26 September 2018

Crawshaw Group Plc

Britain's best value fresh meat and food to go retailer

Crawshaw Group Plc ("Crawshaw", the "Company" or the "Group"), the UK's leading value butcher, announces its interim results for the 26 weeks ended 29 July 2018 and strategic update.

H1 Financial Highlights:

- Group revenue down 1.9% to £21.6m (2017: £22.1m)
- Gross margin of 39.6% (2017: 42.9%)
- EBITDA[1] (£1.1m) (2017: -£0.2m)
- Underlying Operating Loss[2] of £1.7m (2017: loss of £0.8m)
- Loss Before Tax of £1.7m (2017: loss of £1.2m)
- Cash of £3.3m at 29 July 2018 (28 January 2018: £4.7m)

H1 Operational Highlights:

- Group LFL[3] sales -13.2% (2017: -4.2%); (Q1: -14.0%; Q2 -12.4%)
- Customer numbers -9.1%; (Q1: -9.5%; Q2 -8.8%)
- 12 Factory shops producing 30% of Group sales from a total number of 54 stores
- Two new factory shops opened in first half, with another 1 new store opening early in the second half
- We remain focused on cost and continue to maximize our collaborative relationship with 2Sisters
- New CEO appointed late May 2018 with new CFO appointed late July 2018 to reinvigorate the business and restore growth and profitability. Both join with a significant amount of experience working in the meat industry

Strategic Update:

Management has completed its review of the business and is implementing its change programme to restore growth and profitability.

Factory Shops are central to future profitable growth

- 3 new factory shops opened in current year
- 10 more planned in 2019/2020 and a further 10 in 2020/2021
- Cash payback for new stores estimated to be 12 to 18 months

- The Board believe the UK offers significant future growth within this immature Factory store format

Franchise

- Three-store trial agreed with A.F. Blakemore, the UK's leading Spar wholesaler and retailer
- The trial is expected to commence in early October 2018
- Subject to trial results, a further 12 stores per annum could be opened delivering 15 stores by full year 2019/2020
- This initiative takes the Crawshaw value meat offer into the growing convenience market

Online

- New route to market with farm to fork marketable point of difference
- Website expected to go live in early October 2018 delivered direct to the doorstep
- The online brand will be WF Burtons, which is a traditional, high quality butchers owned and operated by Crawshaw in Pocklington, Yorkshire
- Working in partnership with Givendale British Beef Society

High Street

- 42 stores trading
- UK High Streets under increasing pressure which is unlikely to change given market dynamics
- Crawshaw is reviewing its structure and investment in traditional high street locations

Commenting on the results, Crawshaw CEO Jim Viggars, said:

"Clearly the results for H1 are disappointing, but not entirely a surprise given market conditions and the issues that face a retail estate that has too many high street stores and currently not enough factory stores. However, the important issue is the future growth and profitably of Crawshaw. The new management team has identified what it considers to be the key issues and are moving at pace to remedy them on a sustainable basis. This is achievable over the medium term, despite market conditions which include declining high street shopper numbers, increasing convenience and online shopping and retail pricing that is more competitive.

"Our factory stores continue to produce good returns and have substantial room to improve as we get to grips with the supply chain and operational standards. Factory stores are our priority for growth and this is reflected in our plans to open a further 20 stores over the next two years.

"Our strategic partnership with A.F. Blakemore, with 3 trial sites due to open in October, will deliver an enhanced shopping experience for Spar customers as they purchase quality Crawshaw branded product at low prices. This should generate new customers for the trial Spar stores and provide existing customers with an improved value shopping basket. Convenience shopping is growing significantly and this route to market will complement our own Factory store rollout.

"Taking Crawshaw online by utilising our bespoke butchers' shop WF Burtons of Pocklington provides another new route to market. This will enable us to reach many more consumers who choose online shopping as part of their shopping repertoire. Our key point of difference will be providing a farm to fork Givendale British beef range of high-quality cuts at market leading prices."

Crawshaw Chairman Jim McCarthy, added:

"The new leadership team has a significant amount of experience working in the meat industry. They have identified the core issues affecting the business and are actively implementing a programme of change.

"We recognise that some of our existing High Street stores are not core to our future growth. Our Factory store format is attractive to consumers and we intend to accelerate the growth of this proven model, constantly refining value, operational standards and the overall shopping experience that is key in driving sales and profitability. We are also trialling initiatives in both convenience and online channels in order to meet changing customer shopping requirements. We believe we will be able to achieve this at relatively low cost and that over time these channels will support the factory store format in delivering sustainable growth and profitability.

"I am confident with the operational actions now being undertaken and new personnel joining to deliver the change we need, we have a programme in place that will, over time, restore shareholder value."

