7.00am, Tuesday 24 May 2016

CRANSWICK plc: PRELIMINARY RESULTS

Strong commercial growth and continued strategic 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 2016.

Financial highlights:

- Revenue ahead by 6.6% at £1,069.6m (2015: £1,003.3m)
- Underlying[1] revenue up 4.7%
- Adjusted Group operating margin[2] of 6.2% (2015: 5.8%)
- Adjusted profit before tax[2] increased 13.7% to £65.7m (2015: £57.8m)
- Adjusted earnings per share[2] 13.7% higher at 104.7p (2015: 92.1p)
- Recommended final dividend increased by 10.7% to 25.9p (2015: 23.4p)
- Net funds of £17.8m (2015: net debt at £17.3m)

- Statutory profit before tax up 11.0% to £58.7m (2015: £52.8m)
- Statutory earnings per share 8.8% higher at 91.5p (2015: 84.1p)
- £4.6m non-cash impairment of Sandwiches goodwill

Strategic progress:

- Full and successful integration of Benson Park including completion of capacity doubling site extension
- Further development of UK poultry business with the post year end acquisition of Crown Chicken
- £34m of capital investment across the Group's asset base to support future growth
- Good progress on Phase 2 upgrade to Norfolk primary processing facility, which underpins drive for site USDA accreditation
- Strong progress in key export markets with volumes to the Far East ahead by 32%

Cranswick Chairman Martin Davey said:

"The past year has been one of strong commercial growth and continued strategic development for Cranswick. This has enabled sales, which exceeded £1 billion for the first time a year ago, to progress further.

"The acquisition in October 2014 of Benson Park, a leading producer of premium British cooked poultry products, was complemented by the acquisition last month of CCL Holdings ('Crown'). Crown is a leading integrated poultry producer supplying a broad customer base across grocery retail, food service, wholesale and manufacturing channels. The Board considers that Cranswick now has a base from which to move forward and develop a strong presence in the poultry sector over the longer term.

"The Board is proposing to increase the final dividend by 10.7 per cent to 25.9 pence per share.

"The business has made significant progress both commercially and strategically over the past year. There are strong customer relationships, a broadening product portfolio and growing export channels. Aligned with well-invested and efficient production facilities, skilled management teams and a strong balance sheet this gives the Board confidence that Cranswick is well positioned to meet the challenges that may arise and to continue its successful long-term development."

1 underlying revenue excludes the contribution from Benson Park prior to the anniversary of its acquisition (22 October 2015) in the current year and revenue from pig breeding, rearing and trading activities in both the current and prior years.

2 adjusted Group operating margin, adjusted profit before tax and adjusted earnings per share exclude net IAS 41 valuation movement on biological assets and amortisation of customer relationship intangible assets in 2015 and 2016, and impairment of goodwill in 2016. 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 / Samantha Trillwood 020 7250 1446

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

CHAIRMAN'S STATEMENT

The past year has been one of strong commercial growth and continued strategic development for Cranswick.

The focus of the business remains unchanged. Working closely with the Company's customer base Cranswick's target is to deliver quality food at affordable prices for today's consumer. This has enabled sales, which exceeded £1 billion for the first time a year ago, to progress further.

Allied to this business focus is the Board's strategy to broaden the protein base and customer profile of the business. 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, was complemented by the acquisition last month of CCL Holdings ('Crown') and its subsidiary Crown Chicken. Crown is a leading integrated poultry producer supplying a broad customer base across grocery retail, food service, wholesale and manufacturing channels.

The Board considers that Cranswick now has a base from which to move forward and develop a strong presence in the poultry sector over the longer term.

Results

Full year sales volumes were 12 per cent higher than the previous year. Sales revenues were 7 per cent ahead at £1.07 billion as the Group's customers and UK consumers continued to benefit from lower pork prices. Strong sales growth was seen across most categories including poultry from Benson Park, which is now fully integrated into the Group. Export volumes grew strongly particularly those for non-European markets. Adjusted operating profit rose 12.8 per cent to £66.2 million reflecting the additional volumes, a full year contribution from Benson Park compared to five months previously and operational efficiencies generated by previous investments.

