 pence (2014: 88.7 pence).

**Cash flow and net debt**

Cash generated from operating activities was £54.4 million (2014: £60.1 million), with higher Group operating profit partly offsetting increased working capital of £11.2 million (2014: decrease of £2.1 million), £4.9 million of which related to Benson Park. Net debt at £17.3 million was in line with the prior year end notwithstanding the £17.7 million net cash outflow on the acquisition of Benson Park, £21.1 million of capital expenditure and a £15.4 million dividend payment. Gearing fell from 5.6 per cent to 5.2 per cent as the Group's balance sheet continues to be conservatively managed. The Group's unsecured bank facility of £120 million extends to July 2018 and provides the business with generous headroom.

**Acquisitions**
On 22 October 2014, the Group acquired 100 per cent of the issued share capital of Benson Park Limited, a leading producer of premium British cooked poultry, for an initial consideration of £17.7 million, net of cash acquired of £2.3 million. A further £4.0 million of consideration may become payable contingent on the performance of the business during a two-and-a-half year period from the date of acquisition. The acquisition moves the Group into a new protein sector and broadens its product range and customer base. Benson Park has performed in line with the Board's expectations in the period since acquisition. Further details are set out in note 7.

**Pensions**
The Group operates defined contribution pension schemes with contributions made to schemes administered by major insurance companies. Contributions to these schemes are set 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 scheme deficit at 31 March 2015 was £5.6 million (2014: £6.5 million). Cash contributed to the scheme during the year, as part of the programme to reduce the deficit, was £1.3 million. The present value of funded obligations was £30.2 million and the fair value of plan assets was £24.6 million.

**Mark Bottomley**
Finance Director

18 May 2015

* excluding the contribution from the Benson Park acquisition in the current year and sales from the pig breeding, rearing and trading activities in both the current and comparative financial years

# PRINCIPAL RISKS AND UNCERTAINTIES

As a leading UK food producer, the Group faces a variety of risks and uncertainties. Operating in a highly competitive industry, it is critical that the Group identifies, assesses and prioritises its risks. This, along with the development of appropriate mitigating actions, enables the Group to achieve its strategic objectives and protect its reputation.

The Group has a formal risk management process in place to support the identification and effective management of risks across the business. It is regularly reviewed and updated for changes within the Group, the industry and the wider economy.

Following the recently announced changes to the UK Corporate Governance Code, which introduced two new Board statements and a requirement for enhanced reporting on risk management and internal control for accounting periods beginning on or after 1 October 2014, the Group confirms that it is compliant with the required changes from 1 April 2015.

**Risk management framework**

**Board**
'Responsible for the Group's system of risk management and internal control and for setting the Group's overall risk appetite'

**Audit Committee**
'Reviews the systems of internal control that are in place and provides assurance to the Board that the processes of risk management and internal control are operating effectively'

**Group Risk Committee**
'Provides oversight and advice to the Audit Committee and Board in relation to current and future risk exposures and risk strategies'

**Operational Management**
'Operate site level risk management processes to ensure that risks are adequately identified and controlled'

**Principal risks and uncertainties**

The principal risks and uncertainties facing the Group are summarised below. However, these are not intended to be an exhaustive analysis of all risks currently facing the Group.

| ***Risk*** | ***Impact*** | ***Mitigation*** |
|---|---|---|
| ***Strategic Risks*** | | |
| Consumer demand | Deterioration in the UK economy may adversely affect the activity levels of consumers and the Group's immediate customers, leading to a fall in demand for the Group's products and ultimately adversely impacting on the Group's financial performance. | The Group offers a range of products across premium, standard and value tiers which it is able to flex in response to customer and market demands. Pork remains an extremely competitively priced and sought after product. |
| Competitor activity | The Group trades in highly competitive markets which tend to operate without long term contracts. Product innovation and changing consumer trends provide a constant challenge to the future success of the Group and its ability to compete effectively. | The Group maintains and develops strong working relationships with its customers. This is supported by delivering high levels of service and quality products and by the continued focus on product development and innovation. |
| ***Commercial risks*** | | |
| Reliance on key customers | A significant proportion of the Group's revenues are generated from a small number of major customers. Loss of all or part of the Group's business with one or more of these customers would adversely impact on the Group's financial performance. | The Group continually looks for opportunities to expand its customer base across all product categories and works closely with customers to ensure service, quality and new product developments are of the highest standard. |