Outlook

The new management team have undertaken a strategic review of Crawshaw and have identified what they consider to be the key issues affecting the business; previously expanding the Group too quickly, not addressing the decline in High Street store performance, and over investment in certain areas of labour in the Group impacting on store standards and labour scheduling. These issues are now being addressed with timely remedial actions that will, over time, reinvigorate and restore Crawshaw and prepare the business for future growth.

As previously announced, the retail trading environment remains tough with rising shop rents and high business rates, along with lower high street footfall and increased discounter competition directly impacting sales and profitability which presents a number of financial challenges.

Trading since the start of the second half is in line with management's expectations and the Board expect full year Group sales to January 2019 to be flat on the previous year and an underlying operating loss of approximately £3m, whilst the business delivers its change programme and improves operational efficiency.

1. EBITDA is defined by the Group as profit/loss before tax, exceptional items, depreciation, amortisation, profit/(loss) on disposal of assets, net finance costs and shared based payment charge attributable to the LTIP Growth Share Scheme.
2. Underlying Operating Loss is defined by the Group as Operating Profit before exceptional items and share based payment charges attributable to the LTIP Growth Share Scheme.
3. LFL stores are defined as stores which have been trading for 2 full years at the start of the financial year under review.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 ("MAR").

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Condensed Consolidated Statement of Comprehensive Income
For the 26 weeks ended 29 July 2018

	Notes	Unaudited 26 Weeks 29.7.18 £'000	Audited 52 Weeks 28.1.18 £'000	Unaudited 26 Weeks 30.7.17 £'000
Revenue	2	**21,633**	44,559	22,056
Cost of sales		**(13,074)**	(25,825)	(12,595)
Gross profit		**8,559**	18,734	9,461
Other operating income		**13**	31	15
Administrative expenses		**(10,262)**	(21,710)	(10,723)
Operating Loss		**(1,690)**	(2,945)	(1,247)
Finance income		**3**	9	8
Finance expenses		**(2)**	(4)	(2)
Net Finance Income/(Expense)		**1**	5	6
Share of profit of equity accounted investees (net of tax)		**-**	9	-
Loss before income tax		**(1,689)**	(2,931)	(1,241)
Income tax credit/(charge)	4	**253**	279	176
Total recognised loss for the period		**(1,436)**	(2,652)	(1,065)
Impairment Charge			(10,590)	-
Total recognised loss after Impairment Charge		**(1,436)**	(13,242)	(1,065)
Attributable to:				
Equity holders of the Company		(1,436)	(13,242)	(1,065)
Operating loss analysed as:				
EBITDA[1]		**(1,127)**	(848)	(172)
Exceptional Costs	3	**-**	(819)	(388)
Share Based Payment Charge	8	**-**	(92)	(92)
Depreciation and amortization		**(563)**	(1,186)	(596)
Profit/(loss) on disposal of fixed assets		**1**	-	1
Operating loss		**(1,689)**	(2,945)	(1,247)
Basic loss per ordinary share	5	(1.495)p	(12.950)p	(1.163)p

Diluted loss per ordinary share	***5***	*(1.495)p*	*(12.950)p*	*(1.163)p*

1. EBITDA is defined by the Group as profit/loss before tax, exceptional items, depreciation, amortisation, profit/(loss) on disposal of assets, net finance costs and shared based payment charge attributable to the LTIP Growth Share Scheme.

Condensed Consolidated Balance Sheet
As at 29 July 2018

	Notes	Unaudited 29.7.18 £000	Audited 28.1.18 £000	Unaudited 30.7.17 £000
Property, plant and equipment		**8,123**	8,338	8,717
Intangible assets - goodwill and related acquisition intangibles		**302**	319	10,926
Investment in equity accounted investees		**125**	125	125
Total Non-Current Assets		**8,550**	8,782	19,768
Inventories		**1,101**	1,375	1,343
Trade and other receivables		**1,289**	780	1,351
Cash and cash equivalents		**3,271**	4,675	6,788
Total Current Assets		**5,661**	6,830	9,482
Total Assets		**14,211**	15,612	29,250
Share capital	***6***	**5,651**	5,651	5,651
Share premium		**17,498**	17,499	17,498
Reverse acquisition reserve		**447**	447	447
Retained earnings		**(14,667)**	(13,231)	(1,054)
Total Shareholders' Equity		**8,929**	10,366	22,542
Other payables		**611**	666	619
Deferred tax liabilities		**(112)**	41	297
Interest bearing loans and borrowings		**52**	141	54
Total Non-Current Liabilities		**499**	848	970
Trade and other payables		**4,661**	4,375	5,699
Interest bearing loans and borrowings		**70**	23	39

