CRANSWICK plc
Great British Taste

CRANSWICK plc: PRELIMINARY RESULTS

Strong commercial growth and continued strategic progress

23 May 2023
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 25 March 2023.

Commercial and strategic progress:

- Strong revenue growth reflecting inflation recovery with operating margin improving from 6.1% to 6.5% in the second half of the year
- Broad-based inflationary pressure across the Group's cost base continues to be well controlled
- Total capital expenditure of £85.1m across the Group's asset base to add capacity, capability and drive efficiency
- New £32m Hull Prepared Poultry facility successfully commissioned at the start of the year with retail and food service customers now on board
- Installation of third contact cooking line at Hull Cooked Bacon facility to add capacity and capability
- £9m investment in Lincoln Pet Products site underway with significant new customer secured
- Further investment in the Group's pig farming operations; self-sufficiency in British pigs now approaching 50%

Sustainability highlights:

- 7.2% reduction in Scope 1 & 2 location based carbon emissions across both manufacturing and agricultural operations
- Six further major solar panel installations at manufacturing sites underway, increasing green energy generation
- Progress on transitioning fleet to clean energy through investment in electric vehicles, Bio LPG and renewable diesel
- Leading Food Partner status achieved with FareShare for commitment to reducing food waste and providing meals for people in need

Financial highlights*:

	2023	2022	Change (Reported)	Change (Like-for-like†)
Revenue	**£2,323.0m**	£2,008.5m	+15.7%	+14.4%
Adjusted Group operating profit	**£146.5m**	£140.6m	+4.2%	
Adjusted Group operating margin	**6.3%**	7.0%	-69bps	
Adjusted profit before tax	**£140.1m**	£136.9m	+2.3%	
Adjusted earnings per share	**210.0p**	205.4p	+2.2%	

- Statutory profit before tax 7.4% higher at £139.5m (2022: £129.9m)
- Statutory earnings per share up 6.4% to 208.3p (2022: 195.7p)
- Full year dividend increased by 5.0% to 79.4p (2022: 75.6p); 33 years of unbroken dividend growth
- Return on capital employed‡ of 15.8% (2022: 16.9%)
- Net debt (excluding IFRS 16 lease liabilities) lower at £20.2m (2022: £36.2m)
- Robust balance sheet with £250m bank facility providing significant headroom

Adam Couch, Cranswick's Chief Executive Officer, commented:
"Over the last twelve months all at Cranswick have demonstrated resilience and determination in abundance, enabling us to deliver a strong set of results and make further meaningful progress in delivering our strategic objectives.

"I would like to thank our colleagues for their continued enthusiasm and commitment. I would also like to thank our suppliers and customers, with whom we continue to work in close partnership, for their support and understanding.

"We have successfully navigated three years of unprecedented disruption and uncertainty and we now have a much larger, more diverse, and better equipped business, which is primed to deliver the next phase of growth.

"We invested £85.1 million across our asset base during the year. Our total investment in the last three years exceeds £250 million. Investment during the year has been broad-based as we look to expand capacity and enhance the capability of existing facilities.

"We are proposing to lift our full year dividend by a further five per cent this year. This will be our 33rd year of consecutive dividend growth.

"We have made a positive start to the new financial year. The strengths of our business, which include our diverse and long-standing customer base, breadth and quality of products and channels, robust financial position and industry leading infrastructure will support the further development of Cranswick over the longer term."

* 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.
† For comparative purposes, like-for-like revenues exclude the impact of current year acquisitions and the contribution from prior year acquisitions prior to the anniversary of their purchase.
‡ 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 9.30am at The Worshipful Company of Butchers, 87 Bartholomew Close, London, EC1A 7BN. 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 13,700 people and operates from 22 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. 15 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 2,200 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 major production facilities are now powered by renewable grid supplied electricity
f. Donating over 1,000,000 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
i. Achieved Leading Food Partner status with FareShare for reducing food waste and providing meals for people in need

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

Chairman's Statement

Since last year, we have successfully recovered from the COVID-19 pandemic and the impact on our business. The escalation of war in Ukraine and the resulting inflation and cost-of-living crisis in the UK created significant new challenges for the Group. Our skilled and experienced management team has risen to the challenge and delivered an excellent set of results. On behalf of the Board, I would like to thank our talented executives and all our Cranswick colleagues for their dedication and commitment.

