CRANSWICK plc: PRELIMINARY RESULTS

Strong commercial and strategic progress

24 May 2022

Cranswick plc ("Cranswick" or "the Company" or "the Group"), a leading UK food producer, today announces its audited preliminary results for the 52 weeks ended 26 March 2022.

Commercial and strategic progress:

- Revenue above £2bn, with adjusted Group operating margin maintained at 7.0%
- Unprecedented industry wide labour and supply chain challenges being well managed with excellent customer service levels maintained
- Ongoing cost inflation being proactively managed and recovered
- Total capital expenditure of £93.7m across the Group's asset base to support continued strong growth plans
    - Significant uplift in Poultry sales following the successful capacity expansion at Eye
    - £26m Hull Cooked Bacon facility successfully commissioned at the beginning of the year and performing to plan
    - New £32m Hull Breaded Poultry facility successfully commissioned shortly after year end
- Strong M&A pipeline with three businesses acquired during the year
    - Expansion of Convenience category following two complementary bolt-on acquisitions, further strengthening our non-meat range
    - Entry into fast growing and complementary UK pet food market through acquisition of Grove Pet Foods

Sustainability highlights:

- All 14 eligible[¥] manufacturing sites now certified carbon neutral
- Science Based Targets (SBTi) aligned with efforts to limit global warming to 1.5 degrees under the Paris Agreement now validated, with a commitment to halve Scope 1, 2 and 3 emissions by 2030 and achieve Net Zero status by 2040
- Sustainability linked refinancing of the Group's bank facility successfully completed during the year
- Commitment to purchasing 100% certified deforestation-free soya[±]

Financial highlights*:

	2022	2021	Change (Reported)	Change (Like-for-like†)
Revenue	**£2,008.5m**	£1,898.4m	+5.8%	+5.3%
Adjusted Group operating profit	**£140.6m**	£132.5m	+6.1%	
Adjusted Group operating margin	**7.0%**	7.0%	+2bps	
Adjusted profit before tax	**£136.9m**	£129.7m	+5.6%	
Adjusted earnings per share	**205.4p**	199.3p	+3.1%	

- Statutory profit before tax 13.2% higher at £129.9m (2021: £114.8m)
- Statutory earnings per share up 10.9% to 195.7p (2021: 176.4p)
- Full year dividend increased by 8.0% to 75.6p (2021: 70.0p); 32 years of unbroken dividend growth

- Return on capital employed[‡] of 16.9% (2021: 17.2%)
- Net debt (excluding IFRS 16 lease liabilities) of £36.2m (2021: £20.8m)
- Robust balance sheet with new £250m bank facility providing significant headroom following refinancing

Adam Couch, Cranswick's Chief Executive Officer, commented:

"In a year which has been unprecedented in terms of the scale and breadth of challenges we have faced, we have delivered our strategy at pace and our long-term growth plan remains firmly on track.

"We have worked tirelessly to support our customers while continuing to prioritise the safety and wellbeing of our colleagues across the business. We have consistently delivered exemplary service levels to our customers, supported our local communities and made great strides toward delivering many of our Second Nature sustainability targets.

"It is at times like this that partnerships and cooperation come to the fore, and I would like to thank our stakeholders and all our colleagues for their ongoing support, resilience and understanding during this very demanding period.

"The terrible events in Ukraine continue to profoundly impact our sector both at a humanitarian and an economic level. We are proactively supporting colleagues whose families may be affected by the conflict, including making donations, offers of employment and resettlement packages.

"Trading in the new financial year has been in line with the Board's expectations. Notwithstanding the challenging operating conditions we continue to experience, our outlook for the Group for the current year is unchanged. We have a solid platform from which to continue Cranswick's successful long-term development."

¥ Eligible sites exclude new sites commissioned or acquired in the financial year. These sites will receive certification during the next financial year.
± Cranswick has committed to switching to a full mass balance soya purchasing system. This covers 50% of the soya used by the business. The remaining 50% of the soya is purchased from deforestation-free sources in North America.
* Adjusted and like-for-like references throughout this statement refer to non-IFRS measures or Alternative Performance Measures ('APMs'). Definitions and reconciliations of the APMs to IFRS measures are provided in Note 10.
† Like-for-like revenues exclude the contribution from current year acquisitions.
‡ Return on capital employed is defined as adjusted operating profit divided by the sum of average opening and closing net assets, net debt/(funds), pension (surplus)/deficit and deferred tax.

Presentation
A presentation of the results will be made to analysts and institutional investors today at 9.45am at Investec Bank plc, 30 Gresham Street, London EC2V 7QP. Analysts and institutional investors will also be able to join the presentation via a conference call facility. The slides will be made available on the company website. For the dial-in details please contact Powerscourt on the details below.

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Note to Editors:
Cranswick is a leading and innovative supplier of premium, fresh and added value food products. The business employs over 13,300 people and operates from 20 well invested, highly efficient facilities in the UK.

Cranswick was formed in the early 1970s by farmers in East Yorkshire to produce animal feed and has since evolved into a business which produces a range of high quality, predominantly fresh food, including fresh pork, poultry, convenience, gourmet products and pet food. The business develops innovative, great tasting food products to the highest standards of food safety and traceability. The Group supplies the major grocery multiples as well as the growing premium and discounter retail channels. Cranswick also has a strong presence in the 'food-to-go' sector and a substantial export business. For more information go to: www.cranswick.plc.uk

Cranswick is committed to ensuring that its business activities are sustainable from farm-to-fork. Its ambitious sustainability strategy Second Nature has been developed to deliver the Group's vision to become the world's most sustainable meat business. Cranswick has committed to be a Net Zero business across its operations by 2040. Notable achievements to date include:

a. All 14 eligible[¥] manufacturing sites certified carbon neutral
b. Meeting the Champions 12.3 target to halve edible food loss and waste 10 years ahead of the 2030 deadline
c. Removing over 1,500 tonnes of plastic from the business, including the removal of black plastic and PVC, and increasing the recycled content of plastic packaging to up to 80%
d. Committing to purchase 100% certified deforestation-free soya[±]
e. All production facilities are now powered by renewable grid supplied electricity
f. Donating over 500,000 meals to local communities
g. Over 1,500 colleagues volunteering as Second Nature 'Changemakers' to help meet the Group's sustainability goals
h. Sustainability Award Winner in 2022: Food Manufacture Excellence Awards

Find out more at: www.thisissecondnature.co.uk

Chairman's Statement

This is my first statement as Chairman following my appointment at Cranswick's Annual General Meeting in July 2021. I am delighted and proud to have taken on this important role.

During the last nine months I have visited most parts of the Group meeting many Cranswick colleagues. I have been incredibly impressed by the resilience and fortitude of the teams at each site, by their operational excellence, unwavering support and commitment to the business.

We have a highly skilled and experienced management team. In the last few years they have had to cope with the severe challenges arising from COVID-19, labour shortages, ongoing inflation and supply chain disruption. I would like to thank Adam and the executive team for their leadership, guidance and support during this incredibly eventful year.

The terrible humanitarian crisis in Ukraine is at the forefront of all our minds. Our teams across the business have shown their support through generous fundraising efforts. The business has also donated £500,000 to the Cranswick Charitable Trust to provide financial assistance to the Ukrainian people.

We made further positive and sustainable progress during the year delivering revenue and earnings growth in a relentlessly challenging operating environment. The character and tenacity of all our colleagues has again been ably demonstrated and we thank them, along with our customers and suppliers, for their ongoing support, understanding and resilience.

