

CRANSWICK *plc*

Interim Report 2008



Financial Highlights

six months to september 2008

- Turnover up 9% to £321m
- Profit before tax up 5% to £18.5m
- Increase of 8% in eps to 28.9p
- Dividend up 8% to 7.0p per share
- Interest cover 9.3x (PY 9.0x)



Origins

Cranswick was formed by farmers in the early 1970s to produce pig feed. In 1988 the Board embarked on a strategy to broaden the base of the Company's activities and to seek opportunities to develop into related areas offering greater scope to add value to the Company's processes.

Development

The business has evolved by way of acquisitions and subsequent organic growth into one focused predominantly on the supply of a range of complementary fresh and processed food products to the UK food retail, food manufacturing and foodservice sectors. We will continue to seek opportunities to maintain this pattern of growth.

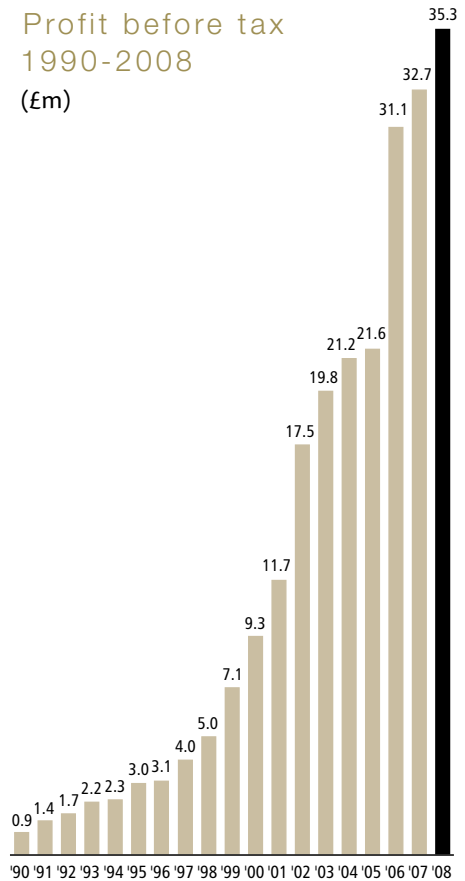
10 year record

Compound annual growth rates to 2008

Turnover	15.0% pa
Profit before tax	21.6% pa
Earnings per share	16.3% pa
Dividends per share	13.2% pa

Five year statement

Profit before tax 1990-2008 (£m)



	IFRS				UK GAAP
	2008	2007	2006	2005	2004
	£'m	£'m	£'m	£'m	£'m
Turnover	598.9	510.5	432.9	313.9	268.0
Profit before tax *	35.3	32.7	31.1	21.6	21.2
Earnings per share *	55.9p	50.2p	51.2p	38.6p	35.8p
Dividends per share	19.9p	18.1p	16.5p	14.5p	13.2p
Capital expenditure	25.8	11.8	14.3	19.1	10.0
Net debt	(78.4)	(75.9)	(77.1)	(92.4)	(13.3)
Net assets	155.3	135.8	112.4	92.8	68.8

*Prior to goodwill amortisation.
The above figures have been compiled from the published accounts for each year.

Statement to shareholders

Results and review of activities

It is pleasing to be able to report once more to Shareholders that Cranswick has continued its record of growth. This is especially encouraging given the challenges of raw material inflation, significant currency fluctuations and weakening economic activity.

Turnover in the period was £321.2 million, an increase of 9 per cent on that achieved in the same period last year. On a like-for-like basis the increase was 10 per cent, the difference being turnover attributable to the animal feed business which was sold in May 2007. Profit before tax at £18.5 million is up 5 per cent on a year ago, prior to the exceptional gain which arose on the sale of the feed business. Earnings per share on the same basis, prior to the deferred tax charge referred to below, rose 8 per cent to 28.9 pence per share. Earnings per share post the exceptional deferred tax charge was 14.0 pence.

Sales in the food business increased by 9 per cent on a like-for-like basis to £298.7 million which included the impact of inflation, as the Company sought to pass on higher raw material costs. There were notable increases in a number of sales categories. Pork sales were 10 per cent higher; sales of cooked meats and sausages each increased by 8 per cent; sales of continental products were up by 7 per cent and bacon and sandwich sales both rose by 24 per cent. The time lag that typically occurs before rising raw material prices can be incorporated into selling prices meant that it was necessary for some of those higher costs to be absorbed by the business.