| *Risk* | *Impact* | *Mitigation* |
|---|---|---|
| Pig meat - pricing and availability of supply | The Group is exposed to risks associated with the pricing and availability of pig meat. An increase in pig prices, or a lack of availability of pig meat would adversely impact on the Group's financial performance. | The Group has a trusted long-standing farming supply base which is complemented by supply from the Group's sites – Wayland Farms and Wold Farms. These arrangements help to mitigate the risks associated with pig price volatility and supply. |
| ***Operational risks*** | | |
| Business continuity | The Group faces the risk of significant incidents such as fire, flood or loss of key utilities, which could result in prolonged disruption to its sites, adversely impacting the Group's financial performance. | Robust business continuity plans are deployed across the Group's sites and appropriate insurance arrangements are in place to mitigate any resulting financial loss. Potential business disruption is minimised through multi-site operations across many of the Group's key product lines. |
| Recruitment and retention of workforce | The success of the Group is dependent on attracting and retaining quality, skilled and experienced labour, staff and Senior Management. | Across the Group, strong recruitment processes, competitive remuneration packages and ongoing training and development plans are in place. Specifically for Senior Management, robust succession planning is also in place. |
| Health and Safety | A breach of health and safety legislation may lead to reputational damage and regulatory penalties, including restrictions on operations, damages or fines. | The Group conforms to all relevant standards and regulations, and adopts industry best practice across its sites. All sites are subject to frequent audits by internal teams, customers and regulatory authorities to ensure standards are being adhered to. |
| Disease and infection within pig herd / poultry flock | A significant infection or disease outbreak may result in the loss of supply of both pig or poultry meat, or the inability to move animals freely, impacting on the supply of key raw materials into the Group's sites. | The Group's pig farming activities, and other farms from which third party pig and poultry meat is ultimately sourced, have a broad geographical spread to avoid reliance on a single production area. In addition, robust vaccination and pig herd operating procedures mitigate the risk of common diseases and infections. |
| Food scares / product contamination | The Group is subject to the risks of product and/or raw material contamination and potential health related industry-wide food scares and issues. Such incidents may lead to product recall costs, reputational damage and regulatory penalties. | The Group ensures that all raw materials are traceable to original source and that the manufacturing, storage and distribution systems of both our sites and our suppliers are continually monitored by experienced and well trained technical teams. |
| ***Financial risks*** | | |
| Interest rate, currency, liquidity and credit risks | The Group is exposed to interest rate risk on borrowings and to foreign currency risk on purchases particularly of charcuterie products from the European Union. In addition, the Group needs continued access to funding for both current business and future growth. | The Group deploys effective currency hedging arrangements to mitigate risks associated with foreign currency movements. Each site has access to the Group's overdraft facility and bank balances are monitored on a daily basis. All term debt is arranged centrally and appropriate headroom is maintained. |
| Business acquisitions | As the Group grows businesses may be acquired based on inaccurate information, unachievable forecasts or without appropriate consideration being given to the terms of the purchase. | Rigorous due diligence reviews are carried out in advance of any new business acquisition, using internal and specialised external resources where required. |

