

## CRANSWICK plc: INTERIM RESULTS

Successful development continues

CranSwick plc ("CranSwick" or "the Company"), the food producer, announces its unaudited results for the six months ended 30 September 2009.

### Highlights:

- Turnover from continuing operations up 19 per cent at £355.6m (2008: £298.7m)
- Profit before tax from continuing operations rose 22 per cent to £21.3m (2008: £17.5m)
- Earnings per share from continuing operations up 20 per cent at 33.0p (2008: 27.4p)\*
- Dividend increased by 14 per cent to 8.0p per share (2008: 7.0p)
- Interest covered 21.3 times (2008: 9.4 times)
- Company now fully focused on food

\* before exceptional deferred tax charge in 2008

CranSwick Chairman Martin Davey said: "CranSwick's successful development continued during the period. Corporate activity saw the completion of both the sale of the pet business and the acquisition of the pork processing activities of Bowes of Norfolk, now renamed CranSwick Country Foods Norfolk. CranSwick is now fully focused on the food sector.

"The Company continues to make progress in the area of Corporate Social Responsibility. A number of sites are now accredited under ISO 14001, the internationally recognised standard for environmental management, and significant progress is being made in reducing the Company's carbon footprint.

"The Board are pleased to announce today the appointment of Steven Esom as a Non Executive Director and look forward to the contribution which he will make.

"The Company is in good shape. There is a broad and growing customer base, high levels of expertise within the operating businesses and opportunities to continue the successful development of the business. The Board views the future with optimism".

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## Chairman's statement

Cranswick's successful development continued during the period. The trading performance of the business was particularly pleasing and corporate activity saw the completion of both the sale of the pet business and the acquisition of the pork processing activities of Bowes of Norfolk Limited, now renamed Cranswick Country Foods Norfolk ("CCF Norfolk"). Cranswick is now fully focused on the food sector.

Turnover from continuing operations rose by 19 per cent of which 7 per cent was attributable to the newly acquired CCF Norfolk. The overall operating margin was similar to that achieved for the previous financial year which is pleasing given the further increase in pig prices since the year end. Pig prices peaked during the period and have declined steadily since, though they are still at historically high levels.

Turnover in the period was £355.6 million. Profit before tax at £21.3 million is up 22 per cent on a year ago and earnings per share from continuing operations (before the exceptional deferred tax charge in the prior year) rose 20 per cent to 33.0 pence per share. Net debt reduced during the period, and with borrowings at 30 September of £61.0 million and interest charges covered 21.3 times, the finances of the Company are conservatively structured. There is further information on trading and finances in the Reviews by the Chief Executive and the Finance Director which follow.

The interim dividend is being increased by 14 per cent to 8.0 pence per share and will be paid on 22 January 2010 to Shareholders on the register at the close of business on 27 November 2009. Shares will go ex-dividend on 25 November 2009 and Shareholders will once again have the option to receive the dividend by way of scrip issue.

The Company continues to make progress in the area of Corporate Social Responsibility. A number of sites are now accredited under ISO 14001, the internationally recognised standard for environmental management, and significant progress is being made in reducing the Company's carbon footprint.

The successful trading performance and focused development of the business would not be possible without the dedication and skills of all our colleagues in the business and on behalf of the Board I would like to express our thanks and appreciation to them all. At the same time we extend a warm welcome to all our colleagues at CCF Norfolk and hope that they enjoy a long, happy and successful time with Cranswick.

The Board are pleased to announce today the appointment of Steven Esom as a Non Executive Director. Steven has a wealth of experience within the food sector including twelve years at Waitrose where he was Managing Director and at Marks and Spencer where he was Executive Director of Food. He is currently an Operating Partner with Langholm Capital. We welcome Steven to Cranswick and look forward to the contribution which he will make.

The Company is in good shape. Recent years have seen a number of corporate transactions which have focused the Company's activities on the food sector whilst maintaining modest borrowings. There is a broad and growing customer base, high levels of expertise within the operating businesses and opportunities to continue the successful development of the business. The Board views the future with optimism.