Reported profit before taxation was £58.7 million and earnings per share were 91.5 pence. Adjusted profit before tax was £65.7 million, an increase of 13.7 per cent on the previous year. Adjusted earnings per share also rose 13.7 per cent to 104.7 pence. Details of trading are covered more fully in the Operating Review.

Investments

Cranswick invested £34 million in its asset base during the year. This provided for additional capacity, the upgrading of equipment, improved operational efficiencies and increased resource in product innovation. Principal areas of investment were in fresh pork and cooked meats, including Benson Park.

In addition, there are a number of projects either underway or planned in the near term as the Board seeks to increase capacity and enhance the quality and efficiency of the Group's production facilities.

The strategy for the development of Cranswick to date has been to complement organic growth with appropriate acquisitions. The acquisition of Crown fits with this model and we welcome Nigel Armes and Matthew Ward, Mill and Agriculture Directors respectively, and their colleagues to Cranswick. We look forward to working with them to develop the business further.

Cash Flow

Cranswick's borrowings are conservatively structured. The Company's £120 million unsecured banking facility provides generous headroom and is in place through to July 2018. Strong cash generation from operating activities resulted in a net funds position at the end of the year of £17.8 million compared to borrowings of £17.3 million a year earlier. Subsequent to the year end the Company moved from a net funds position into net debt with the acquisition of Crown. Further details are provided in the Financial Review.

Dividend

The Board is proposing to increase the final dividend by 10.7 per cent to 25.9 pence per share. Together with the interim dividend, which was raised by 9.4 per cent to 11.6 pence per share, this makes a total dividend for the year of 37.5 pence per share. This is an increase of 10.3 per cent on the 34.0 pence per share paid last year.

The final dividend, if approved by Shareholders, will be paid on 2 September 2016 to Shareholders on the register at the close of business on 1 July 2016. 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. The Group has been the recipient of the industry's 'Environmental Initiative of The Year' award.

Colleagues

Cranswick operates on a decentralised basis across product categories supported by group-wide collaboration in key areas.

The Human Resource function is especially important when operating such a format and its strategy has been enhanced in recent years and incorporated into the overall strategic plan. All colleagues are viewed as critical stakeholders in the business and there is commitment to implementing a training and development strategy that delivers workforce capabilities, skills and competencies through the Company's apprenticeship scheme, development programmes and training courses.

The Board appreciates the progress that is being made and acknowledges that the Company's continued success 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

The business has made significant progress both commercially and strategically over the past year. There are strong customer relationships, a broadening product portfolio and growing export channels. Aligned with well-invested and efficient production facilities, skilled management teams and a strong balance sheet this gives the Board confidence that Cranswick is well positioned to meet the challenges that may arise and to continue its successful long-term development.

Martin Davey
Chairman

24 May 2016

OPERATING REVIEW

Revenue increased by 6.6 per cent to £1,069.6 million with volumes on a comparable basis up 12 per cent. Growth was supported by the contribution from Benson Park which was acquired in the second half of the last financial year. Underlying revenue grew by 4.7 per cent, with underlying sales volumes ahead 10 per cent.

Adjusted Group operating profit increased by 12.8 per cent to £66.2 million and adjusted Group operating margin improved by 34 basis points to 6.2 per cent of revenue. The improvement in Group operating margin reflected lower pig prices, the positive contribution from Benson Park, an improved performance from the Pastry business and a tight focus on cost control and operational efficiencies across the Group.

Each of our categories made a positive contribution to the Group's overall performance and we continue to invest heavily, both in our infrastructure and our people, to sustain Cranswick's growth and continue its strategic development. Our strategy of positioning Cranswick in the premium tiers of our product categories continues to underpin the success of the business. Whilst, in overall terms, volumes in the categories in which we operate are either growing slowly or in modest decline, the super-premium segments of these categories continue to materially outperform. Good examples of this trend are super-premium bacon and sausage which, according to recent market data, are showing strong volume growth whereas the overall categories are slightly down.