# GROUP INCOME STATEMENT

## FOR THE YEAR ENDED 31 MARCH 2015

| | *Notes* | **2015 £'000** | 2014 £'000 |
|---|---|---|---|
| **Revenue** | | **1,003,336** | 994,905 |
| **Adjusted Group operating profit** | | **58,653** | 53,255 |
| Release of contingent consideration | | **-** | 1,086 |
| Net IAS 41 valuation movement on biological assets | | **(4,245)** | 1,441 |
| Amortisation of customer relationship intangible assets | | **(671)** | - |
| **Group operating profit** | *4* | **53,737** | 55,782 |
| Finance revenue | | **-** | 32 |
| Finance costs | | **(901)** | (1,057) |
| **Profit before tax** | | **52,836** | 54,757 |
| Taxation | | **(11,584)** | (11,550) |
| **Profit for the year** | | **41,252** | 43,207 |

| | | | |
|---|---|---|---|
| **Earnings per share (pence)** | | | |
| **On profit for the year:** | | | |
| Basic | *5* | **84.1p** | 88.7p |
| Diluted | *5* | **83.8p** | 88.3p |
| **On adjusted profit for the year:** | | | |
| Basic | *5* | **92.1p** | 84.1p |
| Diluted | *5* | **91.8p** | 83.7p |

# GROUP STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MARCH 2015

| | 2015<br>£'000 | 2014<br>£'000 |
|---|---|---|
| **Profit for the year** | **41,252** | 43,207 |
| **Other comprehensive income** | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | |
| Cash flow hedges | | |
| Losses arising in the year | **(210)** | (18) |
| Reclassification adjustments for losses included in the income statement | **18** | 4 |
| Income tax effect | **38** | 3 |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | **(154)** | (11) |
| *Items not to be reclassified to profit or loss in subsequent periods:* | | |
| Actuarial losses on defined benefit pension scheme | **(307)** | (4,177) |
| Income tax effect | **61** | 735 |
| **Net other comprehensive income not to be reclassified to profit or loss in subsequent periods** | **(246)** | (3,442) |
| **Other comprehensive income, net of tax** | **(400)** | (3,453) |
| **Total comprehensive income, net of tax** | **40,852** | 39,754 |

# GROUP BALANCE SHEET

## AT 31 MARCH 2015

| | *Notes* | **2015 £'000** | 2014 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | | **145,705** | 130,535 |
| Property, plant and equipment | | **166,087** | 156,578 |
| Biological assets | | **592** | 1,174 |
| **Total non-current assets** | | **312,384** | 288,287 |
| | | | |
| **Current assets** | | | |
| Biological assets | | **11,197** | 13,543 |
| Inventories | | **49,125** | 47,426 |
| Trade and other receivables | | **116,905** | 97,775 |
| Financial assets | | **-** | - |
| Cash and short-term deposits | *8* | **3,941** | 12,223 |
| **Total current assets** | | **181,168** | 170,967 |
| | | | |
| **Total assets** | | **493,552** | 459,254 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **(117,792)** | (108,806) |
| Financial liabilities | | **(210)** | (327) |
| Provisions | | **(196)** | - |
| Income tax payable | | **(7,046)** | (6,495) |
| **Total current liabilities** | | **(125,244)** | (115,628) |
| | | | |
| **Non-current liabilities** | | | |
| Other payables | | **(1,278)** | (409) |
| Financial liabilities | | **(25,427)** | (28,898) |
| Deferred tax liabilities | | **(3,457)** | (4,737) |
| Provisions | | **(150)** | (343) |
| Defined benefit pension scheme deficit | | **(5,623)** | (6,528) |
| **Total non-current liabilities** | | **(35,935)** | (40,915) |
| | | | |
| **Total liabilities** | | **(161,179)** | (156,543) |
| | | | |
| **Net assets** | | **332,373** | 302,711 |
| | | | |
| **Equity** | | | |
| Called-up share capital | | **4,926** | 4,896 |
| Share premium account | | **65,689** | 64,173 |
| Share-based payments | | **10,242** | 7,779 |
| Hedging reserve | | **(169)** | (15) |
| Retained earnings | | **251,685** | 225,878 |
| **Equity attributable to owners of the parent** | | **332,373** | 302,711 |