Total Current Liabilities	**4,783**	4,398	5,738
Total Liabilities	**5,282**	5,246	6,708
Total Equity and Liabilities	**8,929**	15,612	29,250

Condensed Consolidated statement of changes in shareholders' equity

For the 26 weeks ended 29 July 2018

	Share Capital	Share Premium	Rev Acq Reserve	Retained Earnings	Total Equity
	£000	£000	£000	£000	£000
Balance at 29 January 2017	3,962	14,051	447	(81)	18,379
Loss for the period	-	-	-	(1,065)	(1,065)
Share Based Payment Charge	-	-	-	92	92
Share Placing 33,794,490 shares	1,689	3,447	-	-	5,137
Balance at 30 July 2017	5,651	17,498	447	(1,054)	22,542
Loss for the period	-	-	-	(12,177)	(12,177)
Share Based Payment Charge	-	-	-	-	-
Dividend on Equity Shares	-	-	-	-	-
Balance at 28 January 2018	5,651	17,498	447	(13,231)	10,365
Loss for the period	-	-	-	(1,436)	(1,436)
Share Based Payment Charge	-	-	-	-	-
Share Placing	-	-	-	-	-
Balance at 29 July 2018	**5,651**	**17,498**	**447**	**(14,667)**	**8,929**

Condensed Consolidated statement of cash flows
For the 26 weeks ended 29 July 2018

	Unaudited	Audited	Unaudited
	26 Weeks	52 Weeks	26 Weeks
	29.7.18	28.1.18	30.7.17
Cash flows from operating activities	**£000**	£000	£000
(Loss)/Profit for the period	**(1,436)**	(13,242)	(1,065)
Adjustments for:			
Depreciation and amortization	**563**	1,184	596
Share Based Payment Charge	**-**	92	92
Loss / (Profit) on sale of property, plant and equipment	**(1)**	2	(1)
Impairment on goodwill/investment write down	**-**	10,590	-
Store Closure Provision	**-**	428	-
Share Placing & Supply Partnership Deal Fees	**-**	391	-
Net finance (income)/charges	**(1)**	(5)	(6)
Share of (profit) of equity accounted investees	**-**	(9)	-
Taxation	**(253)**	(279)	(176)
Operating cash flow before movements in working capital	**(1,128)**	(848)	(560)
Movement in trade and other receivables	**(508)**	7	(563)
Movement in trade and other payables	**231**	(470)	1,010
Movement in inventories	**274**	94	127
Tax Paid/(received)	**-**	(64)	(64)
Net cash generated from operating activities	**(1,131)**	(1,281)	(50)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(340)**	(905)	(435)
Proceeds from sale of property, plant & equipment	**10**	12	11
Interest Received	**3**	9	8
Interest paid	**(2)**	(4)	(2)
Equity Investees	**-**	9	-
Dividend paid	**-**	-	-
Net cash (used in) investing activities	**(329)**	(879)	(418)
Cash flows from financing activities			
HP Financing	**57**	(58)	(28)
Share Capital Raised	**-**	5,137	5,137
Share Placing Costs	**-**	(391)	-
Net cash generated from financing activities	**57**	4,688	5,109
Net change in cash and cash equivalents	**(1,404)**	2,528	4,641

Cash and cash equivalents at start of period	**4,675**	2,147	2,147
Cash and cash equivalents at end of period	**3,271**	4,675	6,788

Notes to the condensed consolidated financial statements

1. BASIS OF PREPARATION

Reporting Entity

Crawshaw Group Plc (the "Company") is a company incorporated and domiciled in the UK.

The condensed consolidated interim financial statements of the Company as at and for the 26 weeks ended 29 July 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in jointly controlled entities.

Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU and do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 28 January 2018. The annual financial statements of the Group are available upon request from the Company's registered office.

The comparative figures for the financial year ended 28 January 2018 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial statements have not been audited by the Company's auditors.

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 September 2018.

Significant Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the 52 weeks ended 28 January 2018, as described in those annual financial statements, which were prepared in accordance with IFRS as adopted by the EU.

Significant Judgements, Key Assumptions and Estimation Uncertainty

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable at the time the estimate is made. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the 52 weeks ended 28 January 2018.

Going Concern

The Group meets its day to day working capital requirements through cash on hand and cash generated from operations. Current cash balance is £3.3m.

For the purposes of their assessment of the preparation of the Group's accounts on a going concern basis, the Directors have considered the current cash position, current trading and forecasts of future trading including working capital and investment requirements. These include consideration of the loss making position of Group in recent periods and the cash outflows incurred. These have been sensitised to take account potential risks and uncertainties. These sensitivities and cash flow forecasts show that the Group should be able to operate within its cash reserves.