We made further positive progress in pursuing our strategic priorities. We continue to gain market share in our core pork business through our relentless focus on improving quality, driving innovation and delivering exceptional value. Our poultry business, a key pillar of our medium-term growth strategy, is now a material contributor to Group performance. We continue to invest in, and expand, our attractive, fast-growing Continental Products range. We made excellent progress in reshaping our rapidly developing pet food business, where we strengthened and refocused the management team and committed to the first phase of a substantial capital investment programme. We also secured a major new long-term contract with a national pet food retailer.

We delivered strong revenue growth, primarily reflecting good control of widespread cost inflation, with a strong pipeline of new products launched, nimbly responding to changes in market led demand. Our customers and consumers continue to recognise and appreciate the quality, value and versatility of our product range.

Our broad-based investment plans remain firmly on track with several substantial projects in progress which will enhance the capability of, and add capacity to, several of our flagship production facilities. The new Hull Prepared Poultry facility was commissioned at the start of the year with two major retail and food service customers now secured. We also made further investment in our pig farming operations during the year and we continue to invest at pace to push on with our 'Second Nature' sustainability programme.

In recent years, we have substantially expanded our farming infrastructure. Our self-sufficiency in British pigs is now approaching 50 per cent. Our poultry farming business, including milling, breeding and growing operations is industry leading. The UK farming industry has faced a host of challenges over the last three years. Labour shortages, financial pressures and political uncertainty have led many independent producers to question their long-term commitment to the sector. More than ever the UK needs a vibrant farming sector at a time when the resilience of our food system has, again, come under close scrutiny. We expect further sector consolidation and Cranswick will continue to expand its farming capability to ensure continuity of supply, full farm-to-fork traceability, leadership in response to the challenges of sustainability and the highest animal welfare standards.

Results

Total revenue in the 52 weeks to 25 March 2023 was £2,323.0 million, 15.7 per cent higher than the £2,008.5 million reported last year. Adjusting for the impact of acquisitions made in the previous and current financial years, revenue increased by 14.4 per cent on a like-for-like basis.

Adjusted profit before tax for the period at £140.1 million was 2.3 per cent higher than the £136.9 million reported last year. Adjusted earnings per share on the same basis was up 2.2 per cent at 210.0 pence compared to 205.4 pence last year.

Cash flow and financial position

Net debt at the end of the year stood at £101.4 million (2022: £106.0 million). Net debt excluding IFRS 16 lease liabilities was £20.2 million compared to £36.2 million previously. The Group has access to an unsecured, sustainability linked £250 million facility which runs through to November 2026.

Dividend

The Board is proposing a final dividend of 58.8 pence per share, an increase of 5.8 per cent on the 55.6 pence paid last year. Together with the interim dividend of 20.6 pence per share, this equates to a total dividend for the year of 79.4 pence per share, an increase of 5.0 per cent on last year and extends the consecutive years of dividend growth to 33.

The final dividend, if approved by Shareholders, will be paid on 1 September 2023 to Shareholders on the register at the close of business on 21 July 2023. Shares will go ex-dividend on 20 July 2023.

Board

The Board continues to evolve to ensure it provides the appropriate skills and experience to support and challenge the executive team.

Kate Allum stepped down as a Non-Executive Director and Chair of the Remuneration Committee at the conclusion of the last AGM on 1 August 2022 at the end of her final three year term. Pam Powell succeeded Kate as Remuneration Committee Chair.

This year we announced the appointment of Yetunde Hofmann as a Non-Executive Director with effect from 1 August 2022. Yetunde has food industry experience having previously worked for Northern Foods plc and having also recently been a non-executive director of Treatt plc.