Pig prices

Pig prices remained relatively stable during the first half of the year compared to the volatility experienced in the previous three years, but then fell sharply in the second half and in particular in the final quarter of the year. The UK pig price fell 15 per cent during the year and was, on average, 17 per cent lower than last year. The differential between the UK price and its European equivalent has now narrowed to a more sustainable premium of 10 to 15 per cent reflecting the UK's unique position globally in terms of outdoor pig production.

Pig herd

The Wayland and Wold farming businesses supply approximately 20 per cent of the Group's British pig requirements. Cranswick is the third largest pig producer in the UK and represents 6 per cent of the total UK pig herd. More than 80 per cent of the pigs produced from the two herds are bred outdoors providing a complete farm to fork solution for the premium pork ranges of the Group's two largest retail customers. Provenance and end-to-end supply chain integrity are a key differentiator enabling the Group to lock in key long-term retail relationships. Improvements in productivity and prolificacy together with lower feed costs helped to partly offset the impact of lower pig prices during the year.

Export trade

Total export volumes grew by 23 per cent compared to the previous year. Volume growth of 32 per cent in Far Eastern markets, was complemented by 7 per cent volume growth in the US and 8 per cent growth across the rest of the world. More than 1,000 tonnes of product are being shipped to the Far East each week with Cranswick accounting for over 50 per cent of all pig meat exports from the UK to this part of the world. Further opportunities are being explored and the range of products being exported is continually being developed and broadened.

Crown Chicken

The acquisition of Crown Chicken shortly after the year end is entirely consistent with one of the three core pillars of our long-term growth strategy: UK diversification. Crown is a leading player in the UK fresh poultry sector and provides a fully integrated, end-to-end poultry supply chain which is complementary with Benson Park, our premium cooked poultry business which we acquired in October 2014. Crown has a well invested feed mill which is a key supplier to our Wayland Farms operation and has best-in-class breeding, hatchery and rearing operations under the stewardship of Directors Nigel Armes and Matthew Ward, respectively. We welcome Nigel, Matthew and their colleagues to Cranswick and look forward to working with them as we grow and develop our UK poultry business.

Infrastructure investment

We invested a further £34 million across our asset base during the year, to increase capacity, make our facilities more efficient and enable them to offer a broader product range. We have now invested in excess of £200 million in our infrastructure over the last eight years to give us some of the most efficient and well invested production facilities in the UK food manufacturing sector. Further details of the investment programme, both completed and ongoing, are provided in the relevant sections of the category review below.

Category review

Fresh Pork (Up 9 per cent)
Fresh pork sales grew by 9 per cent driven, in part, by the recovery of business with one of the Group's principal retail customers in the second half of the previous financial year. Record numbers of pigs were processed through our two facilities with numbers regularly exceeding 50,000 per week in the run up to the peak Christmas trading period. Market data for the 52 weeks to 27 March shows UK retail fresh pork sales have fallen 9 per cent year-on-year due, primarily, to the fall in UK pig prices over the same period. We are keen to see that the versatility and price competiveness of pork compared to other meat proteins is advanced. The recent, hugely successful AHDB pulled pork advertising campaign highlights the way in which innovative and focused marketing can deliver positive results. This initiative resulted in a 19 per cent, year-on-year increase in shoulder joint sales during the campaign. The next phase of redevelopment of our Norfolk facility is now underway. This £6 million investment to replace the existing abattoir will increase capacity, improve efficiencies and will facilitate the site's push for USDA accreditation.

Cooked Meats (Down 4 per cent)
Cooked meat sales fell 4 per cent reflecting overall category deflation and lower volumes to one retail customer. However, it is pleasing to report that volumes for this category returned to growth in the final quarter. Further substantial capital investment at the Sutton Fields facility will upgrade staff amenities and refurbish both high and low risk production areas to enable expansion into new categories with existing customers and develop further capability to supply 'slow cook' and 'food to go' ranges to manufacturing and food service customers. A major three-year capital investment programme at the Valley Park facility will refurbish the fabric of the site and upgrade chilling and storage facilities to support future growth. New slicing capacity is also being added to the Milton Keynes operation to accommodate substantial additional volume which will come on stream in the second half of the new financial year.