**Martin Davey**

Chairman  
16 November 2009

## Review of activities

It is pleasing to report that the trading momentum developed during the previous year continued into the first half of this year despite the difficult economic environment. Sales during the period to customers, which include the main grocery retailers and the European discounters, continued to grow and increased by 19 per cent with the inclusion of CCF Norfolk fresh pork sales. Like for like sales increased by 12 per cent.

The integration of CCF Norfolk is going well, and is on track against plan. The development of the premium fresh pork business in Norfolk coupled with that at the Hull site has led to the increased utilisation of our premium pigs. Carcase balance and utilisation has long been recognised as a key factor in profitable fresh pork processing. The major capital project at the fresh pork site in Hull is well underway and scheduled to be commissioned by summer 2010. When completed Cranswick will be capable of processing an increased proportion of all UK produced pigs giving us the ability to meet the growing demand from our customers for UK produced pork. We have seen good sales growth with existing customers and a broadening of the customer base.

Sausage sales were strong in the first half and showed a substantial increase over the corresponding period last year. The market for premium sausage continues to grow and this has undoubtedly been helped by excellent promotions and people eating high quality products at home in preference to dining out. The premises adjacent to the existing sausage facility were acquired in the previous financial year and are currently being fitted out and integrated. Phase one of this development is nearing completion. The extra capacity is key to a successful Christmas trading period when volumes increase substantially.

Charcuterie products saw excellent sales growth during the period aided by new lines and listings with both existing and new customers. The product range includes food from Italy, France, Spain, Germany, Austria and elsewhere. Competitive pricing during the current economic climate has helped drive volume especially when coupled with more frequent purchasing by consumers. Customers have responded constructively to the impact of the devaluation of sterling against the euro.

Sales of air dried bacon, under the Jack Scaife, Richard Woodall and private label brands, grew very strongly in what is now the third year of production at the Sherburn site. The launch of gammon steaks, specialist sweet cured bacon and diced cooking ingredients have all helped drive sales. The run up to Christmas traditionally sees a substantial increase in demand for streaky bacon and the factory is well placed to handle this.

Cooked meats which are produced at four separate sites saw further sales growth and this has required capital expenditure to cope with the increased volumes and diversified range requirements of individual customers. Once again 'Round Pound' deals and an abundance of special promotions have helped drive volumes along with business wins and innovation. Looking at the market overall, deli sales generally have fallen slightly and consumer pack sales have increased, continuing the trend of recent years.

Following a difficult second half last year there has been a progressive recovery in sandwich sales during the current period. Growth is being achieved with sole supply into certain customers; there have been gains in the airline sector and with high street retailers along with continued development of the product range including the frozen sector and sandwich fillings. New opportunities are expected from the development of a range to be launched under the 'Reggae Reggae' brand. The brand has had substantial consumer exposure since appearing on the 'Dragons' Den' television programme.

We continue to operate successfully in the competitive food sector. With great products, ongoing product development and some of the best invested and most efficient processing facilities we look forward with confidence to the continued growth and development of the business.

**Bernard Hoggarth**

Chief Executive  
16 November 2009

## Financial review

The Group is presenting its interim financial information for the six months to 30 September 2009, with comparative information for the six months to 30 September 2008 and the year to 31 March 2009.

### Revenue

Turnover from continuing operations increased by 19 per cent to £355.6 million. Of this increase, 7 per cent was attributable to the CCF Norfolk business, which was acquired on the 24 June 2009, with the balance due to strong volume growth across most categories, together with price increases achieved in order to recover input cost inflation.

### Operating profit

Operating profit from continuing operations was £22.4 million, which was 14 per cent ahead, and operating margin at 6.3 per cent of sales, was similar to that achieved in the previous financial year as a whole.

### Interest

Net financing costs at £1.0 million were 50 per cent lower than the first half of the prior year, reflecting lower interest rates and lower levels of borrowings. Interest cover improved from 9.4 times to 21.3 times.

### Taxation

The tax charge for the period on continuing operations was £6.0 million and represents an underlying rate of 28.3 per cent (2008: 28.0 per cent). The prior period tax charge included a one-off exceptional deferred tax charge of £6.3 million arising from the change in UK corporation tax legislation in the Finance Act 2008 to phase out Industrial Buildings Allowances.