We appointed Chris Aldersley to the Board with effect from 1 August 2022. Chris joined Cranswick in 1998 and since then has undertaken a variety of senior management roles, becoming the Group's Chief Operating Officer in 2015. Chris has responsibility for managing the operations at the Group's four primary processing, eighteen added value facilities and its agricultural operations, which support the Group's vertically integrated supply chain strategy. The appointment of Chris to the Board recognises his contribution to the Group and the central importance of his role going forward in delivering the Group's long-term strategy.

Mark Reckitt will step down as a Non-Executive Director and Senior Independent Director at the Company’s forthcoming AGM in July 2023. On behalf of the Board, I thank Mark for his positive contribution to Cranswick’s successful development over the last nine years.

Mark will be succeeded as Senior Independent Director by Liz Barber. Upon doing so, at the forthcoming AGM, Liz will relinquish her role as Audit Committee Chair.

As announced separately today, we will be appointing Alan Williams as a Non-Executive Director with effect from the Company’s AGM on 24 July 2023. Alan is currently the Chief Financial Officer of Travis Perkins plc and was previously Chief Financial Officer of Greencore Group plc. Alan will take on the role of Audit Committee Chair from the date of his appointment.

Outlook

We have made a positive start to the current year. We have a strong balance sheet and comfortable financial headroom to support our ongoing capital investment programme which underpins our ambitious growth plans. The strengths of our business, which include our diverse and long-standing customer base, breadth and quality of products and channels, robust financial position and industry leading infrastructure will support the further development of Cranswick over the longer term.

Tim J Smith CBE
Chairman

23 May 2023

Chief Executive's Review

I am incredibly proud of how the entire Cranswick team has responded to the many challenges we faced this year. Over the last twelve months all at Cranswick have demonstrated resilience and determination in abundance, enabling us to deliver a strong set of results and make further meaningful progress in delivering our strategic objectives. I would like to thank our colleagues for their continued enthusiasm and commitment. I would also like to thank our suppliers and customers, with whom we continue to work in close partnership, for their support and understanding. We have successfully navigated three years of unprecedented disruption and uncertainty and we now have a much larger, more diverse, and better equipped business, which is primed to deliver the next phase of growth.

The UK farming sector and wider food supply chains have faced enormous challenges, primarily resulting from the outbreak and escalation of the war in Ukraine. In my review last year, I highlighted the support, in partnership with our customers, we had provided to our own farming operations and to our third-party pig producers, in response to the rapid escalation in cereal and soya prices and ensuing widespread input cost inflation. Despite this support, and the UK pig price reaching an all time high in recent months, the UK pig herd has contracted, with many independent producers choosing to cut back or cease production entirely. We have seen this same trend across Europe. The UK has experienced significant shortages of staple goods throughout the year. We recognise that food security is of paramount importance and in response to this elevated risk we have increased our internal supply of pigs with self-sufficiency now approaching 50 per cent. We will continue to expand our own herd to ensure we have the right quantity and mix of indoor and premium outdoor pigs to satisfy our customers' requirements.

We continue to press the case for the UK farming and food producer sector with government and our industry bodies. We have also taken proactive action to address some of the many challenges we and the wider industry face. In response to the challenge of recruiting high quality skilled butchers, we have cast our net further afield and now have 400 skilled butchers recruited from the Philippines. This successful recruitment programme has enabled us to continue to deliver excellent service levels to our customers throughout the year, despite the significant cost to the business, when some in the sector have had to cut back production due to ongoing labour shortages.

Strong performance
We have delivered record results with reported revenue growing by 15.7 per cent to £2,323.0 million and adjusted operating profit increasing 4.2 per cent to £146.5 million. The broad-based inflationary pressure we are experiencing across our cost base continues to be well controlled and mitigated. Our relentless focus on cash enabled us to reduce net debt on a pre IFRS 16 basis from £36.2 million in March 2022 to £20.2 million, after investing £85.1 million across our asset base and again increasing the dividend. We continue to deliver attractive returns on the capital we deploy. We have built four new facilities over the last five years with a combined investment of over £190 million, whilst our return on capital employed has stayed above 15 per cent. We are proposing to lift our full year dividend by a further five per cent this year. This will be our 33rd year of consecutive dividend growth, a feat that all at Cranswick are immensely proud of.