Sausage (Up 1 per cent)
Sausage sales were 1 per cent higher supported by strong volume growth of 5 per cent. The premium sector of the market is the main driver of category growth as consumers are prepared to pay a modest premium for a step change in quality and taste. Premium beef burger volumes were 18 per cent higher year-on-year. Further capital investment, to upgrade mixing and filling equipment, is underway at the Lazenby's facility in Hull to support substantial additional business which will come on stream in the first half of the new financial year. In addition, we are investing £2 million to reinstate sausage production capability at our Norfolk facility to accommodate new 'butcher's choice' sausage business for one of our principal retail customers.

Bacon (Up 12 per cent)
Bacon and gammon sales were 12 per cent ahead as continued development of the business' hand-cured, air-dried bacon was supported by strong premium gammon sales. This growth was underpinned by gaining sole supply status for premium bacon and gammons with one of the Group's lead retail customers shortly before the previous half year end. Several new products were launched with both existing and new customers in the run up to the peak Christmas trading period. The redevelopment and conversion of the former Kingston Foods site in Milton Keynes into a gammon facility was completed during the year and the facility is now targeting a new sector of the bacon and gammon market.

Premium Poultry (Up 24 per cent)
Sales of premium poultry from Benson Park grew by 24 per cent when comparing the equivalent post acquisition period in both years. New business wins during the year, both with existing and new customers, leave the business well placed moving into the new financial year. The capital investment programme which was underway when the business was acquired in October 2014, is now complete. The enlarged factory footprint and new in-line, flat-bed cooking and spiral cooling equipment was fully and successfully commissioned ahead of the peak Christmas trading period. This £9 million investment programme has substantially increased capacity and has improved operational efficiencies as well as enabling the business to offer a broader product range.

Pastry (Up 31 per cent)
Pastry sales were 31 per cent ahead of the prior year, continuing the positive development since this category was introduced. Operational performance at the site continued the marked improvement seen in the second half of the

previous financial year and the category made a positive contribution to the overall Group result. New product lines were launched which, coupled with a strong Christmas and seasonal promotional programme, helped drive top-line growth. New spring product launches with the business' principal customer leave our Pastry business well placed to deliver further growth going forward.

Continental products (Up 11 per cent)
Sales of continental products increased by 11 per cent reflecting the UK consumer's strong appetite for speciality continental products including charcuterie, cheeses, pasta and olives. Category growth was supported by new product launches and new retail contracts together with a continued focus on sourcing new artisan products from across Europe. The extension of the Guinness Circle facility to produce British cured meat products was completed during the year, and will deliver a range of premium cured meats under both the Woodall's brand and retail customer own label.

Sandwiches (Up 3 per cent)
Sandwich sales grew by 3 per cent, supported by new contract wins brought on stream part way through the first half of the last financial year. Top-line growth was supported by an improved operational performance as the business continued to strip out underperforming accounts and rationalise the product range. However, part way through the year the business received confirmation that a key account would not be extended beyond its current term which ended shortly before the year end. Whilst the loss of this contract adversely affected the final four weeks of trading in the run up to year end and is having a similar effect in the early part of the new financial year, a new substantial contract has been secured which is expected to come on stream during the early summer, leaving the outlook for the Sandwich business far more secure and stable.

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

Adam Couch
Chief Executive

24 May 2016

FINANCIAL REVIEW

Revenue

Reported revenue at £1,069.6 million increased by 6.6 per cent, driven by strong volume growth of 12 per cent and a positive contribution from Benson Park, acquired in October 2014. Underlying revenue* was 4.7 per cent higher than the prior year, with corresponding volumes up 10 per cent, as the benefit of lower input prices continued to be passed on to the Group's customers and UK consumers. Export sales volumes to key Far Eastern markets increased by 32 per cent.

Adjusted Group operating profit

Adjusted Group operating profit of £66.2 million increased by 12.8 per cent. Adjusted Group operating margin at 6.2 per cent of sales was 34 basis points higher than last year's level, with the improvement underpinned by strong revenue growth and lower input costs, together with a positive contribution from Benson Park and an improved performance from the Group's Pastry business.