### Earnings per share

Basic earnings per share (before exceptional items) from continuing operations increased by 20 per cent to 33.0 pence in the six months to 30 September 2009. The average number of shares in issue was 46,304,000 (2008: 46,047,000).

### Cash flow and borrowings

The Group's cash flow has remained strong, with net cash from operating activities of £12.6 million. Net debt reduced over the six month period by £5.6 million to £61.0 million, 35 per cent of shareholders' funds and reflected the net proceeds from the sale of the pet business in April 2009 of £18.1 million and the purchase of CCF Norfolk in June 2009 for £11.2 million, net of cash acquired of £6.7 million. In December 2008, the Group agreed new bank facilities of £120 million for three years and these provide the Group with generous headroom going forward. Cash spent on the purchase of fixed assets was £7.6 million following the £20.9 million spent in the previous financial year.

### Discontinued operations

As reported in note 8, on 24 April 2009 the Board announced that the pet division activities had been sold, following a competitive process, to a management buyout team. The initial sale proceeds of £17.0 million, plus a subsequent working capital adjustment of £1.4 million, were received in cash.

### Acquisition of Bowes of Norfolk Limited

On 24 June 2009, after receiving clearance from the UK Competition Authorities, the Company acquired the Bowes of Norfolk pork processing business ('CCF Norfolk'), for a gross cash consideration of £17.2 million. CCF Norfolk is a significant operator in the pig-meat sector and the acquisition reinforces Cranswick's position in that industry. Further details of the transaction and the performance of the business in the period since acquisition are set out in note 9.

## **Pensions**

The Group operates a number of defined contribution pension schemes whereby contributions are made to schemes operated by major insurance companies. Contributions to these schemes are determined as a percentage of employees' earnings. CCF Norfolk operates a defined benefit pension scheme which has been closed to further benefit accrual since 2004. The deficit at the date of acquisition was £6.3 million and this had increased to £7.5 million at 30 September 2009. The present value of defined benefit obligations was £18.1 million and the fair value of plan assets was £10.6 million.

## **Principal risks and uncertainties**

There are a number of risks and uncertainties facing the business in the second half of the financial year. With the exception of the defined benefit pension liability acquired as a result of the acquisition described in note 9, and considered in more detail below, the Board considers these risks and uncertainties to be the same as described in the Report & Accounts for the year ended 31 March 2009, dated 18 May 2009, a copy of which is available on the Group's website at [www.cranswick.co.uk](http://www.cranswick.co.uk). The principal risks and uncertainties which are set out in detail on pages 12 to 15 of the Report & Accounts for the year ended 31 March 2009 are customer retention, food scares, raw material prices, margin and profitability, business continuity, environmental matters and competition.

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

## **Forward looking information**

This interim report contains certain forward looking statements. These statements are made by the Directors in good faith based on the information available to them at the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

## **Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the 'Review of activities'. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described above. The Group has considerable financial resources together with strong trading relationships with its key customers and suppliers. As a consequence, the Directors believe that the Group is well placed, despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