There was success in growing the range of products supplied into our customer base across the categories of premium, standard plus, standard and 'value'. It was good to see growth in sales of 'air-dried' bacon from the new bacon factory following substantial recent investment. Further growth in the customer base for this premium bacon is anticipated during the second half of the year. The first phase of the development at the pork processing site is nearing completion and a site has been acquired adjacent to the sausage production facility which is being earmarked for the medium term expansion of this aspect of the business.

Investment continues to be made in new product development ('npd') to bring fresh ideas to the consumer. This embraces a significant number of products and processes including 'Freedom Foods' accredited fresh pork, Wiltshire and other specialist cure bacon and gammons, the ongoing roll-out of the 'Simply Sausages' brand and numerous developments within cooked meats. The broadening of the product range is not limited to 'npd' and meat products. For the first time the Company has introduced a range of continental cheese to the customer base and within sandwiches the popular combinations are supported by regular introduction of new lines.

Sales in the pet business were 26 per cent ahead of last year at £22.5 million. Inflation was confined primarily to the bird food activity whereas there was a relatively stable environment in aquatics. Sales in the pet products business rose by 34 per cent and it was good to see convenience sized packs of both own brand and private label products in a wide range of retail outlets. The Nature's Feast brand is now recognised as one of the category leaders and represents innovation, quality and excellent value. Aquatic sales were 10 per cent higher reflecting continued strong growth in marine livestock. During the period the 'Aquaray' aquarium lighting range was launched and initial reaction has been extremely positive. This provides the marine hobbyist with a number of benefits including substantial energy savings compared to other products. The new Lisbon branch opened on schedule during October and provides the opportunity to increase sales in both Spain and Portugal.

Cash flow and borrowings

The cash flow of the business has remained strong with net cash from operating activities of £17.6 million and with net borrowings reducing over the six month period by £3.6 million to £74.7 million notwithstanding a working capital increase of £5.4 million which arose mainly as a result of a policy to increase stock holdings of raw materials in a period of rising prices. The stocks are being progressively reduced in the third quarter. Capital expenditure was much lower than the same period last year at £6.2 million, only slightly higher than the depreciation charge. The net interest charge was similar to the previous first half at £2.2 million but interest cover improved from 9.0 times to 9.3 times, a very comfortable level.

Taxation

The tax charge for the period includes a one-off exceptional deferred tax charge of £6.9 million arising from a change in UK corporate tax legislation in the Finance Act 2008 to phase out industrial buildings allowances. This charge had no impact on the cash flow of the business during the period and represents the additional tax payable over the twenty-five year period the allowances would have been available to the Company. These increased payments are offset by the reduction in the headline rate of corporation tax from 30 per cent to 28 per cent effective in the current year.

Dividend

The interim dividend is being increased by 8 per cent to 7.0 pence per share. The dividend will be paid on 23 January 2009 to Shareholders on the register at the close of business on 28 November 2008. Shares will go ex-dividend on 26 November 2008 and Shareholders will again have the option to receive the dividend by way of scrip issue.

Employees

It is a tremendous reflection on the expertise and commitment of all at Cranswick that the Company has continued to progress in what has been a challenging trading environment. On behalf of the Board I would like to express our thanks and appreciation to all employees for their contribution.

Outlook

Whilst enormous cost pressures have been experienced, and dealt with, over the past year the signs are that this inflationary element has peaked. The Company is strongly cash generative and has proven management teams across the Group in which the Board has full confidence to continue Cranswick's development.

Martin Davey

Chairman

17 November 2008

Group income statement

UNAUDITED for the six months ended 30 September 2008

	Notes	Half Year 2008		
		Before	Exceptionals	Total
		exceptionals		
		£'000	£'000	£'000
Revenue	3	321,159	-	321,159
Cost of sales		(274,690)	-	(274,690)
Gross profit		46,469	-	46,469
Operating expenses		(25,710)	-	(25,710)
Operating profit	3	20,759	-	20,759
Profit on disposal of property, plant and equipment		-	-	-
Profit before finance and taxation		20,759	-	20,759
Finance revenue		2	-	2
Finance costs		(2,246)	-	(2,246)
Profit before tax		18,515	-	18,515
Taxation	4	(5,221)	(6,867)	(12,088)
Profit for the period		13,294	(6,867)	6,427
Attributable to:				
Equity holders of the parent		13,294		6,427
Minority interest		-		-
		13,294		6,427
Earnings per share:				
Basic	5	28.9p	(14.9)p	14.0p
Diluted	5	28.8p	(14.9)p	13.9p