The positive progress we have made highlights the robust and sustainable nature of our business model. Growth has continued in our domestic market, with elevated retail demand offsetting lower revenue from our Far East export market. The unprecedented, well-publicised, industry wide labour and supply chain challenges have been well managed with excellent customer service levels maintained. The cost inflation we continue to experience, a global phenomenon, is being proactively managed and recovered.

I'm always struck by the high quality of the Group's asset base and recognise the need to continue to invest at pace to add capacity and capability, maintain quality and drive ongoing efficiency gains. The Hull Cooked Bacon facility was successfully commissioned at the beginning of the period and is performing to plan. Our new Breaded Poultry facility in Hull was commissioned shortly after the year end and in so doing, became the fourth new-build production facility that we have commissioned in the past five years with a combined total investment exceeding £180 million.

We strengthened our Convenience category during the year with the acquisition of Ramona's Kitchen, a supplier of authentic Mediterranean plant-based foods, and Atlantica UK, a supplier of Spanish tortillas. Collectively, these acquisitions broaden our product offering in this fast-growing market sector. In January, we acquired Lincolnshire and Nottinghamshire based Grove Pet Foods as the entry point to the exciting and fast-growing pet food sector which sits adjacent to our core food business. I warmly welcome the new teams to the Cranswick family.

Results

Total revenue in the 52 weeks to 26 March 2022 was £2,008.5 million, 5.8 per cent higher than the £1,898.4 million reported in the corresponding period last year. Adjusting for the contribution from the acquisitions, revenue increased by 5.3 per cent on a like-for-like basis.

Adjusted profit before tax for the period at £136.9 million was 5.6 per cent higher than the £129.7 million reported last year. Adjusted earnings per share on the same basis were up 3.1 per cent at 205.4p compared to 199.3p last year.

Cash flow and financial position

Net debt, including IFRS 16 lease liabilities, at the end of the year increased to £106.0 million (2021: £92.4 million), primarily reflecting the cash spent on the three acquisitions during the year. Net debt, excluding IFRS 16 lease liabilities, was £36.2 million compared to £20.8 million previously. The Group refinanced its banking facilities in November 2021 with a new £250 million facility providing significant headroom.

Dividend

The Board is proposing a final dividend of 55.6 pence per share, an increase of 8.4 per cent on the 51.3 pence paid previously. Together with the interim dividend of 20.0 pence per share this is a total dividend for the year of 75.6 pence per share. That compares to 70.0 pence per share previously, an increase of 8.0 per cent, and extends the period of consecutive years of dividend growth to 32.

The final dividend, if approved by Shareholders, will be paid on 2 September 2022 to Shareholders on the register at the close of business on 22 July 2022. Shares will go ex-dividend on 21 July 2022. Shareholders will again have the option to receive the dividend by way of scrip issue.

Sustainability

We have made further meaningful progress during the year in delivering our Second Nature sustainability strategy which reflects our ambition to be the world's most sustainable meat business. This means responsibly managing our operations throughout our value chain and acting transparently to produce high quality food with integrity.

During the year we formed our new ESG Committee, which I will initially chair, to oversee progress in this crucial area.

We have set validated, 1.5 degree aligned, Science Based Target initiatives to reduce emissions, achieved carbon neutral status across all our eligible manufacturing facilities and have committed to purchasing 100 per cent deforestation-free soya, which we expect will result in a 20 per cent reduction in Scope 3 carbon emissions compared to the previous system. These are crucial milestones on our journey to achieve net zero greenhouse gas emissions across all our operations by 2040.

Board

Kate Allum will step down as a Non-Executive Director and Chair of the Remuneration Committee at the forthcoming AGM at the end of her final three-year term. On behalf of the Board, I thank Kate for her positive contribution to Cranswick's successful development over the last nine years. Pam Powell will succeed Kate as Chair of the Remuneration Committee. A recruitment process for Kate's replacement is underway.

Also, at this year's AGM, Mark Reckitt will step down as Chair of the Audit Committee. Mark will continue in his role as our Senior Independent Director. Liz Barber, who joined the Board in May 2021, will take on the role of Audit Committee Chair as planned.

Outlook

The start to the current year has been in line with the Board's expectations. Notwithstanding the challenging operating conditions we continue to experience, the Board is encouraged by the continued strong commercial and strategic progress of the business. Our outlook for the current financial year is unchanged and we have a solid platform from which to continue Cranswick's successful long-term development.

Tim Smith CBE
Chairman

24 May 2022

Chief Executive's Review

Last year, I referred to FY21 being a year of unparalleled challenge and complexity. FY22 has, in many ways, been even more difficult. We continued to live with ongoing effects of the COVID-19 pandemic throughout this financial year. We also faced the combined challenges of more severe labour shortages, particularly skilled butchers, further broad-based and rapid cost inflation, a shortage of CO_2 and the social and economic impact of the Ukraine conflict. We have worked tirelessly to support our customers while continuing to prioritise the safety and wellbeing of our colleagues across the business. It is at times like this that partnerships and cooperation come to the fore, and I would like to thank our stakeholders and all of our colleagues for their ongoing support, resilience and understanding during this very demanding period.

Our unwavering focus on quality, value, innovation and our people is the bedrock on which our business model is based. We have developed and further embedded our key strategic customer relationships over the last 12 months. These relationships are underpinned by a relentless drive to deliver iconic and relevant products, developed in the best invested production facilities in the food manufacturing sector, with raw materials and ingredients sourced from our transparent and sustainable supply chain.

The terrible events in Ukraine continue to profoundly impact our sector, both at a humanitarian and an economic level. We are proactively supporting colleagues whose families may be affected by the conflict, including making donations, offers of employment and resettlement packages.

We donated £500,000 to the Cranswick Charitable Trust in March to help with ongoing relief and aid efforts in Ukraine. The Trust is currently evaluating the best use of these funds and the trustees will report back to the business in due course.

Alongside the humanitarian crisis, we have also responded to the economic impact of the conflict on our sector. The rapid escalation in soft commodity prices and wheat in particular, left unmitigated, would have been unsustainable for the pig farming industry. The price of cereals, which represent between 60 per cent and 70 per cent of the cost of growing an animal, increased by over 50 per cent in the immediate aftermath of the start of the conflict. With the support of our customers, we have partially reflected these higher input costs in the price we pay to both our own farming operations and our third-party producers.

I am, though, disappointed that the Government's response to our sector's calls for support has been so muted. The rapid escalation in feed costs, together with other inflationary pressures and the well-publicised shortage of skilled butchers resulting directly from the Government's post-Brexit immigration policy, has put the pig producer sector under severe and unsustainable strain. We have suggested ways to mitigate these challenges, including reducing exports of soft commodities and their use in bioethanol production, which have not been acted on. More needs to be done by Government in the coming months to ensure that we have a viable long-term pig farming industry.

In a year which has been unprecedented in terms of the scale and breadth of challenges we have faced, we have delivered our strategy at pace and our long-term growth plan remains firmly on track. We have delivered record results, breaking the £2 billion revenue barrier for the first time. It was only seven years ago that we surpassed the £1 billion revenue threshold. Our compound annual growth in revenue across this period is over 10 per cent. We successfully commissioned our Hull Cooked Bacon facility, completed three acquisitions and invested at pace across our asset base, including building a new Breaded Poultry facility, again, in Hull. We have invested further in our pig and poultry farming operations and we continue to expand our product range through investment and innovation. We have also consistently delivered exemplary service levels to our customers, supported our local communities and made great strides toward delivering many of our Second Nature sustainability targets.