Finance costs

Net financing costs at £0.5 million were £0.4 million lower than last year, reflecting lower average bank borrowings with the Group moving into a net funds position during the second half of the year. Interest cover was 110.5 times compared to 59.6 times a year earlier.

Adjusted profit before tax

Adjusted profit before tax at £65.7 million increased by 13.7 per cent from £57.8 million.

Taxation

The tax charge of £13.3 million was 22.6 per cent of profit before tax (2015: 21.9 per cent). The standard rate of UK corporation tax was 20 per cent (2015: 21 per cent). The effective tax rate was higher than the standard rate of corporation tax for both years due to disallowable expenses including the goodwill impairment charge in the current year, which is referred to in more detail below, more than offsetting a deferred tax credit resulting from future, enacted reductions in the UK corporation tax rate.

Adjusted earnings per share

Adjusted earnings per share increased by 13.7 per cent from 92.1 pence to 104.7 pence reflecting the increase in adjusted profit before tax. The weighted average number of shares in issue was 49,601,000 (2015: 49,071,000).

Adjusted profit measures

The Group monitors performance principally through adjusted profit measures which exclude certain non-cash items including the net IAS 41 valuation charge of £1.0 million on biological assets (2015: £4.3 million), amortisation of acquired intangible assets of £1.4 million (2015: £0.7 million) and a goodwill impairment charge of £4.6 million (2015: £nil). The statutory results, including these items, show an 11.0 per cent increase in profit before tax to £58.7 million (2015: £52.8 million), a 10.2 per cent increase in Group operating profit to £59.2 million (2015: £53.7 million) and an 8.8 per cent increase in earnings per share to 91.5 pence (2015: 84.1 pence).

Goodwill impairment

Following a change in the customer base of the Sandwiches category, an impairment review was performed on the Sandwiches cash generating unit in the first half of the year. This resulted in the recognition of a goodwill impairment charge of £4.6 million. In the second half of the year the Sandwiches category has performed in line with management's expectations, continuing in its efforts to win new business and further improve efficiencies, consequently no further impairment of goodwill was deemed necessary at the year end. Further details of the Sandwiches category performance are set out in the Operating Review.

Cash flow and funding

Cash generated from operating activities was £83.8 million (2015: £54.4 million) driven by higher Group operating profit and a working capital inflow of £9.0 million (2015: outflow of £11.2 million). As a result of the strong cash generation, the Group moved into net funds at the year end of £17.8 million (2015: net debt of £17.3 million). The Group's unsecured bank facility of £120 million extends to July 2018 and provides the business with generous headroom.

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 2016 was £4.4 million (2015: £5.6 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 £26.7 million and the fair value of plan assets was £22.3 million.

Events after the balance sheet date

On 8 April 2016, the Group acquired the whole of the issued share capital of CCL Holdings Limited ('Crown') and its 100 per cent owned subsidiary Crown Chicken Limited, a leading integrated poultry producer based in East Anglia, for net cash consideration of £39.3 million. Further details of the transaction are set out in note 9.

UK referendum on EU membership

The referendum on the UK's membership of the EU on 23 June 2016 increases economic uncertainty. The Group actively monitors, and considers responses to varying EU referendum outcomes to ensure that it is well prepared for all eventualities.

Summary

Cranswick has delivered a sound set of results with positive progress across all financial metrics.

Mark Bottomley
Finance Director

24 May 2016

* Underlying revenue excludes the contribution from the Benson Park prior to the anniversary of its acquisition (22 October 2015) in the current year and sales from the pig breeding, rearing and trading activities in both the current and prior financial years.

PRINCIPAL RISKS AND UNCERTAINTIES

As a leading UK food producer operating in a highly competitive industry, it is critical that the Group identifies, assesses and prioritises its risks.

Risk management framework

The Group has formal risk management processes in place to support the identification and management of risks across the business. These are regularly reviewed and updated for changes within the Group, the industry and the wider economy. The Board is ultimately responsible for the establishment and oversight of the Group's Risk Management Framework which is summarised below.