Half Year 2007 (Restated)

Before exceptionals £'000	Exceptionals £'000	Total £'000
294,292	-	294,292
(250,751)	-	(250,751)
43,541	-	43,541
(23,780)	-	(23,780)
19,761	-	19,761
-	401	401
19,761	401	20,162
91	-	91
(2,297)	-	(2,297)
17,555	401	17,956
(5,231)	24	(5,207)
12,324	425	12,749

Year to 31 March 2008

Before exceptionals £'000	Exceptionals £'000	Total £'000
598,893	-	598,893
(513,701)	-	(513,701)
85,192	-	85,192
(46,824)	-	(46,824)
38,368	-	38,368
-	1,622	1,622
38,368	1,622	39,990
4	-	4
(4,650)	-	(4,650)
33,722	1,622	35,344
(9,874)	187	(9,687)
23,848	1,809	25,657

12,272

12,697

23,796

25,605

52

52

52

52

12,324

12,749

23,848

25,657

26.8p

0.9p

27.7p

51.9p

4.0p

55.9p

26.6p

0.9p

27.5p

51.6p

3.9p

55.5p

Group statement of recognised income and expense

UNAUDITED for the six months ended 30 September 2008

	Half Year		Year to
	2008	2007	31 March
	£'000	£'000	£'000
Income and expense recognised directly in equity			
Movement on hedging items:			
Amount recognised in equity during the period	(721)	339	504
Amount removed from equity and included in the income statement	(98)	(95)	196
Exchange differences on retranslation of foreign operations	-	(2)	(17)
Deferred tax recognised directly in equity	312	(411)	(725)
Corporation tax recognised directly in equity	7	38	88
Net income recognised directly in equity	(500)	(131)	46
Profit for the year	6,427	12,749	25,657
Total recognised income and expense for the period	5,927	12,618	25,703
Attributable to:			
Equity holders of the parent	5,927	12,566	25,651
Minority interest	-	52	52
	5,927	12,618	25,703

Group balance sheet

UNAUDITED 30 September 2008

	Notes	Half year		As at 31 March
		2008	2007	2008
		£'000	£'000	£'000
Non-current assets				
Goodwill		117,756	117,756	117,756
Property, plant and equipment		92,564	85,707	92,721
		<u>210,320</u>	<u>203,463</u>	<u>210,477</u>
Current assets				
Inventories		39,431	26,963	30,638
Trade and other receivables		74,925	73,267	77,348
Other financial assets		210	574	1,029
Cash and cash equivalents		3,800	6,869	3,770
Total current assets		<u>118,366</u>	<u>107,673</u>	<u>112,785</u>
Non-current assets classified as held for sale		-	280	-
Total assets	3	328,686	311,416	323,262
Current liabilities				
Trade and other payables		(73,348)	(74,718)	(73,025)
Other financial liabilities		(33,784)	(23,742)	(31,811)
Income tax payable		(5,587)	(5,775)	(3,798)
Provisions		(153)	(294)	(153)
Total current liabilities		<u>(112,872)</u>	<u>(104,529)</u>	<u>(108,787)</u>
Non-current liabilities				
Other payables		(5)	(19)	(8)
Other financial liabilities		(44,850)	(55,979)	(50,414)
Deferred tax liabilities		(13,647)	(5,677)	(7,463)
Provisions		(1,275)	(1,588)	(1,336)
Total non-current liabilities		<u>(59,777)</u>	<u>(63,263)</u>	<u>(59,221)</u>
Total liabilities	3	(172,649)	(167,792)	(168,008)
Net assets		<u>156,037</u>	<u>143,624</u>	<u>155,254</u>
Equity				
Called-up share capital	8	4,631	4,602	4,623
Share premium account	8	49,165	47,640	48,693
Share based payments reserve	8	2,484	1,488	1,939
Hedging and translation reserves	8	215	593	1,034
Retained earnings	8	99,542	89,301	98,965
Total equity		<u>156,037</u>	<u>143,624</u>	<u>155,254</u>