We increased adjusted profit before tax by 5.6 per cent to £136.9 million with reported revenue ahead by 5.8 per cent at £2,008.5 million. Our business model continues to be extremely resilient and sustainable. After a strong start to the year, volumes and pricing in our key Far East export market fell away. Reinstatement of our Norfolk China export licence would have gone some way to mitigating the slowdown in Chinese demand. It is frustrating that 18 months after we temporarily self-suspended our Norfolk licence we have not, despite intense lobbying, managed to secure reinstatement. The shortfall in our export revenue compared to a year earlier was more than compensated for by strong growth in our poultry businesses and value-added pork operations.

Our business model is now a more resilient and broader based one compared to when we entered the COVID-19 pandemic two years ago. Poultry revenue now represents 20 per cent of Group revenue and grew by 30.8 per cent compared to the previous year. Our investment in breaded poultry will help consolidate our position as a 'dual protein' provider of pork and poultry as we continue to diversify our product range.

We invested £93.7 million during the year across our asset base following on from the £71.9 million we spent in FY21. We successfully commissioned our new £26 million Hull Cooked Bacon facility. We have also spent £32 million on our premium Breaded Poultry facility, again, in Hull. The Breaded Poultry facility was commissioned shortly after year end and can serve the retail, food service and food-to-go sectors. We now operate from 20 well-invested, highly efficient facilities in the UK. We will continue to lift capacity, improve efficiencies and add capability to ensure we serve our customers from high quality, efficient, safe and technically compliant facilities.

We also continue to invest across our farming operations to maintain our 100 per cent vertical integration in poultry and keep our self-sufficiency in British pig production at over 30 per cent of our total requirements. In recent decades the UK has grown accustomed to food in abundance. Following the UK's exit from the European Union, the COVID-19 pandemic and the ongoing Ukraine conflict, the issue of food security has come sharply into focus. Looking ahead, even under the most optimistic of scenarios, climate change will inevitably play its part here too. It is essential that we reflect this challenge in our strategic plans and, where necessary, invest further in our vertical integration to secure our supply chain.

M&A continues to be an important part of our Group strategy and we purchased three complementary businesses in the year. We expanded our range of authentic Mediterranean products with the acquisitions of Ramona's Kitchen and Atlantica UK in the first half of the year. In January, we completed the acquisition of Grove Pet Foods. Grove specialises in dry dog and other dry animal food and provides the ideal entry point into this fast-growing and complementary sector.

Our industry leading animal welfare standards are supported by our vertical supply chain model, which gives us greater control over the health and wellbeing of our animals. We have now adopted the NestBorn system for all of our eggs. This system allows chicks to be born in natural stress-free conditions with immediate access to space, feed and water as soon as they hatch. We will continue to invest in technical capability, sustainability initiatives and our farming infrastructure to ensure that we remain at the forefront of animal welfare developments and demonstrate continued industry leadership in this area.

We have made further progress in our quest to become the world's most sustainable meat business, with all our eligible UK manufacturing sites now certified carbon neutral. This is a key milestone in our drive to achieve net zero greenhouse gas emissions across all sites by 2040. We have also targeted all of our farming operations becoming carbon neutral by 2030. This will require scaling up our regenerative agriculture and soil health programmes. We also need to reduce our direct impact if we are to achieve our Science Based Target of halving emissions across our entire value chain by 2030. A big step on this journey has been our commitment to switch to 100 per cent deforestation free Soya. This initiative alone will reduce our indirect carbon impact by almost one-fifth.

Cranswick is first and foremost a people business and our people are what makes Cranswick the business that it is. We remain focused on building a diverse, talented and engaged workforce that will maintain our competitive advantage and be a driving force for change throughout our business, in the communities in which we operate and in wider society. We want to be an employer of choice in the areas in which we operate and will do so by taking a sector leading position on pay, working conditions, professional development, inclusivity and wellbeing. I continue to be immensely proud of the rich vein of talent that runs through our business, and our performance and results are a reflection of the capability, commitment and dedication of our colleagues across the business.

Adam Couch
Chief Executive

24 May 2022

Operating and Financial Review

Operating review

Revenue and Adjusted operating profit

	2022	2021	Change (Reported)	Change (Like-for-like*)
Revenue	**£2,008.5m**	£1,898.4m	+5.8%	+5.3%
Adjusted Group Operating Profit*	**£140.6m**	£132.5m	+6.1%	
Adjusted Group Operating Margin*	**7.0%**	7.0%	+2bps	

*See Note 10

Revenue
Reported revenue increased by 5.8 per cent to £2,008.5 million. Like-for-like revenue which excludes the contribution from acquisitions in the current year increased by 5.3 per cent, with corresponding volumes ahead by 2.3 per cent. This builds on the strong growth in the prior year with like-for-like revenue 18.4 per cent ahead, on a two year basis, of the year to March 2020.

Poultry volumes grew strongly following the successful capacity expansion at Eye. Convenience and Gourmet Products revenues, which included a full year contribution from the new Hull Cooked Bacon facility, were also ahead. Fresh Pork revenue was lower, despite more pigs being processed during the year, primarily reflecting lower Far East export sales and more volume being sold internally to add greater value.

Customer service levels remained consistently high throughout the year, including during a record Christmas trading period, which was executed exceptionally well against a backdrop of national labour shortages and ongoing supply chain challenges.

Adjusted Group operating profit
Adjusted Group operating profit increased by 6.1 per cent to £140.6 million, with adjusted Group operating margin at 7.0 per cent in line with the prior year despite high input cost inflation, lower Far East export margins and start-up costs for the new Cooked Bacon facility. Cost inflation, together with, at times, acute labour shortages and ongoing supply chain disruption is being proactively managed and recovered.

Category review

FOOD SEGMENT
Fresh Pork
Fresh Pork includes the three primary processing facilities and associated farming operations and represented 26 per cent of Group revenue.

Fresh Pork revenue was 7.9 per cent lower reflecting the pass through of lower average UK pig prices during the year, softer export prices and reduced Far East export volumes. Fresh Pork retail sales were modestly lower year-on-year as more meat was transferred internally into our added-value convenience and gourmet product ranges.

Far East export revenue was 25 per cent behind the prior year reflecting reduced demand from China due to renewed Covid lockdown restrictions and the ongoing inability to export to China from our Norfolk facility due to the voluntary suspension of the site's China export licence in October 2020. Further progress has been made in developing alternative pork export markets in Asia and South Africa where demand for British Outdoor Bred higher welfare pork remains high.

Despite reporting lower Fresh Pork revenue, weekly average pig numbers processed during the year increased by 1.5 per cent to 62,300, peaking at 67,200 in February 2022 with the additional volumes supporting increased demand from the Group's Convenience and Gourmet Product businesses. With ongoing investment in our farming operations, we maintained our self-sufficiency in UK pigs at over 30 per cent despite the uplift in numbers processed.

We invested £26 million across the three primary processing facilities and our farming infrastructure in the year. Investment in primary processing includes automated leg deboning at the Preston site and purchasing the Ballymena site, which was previously leased, to facilitate its future expansion. We also invested further to add capacity, automation and capability

across the three sites. We continue to invest in our farming infrastructure to add capacity and improve our already industry leading animal welfare standards.

The average UK standard pig price ("SPP") for the year was 4.8 per cent lower than the prior year average at 148p/kg. The SPP increased from 141p/kg to 161p/kg in mid-August, falling back to 137p/kg in February, before rising again to close the year at 147p/kg. The increase in the first half of the year reflected tight supply and strong UK and export demand. Prices then fell back through the autumn due to the combined effect of lower EU pig prices and oversupply in the UK market resulting from the shortage of skilled butchers.

The increased SPP in March 2022 reflected a rapid response to the sharp rises in soft commodity prices. Wheat and Soya prices were already at all-time highs. Russia's invasion of Ukraine, which accounts for around 12 per cent of global wheat production and around 20 per cent of global wheat exports, has pushed up cereal prices to unsustainable highs.