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 Area	***Description of Risk***	***Mitigation***
Strategic		
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.	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 being in place. 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.

Risk Area	*Description of Risk*	*Mitigation*
Commercial		
Reliance on key customers and exports	A significant proportion of the Group's results are generated from a small number of major customers and export sales. Loss of all or part of the Group's business with one or more of these customers or loss of export licence 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 UK and export customers to ensure service, quality, food safety and new product developments are of the highest standard.
Pig meat - availability and price	The Group is exposed to specific issues 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 own farms. These arrangements help to mitigate the risks associated with pig price volatility and supply.
Financial		
Interest rate, currency, liquidity and credit risks	The Group is exposed to interest rate risk on borrowings and to foreign currency risk specifically on purchases 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. Specifically sites have 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 all new business acquisitions, using internal and specialised external resources where required. In addition, the existing senior management teams are generally retained to provide continuity and to facilitate integration of the business into the Group.
Operational		
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 site manufacturing processes.	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 core 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.

Risk Area	*Description of Risk*	*Mitigation*
Operational (continued)		
Health and Safety	A breach of Health & 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 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 and 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 similar 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 our sites and those of our suppliers are continually monitored by experienced and well trained technical teams.
Cyber security	The Group is mindful of emerging risks in this area specifically given the increasing frequency and sophistication of cyber attacks. Various aspects of the Group's day-to-day operations are underpinned by a variety of IT systems. In common with other organisations the Group is susceptible to cyber attacks and/or fraudulent external email activity.	The Group has a robust IT control framework in place, which is reviewed and tested on a frequent basis by internal staff and specialist third parties. Detailed internal financial control procedures are also in place to reduce the potential risk of fraudulent payment requests being processed.

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	**2016 £'000**	2015 £'000
Revenue		**1,069,604**	1,003,336
Adjusted Group operating profit		**66,189**	58,653
Net IAS 41 valuation movement on biological assets		**(951)**	(4,245)
Amortisation of customer relationship intangible assets		**(1,396)**	(671)
Impairment of goodwill		**(4,635)**	-
Group operating profit	*4*	**59,207**	53,737
Finance revenue		**1**	-
Finance costs		**(537)**	(901)
Profit before tax		**58,671**	52,836
Taxation		**(13,276)**	(11,584)
Profit for the year		**45,395**	41,252
Earnings per share (pence)			
On profit for the year:			
Basic	*5*	**91.5p**	84.1p
Diluted	*5*	**91.2p**	83.8p
On adjusted profit for the year:			
Basic	*5*	**104.7p**	92.1p
Diluted	*5*	**104.3p**	91.8p

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	2016 £'000	2015 £'000
Profit for the year	**45,395**	41,252
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges		
Profits/(losses) arising in the year	**61**	(210)
Reclassification adjustments for losses included in the income statement	**210**	18
Income tax effect	**(52)**	38
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**219**	(154)
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) on defined benefit pension scheme	**14**	(307)
Income tax effect	**(3)**	61
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**11**	(246)
Other comprehensive income, net of tax	**230**	(400)
Total comprehensive income, net of tax	**45,625**	40,852

GROUP BALANCE SHEET

AT 31 MARCH 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Intangible assets		**139,674**	145,705
Property, plant and equipment		**178,477**	166,087
Biological assets		**537**	592
Total non-current assets		**318,688**	312,384
Current assets			
Biological assets		**10,530**	11,197
Inventories		**46,163**	49,125
Trade and other receivables		**116,799**	116,905
Financial assets		**61**	-
Cash and short-term deposits	7	**17,817**	3,941
Total current assets		**191,370**	181,168
Total assets		**510,058**	493,552
Current liabilities			
Trade and other payables		**(121,764)**	(117,792)
Financial liabilities		**-**	(210)
Provisions		**(60)**	(196)
Income tax payable		**(6,507)**	(7,046)
Total current liabilities		**(128,331)**	(125,244)
Non-current liabilities			
Other payables		**(1,340)**	(1,278)
Financial liabilities		**(4,687)**	(25,427)
Deferred tax liabilities		**(1,781)**	(3,457)
Provisions		**(1,467)**	(150)
Defined benefit pension scheme deficit		**(4,449)**	(5,623)
Total non-current liabilities		**(13,724)**	(35,935)
Total liabilities		**(142,055)**	(161,179)
Net assets		**368,003**	332,373
Equity			
Called-up share capital		**4,984**	4,926
Share premium account		**69,014**	65,689
Share-based payments		**13,033**	10,242
Hedging reserve		**50**	(169)
Retained earnings		**280,922**	251,685
Equity attributable to owners of the parent		**368,003**	332,373