# GROUP STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2015

| | *Notes* | **2015 £'000** | 2014 £'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the year | | **41,252** | 43,207 |
| *Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:* | | | |
| Income tax expense | | **11,584** | 11,550 |
| Net finance costs | | **901** | 1,025 |
| Loss/ (gain) on sale of property, plant and equipment | | **149** | (100) |
| Depreciation of property, plant and equipment | | **18,349** | 17,831 |
| Amortisation of intangible assets | | **671** | 159 |
| Share-based payments | | **2,463** | 1,014 |
| Difference between pension contributions paid and amounts recognised in the income statement | | **(1,212)** | (1,006) |
| Release of government grants | | **(74)** | (85) |
| Release of contingent consideration | | **-** | (1,086) |
| Net IAS 41 valuation movement on biological assets | | **4,245** | (1,441) |
| Increase in biological assets | | **(1,317)** | (176) |
| Decrease in inventories | | **491** | 1,497 |
| Increase in trade and other receivables | | **(12,586)** | (3,910) |
| Increase in trade and other payables | | **2,226** | 4,702 |
| Cash generated from operations | | **67,142** | 73,181 |
| Tax paid | | **(12,750)** | (13,050) |
| **Net cash from operating activities** | | **54,392** | 60,131 |
| | | | |
| **Cash flows from investing activities** | | | |
| Interest received | | **-** | 28 |
| Principal amounts received in relation to loans advanced | | **-** | 1,002 |
| Acquisition of subsidiaries, net of cash acquired | *7* | **(17,692)** | (14,402) |
| Purchase of property, plant and equipment | | **(21,144)** | (27,684) |
| Receipt of government grants | | **542** | 100 |
| Proceeds from sale of property, plant and equipment | | **244** | 197 |
| **Net cash used in investing activities** | | **(38,050)** | (40,759) |
| | | | |
| **Cash flows from financing activities** | | | |
| Interest paid | | **(880)** | (1,094) |
| Proceeds from issue of share capital | | **901** | 410 |
| Proceeds from borrowings | | **-** | 30,000 |
| Issue costs of long term borrowings | | **(851)** | - |
| Repayment of borrowings | | **(8,000)** | (30,500) |
| Dividends paid | | **(15,350)** | (12,700) |
| Repayment of capital element of finance leases and hire purchase contracts | | **(444)** | (349) |
| **Net cash used in financing activities** | | **(24,624)** | (14,233) |
| | | | |
| Net (decrease)/ increase in cash and cash equivalents | *8* | **(8,282)** | 5,139 |
| Cash and cash equivalents at beginning of year | *8* | **12,223** | 7,084 |
| **Cash and cash equivalents at end of year** | *8* | **3,941** | 12,223 |

# GROUP STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2015

| | Share capital £'000 | Share premium £'000 | Share-based payments £'000 | Hedging reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| At 31 March 2013 | 4,853 | 61,603 | 6,765 | (4) | 200,447 | 273,664 |
| Profit for the year | - | - | - | - | 43,207 | 43,207 |
| Other comprehensive income | - | - | - | (11) | (3,442) | (3,453) |
| Total comprehensive income | - | - | - | (11) | 39,765 | 39,754 |
| Share-based payments | - | - | 1,014 | - | - | 1,014 |
| Scrip dividend | 19 | 2,184 | - | - | - | 2,203 |
| Share options exercised (proceeds) | 24 | 386 | - | - | - | 410 |
| Dividends | - | - | - | - | (14,903) | (14,903) |
| Deferred tax related to changes in equity | - | - | - | - | 246 | 246 |
| Corporation tax related to changes in equity | - | - | - | - | 323 | 323 |
| At 31 March 2014 | 4,896 | 64,173 | 7,779 | (15) | 225,878 | 302,711 |
| Profit for the year | - | - | - | - | 41,252 | 41,252 |
| Other comprehensive income | - | - | - | (154) | (246) | (400) |
| Total comprehensive income | - | - | - | (154) | 41,006 | 40,852 |
| Share-based payments | - | - | 2,463 | - | - | 2,463 |
| Scrip dividend | 5 | 640 | - | - | - | 645 |
| Share options exercised (proceeds) | 25 | 876 | - | - | - | 901 |
| Dividends | - | - | - | - | (15,995) | (15,995) |
| Deferred tax related to changes in equity | - | - | - | - | 437 | 437 |
| Corporation tax related to changes in equity | - | - | - | - | 359 | 359 |
| **At 31 March 2015** | **4,926** | **65,689** | **10,242** | **(169)** | **251,685** | **332,373** |