## **Mark Bottomley**

Finance Director  
16 November 2009

# Cranswick plc: Group income statement (unaudited)

for the six months ended 30 September 2009

Notes	Half year						Year to 31 March 2009			
	2009			2008			Before exceptionals £'000	Exceptionals £'000	Total £'000	
	Before exceptionals £'000	Exceptionals £'000	Total £'000	Before exceptionals £'000	Exceptionals £'000	Total £'000				
<b>Revenue</b>	3	355,618	-	355,618	298,679	-	298,679	606,774	-	606,774
Cost of sales		(309,403)	-	(309,403)	(257,593)	-	(257,593)	(521,402)	-	(521,402)
<b>Gross profit</b>		46,215	-	46,215	41,086	-	41,086	85,372	-	85,372
Operating expenses		(23,845)	-	(23,845)	(21,478)	-	(21,478)	(46,984)	-	(46,984)
<b>Operating profit from continuing operation</b>	3	22,370	-	22,370	19,608	-	19,608	38,388	-	38,388
Finance revenue		15	-	15	2	-	2	3	-	3
Finance costs		(1,063)	-	(1,063)	(2,082)	-	(2,082)	(3,703)	-	(3,703)
<b>Profit from continuing operations before tax</b>		21,322	-	21,322	17,528	-	17,528	34,688	-	34,688
Taxation	4	(6,034)	-	(6,034)	(4,909)	(6,314)	(11,223)	(9,951)	(6,063)	(16,014)
<b>Profit for the period from continuing operations</b>		15,288	-	15,288	12,619	(6,314)	6,305	24,737	(6,063)	18,674
<b>Discontinued operations:</b>										
Profit for the period from discontinued operations	8			54			122			314
<b>Profit for the period attributable to equity holders of the parent</b>				15,342			6,427			18,988
<b>Earnings per share (pence)</b>										
<b>From continuing operations:</b>										
Basic	5	33.0p		33.0p	27.4p		13.7p	53.7p		40.5p
Diluted	5	32.9p		32.9p	27.3p		13.7p	53.5p		40.4p
<b>On profit for the period:</b>										
Basic	5	33.1p		33.1p	28.9p		14.0p	55.5p		41.2p
Diluted	5	33.1p		33.1p	28.8p		13.9p	55.4p		41.1p

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

for the six months ended 30 September 2009

	Half year		Year to
	2009	2008	31 March
	£'000	£'000	2009
			£'000
<b>Profit for the period</b>	<b>15,342</b>	6,427	18,988
<b>Other comprehensive income</b>			
Movement on hedging items:			
Amount recognised in equity during the period	334	(721)	263
Amount removed from equity and included in the income statement	(351)	(98)	(1,029)
Exchange differences on retranslation of foreign operations	-	-	(29)
Actuarial losses on defined benefit pension scheme	(1,298)	-	-
Deferred tax relating to components of other comprehensive income	368	229	213
<b>Other comprehensive income for the period, net of tax</b>	<b>(947)</b>	(590)	(582)
<b>Total comprehensive income for the period attributable to equity holders of the parent</b>	<b>14,395</b>	5,837	18,406

# Cranswick plc: Group balance sheet (unaudited)

at 30 September 2009

	Notes	Half year		As at
		2009	2008	31 March
		£'000	£'000	2009
				£'000
<b>Non-current assets</b>				
Goodwill		130,134	117,756	117,756
Property, plant and equipment		99,905	92,564	91,688
Financial assets		1,500	-	-
<b>Total non-current assets</b>		<b>231,539</b>	<b>210,320</b>	<b>209,444</b>
<b>Current assets</b>				
Inventories		36,972	39,431	28,464
Trade and other receivables		81,734	74,925	73,655
Other financial assets		479	210	263
Cash and cash equivalents		2,560	3,800	4,399
<b>Total current assets</b>		<b>121,745</b>	<b>118,366</b>	<b>106,781</b>
Assets held for sale		-	-	20,387
<b>Total assets</b>	3	<b>353,284</b>	<b>328,686</b>	<b>336,612</b>
<b>Current liabilities</b>				
Trade and other payables		(88,281)	(73,348)	(75,273)
Other financial liabilities		(10,991)	(33,784)	(34,872)
Income tax payable		(5,767)	(5,587)	(5,955)
Provisions		(90)	(153)	(334)
<b>Total current liabilities</b>		<b>(105,129)</b>	<b>(112,872)</b>	<b>(116,434)</b>
<b>Non-current liabilities</b>				
Other payables		(95)	(5)	-
Other financial liabilities		(54,583)	(44,850)	(36,382)
Deferred tax liabilities		(9,330)	(13,647)	(11,557)
Provisions		(1,121)	(1,275)	(1,166)
Defined benefit pension scheme deficit		(7,497)	-	-
<b>Total non-current liabilities</b>		<b>(72,626)</b>	<b>(59,777)</b>	<b>(49,105)</b>
Liabilities held for sale		-	-	(4,591)
<b>Total liabilities</b>	3	<b>(177,755)</b>	<b>(172,649)</b>	<b>(170,130)</b>
<b>Net assets</b>		<b>175,529</b>	<b>156,037</b>	<b>166,482</b>
<b>Equity</b>				
Called-up share capital		4,664	4,631	4,646
Share premium account		50,791	49,165	49,760
Share-based payments		3,156	2,484	2,939
Hedging and translation reserves		222	215	239
Retained earnings		116,696	99,542	108,898
<b>Equity attributable to members of the parent company</b>		<b>175,529</b>	<b>156,037</b>	<b>166,482</b>