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	**2016 £'000**	2015 £'000
Operating activities			
Profit for the year		**45,395**	41,252
Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:			
Income tax expense		**13,276**	11,584
Net finance costs		**536**	901
(Gain)/loss on sale of property, plant and equipment		**(76)**	149
Depreciation of property, plant and equipment		**21,224**	18,349
Amortisation of intangible assets		**1,396**	671
Impairment of goodwill		**4,635**	-
Share-based payments		**2,791**	2,463
Difference between pension contributions paid and amounts recognised in the income statement		**(1,160)**	(1,212)
Release of government grants		**(128)**	(74)
Net IAS 41 valuation movement on biological assets		**951**	4,245
Increase in biological assets		**(229)**	(1,317)
Decrease in inventories		**2,962**	491
Decrease/(increase) in trade and other receivables		**841**	(12,586)
Increase in trade and other payables		**5,382**	2,226
Cash generated from operations		**97,796**	67,142
Tax paid		**(13,962)**	(12,750)
Net cash from operating activities		**83,834**	54,392
Cash flows from investing activities			
Interest received		**1**	-
Acquisition of subsidiaries, net of cash acquired		**-**	(17,692)
Purchase of property, plant and equipment		**(34,295)**	(21,144)
Receipt of government grants		**229**	542
Proceeds from sale of property, plant and equipment		**538**	244
Net cash used in investing activities		**(33,527)**	(38,050)
Cash flows from financing activities			
Interest paid		**(444)**	(880)
Proceeds from issue of share capital		**606**	901
Issue costs of long-term borrowings		**-**	(851)
Repayment of borrowings		**(22,000)**	(8,000)
Dividends paid		**(14,593)**	(15,350)
Repayment of capital element of finance leases and hire purchase contracts		**-**	(444)
Net cash used in financing activities		**(36,431)**	(24,624)
Net increase/(decrease) in cash and cash equivalents	*7*	**13,876**	(8,282)
Cash and cash equivalents at beginning of year	*7*	**3,941**	12,223
Cash and cash equivalents at end of year	*7*	**17,817**	3,941

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	Share capital £'000	Share premium £'000	Share-based payments £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
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
Current tax related to changes in equity	-	-	-	-	359	359
At 31 March 2015	4,926	65,689	10,242	(169)	251,685	332,373
Profit for the year	-	-	-	-	45,395	45,395
Other comprehensive income	-	-	-	219	11	230
Total comprehensive income	-	-	-	219	45,406	45,625
Share-based payments	-	-	2,791	-	-	2,791
Scrip dividend	16	2,761	-	-	-	2,777
Share options exercised (proceeds)	42	564	-	-	-	606
Dividends	-	-	-	-	(17,370)	(17,370)
Deferred tax related to changes in equity	-	-	-	-	343	343
Current tax related to changes in equity	-	-	-	-	858	858
At 31 March 2016	**4,984**	**69,014**	**13,033**	**50**	**280,922**	**368,003**

NOTES TO THE ACCOUNTS

1. Basis of preparation

The results comprise those of Cranswick plc and its subsidiaries for the year ended 31 March 2016. 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 2015 (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 2016 and 31 March 2015 have been reported on by the auditors who issued an unqualified opinion in respect of both periods and the auditors' reports for 2016 and 2015 did not contain statements under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2015 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2016, which were approved by the Board on 24 May 2016, 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 2015.