Group cashflow statement

UNAUDITED for the six months ended 30 September 2008

	Half year		Year to
	2008	2007	31 March
	£'000	£'000	£'000
Operating activities			
Profit before finance and taxation	20,759	20,162	39,990
Adjustments to reconcile group profit before finance and taxation to net cash inflows from operating activities:			
Depreciation	5,543	4,982	10,090
Share based payments	545	470	921
Release of government grants	(3)	(18)	(29)
Profit on sale of property, plant and equipment	(77)	(438)	(2,170)
Increase in inventories and biological assets	(8,793)	(2,401)	(6,077)
Decrease/(increase) in trade and other receivables	2,423	(6,886)	(10,209)
Increase in trade and other payables	1,007	9,685	7,732
Cash generated from operations	21,404	25,556	40,248
Tax paid	(3,796)	(4,150)	(9,046)
Net cash from operating activities	17,608	21,406	31,202
Cash flows from investing activities			
Interest received	2	91	4
Acquisition of subsidiaries	-	(55)	(54)
Purchase of property, plant and equipment	(6,172)	(12,697)	(25,295)
Proceeds from sale of property, plant and equipment	163	2,693	4,228
Proceeds from sale of subsidiary	-	500	500
Net cash used in investing activities	(6,007)	(9,468)	(20,617)
Cash flows from financing activities			
Interest paid	(2,230)	(3,038)	(5,332)
Proceeds from issue of share capital	38	213	683
Repayment of borrowings	(5,922)	(7,775)	(5,420)
Dividends paid	(5,727)	(5,357)	(7,734)
Net cash used in financing activities	(13,841)	(15,957)	(17,803)
Net decrease in cash and cash equivalents	(2,240)	(4,019)	(7,218)
Cash and cash equivalents at beginning of period	(7,698)	(494)	(494)
Effect of foreign exchange rates	-	3	14
Net cash and cash equivalents	(9,938)	(4,510)	(7,698)

Responsibility Statement

The Directors confirm that to the best of their knowledge the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting and includes a fair review of the information required by DTR 4.2.7R (an indication of important events during the first six months and a description of the principle risks and uncertainties for the remaining six months of the year) and by DTR 4.2.8R (a disclosure of related party transactions and charges therein) of the Disclosure and Transparency Rules.

On behalf of the Board

M Davey **J Lindop**
Chairman Finance Director 17 November 2008

Notes to the interim accounts

1. Basis of preparation

This interim report was approved by the Directors on 17 November 2008 and has been prepared in accordance with the Disclosure and Transparency Rules of the UK's Financial Services Authority and the requirements of IAS 34 Interim Financial Reporting as adopted by the European Union. The information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 March 2008 prepared under IFRS have been filed with the Registrar of Companies. The report of the auditors was not qualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The interim report has not been audited pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information' and does not include all of the information required for full annual statements.

2. Accounting policies

The accounting policies applied by the Group in this interim report are the same as those applied by the Group in the financial statements for the year ended 31 March 2008.

In accordance with IAS18, the directors have reclassified £8.9 million in the six months to 30 September 2007 from cost of sales and operating costs to revenue in respect of discounts and similar allowances, a presentation which more appropriately reflects the nature of these amounts. This restatement has no impact on net profit or earnings per share.

3. Segmental analysis – half year ended 30 September

	Turnover		Operating profit	
	2008 £'000	2007 £'000 (Restated)	2008 £'000	2007 £'000
Food	298,679	276,511	21,110	20,504
Pet	22,480	17,781	1,151	517
	321,159	294,292	22,261	21,021
Central costs	-	-	(1,502)	(1,260)
Group total	321,159	294,292	20,759	19,761
	Assets		Liabilities	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Food	301,628	283,010	67,493	67,197
Pet	22,939	20,510	3,708	3,810
	324,567	303,520	71,201	71,007
Unallocated	4,119	7,896	101,448	96,785
Group total	328,686	311,416	172,649	167,792

Unallocated assets and liabilities comprise certain items of property, plant and equipment, non-current assets classified as held for sale, loan notes, net debt and taxation balances.

Since 30 September 2007, the construction of the new Gourmet Bacon Factory has increased assets within the Food segment. Future capital expenditure under contract at 30 September 2008 was £2.6 million (2007: £4.7 million).

4. Taxation

The recurring tax charge for the six months ended 30 September 2008 reflects the estimated effective rate for the full year of 28.2%.

The exceptional charge of £6.9 million relates to the increase in the deferred tax provision arising from the abolition of Industrial Buildings Allowances.

5. Earnings per share

Basic earnings per share are based on profit attributable to shareholders and on the weighted average number of shares in issue during the period of 46,047,348 (2007: 45,785,554) excluding shares held by Cranswick Trustees Limited on behalf of the Cranswick plc Employee Benefit Trust. The calculation of diluted earnings per share is based on 46,169,483 shares (2007: 46,190,021).