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

for the six months ended 30 September 2009

	Half year		Year to 31
	2009	2008	March
	£'000	£'000	2009
			£'000
<b>Operating activities</b>			
Profit for the period	15,342	6,427	18,988
<b>Adjustments to reconcile Group profit for the period to net cash inflows from operating activities:</b>			
Tax on discontinued operations	22	865	(820)
Tax on continuing operations	6,034	11,223	16,014
Net finance costs	1,058	2,244	3,971
Depreciation and impairment of property, plant and equipment	5,659	5,543	13,859
Share-based payments	217	545	1,000
Difference between pension contributions paid and amounts recognised in the income statement	(119)	-	-
Release of government grants	(1)	(3)	(7)
Profit on sale of property, plant and equipment	(173)	(77)	(87)
Increase in inventories and biological assets	(6,745)	(8,793)	(3,966)
Decrease/(increase) in trade and other receivables	54	2,423	(1,971)
Increase in assets held for sale	(2,589)	-	-
Increase in trade and other payables	140	1,007	6,381
Cash generated from operations	18,899	21,404	53,362
Tax paid	(6,311)	(3,796)	(8,602)
<b>Net cash from operating activities</b>	<b>12,588</b>	<b>17,608</b>	<b>44,760</b>
<b>Cash flows from investing activities</b>			
Interest received	11	2	3
Acquisition of subsidiary undertakings (net of cash acquired)	(11,221)	-	-
Purchase of property, plant and equipment	(7,641)	(6,172)	(20,948)
Proceeds from sale of property, plant and equipment	282	163	258
Proceeds from sale of discontinued operations	18,067	-	-
<b>Net cash used in investing activities</b>	<b>(502)</b>	<b>(6,007)</b>	<b>(20,687)</b>
<b>Cash flows from financing activities</b>			
Interest paid	(1,426)	(2,230)	(3,591)
Proceeds from issue of share capital	48	38	462
Proceeds from borrowings	20,000	-	59,000
Issue costs of long term borrowings	-	-	(1,280)
Repayment of borrowings	(14,302)	(5,922)	(70,206)
Dividends paid to equity shareholders of the parent	(5,801)	(5,727)	(8,769)
Repayment of capital element of finance leases and hire purchase contracts	(51)	-	-
<b>Net cash used in financing activities</b>	<b>(1,532)</b>	<b>(13,841)</b>	<b>(24,384)</b>
Net increase/(decrease) in cash and cash equivalents	10,554	(2,240)	(311)
Cash and cash equivalents at beginning of period	(8,038)	(7,698)	(7,698)
Effect of foreign exchange rates	-	-	(29)
<b>Net cash and cash equivalents</b>	<b>2,516</b>	<b>(9,938)</b>	<b>(8,038)</b>