The sharp increase in feed prices incurred by producers, alongside high levels of UK cost inflation, has accelerated the need to introduce new compensation mechanisms for farmers. These measures mark a short-term move away from prices linked to the SPP as processors work with retailers to establish greater use of cost of production models. These models provide greater certainty and speed of cost recovery to producers, in turn creating security of supply for consumers.

African Swine Fever ("ASF") continues to affect large parts of China and, to a lesser extent, Eastern Europe. In China, efforts to rebuild herds have been slowed by the strict Covid restrictions imposed in many parts of the country. In Europe, most ASF cases continue to be detected in Romania and Poland however a case was recently detected in a domestic pig in Italy, over 800km from the nearest case in Germany.

In the UK, we remain acutely aware of the impact an outbreak of ASF would have on the UK pig industry and its ability to continue exporting, however we are reassured by the recent agreement between France and China which will allow exports from France to continue should ASF be found in the country. The UK industry remains on high alert with intensive bio-security protocols in place.

Convenience

Convenience, which comprises Cooked Meats and Continental Products, represented 38 per cent of Group revenue. Convenience revenue was 5.9 per cent ahead on a reported basis. Like-for-like revenue, excluding the contributions from the Atlantica UK acquisition in June 2021 and the Ramona's Kitchen acquisition in August 2021, increased by 5.2 per cent. Growth reflected the ongoing consumer trend of enjoying quality convenience foods in the home.

Cooked Meats revenue grew with the introduction of new ranges to support sustained levels of in-home consumption. Slow cook and Sous vide products continue to drive category growth with a strong pipeline of new products being developed. Innovation included the introduction of a sliced rare roast beef product for a premium retail customer together with a new 'street food' style product range. In more traditional product ranges, a number of key business wins were secured, including meaningful volume with the anchor customer of one of the three cooked meats sites.

Over £9 million was invested in the three cooked meats sites during the year. This included the start of a major expansion programme at the Milton Keynes facility and investment in automation and new slicing capability across all three sites.

The Continental Products facility in Bury reported double digit revenue growth, which was well ahead of the market, across all product ranges. This performance was delivered through category leadership and launching innovative new products, including platters, mixed products and tapas boxes for sharing occasions which have grown in popularity as consumers look to recreate restaurant quality experiences in the home. Alongside this innovation, ongoing investment in the Bury facility, which was commissioned in April 2018, has enabled premium artisanal products to be created efficiently at scale. This capability has resulted in several major olive and charcuterie business wins being secured during the year, including the full Olive and Antipasti range with a major retailer. This level of business growth has accelerated plans for further development of the site, with £5 million spent during the year on new highly efficient olive and charcuterie lines and the initial phase of a capacity expansion programme.

Katsouris Brothers revenue was modestly ahead year-on-year, helped by the contribution from Ramona's Kitchen and Atlantica UK. Sales of 'Grab and Go' products, which were introduced following the closure of retailer deli counters during the pandemic, have remained resilient. Ramona's Kitchen has been successfully integrated, with products now listed in two major retailers.

Gourmet Products

Gourmet Products, which comprise Sausage, Bacon, Pastry and the new Hull, Cooked Bacon facility, represented 16 per cent of Group revenue. Gourmet Products revenue increased 4.9 per cent reflecting the ramp up in production at the new Cooked Bacon facility and the recovery of sales into the food service and food-to-go sectors allied to ongoing strong retail demand for premium Bacon and Pastry products.

Sausage revenue modestly declined year-on-year with strong sales of Christmas garnishes unable to fully offset the tough comparatives of an exceptionally strong summer barbecue season in 2020 during the first lock-down. Product innovation continued to drive new sales, including gourmet hot dogs, breakfast boxes, flavoured pigs in blankets and new summer inspired flavours across premium ranges. The positive contribution from this new product development was constrained due to lower retailer promotional activity. Food service volumes continued to recover over the course of the year with more breakfasts being consumed out of the home. Future category growth will be facilitated by £5 million spent on the Hull site during the year which includes investment in new sausage casing capability.

Growth in Bacon reflected the recovery in food service volumes underpinned by robust retail volume growth, including the full contribution from new business wins secured during the first half of the previous financial year. The volume uplift was augmented by increased sales of premium products, including air dried hams and premium sliced bacon which more than offset lower volumes of traditional gammon and bacon joints. Christmas trading boosted sales in the second half of the year with continued product innovation also driving retail growth. £4 million of capital investment in the year in enhanced automation and new slicing lines will improve efficiency and add capacity.

Robust year-on-year growth resulted in record Pastry sales. Growth in the popularity of luxury convenience foods boosted sales to the site's anchor customer and resulted in a highly successful Christmas campaign. New retail product launches bolstered sales growth with the launch of new innovative pie products and premium meal solutions. Sales into national coffee shop chains and food-to-go outlets remained strong and were complemented, in the final quarter, by the tie up between the site's anchor premium retail customer and a leading coffee shop chain.

Sales of cooked bacon and sausage launched at the outset of the year following the successful commissioning of the new Gourmet Kitchen facility in April 2021. Focus in the first half of the year was on delivering high quality cooked bacon to the site's anchor customer. Following the successful ramp up in production, additional premium retail cooked bacon and sausage volumes have been secured, as well as supply of cooked sausage to a leading coffee shop chain. Further planned investment in the site, in addition to £5 million spent in the year, will introduce new innovative cooking methods and support anticipated growth in demand from the site's lead customer.

Poultry

Poultry, which includes Fresh and Cooked Poultry, represented 20 per cent of Group revenue. Poultry revenue increased by 30.8 per cent in the year following the successful capacity uplift in Fresh Poultry at Eye and the recovery of food service revenues at Cooked Poultry.

Fresh Poultry revenue was substantially ahead of the prior year following the successful uplift in capacity to 1.4 million birds per week supporting strong demand from the site's anchor customer. This increase in birds processed has been enabled through further investment in our farming operations where £3 million has been spent to increase capacity and improve efficiency. A further £3 million was spent on further processing automation, including additional deboning and portioning capability. This investment has enabled improved carcass utilisation with additional sales of wings, drumstick and deboned thigh meat supporting whole bird and white meat sales.

Avian Influenza ("AI") represents a heightened risk to the Fresh Poultry business with several cases found in wild birds in the UK. Although the risk to consumers is very low, controlling the spread of AI remains a priority. The impact on the business to date has been limited, but outbreaks close to the Eye facility resulted in the area being designated a disease control zone which impacted the ability to export product from the facility. The overall risk to production remains low with enhanced bio-security controls in place.

Cooked Poultry volumes were strongly ahead of the prior year and comfortably ahead of pre-pandemic levels. Growth in cooked poultry revenue was driven by the rapid recovery of the food service industry and, in particular, the food-to-go sector which benefited from strong demand over the festive period and the easing of lockdown restrictions. Sales to the business's major food service customer are now fully recovered and retail demand remains resilient following new product launches resulting from continued product innovation. £2 million was also invested at the site to reduce odour emissions and upgrade refrigeration. In early May 2022, a routine internal inspection identified the presence of Salmonella in a limited number of cooked chicken products prepared at our cooked poultry facility in Hull. As a precautionary measure, we asked our customers to withdraw any of their products containing our Ready-to-Eat chicken produced during the affected period.

The cost of this event cannot yet be reasonably estimated, however, post mitigation, it is expected that the impact will not be material to the Group.