# NOTES TO THE ACCOUNTS

## 1. Basis of preparation

The results comprise those of Cranswick plc and its subsidiaries for the year ended 31 March 2015. This preliminary announcement has been prepared on the basis of accounting policies as set out in the statutory accounts for the year ended 31 March 2014 (except as detailed below) and International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board as adopted by the European Union ("IFRS") and does not constitute the Company's statutory accounts within the meaning of Section 435 of the Companies Act 2006.

Statutory accounts for the years ended 31 March 2015 and 31 March 2014 have been reported on by the auditors who issued an unqualified opinion in respect of both periods and the auditors' reports for 2015 and 2014 did not contain statements under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2014 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2015, which were approved by the Board on 18 May 2015, will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

## 2. Accounting policies

The accounting policies applied by the Group in this preliminary announcement are the same as those applied by the Group in the financial statements for the year ended 31 March 2014.

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

## 3. Business and geographical segments

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

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

The Group reports on one reportable segment:

- Food – manufacture and supply of food products to UK grocery retailers, the food service sector and other food producers.

All Group revenues are received for the provision of goods; no revenues are received from the provision of services.

## 4. Group operating profit

Group operating costs comprise:

| | **2015**<br>**£'000** | 2014<br>£'000 |
|---|---|---|
| Cost of sales excluding net IAS 41 valuation movement on biological assets | **878,968** | 877,012 |
| Net IAS 41 valuation movement on biological assets* | **4,245** | (1,441) |
| Cost of sales | **883,213** | 875,571 |
| *Gross profit* | ***120,123*** | *119,334* |
| Selling and distribution costs | **38,418** | 35,995 |
| Administrative expenses excluding amortisation of customer relationship intangible assets and release of contingent consideration | **27,297** | 28,643 |
| Amortisation of customer relationship intangible assets | **671** | - |
| Release of contingent consideration | **-** | (1,086) |
| Administrative expenses | **27,968** | 27,557 |
| **Total operating costs** | **949,599** | 939,123 |

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

## 5. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to members of the parent company of £41,252,000 (2014: £43,207,000) by the weighted average number of shares outstanding during the year. In calculating diluted earnings per share amounts, the weighted average number of shares is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

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

| | **2015 Thousands** | 2014 Thousands |
|---|---|---|
| Basic weighted average number of shares | **49,071** | 48,734 |
| Dilutive potential ordinary shares – share options | **151** | 191 |
| | **49,222** | 48,925 |

**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 which became significant for the first time during the year ended 31 March 2015 following the acquisition of Benson Park Limited (note 7), gains and losses from the IAS 41 valuation movement on biological assets due to the volatility of pig prices and in the prior year the release of contingent consideration in relation to the acquisition of Kingston Foods Limited in 2012.

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 year is derived as follows:

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Profit for the year | **41,252** | 43,207 |
| Release of contingent consideration | **-** | (1,086) |
| Amortisation of customer relationship intangible assets | **671** | - |
| Tax on amortisation of customer relationship intangible assets | **(134)** | - |
| Net IAS 41 valuation movement on biological assets | **4,245** | (1,441) |
| Tax on net IAS 41 valuation movement on biological assets | **(849)** | 288 |
| **Adjusted profit for the year** | **45,185** | 40,968 |

## 6. Dividends

Subject to Shareholders' approval the final dividend will be paid on 4 September 2015 to Shareholders on the register at the close of business on 3 July 2015.