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

for the six months ended 30 September 2009

	Share capital	Share premium	Share- based payments	Hedging and translation	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2009	4,646	49,760	2,939	239	108,898	166,482
Profit for the period	-	-	-	-	15,342	15,342
Other comprehensive income	-	-	-	(17)	(930)	(947)
Total comprehensive income	-	-	-	(17)	14,412	14,395
Share-based payments	-	-	217	-	-	217
Scrip dividend	17	984	-	-	-	1,001
Share options exercised	1	47	-	-	-	48
Dividends	-	-	-	-	(6,802)	(6,802)
Deferred tax relating to changes in equity	-	-	-	-	28	28
Corporation tax relating to changes in equity	-	-	-	-	160	160
<b>At 30 September 2009</b>	<b>4,664</b>	<b>50,791</b>	<b>3,156</b>	<b>222</b>	<b>116,696</b>	<b>175,529</b>
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
Other comprehensive income	-	-	-	(819)	229	(590)
Total comprehensive income	-	-	-	(819)	6,656	5,837
Share-based payments	-	-	545	-	-	545
Scrip dividend	7	435	-	-	-	442
Share options exercised	1	37	-	-	-	38
Dividends	-	-	-	-	(6,169)	(6,169)
Deferred tax relating to changes in equity	-	-	-	-	83	83
Corporation tax relating to changes in equity	-	-	-	-	7	7
At 30 September 2008	4,631	49,165	2,484	215	99,542	156,037
As at 1 April 2008	4,623	48,693	1,939	1,034	98,965	155,254
Profit for the period	-	-	-	-	18,988	18,988
Other comprehensive income	-	-	-	(795)	213	(582)
Total comprehensive income	-	-	-	(795)	19,201	18,406
Share-based payments	-	-	1,000	-	-	1,000
Scrip dividend	11	617	-	-	-	628
Share options exercised	12	450	-	-	-	462
Dividends	-	-	-	-	(9,397)	(9,397)
Deferred tax relating to changes in equity	-	-	-	-	90	90
Corporation tax relating to changes in equity	-	-	-	-	39	39
At 31 March 2009	4,646	49,760	2,939	239	108,898	166,482

## 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 changes therein) of the *Disclosure and Transparency Rules*.

On behalf of the Board

**M T P Davey**  
Chairman

**J M Bottomley**  
Finance Director

16 November 2009

## Notes to the interim accounts

### 1. Basis of preparation

This interim report was approved by the Directors on 16 November 2009 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 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2009 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 reviewed 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 2009 except for the following policies which have been adopted in relation to the acquired business described in note 9:

#### ***Defined benefit pension scheme***

The group operates a defined benefit pension scheme for certain employees which requires contributions to be made to a separate trustee administered fund. The scheme was closed to new members on 30 June 2004.

The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The amounts charged to operating profit, and included as part of staff costs, are the gains and losses on settlements and curtailments.

Past-service costs are recognised immediately in income, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The difference between the interest cost and the expected return on plan assets is recognised in the income statement as other finance revenue or costs.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of comprehensive income in the period in which they arise.

### ***Financial assets – Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The following accounting standards and interpretations became effective for the current reporting period:

#### *International Accounting Standards (IAS/IFRS)*

IFRS 1 and IAS 27	Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2	Share-based Payments – Vesting Conditions and Cancellations
IFRS 7	Financial Instruments - Disclosures (amended)
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements (revised September 2007)
IAS 23	Borrowing Costs (revised March 2007)
IAS 32 and IAS 1	Financial Instruments Puttable at Fair Value and Obligations arising on Liquidation

#### *International Financial Reporting Interpretations Committee (IFRIC)*

IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

The application of IAS 1 (Revised) 'Presentation of Financial Statements' has resulted in the Group presenting both a Group statement of comprehensive income (which replaces the Group statement of recognised income and expense) and a Group statement of changes in equity (which replaces the Group reconciliation of movements in equity) as primary statements. The Group statement of changes in equity presents all changes in equity, and the Group statement of comprehensive income presents all changes in financial position other than through transactions with owners. This presentation has been applied in this interim report for the period ended 30 September 2009. Comparative information has also been presented so that it is also in conformity with the revised standard.

IFRS 8 'Operating Segments' replaces IAS 14, 'Segment Reporting' and requires the disclosure of segment information on the same basis as the management information provided to the chief operating decision maker. The adoption of this standard has not resulted in a change in the Group's reportable segments.

The application of the remaining standards and interpretations has not had a material effect on the net assets, results and disclosures of the Group.

### 3. Segmental analysis – half year ended 30 September

The Group has adopted IFRS 8 'Operating Segments' with effect from 1 April 2009. 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 Board, which is 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 continues to report on two reportable segments; Food and Pet.

Previously, segments were determined and presented in accordance with IAS 14, 'Segment Reporting'. The adoption of IFRS 8 has not resulted in a change in the Group's reportable segments.