Shortly before year end, pre-production trials started at our new £32 million Breaded Poultry facility in Hull, with full commercial roll-out starting in the first weeks of FY23. This state-of-the-art facility produces Ready-to-Cook and Ready-to-Eat products using a range of innovative production processes, including the use of air frying. This method of cooking is far healthier than traditional cooking methods. Initial interest from retail, food service and Quick Service Restaurant customers has been strong.

OTHER SEGMENT

Pet food

The new Pet Food category incorporates Grove Pet Foods which was acquired on 28 January 2022. Grove is a producer of dry dog food for several leading brands under private label relationships alongside its own brands, including Vitalin (natural) and Alpha Feeds (working dog).

The business operates predominantly from a purpose-built freehold facility in Lincolnshire that has a footprint for further expansion as a significant proportion of the freehold site is not currently utilised. Across this site and a second production site in Nottinghamshire, Grove Pet Foods has a total workforce of approximately 100 people.

This acquisition represents a platform for future growth in this attractive and rapidly expanding sector. Grove complements our farm-to-fork integration strategy for poultry and pigs and enhances our sustainability strategy through improved carcass utilisation.

Grove Pet Foods made a modest contribution to reported Group revenue in the first two months of ownership prior to year-end.

Finance review

Revenue

Reported revenue increased by 5.8 per cent to £2,008.5 million (2021: £1,898.4 million). On a like-for-like basis, excluding the contribution from acquisitions in the year, revenues increased by 5.3 per cent, with volumes 2.3 per cent higher.

Adjusted gross profit and adjusted EBITDA

Adjusted gross profit of £281.0 million (2021: £269.2 million) increased by 4.4 per cent with adjusted gross profit margin falling marginally to 14.0 per cent (2021: 14.2 per cent). Adjusted EBITDA increased by 2.5 per cent to £201.7 million (2021: £196.7 million) and adjusted EBITDA margin decreased to 10.0 per cent (2021: 10.4 per cent).

Adjusted Group operating profit

Adjusted Group operating profit of £140.6 million (2021: £132.5 million) increased by 6.1 per cent and adjusted Group operating margin was 7.0 per cent of sales, in line with last year.

Full reconciliations of adjusted measures to statutory results can be found in Note 10. The net IAS 41 movement on biological assets results in a £2.8 million charge (2021: £11.4 million charge) on a statutory basis reflecting the fall in the UK pig price during the year.

Finance costs and funding

On 22 November 2021, the Group refinanced its banking facility, taking out a new Sustainability Linked Revolving Credit Facility with Lloyds Bank plc, National Westminster Bank plc, HSBC UK Bank plc, Rabobank London and Bank of China Limited. The new facility, which runs to November 2025 with the potential to extend for a further year, comprises a revolving credit facility of £250 million, including a committed overdraft facility of £20 million, with an option to extend the facility by a further £50 million on the same terms.

This facility provides the business with over £200 million of headroom at 26 March 2022. The adequacy of this facility has been confirmed as part of robust scenario testing performed over the three-year viability period for the Group. Net financing costs of £3.7 million included £2.2 million of IFRS 16 lease interest. Bank finance costs were £0.9 million higher than the prior year at £1.6 million due to higher bank interest rates and costs relating to refinancing the Group's banking facility in November 2021.

Adjusted profit before tax
Adjusted profit before tax was 5.6 per cent higher at £136.9 million (2021: £129.7 million).

Taxation
The tax charge of £26.4 million (2021: £22.3 million) was 20.3 per cent of profit before tax (2021: 19.4 per cent). The standard rate of UK corporation tax was 19.0 per cent (2021: 19.0 per cent). The effective corporation tax rate was higher than the standard rate due to non-qualifying depreciation, disallowable expenses and a deferred tax charge resulting from the future, enacted increase in the UK corporation tax rate to 25 per cent, partially offset by the benefit of the-super deduction on eligible capital investment.

Adjusted earnings per share
Adjusted earnings per share increased by 3.1 per cent to 205.4 pence (2021: 199.3 pence). The average number of shares in issue was 52,923,00 (2021: 52,469,000).

Statutory profit measures
Statutory profit before tax was £129.9 million (2021: £114.8 million), with statutory Group operating profit at £133.6 million (2021: £117.6 million) and statutory earnings per share of 195.7 pence (2021: 176.4 pence). Statutory gross profit was £278.2 million (2021: £257.8 million).

Segmental reporting
Following the acquisition of Grove Pet Foods Limited, the Group has a new operating segment resulting in the need for a new reporting segment 'Other' as the aggregation criteria for the 'Food' reporting segment is not met for the new operating segment. Refer to note 3 for further information.

Cash flow and net debt
The net cash inflow from operating activities in the year was £160.0 million (2021: £181.4 million). This reduction is primarily due to an increase in working capital due to growth in the business, cost inflation and strategic purchasing of inventory. Net debt at the end of the year was £106.0 million (2021: £92.4 million) with the inflow from operating activities offset by the payment of £38.5 million of consideration on acquisitions, £14.3 million of IFRS 16 lease charges, £92.4 million invested in the Group's asset base, net of disposal proceeds and £32.8 million of dividends paid to the Group's Shareholders.

Pensions
The Group operates defined contribution pension schemes whereby contributions are made to schemes administered by major insurance companies. Contributions to these schemes are determined 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 surplus on this scheme at 26 March 2022 was £8.3 million, compared to £5.7 million at 27 March 2021. Cash contributions to the scheme during the year, as part of the programme to fully fund the scheme, were £1.8 million. The present value of funded obligations was £30.1 million, and the fair value of plan assets was £38.4 million.

Group income statement

For the 52 weeks ended 26 March 2022

	Notes	**2022 £'m**	2021 £'m
Revenue		**2,008.5**	1,898.4
Adjusted Group operating profit		**140.6**	132.5
Net IAS 41 valuation movement on biological assets		**(2.8)**	(11.4)
Amortisation of intangible assets		**(4.2)**	(3.5)
Group operating profit	*4*	**133.6**	117.6
Finance costs		**(3.7)**	(2.8)
Profit before tax		**129.9**	114.8
Taxation		**(26.4)**	(22.3)
Profit for the year		**103.5**	92.5
Earnings per share (pence)			
On profit for the year:			
Basic	*5*	**195.7p**	176.4p
Diluted	*5*	**194.8p**	175.6p

Group statement of comprehensive income

For the 52 weeks ended 26 March 2022

	2022 £'m	2021 £'m
Profit for the year	**103.5**	92.5
Other comprehensive income/(expense)		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges		
(Losses)/gains arising in the year	**(0.3)**	0.2
Reclassification adjustments for gains included in the income statement	**-**	(0.4)
Income tax effect	**0.1**	-
Net other comprehensive expense to be reclassified to profit or loss in subsequent periods	**(0.2)**	(0.2)
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) on defined benefit pension scheme	**0.7**	(3.4)
Income tax effect	**(0.5)**	0.6
Net other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods	**0.2**	(2.8)
Other comprehensive income/(expense), net of tax	**-**	(3.0)
Total comprehensive income, net of tax	**103.5**	89.5