Basis of Consolidation

The consolidated financial information includes the financial information of the Company and its subsidiary undertakings made up to 29 July 2018 (together referred to as the 'Group').

2. REVENUE

The following standard has been adopted by the Group for the first time for the financial year commencing 29 January 2018:
IFRS 15 'Revenue from Contracts with Customers' has been adopted in the preparation of these Financial statements. The standard establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue when a customer obtains control of a good or service and has the ability to direct the use and obtain the benefits from the goods or services. It applies to all contracts with customers, except those in the scope of other standards. It replaces the separate models for goods, services and construction contracts under the previous accounting standards.
The Group's revenue is based on the sale of product in a retail unit directly to an end customer therefore there is no impact on adoption of IFRS 15. Accordingly, the group has not restated prior year comparators and no adjustment has been recognised in the opening balance of equity at the date of initial application.

3. FINANCIAL INSTRUMENTS

The following standard has been adopted by the Group for the first time for the financial year commencing 29 January 2018:
IFRS 9 'Financial Instruments' replaces the classification and measurement models for financial instruments

in IAS 39 with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. Consistent with the non-complex nature of the Group's financial instruments, the impact of the new standard is not material and therefore the Group has not restated prior year comparators. The Group has amended its accounting policy for the establishment of provisions against trade receivables to reflect the lifetime expected loss model (consistent with the simplified approach under IFRS 9), however, given the low level of receivables within the business this has not had a material impact.

	Unaudited	Audited	Unaudited
	26 Weeks	52 Weeks	26 Weeks
4. EXCEPTIONAL ITEMS	**29.7.18**	**28.1.18**	**30.7.17**
	£000	£000	£000
Exceptional costs in the period relate to:			
Supply chain partnership and subscription agreement	-	383	380
Store Closure Provision	-	156	-
Accelerated Depreciation in relation to store closures	-	272	-
Bank facility arrangement fees and non-utilisation		-	-
Charges	-	8	8
Other costs	-		-
Total exceptional items	-	819	388

	Unaudited	Audited	Unaudited
	26 Weeks	52 Weeks	26 Weeks
5. INCOME TAX EXPENSE	**29.7.18**	**28.1.18**	**30.7.17**
	£000	£000	£000
Recognised in the Income Statement			
The income tax expense is based on the estimated effective rate of taxation on trading for the period and represents:			
Current tax	-	-	-
Adjustments for prior year	-	52	-
	-	52	-
Deferred tax:			
Origination and reversal of timing differences	(253)	(354)	(176)
Adjustments for prior year	-	23	-
		(331)	(176)
Income Tax (Credit)	(253)	(279)	(176)

Reconciliation of effective tax rate

Loss for the period	(1,436)	(13,242)	(1,065)
Impairment	-	10,590	-
Total Tax Expense	(253)	(279)	(176)
Loss excluding taxation	(1,689)	(2,931)	(1,241)
Tax using UK Corporation tax rate of 19%	(321)	(562)	(240)
Non-Deductible Expenses	21	68	40
Current Year losses not recognized	18	94	-
Adjustment in respect of prior years	-	75	-
Tax not at standard rate	30	46	24
Group relief	-	-	-
Total tax credit	(253)	(279)	(176)

6. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the earnings attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period of 102,255,376 (28/01/18: 102,255,376) (30/07/17: 91,553,412). There were no dilutive potential ordinary shares. In the period under review the share options were anti-dilutive as the Group reported a loss.

7. SHARE CAPITAL	**Unaudited**	**Audited**	**Unaudited**
	29.7.18	28.1.18	30.7.17
Allotted, called up and fully paid	£000	£000	£000
113,025,049 ordinary shares of 5p each	5,651	5,651	5,651

8. RELATED PARTY TRANSACTIONS

Crawshaw Butchers Limited, a subsidiary of Crawshaw Group Plc, holds a 50% share in a partnership which trades under the name of RGV Refrigeration. The operations of the partnership comprise of the maintenance and repair of refrigeration machinery for a variety of customers.

2 Sisters Food Group are considered to be a related party of Crawshaw Group Plc. The value of purchases from 2 Sisters Food Group to 29 July 2018 was £446k and a balance of £171k was owed by Crawshaw Group Plc to 2 Sisters Food Group at the end of the period. There were no sales made by Crawshaw Group Plc to 2 Sisters Food Group during this period.

9. SHARE BASED PAYMENTS

Shares that were granted under the Crawshaw Group plc Long-Term Incentive Plan have lapsed due to Noel Collett and Alan Richardson stepping down as Chief Executive Office and Chief Financial Officer respectively.