	Revenue		Operating profit	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<i>Continuing</i>				
Food	355,618	298,679	24,507	21,110
Central costs	-	-	(2,137)	(1,502)
Continuing operations	355,618	298,679	22,370	19,608
<i>Discontinued</i>				
Pet	3,620	22,480	86	1,151
<b>Group total</b>	<b>359,238</b>	<b>321,159</b>	<b>22,456</b>	<b>20,759</b>
	Assets		Liabilities	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<i>Continuing</i>				
Food	353,284	301,628	177,755	67,493
<i>Discontinued</i>				
Pet	-	22,939	-	3,708
	353,284	324,567	177,755	71,201
Unallocated	-	4,119	-	101,448
<b>Group total</b>	<b>353,284</b>	<b>328,686</b>	<b>177,755</b>	<b>172,649</b>

There was no inter-segment turnover in either period.

Unallocated assets and liabilities in the prior year comprised certain items of property, plant and equipment, loan notes, net debt and taxation balances which were managed on a Group basis. Subsequent to the sale of the Pet business all assets and liabilities have been allocated to the Food segment.

Since 30 September 2008, the acquisition described in note 9 and capital expenditure of £22.4 million has increased assets within the Food segment. On 24 April 2009 the assets and liabilities of the Pet segment were disposed of as described in note 8. At 31 March 2009 the assets and liabilities of the Pet segment had been designated as held for sale and its operations treated as discontinued. The turnover and operating profit of the Pet segment for 2009 reflects its trading for the period prior to sale.

Future capital expenditure under contract at 30 September 2009 was £12.1 million (2008: £2.6 million).

#### Seasonality

The revenues of the Food and Pet segments are not significantly impacted by seasonality.

#### 4. Taxation

The recurring tax charge for the period on continuing operations was £6.0 million and represents an underlying rate of 28.3 per cent (2008: 28.0 per cent). The prior period tax charge included a one-off exceptional deferred tax charge of £6.3 million arising from the change in UK corporation tax legislation in the Finance Act 2008 to phase out 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 46,304,384 (2008: 46,047,348) 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 46,411,852 shares (2008: 46,169,483).

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

	Half year		Year to
	2009	2008	31 March
	£'000	£'000	2009
			£'000
Interim dividend for year ended 31 March 2009 of 7.0p per share	-	-	3,228
Final dividend for year ended 31 March 2009 of 14.7p (2008: 13.4p) per share	<b>6,802</b>	6,169	6,169
	<b>6,802</b>	6,169	9,397

The interim dividend for the year ending 31 March 2010 of 8.0p per share was approved by the Board on 16 November 2009 for payment to shareholders on 22 January 2010 and therefore has not been included as a liability as at 30 September 2009.

#### 7. Analysis of Group net debt

	At	Cash	Non-cash	At
	31 March	flow	movements	30 September
	2009			2009
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,399	(1,839)	-	<b>2,560</b>
Overdrafts	(12,437)	12,393	-	<b>(44)</b>
Net cash and cash equivalents	(8,038)	10,554	-	<b>2,516</b>
Other financial assets	263	-	1,716	<b>1,979</b>
	(7,775)	10,554	1,716	<b>4,495</b>
Other financial liabilities	(173)	-	(142)	<b>(315)</b>
Revolving credit	(9,000)	9,000	-	-
Bank loans	(48,882)	(15,000)	(324)	<b>(64,206)</b>
Loan notes	(762)	302	-	<b>(460)</b>
Finance leases	-	51	(600)	<b>(549)</b>
<b>Net debt</b>	<b>(66,592)</b>	<b>4,907</b>	<b>650</b>	<b>(61,035)</b>

#### *Non-cash movements*

Non-cash movements include £1,500,000 of loans receivable (shown within other financial assets) and £600,000 of finance lease obligations which were acquired as part of the acquisition described in note 9.