Group balance sheet

At 26 March 2022

	Notes	2022 £'m	2021 £'m
Non-current assets			
Intangible assets		**231.3**	203.8
Defined benefit pension scheme surplus		**8.3**	5.7
Property, plant and equipment		**434.8**	376.7
Right-of-use assets		**65.5**	68.8
Biological assets		**2.7**	2.4
Total non-current assets		**742.6**	657.4
Current assets			
Biological assets		**50.7**	41.1
Inventories		**105.2**	81.8
Trade and other receivables		**244.4**	221.7
Financial assets		**-**	0.9
Cash and short-term deposits	*7*	**0.2**	39.0
Total current assets		**400.5**	384.5
Total assets		**1,143.1**	1,041.9
Current liabilities			
Trade and other payables		**(238.7)**	(217.2)
Financial liabilities		**(3.1)**	(1.0)
Lease Liabilities		**(13.8)**	(12.5)
Provisions		**(1.8)**	(0.1)
Income tax payable		**(2.4)**	(1.4)
Total current liabilities		**(259.8)**	(232.2)
Non-current liabilities			
Other payables		**(0.6)**	(0.8)
Financial liabilities	*7*	**(36.4)**	(59.8)
Lease liabilities		**(56.0)**	(59.1)
Deferred tax liabilities		**(19.7)**	(2.7)
Provisions		**(1.7)**	(1.2)
Total non-current liabilities		**(114.4)**	(123.6)
Total liabilities		**(374.2)**	(355.8)
Net assets		**768.9**	686.1
Equity			
Called-up share capital		**5.3**	5.3
Share premium account		**115.9**	106.4
Share-based payments		**44.3**	37.4
Hedging reserve		**(0.3)**	(0.1)
Retained earnings		**603.7**	537.1
Equity attributable to owners of the parent		**768.9**	686.1

Group statement of cash flows

For the 52 weeks ended 26 March 2022

	Notes	**2022 £'m**	2021 £'m
Operating activities			
Profit for the year		**103.5**	92.5
Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:			
Income tax expense		**26.4**	22.3
Net finance costs		**3.7**	2.8
(Gain)/loss on sale of property, plant and equipment		**(0.1)**	0.1
Depreciation of property, plant and equipment		**47.9**	51.9
Depreciation of right-of-use assets		**13.2**	12.3
Amortisation of intangible assets		**4.2**	3.5
Share-based payments		**6.9**	6.0
Difference between pension contributions paid and amounts recognised in the income statement		**(1.9)**	(2.0)
Release of government grants		**(0.2)**	(0.2)
Net IAS 41 valuation movement on biological assets		**2.8**	11.4
Increase in biological assets		**(12.7)**	(9.2)
Increase in inventories		**(21.3)**	(6.3)
Increase in trade and other receivables		**(20.1)**	(7.8)
Increase in trade and other payables		**17.5**	26.2
Cash generated from operations		**169.8**	203.5
Tax paid		**(9.8)**	(22.1)
Net cash from operating activities		**160.0**	181.4
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	*9*	**(38.5)**	(10.7)
Purchase of property, plant and equipment		**(93.7)**	(71.9)
Proceeds from sale of property, plant and equipment		**1.3**	0.6
Receipt of government grants		**-**	0.2
Net cash used in investing activities		**(130.9)**	(81.8)
Cash flows from financing activities			
Interest paid		**(1.6)**	(0.5)
Proceeds from issue of share capital		**4.6**	3.0
Issue costs of long-term borrowings		**(1.8)**	-
Repayment of borrowings		**(22.0)**	(43.0)
Dividends paid		**(32.8)**	(27.9)
Payment of lease capital		**(12.1)**	(11.4)
Payment of lease interest		**(2.2)**	(2.3)
Net cash used in financing activities		**(67.9)**	(82.1)
Net (decrease)/increase in cash and cash equivalents	*7*	**(38.8)**	17.5
Cash and cash equivalents at beginning of year	*7*	**39.0**	21.5
Cash and cash equivalents at end of year	*7*	**0.2**	39.0

Group statement of changes in equity

For the 52 weeks ended 26 March 2022

	Share capital £'m	Share premium £'m	Share-based payments £'m	Hedging reserve £'m	Retained earnings £'m	Total equity £'m
At 28 March 2020	5.2	98.5	31.6	0.1	479.1	614.5
Profit for the year	-	-	-	-	92.5	92.5
Other comprehensive income	-	-	-	(0.2)	(2.8)	(3.0)
Total comprehensive income	-	-	-	(0.2)	89.7	89.5
Share-based payments	-	-	6.0	-	-	6.0
Scrip dividend	-	4.8	-	-	-	4.8
Share options exercised	0.1	2.9	-	-	-	3.0
Share transfer	-	0.2	(0.2)	-	-	-
Dividends	-	-	-	-	(32.7)	(32.7)
Deferred tax related to changes in equity	-	-	-	-	0.4	0.4
Current tax related to changes in equity	-	-	-	-	0.6	0.6
At 27 March 2021	5.3	106.4	37.4	(0.1)	537.1	686.1
Profit for the year	-	-	-	-	103.5	103.5
Other comprehensive income	-	-	-	(0.2)	0.2	-
Total comprehensive income	-	-	-	(0.2)	103.7	103.5
Share-based payments	-	-	6.9	-	-	6.9
Scrip dividend	-	4.9	-	-	-	4.9
Share options exercised	-	4.6	-	-	-	4.6
Dividends	-	-	-	-	(37.7)	(37.7)
Deferred tax related to changes in equity	-	-	-	-	(0.1)	(0.1)
Current tax related to changes in equity	-	-	-	-	0.7	0.7
At 26 March 2022	**5.3**	**115.9**	**44.3**	**(0.3)**	**603.7**	**768.9**

Notes to the accounts

1. Basis of preparation

The results comprise those of Cranswick plc and its subsidiaries for the 52 weeks ended 26 March 2022. This preliminary announcement has been prepared on the basis of accounting policies as set out in the statutory accounts for the 52 weeks ended 27 March 2021 (except as detailed below and in note 2). This announcement does not constitute the Company's statutory accounts within the meaning of Section 435 of the Companies Act 2006.

The Group and Company's financial statements have been prepared in accordance with UK-Adopted International Accounting Standards ('UK-Adopted IAS') and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The change in basis of preparation is required by UK Company Law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and cessation of the transition period on 31 December 2020, with future changes being subject to endorsement by the UK Endorsement Board. The change does not constitute a change in accounting policy but rather a change in framework which is required to ground the use of IFRS in Company Law. There is no impact on recognition, measurement or disclosures in the period as a result of the change in the framework.

The Financial Statements of the Group are prepared to the last Saturday in March. Accordingly, these Financial Statements are prepared for the 52 week period ended 26 March 2022. Comparatives are for the 52 week period ended 27 March 2021. The Balance Sheet for 2022 and 2021 have been prepared as at 26 March 2022 and 27 March 2021 respectively.

Statutory accounts for the 52 weeks ended 26 March 2022 and 27 March 2021 have been reported on by the auditors who issued an unqualified opinion in respect of both years and the auditors' reports for 2022 and 2021 did not contain statements under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the 52 weeks ended 27 March 2021 have been filed with the Registrar of Companies. The statutory accounts for the 52 weeks ended 26 March 2022, which were approved by the Board on 24 May 2022, will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

Viability and Going Concern

In accordance with the provisions of the UK Corporate Governance Code, the Board has assessed the viability of the Group over an appropriate time period, taking into account the current position, future prospects and the potential impact of the principal risks to the Group's business model and ability to deliver its strategy.

The Board has determined that a three-year period to March 2025 is an appropriate period over which to provide its Viability Statement. This timeframe has been specifically chosen due to the fast moving nature of the food industry and the current financial and operational forecasting cycles of the Group.

In making this assessment of viability, the Board carried out a robust assessment of the principal risks and uncertainties facing the Group as well as considering material macroeconomic conditions and geopolitical challenges including the consideration of an outbreak of Avian Influenza impacting our chicken flock and a widespread outbreak of African Swine Fever in the UK and Europe. Focus was also placed on the emerging risks of the impact of the conflict in Ukraine.

The sensitivity analysis utilised the Group's robust 3 year budget and forecasting process to quantify the financial impact on the strategic plan and on the Group's viability against specific measures including liquidity, credit rating and bank covenants. This process also incorporated reverse stress testing.