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:

	2016 £'000	2015 £'000
Cost of sales excluding net IAS 41 valuation movement on biological assets	**925,918**	878,968
Net IAS 41 valuation movement on biological assets*	**951**	4,245
Cost of sales	**926,869**	883,213
Gross profit	***142,735***	*120,123*
Selling and distribution costs	**42,814**	38,418
Administrative expenses excluding amortisation of customer relationship intangible assets and impairment of goodwill	**34,683**	27,297
Amortisation of customer relationship intangible assets	**1,396**	671
Impairment of goodwill	**4,635**	-
Administrative expenses	**40,714**	27,968
Total operating costs	**1,010,397**	949,599

* 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 £45,395,000 (2015: £41,252,000) 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:

	2016 Thousands	2015 Thousands
Basic weighted average number of shares	**49,601**	49,071
Dilutive potential ordinary shares – share options	**191**	151
	49,792	49,222

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 impairment of goodwill, the amortisation of customer relationship intangible assets and gains and losses from the IAS 41 valuation movement on biological assets due to the volatility of pig prices.

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

Adjusted profit for the year is derived as follows:

	2016 £'000	2015 £'000
Profit for the year	**45,395**	41,252
Impairment of goodwill	**4,635**	-
Amortisation of customer relationship intangible assets	**1,396**	671
Tax on amortisation of customer relationship intangible assets	**(251)**	(134)
Net IAS 41 valuation movement on biological assets	**951**	4,245
Tax on net IAS 41 valuation movement on biological assets	**(171)**	(849)
Adjusted profit for the year	**51,955**	45,185

6. Dividends

Subject to Shareholders' approval the final dividend will be paid on 2 September 2016 to Shareholders on the register at the close of business on 1 July 2016.

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

Group	At 31 March 2015 £'000	Cash flow £'000	Other non-cash changes £'000	**At 31 March 2016 £'000**
Cash and cash equivalents	3,941	13,876	-	**17,817**
Revolving credit	(21,265)	22,000	(735)	**-**
Net funds/(debt)	(17,324)	35,876	(735)	**17,817**

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

8. Related party transactions

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

Company	Services rendered to related party £'000	Interest paid to related party £'000	Dividends received from related party £'000
Related party - Subsidiaries			
2016	**20,200**	**4,071**	**14,593**
2015	12,103	3,125	15,350

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

9. Events after the balance sheet date

On 8 April 2016, the Group acquired 100 per cent of the issued share capital of CCL Holdings Limited and its wholly owned subsidiary Crown Chicken Limited ('Crown') for net cash consideration of £39.3 million. The principal activities of Crown Chicken Limited are the breeding, rearing and processing of fresh chicken, as well as the milling of grain for the production of animal feed. The acquisition provides the Group with a fully integrated supply chain for its growing poultry business.

Book and fair values of the net assets at the date of acquisition were as follows:

	Provisional fair value £'000
Net assets acquired:	
Property, plant and equipment	17,501
Biological assets	4,805
Inventories	1,865
Trade and other receivables	9,845
Bank and cash balances	3,946
Trade and other payables	(7,900)
Corporation tax liability	(541)
Deferred tax liability	(1,815)
Finance lease obligations	(370)
	27,336
Goodwill arising on acquisition	15,878
Total consideration	43,214
Satisfied by:	
Cash	43,214
Net cash outflow arising on acquisition:	
Cash consideration paid	43,214
Cash and cash equivalents acquired	(3,946)
	39,268

The fair values on acquisition are provisional due to the timing of the transaction and will be finalised within twelve months of the acquisition date.

Included in the £15,878,000 of goodwill recognised above, are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce and the strategic benefits of vertical integration including security of supply.

Transaction costs in relation to the acquisition are expected to total £0.4 million, expensed within administrative expenses.

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

10. Report and accounts

The Report and Accounts will be available on the Company's website at www.cranswick.plc.uk on 24 June 2016. Further copies will be available upon request from the Company Secretary, Cranswick plc, 74 Helsinki Road, Sutton Fields, Hull, HU7 0YW.