6. Dividends – half year ended 30 September

	Half year		Year to
	2008	2007	31 March
	£'000	£'000	2008
			£'000
Interim for year ended 31 March 2008 of 6.5p per share	-	-	2,980
Final for year ended 31 March 2008 of 13.4p (2007: 12.2p) per share	6,169	5,587	5,587
	6,169	5,587	8,567

The interim dividend for the year ended 31 March 2009 of 7.0p per share was approved by the Board on 17 November 2008 for payment to shareholders on 23 January 2009 and therefore has not been included as a liability as at 30 September 2008.

7. Analysis of Group net debt

	At	Cash	Other	At 30
	31 March	flow	non cash	September
	2008		changes	2008
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,770	30	-	3,800
Overdrafts	(11,468)	(2,270)	-	(13,738)
Net cash and cash equivalents	(7,698)	(2,240)	-	(9,938)
Other financial assets	70	-	17	87
	(7,628)	(2,240)	17	(9,851)
Revolving credit	(8,000)	-	-	(8,000)
Bank loans	(61,664)	5,625	(61)	(56,100)
Loan notes	(1,093)	297	-	(796)
Net debt	(78,385)	3,682	(44)	(74,747)

8. Reconciliation of movements in equity

	Share capital	Share premium	Share based payments	Hedging and translation	Retained earnings	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2008	4,623	48,693	1,939	1,034	98,965	-	155,254
Profit for the period	-	-	-	-	6,427	-	6,427
Share based payments	-	-	545	-	-	-	545
Cash flow hedges	-	-	-	(819)	-	-	(819)
Scrip dividend	7	435	-	-	-	-	442
Share options exercised	1	37	-	-	-	-	38
Dividends	-	-	-	-	(6,169)	-	(6,169)
Deferred tax recognised directly in reserves	-	-	-	-	312	-	312
Corporation tax recognised directly in reserves	-	-	-	-	7	-	7
At 30 September 2008	4,631	49,165	2,484	215	99,542	-	156,037
As at 1 April 2007	4,595	47,204	1,018	351	82,564	103	135,835
Profit for the period	-	-	-	-	12,697	52	12,749
Share based payments	-	-	470	-	-	-	470
Cash flow hedges	-	-	-	244	-	-	244
Scrip dividend	3	227	-	-	-	-	230
Share options exercised	4	209	-	-	-	-	213
Dividends	-	-	-	-	(5,587)	-	(5,587)
Exchange differences	-	-	-	(2)	-	-	(2)
Deferred tax recognised directly in reserves	-	-	-	-	(411)	-	(411)
Corporation tax recognised directly in reserves	-	-	-	-	38	-	38
Purchase of minority interest	-	-	-	-	-	(155)	(155)
At 30 September 2007	4,602	47,640	1,488	593	89,301	-	143,624
As at 1 April 2007	4,595	47,204	1,018	351	82,564	103	135,835
Profit for the period	-	-	-	-	25,605	52	25,657
Share based payments	-	-	921	-	-	-	921
Cash flow hedges	-	-	-	700	-	-	700
Scrip dividend	11	823	-	-	-	-	834
Share options exercised	17	666	-	-	-	-	683
Dividends	-	-	-	-	(8,567)	-	(8,567)
Exchange differences	-	-	-	(17)	-	-	(17)
Deferred tax recognised directly in reserves	-	-	-	-	(725)	-	(725)
Corporation tax recognised directly in reserves	-	-	-	-	88	-	88
Purchase of minority interest	-	-	-	-	-	(155)	(155)
At 31 March 2008	4,623	48,693	1,939	1,034	98,965	-	155,254

9. There are a number of risks and uncertainties facing the business in the second half of the financial year. The Board considers these to be the same as described in the Report & Accounts for the year ended 31 March 2008 dated 19 May 2008, a copy of which is available on the Company's website at www.cranswick.co.uk. The principal risks and uncertainties which are set out in detail on pages 17 to 21 of the Report & Accounts for the year ended 31 March 2008 are customer retention, food scares, raw material prices, margin and profitability, and competition.

10. In the ordinary course of business, transactions between the parent company and subsidiary undertakings occurred during the period. These are eliminated on consolidation.

11. The Company intends to post the Interim Report to shareholders on 19 November 2008. Further copies will be available upon request from the Company Secretary, Cranswick plc, 74 Helsinki Road, Sutton Fields, Hull, HU7 0YW.

Production facilities

“ ...well invested quality assets ”



Fresh pork



Sausages



Bacon



Cooked meats

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