Given the strong liquidity of the Group; the committed banking facilities which are now in place beyond the viability period; and the diversity of operations; the results of the sensitivity analysis highlighted that the Group would, over the three-year period, be able to withstand the impact of the most severe combination of the risks modelled by making adjustments to its strategic plan and discretionary expenditure, with strong headroom against current available facilities and full covenant compliance in all modelled scenarios.

Based on the results of this analysis, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 29 March 2025.

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 52 weeks ended 27 March 2021, except for the new standards and interpretations explained below.

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

International Accounting Standards (IAS/IFRSs)	*Effective date*
IFRS 9, IAS 39 and IFRS 7 (amendments)	1 January 2021
IFRS 7, IFRS 4 & IFRS 16 Interest rate benchmark reform (amendments)	1 January 2021
IFRS 16 Leases – Covid-19 related rent concessions (amendments)	1 April 2021

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

New and revised standards and interpretations not applied
In these Financial Statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

International Accounting Standards (IAS/IFRSs)	*Effective date*
Annual improvements to IFRSs 2018-20 cycle	1 January 2022
IFRS 3 Business combinations (amendment)	1 January 2022
IAS 16 Property plant and equipment (amendment)	1 January 2022
IAS 37 Provisions, contingent liabilities and contingent assets	1 January 2022
Narrow scope amendments to IAS 1 and IAS 8	1 January 2023
IFRS 17 Insurance contracts	1 January 2023
IAS 12 Deferred tax (amendment)	1 January 2023
IAS 1 Presentation of Financial Statements (amendment)	1 January 2024

None of these are expected to have a significant effect on the Financial Statements 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 principally through adjusted profit measures consistent with those disclosed in the Annual Report and Accounts.

The reportable segment 'Food' represents the aggregation of four operating segments which are aligned to the product categories of the Group; Fresh Pork, Convenience, Gourmet Products and Poultry, all of which manufacture and supply food products. These operating segments have been aggregated into one reportable segment as they share similar economic characteristics. The economic indicators which have been assessed in concluding that these operating segments should be aggregated include the similarity of long-term average margins; expected future financial performance; and operating and competitive risks. In addition, the operating segments are similar with regard to the nature of the products and production process, the type and class of customer, the method of distribution and the regulatory environment.

Following the acquisition of Grove Pet Foods Limited, the Group has a new operating segment resulting in the need for a new reporting segment 'Other' as the aggregation criteria for the 'Food' reporting segment is not met for the new operating segment.

The reporting segments are organised based on the nature of the end markets served. The 'Food' reporting segment entails manufacture and supply of food products to UK grocery retailers, the food service sector and other UK and global food producers. The 'Other' segment represents all other activities which do not meet the above criteria, principally Grove Pet Foods Limited.

3. Business and geographical segments (continued)

	2022 £'m Food	**2022 £'m Other**	**2022 £'m Total**	2021 £'m Food	2021 £'m Other	2021 £'m Total
Revenue	**2,004.6**	**3.9**	**2,008.5**	1,898.4	-	1,898.4
Adjusted operating profit	**140.7**	**(0.1)**	**140.6**	132.5	-	132.5
Finance costs	**(3.7)**	**-**	**(3.7)**	(2.8)	-	(2.8)
Adjusted profit before tax	**137.0**	**(0.1)**	**136.9**	129.7	-	129.7
Assets	**1,132.2**	**10.9**	**1,143.1**	1,041.9	-	1,041.9
Liabilities	**(368.3)**	**(5.9)**	**(374.2)**	(355.8)	-	(355.8)
Net assets	**763.9**	**5.0**	**768.9**	686.1	-	686.1
Depreciation	**60.9**	**0.2**	**61.1**	64.2	-	64.2
Non-current asset additions	**139.5**	**0.2**	**139.7**	89.2	-	89.2

4. Group operating profit

Group operating costs comprise:

	2022 £'m	2021 £'m
Cost of sales excluding net IAS 41 valuation movement on biological assets	**1,727.5**	1,629.2
Net IAS 41 valuation movement on biological assets*	**2.8**	11.4
Cost of sales	**1,730.3**	1,640.6
Gross profit	***278.2***	*257.8*
Selling and distribution costs	**80.3**	69.0
Administrative expenses excluding amortisation of intangible assets	**60.1**	67.7
Amortisation of intangible assets	**4.2**	3.5
Administrative expenses	**64.3**	71.2
Total operating costs	**1,874.9**	1,780.8

* 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 £103.5 million (2021: £92.5 million) 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:

	2022 Thousands	2021 Thousands
Basic weighted average number of shares	**52,923**	52,469
Dilutive potential ordinary shares – share options	**246**	244
	53,169	52,713

Adjusted earnings per share are calculated using the weighted average number of shares for both basic and diluted amounts as detailed above (see Note 10).

6. Dividends

Subject to Shareholders' approval the final dividend will be paid on 2 September 2022 to Shareholders on the register at the close of business on 22 July 2022.

7. Analysis of changes in net debt

Group	At 27 March 2021 £'m	Cash flow £'m	Other non-cash changes £'m	**At 26 March 2022 £'m**
Cash and cash equivalents	39.0	(38.8)	-	**0.2**
Revolving credit	(59.8)	22.0	1.4	**(36.4)**
Lease liabilities	(71.6)	14.3	(12.5)	**(69.8)**
Net debt	(92.4)	(2.5)	(11.1)	**(106.0)**

Net (debt)/funds are defined as cash and cash equivalents 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.

9. Acquisitions

During the year, the following acquisitions were completed:

i) On 18 June 2021, the Group acquired 100 per cent of the issued share capital of Atlantica UK Limited, an importer of Continental foods. On 3 August 2021, the Group acquired 100 per cent of the share capital of Ramona's Kitchen Limited, a producer of dips and Mediterranean foods. The two businesses were acquired for a combined initial net cash consideration of £5.5 million.

9. Acquisitions (continued)

ii) On 28 January 2022, the Group acquired 100 per cent of the share capital of a holding entity Holdco Alpha Limited and its subsidiary Grove Pet Foods Limited (Grove), a producer of dried pet foods for several leading brands under private label relationships alongside its own brands, together with associated freehold land and buildings, for an initial net cash consideration of £33.0 million.

Ramona's Kitchen Limited and Atlantica UK Limited

The following table sets out the fair values of the identifiable assets and liabilities acquired by the Group in relation to Atlantica UK Limited and Ramona's Kitchen Limited. The fair values have been provisionally determined at the balance sheet date.

	Provisional fair value £'m
Net assets acquired:	
Customer relationships	2.6
Trademark	1.0
Property, plant and equipment	0.3
Right-of-use assets	0.2
Inventories	0.2
Trade and other receivables	0.9
Bank and cash balances	0.9
Trade and other payables	(0.5)
Lease liability	(0.2)
Corporation tax liability	(0.1)
Deferred tax liability	(0.9)
	4.4
Goodwill arising on acquisition	4.7
Total consideration	9.1
Satisfied by:	
Initial cash consideration	6.4
Deferred contingent consideration	2.7
	9.1
Net cash outflow arising on acquisition:	
Cash consideration paid	6.4
Cash and cash equivalents acquired	(0.9)
	5.5

Included in the £4.7 million of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce.

Transaction costs in relation to the acquisitions of £0.2 million have been expensed within administrative expenses.

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

From the date of acquisition to 26 March 2022, the combined external revenues of Atlantica UK Limited and Ramona's Kitchen Limited were £5.4 million and the businesses contributed net profit after tax of £0.4 million to the Group. Had the acquisition taken place at the beginning of the year, revenue in the year would have been £2.2 million higher and profit in the year would have been £0.3m higher.