## 8. Sale of a business (discontinued operations)

On 24 April 2009, the Group sold the trade and certain assets and liabilities of the Group's Pet Division. Cranswick plc has retained a 5.5 per cent share in the business. The Pet Division manufactured and sold bird food and also imported and sold tropical marine fish and related products. The initial proceeds of the disposal of £17.0 million, plus a subsequent working capital adjustment of £1.4 million, were received in cash. As at 31 March 2009 the assets and liabilities of the Pet Division, which were later disposed, were classified as held for sale and carried at their fair value; with the loss on reclassification to held for sale being recognised in the income statement in that period. In accordance with IFRS 5 the results of the pet business to the date of sale have been treated as discontinued and shown as a single line item at the foot of the income statement and the prior year comparatives have been similarly disclosed.

The results of the Pet Division are presented below:

	Half year		Year to
	2009	2008	31 March
	£'000	£'000	£'000
<b>Revenue</b>	<b>3,620</b>	22,480	46,491
Expenses	<b>(3,534)</b>	(21,329)	(44,182)
<b>Operating profit</b>	<b>86</b>	1,151	2,309
Finance costs	<b>(10)</b>	(164)	(271)
Loss recognised on remeasurement to fair value	-	-	(2,544)
<b>Profit/(loss) before tax from discontinued operations</b>	<b>76</b>	987	(506)
Tax (expense)/credit	<b>(22)</b>	(865)	820
<b>Profit for the period from discontinued operations</b>	<b>54</b>	122	314

The tax (expense)/credit is analysed as follows:

On profit on ordinary activities for the period	<b>(22)</b>	(312)	(607)
Exceptional charge on abolition of IBAs	-	(553)	(541)
On reclassification to assets held for resale	-	-	1,968
	<b>(22)</b>	(865)	820

The net assets of the Pet Division which were disposed were as follows:

	£'000
Net assets disposed of	18,385
Total consideration satisfied by cash	18,385
Costs associated with disposal, settled in cash	(318)
Net cash inflow arising on disposal	<u>18,067</u>

The loss related to the disposal of £576,000 (net of the tax credit of £1,968,000) was dealt with in the year ended 31 March 2009 financial statements upon recognition of the Pet Division as a discontinued operation.

## 9. Acquisition

On 24 June 2009, the Group acquired 100 per cent of the issued share capital of Bowes of Norfolk Limited for a cash consideration of £17.2 million. The principal activity of Bowes of Norfolk Limited is that of pork processing.

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

	Acquiree's book value before combination £'000	Provisional fair value £'000
Net assets acquired:		
Property, plant and equipment	8,489	6,031
Financial assets	1,500	1,500
Deferred tax asset	1,603	1,603
Inventories	1,763	1,763
Trade receivables	7,809	7,809
Bank and cash balances	6,658	6,658
Retirement benefit obligations	(6,318)	(6,318)
Trade payables	(12,845)	(12,845)
Government grants	(100)	(100)
Finance lease obligations	(600)	(600)
	<u>7,959</u>	<u>5,501</u>
Goodwill arising on acquisition		<u>12,378</u>
Total consideration		<u>17,879</u>
Satisfied by:		
Cash		17,157
Costs associated with acquisition, settled in cash		<u>722</u>
		<u>17,879</u>
Net cash outflow arising on acquisition:		
Cash consideration paid		17,157
Costs associated with acquisition, settled in cash		722
Cash and cash equivalents acquired		<u>(6,658)</u>
		<u>11,221</u>

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.

From the date of acquisition, the acquired business has contributed a net loss after tax of £0.1 million to the Group. If the combination had taken place at the beginning of the period, the profit after tax from continuing operations for the period would have been £15.5 million and revenue from continuing operations would have been £377.4 million.

Included in the £12,378,000 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, business continuity planning through access to a further pork processing facility and an assembled workforce.

## **10. Related party transactions**

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

On 24 April 2009 the Pet Division was sold to the management team, headed up by Derek Black, previously a main Board director responsible for the Pet Division, for an initial consideration of £17.0 million, plus a subsequent working capital adjustment of £1.4 million. Derek Black resigned as a main board director of Cranswick plc on that day and is a shareholder and director of the new company. Cranswick plc has retained a 5.5 per cent share in the business.