## 7. Acquisitions

**Benson Park Limited**

On 22 October 2014, the Group acquired 100 per cent of the issued share capital of Benson Park Limited for a total consideration of £23.8 million. The principal activity of Benson Park Limited is the production of premium British cooked poultry. The acquisition moves the Group into a new protein sector and further broadens its product range and customer base.

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

| | **Fair value £'000** |
|---|---|
| Net assets acquired: | |
| Customer relationships | 6,185 |
| Property, plant and equipment | 4,931 |
| Inventories | 2,190 |
| Trade receivables | 6,224 |
| Bank and cash balances | 2,308 |
| Trade payables | (5,013) |
| Government grants | (465) |
| Corporation tax liability | (373) |
| Deferred tax liability | (1,339) |
| Finance lease obligations | (135) |
| | 14,513 |
| Goodwill arising on acquisition | 9,259 |
| Total consideration | 23,772 |
| | |
| Satisfied by: | |
| Cash | 20,000 |
| Contingent consideration | 3,772 |
| | 23,772 |
| | |
| Analysis of cash flows on acquisition: | |
| *Included within cash flows from investing activities* | |
| Cash consideration paid | 20,000 |
| Cash and cash equivalents acquired | (2,308) |
| | 17,692 |
| *Included within net cash from operating activities* | |
| Transaction costs of the acquisition | 203 |
| Net cash outflow arising on acquisition | 17,895 |

From the date of acquisition to 31 March 2015, the external revenues of Benson Park Limited were £18.1 million and the company contributed a net profit after tax of £1.1 million to the Group. If Benson Park Limited had been acquired at the beginning of the year, the Group's profit after tax for the year would have been £42.8 million and revenues would have been £1,026.6 million.

Included in the £9.3 million of goodwill recognised 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 the assembled workforce.

Transaction costs of £0.2 million have been expensed in relation to the acquisition and were included in administrative expenses.

All of the trade receivables acquired were collected in full.

*Contingent Consideration*
The agreement includes contingent consideration payable in cash to the previous owners of Benson Park Limited based on the performance of the business over a 2.5 year period. The amount payable will be between £nil and £4.0 million dependant on the average profit before interest and tax of the business during the 2.5 year period versus an agreed target level.

The fair value of the contingent consideration on acquisition was estimated at £4.0 million, discounted to £3.8 million in the table above.

**Yorkshire Baker**
On 2 April 2014, the Group acquired the goodwill associated with the Yorkshire Baker business in exchange for certain property, plant and equipment and 10 per cent of the issued share capital of Cranswick Gourmet Pastry Company Limited. Goodwill of £397,000 was recognised on acquisition representing 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 the assembled workforce. Transaction costs were £nil. There is a put and call option in place over the 10 per cent shareholding, exercisable at fixed points over the next three years. The value paid for the shares will be based on the results of Cranswick Gourmet Pastry Company Limited during that period. Contingent consideration of £0.4 million has been recognised in relation to the option.

## 8. Analysis of changes in net debt

| Group | At 31 March 2014 £'000 | Cash flow £'000 | Other non-cash changes £'000 | **At 31 March 2015 £'000** |
|---|---|---|---|---|
| Cash and cash equivalents | 12,223 | (8,282) | - | **3,941** |
| Revolving credit | (28,898) | 8,000 | (367) | **(21,265)** |
| Finance leases and hire purchase contracts | (309) | 444 | (135) | **-** |
| Net debt | (16,984) | 162 | (502) | **(17,324)** |

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

## 9. Related party transactions

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

| Company | Services rendered to related party £’000 | Interest paid to related party £’000 | Dividends received from related party £’000 |
|---|---|---|---|
| Related party - Subsidiaries | | | |
| **2015** | **12,103** | **3,125** | **15,350** |
| 2014 | 17,560 | 2,724 | 12,700 |

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

## 10. Report and accounts

The Report and Accounts will be available on the Company's website at www.cranswick.plc.uk on 26 June 2015. Further copies will be available upon request from the Company Secretary, Cranswick plc, 74 Helsinki Road, Sutton Fields, Hull, HU7 0YW.