9. Acquisitions (continued)

Contingent Consideration

The agreement includes contingent consideration payable in cash to the previous owners of Atlantica UK Limited and Ramona's Kitchen Limited based on the performance of the businesses in the period to 30 June 2024. The amount payable will be between £nil and £2.8m.

The fair value of the contingent consideration on acquisition was estimated at £2.7 million and was estimated calculating the present value of the future expected cashflows.

Holdco Alpha Ltd (Grove Pet Foods)

The following table sets out the fair values of the identifiable assets and liabilities acquired by the Group in relation to Grove. The fair values have been provisionally determined at the balance sheet date.

	Provisional fair value £'m
Net assets acquired:	
Customer relationships	5.3
Trademark	2.2
Property, plant and equipment	10.1
Inventories	2.0
Trade and other receivables	2.5
Right of use assets	0.3
Bank and cash balances	(0.5)
Trade and other payables	(3.0)
Hire purchase leases	(0.3)
Lease liabilities	(0.3)
Corporation tax liability	(0.7)
Deferred tax liability	(1.8)
	15.8
Goodwill arising on acquisition	15.9
Total consideration	31.7
Satisfied by:	
Initial cash consideration	32.5
Completion accounts adjustment	(0.8)
	31.7
Net cash outflow arising on acquisition:	
Cash consideration paid (included in cash flows from investing activities)	32.5
Cash and cash equivalents acquired	0.5
	33.0

Included in the £15.9 million of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce.

Transaction costs in relation to the acquisitions of £0.4 million have been expensed within administrative expenses.

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

A review of the completion accounts has been undertaken in line with the Sale and Purchase Agreement. This has resulted in an adjustment of £0.8 million receivable from the seller, referred to as the 'completion accounts adjustment' above.

Post-acquisition Grove has contributed £3.9 million revenue and £0.1 million operating loss which is included in the Group income statement. Had the acquisition taken place at the beginning of the year, revenue in the year would have been £19.0 million higher and profit in the year would have been £0.8 million higher.

10. Alternative performance measures

The Board monitors performance principally through adjusted and like-for-like performance measures. Adjusted profit and earnings per share measures exclude certain non-cash items including the net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, profit on sale of a business and goodwill impairment charges. Free cash flow is defined as net cash from operating activities less net interest paid and like-for-like revenue excludes the benefit of acquisitions in the current year.

The Board believes that such alternative measures are useful as they exclude volatile (net IAS 41 valuation movement on biological assets), one-off (impairment of goodwill and profit on sale of a business) and non-cash (amortisation of intangible assets) items which are normally disregarded by investors, analysts and brokers in gaining a clearer understanding of the underlying performance of the Group when making investment and other decisions. Equally, like-for-like revenue provides these same stakeholders with a clearer understanding of the organic sales growth of the business.

Like-for-like revenue

	2022 £'m	2021 £'m	Change
Revenue	**2,008.5**	1,898.4	+5.8%
Ramona's Kitchen and Atlantica UK Limited	**(5.4)**	-	
Grove Pet Foods	**(3.9)**	-	
Like-for-like revenue	**1,999.2**	1,898.4	+5.3%

Adjusted gross profit

	2022 £'m	2021 £'m	Change
Gross profit	**278.2**	257.8	+7.9%
Net IAS 41 valuation movement	**2.8**	11.4	
Adjusted gross profit	**281.0**	269.2	+4.4%

Adjusted Group operating profit and adjusted EBITDA

	2022 £'m	2021 £'m	Change
Group operating profit	**133.6**	117.6	+13.6%
Net IAS 41 valuation movement	**2.8**	11.4	
Amortisation of intangible assets	**4.2**	3.5	
Adjusted Group operating profit	**140.6**	132.5	+6.1%
Depreciation of property, plant and equipment	**47.9**	51.9	
Depreciation of right-of-use assets	**13.2**	12.3	
Adjusted EBITDA	**201.7**	196.7	+2.5%

10. Alternative performance measures (continued)

Adjusted profit before tax

	2022 £'m	2021 £'m	Change
Profit before tax	**129.9**	114.8	+13.2%
Net IAS 41 valuation movement	**2.8**	11.4	
Amortisation of intangible assets	**4.2**	3.5	
Adjusted profit before tax	**136.9**	129.7	+5.6%

Adjusted earnings per share

	2022 £'m	**2022 Basic pence**	**2022 Diluted pence**	2021 £'m	2021 Basic pence	2021 Diluted pence
On profit for the year	**103.5**	**195.7**	**194.8**	92.5	176.4	175.6
Amortisation of intangible assets	**4.2**	**7.9**	**7.9**	3.5	6.6	6.6
Tax on amortisation of intangible assets	**(0.5)**	**(1.0)**	**(1.0)**	(0.7)	(1.3)	(1.3)
Net IAS 41 valuation movement	**2.8**	**5.2**	**5.2**	11.4	21.7	21.7
Tax on net IAS 41 valuation movement	**(1.3)**	**(2.4)**	**(2.4)**	(2.2)	(4.1)	(4.1)
On adjusted profit for the year	**108.7**	**205.4**	**204.5**	104.5	199.3	198.5

Free cash flow

	2022 £'m	2021 £'m	Change
Net cash from operating activities	**160.0**	181.4	-11.8%
Net interest paid	**(1.6)**	(0.5)	
Free cash flow	**158.4**	180.9	-12.4%

11. Principal risks and uncertainties

The Group has a structured and mature approach to risk management which facilitates the identification, evaluation and mitigation of key risks facing the business. The principal risks and uncertainties facing the Group are set out in detail on pages 60 to 63 of the Report & Accounts for the 52 weeks ended 27 March 2021, dated 18 May 2021 a copy of which is available on the Group's website.

These risks include: competitor activity, climate change, growth and change, consumer demand, reliance on key customers & exports, pig meat availability & price, health & safety, Brexit disruption, IT systems & cyber security, food scares & product contamination, disease & infection within livestock, disruption to Group operations, recruitment & retention of senior management, labour availability & cost, COVID-19 pandemic; and interest rate, currency, liquidity & credit risk.

Whilst the Board considers the principal risks and uncertainties as at 26 March 2022 to be the same as those described in the Report & Accounts for the 52 weeks ended 27 March 2021, during the latter part of February 2022 the emerging risks associated with the Ukraine conflict were captured and discussed at an extra ordinary Group Risk Committee meeting in March 2022, together with the significant inflationary pressures and 'cost of living crisis' within the UK economy. In addition, given the unique exposure that the Group faces regarding animal rights campaigners and other activists, the associated risks in this area have now been consolidated into a new principal risk – Adverse Media Attention as summarised below:

Potential risk	Impact	Risk mitigation strategies
The Group may be subject to reputational damage from adverse media and or social media coverage, as a result of alleged animal welfare incidents, protests, vigils or other operational challenges.	The Group closely monitor media attention relating to both our business and the industry we operate in. We have arrangements in place to identify, escalate and respond to media coverage in a consistent and appropriate manner.	• Social media monitoring has been put in place to allow for the early identification of potential issues. • We have proactively engaged within key external stakeholders, including friendly activist groups to support peaceful activity. • Site security arrangements and visitor access and vetting procedures have been reviewed.

12. Report and accounts

The Report and Accounts will be available on the Company's website at www.cranswick.plc.uk on 24 June 2022. Further copies will be available upon request from the Company Secretary, Cranswick plc, Crane Court, Hesslewood Country Office Park, Ferriby Road, Hessle, HU13 0PA.