Revenue grew strongly reflecting the successful recovery of widespread cost inflation with all categories growing strongly. Revenue growth accelerated in the second half of the year, building on the momentum generated in the first half and helped by a record December trading period for the Group. Whilst total volume growth in the year was only modest, prior year comparatives reflected pandemic related elevated in-home consumption. Like-for-like volumes remain well ahead of pre-pandemic levels. Adjusted operating margin improved in the second half of the year, reflecting ongoing inflation recovery, but was still below the level delivered in FY22. Inflation recovery is still work in progress and will remain a feature through FY24.

Total export sales increased year-on-year with stronger pricing offsetting lower volumes. Far East exports were modestly lower than the prior year with higher prices, to a large extent, offset by lower demand, as China remained in strict lockdown for much of the year. We still operate without an export licence for our Norfolk primary processing facility. It is now almost three years since we self-suspended this licence and despite continued lobbying, we have no visibility on when it is likely to be reinstated. We will redouble our efforts to resolve this issue in the coming year.

Significant strategic progress
We have made further progress in strengthening our three strategic pillars: Consolidate; Expand; and Diversify, and by doing so delivering our long term, sustainable growth strategy. We continue to drive further consolidation as we gain market share in our core primary pork and value-added, convenience categories. Ongoing capital investment and expansion of our pig herd underpin this momentum.

Through a combination of new, greenfield, site development and targeted complementary bolt on acquisitions we have expanded our presence in our fast-growing poultry and Mediterranean foods categories. Alongside our core pork business, we see poultry as the engine room of our growth plans over the next decade.

Diversification includes both moving into new markets, as we have done so successfully in China, and developing new product categories closer to home. Our new pet food business is a great example of this approach. Since acquiring the Grove pet food business in January 2022, we have subsequently renamed it Cranswick Pet Products. More importantly we have strengthened the management team, embarked on a £9 million capital investment programme and gained British Retail Consortium 'A' grade status at the Lincoln facility. We are also focused on realigning the customer base and, in this context, I am delighted that we recently agreed a long-term supply agreement with Pets at Home. Although our pet food business currently makes a very modest contribution to Group revenue and earnings, we are very excited about the opportunity to grow our presence in this attractive, large and fast-growing market.

Investing at pace

We invested £85.1 million across our asset base during the year. Our total investment in the last three years alone exceeds £250 million. We successfully commissioned our new £32 million Hull Prepared Poultry facility at the start of the year, with retail and food service customers onboarded and volumes ahead of the original business plan. Investment during the year has been broad-based as we look to expand capacity and enhance the capability of existing facilities. We now operate from 22 well invested and highly efficient production facilities in the UK and we will continue to invest at pace to ensure we serve our customers from the best quality asset base the UK industry can offer in terms of food safety, technical compliance, and colleague well-being. Looking ahead we expect to invest at these elevated levels over the next three years, with spend particularly focused on our pork primary processing operations to add substantial capacity and drive further efficiencies as we look to service our rapidly growing value-added pork business. Whilst modest in the overall context of our capital investment programme, we are now automating the production of pigs in blankets. We now produce approximately 60 million pigs in blankets, primarily for Christmas trade, and the search for an automated solution has been a long and frustrating one. We are excited about the opportunity this creates, and it is just one example of our unstinting focus on, and relentless search for, efficiency improvements in our business.

Shortly before year-end we purchased a pre-existing production facility in Worsley, near Manchester. This facility will be redeveloped to provide additional manufacturing capacity for our fast-growing Mediterranean foods business. We also acquired the trade and assets of Mediterranean Foods (London) Ltd in February 2023. Mediterranean Foods supplies houmous and other Mediterranean snacks and the business complements our growing portfolio of Continental Products businesses.

A sustainable business model

We have again invested at pace to drive forward our 'Second Nature' sustainability programme. Six new major solar panel installations have now been approved and we are upgrading refrigeration systems across our estate to further reduce CO_2 emissions. We have made progress in transitioning our fleet to clean energy through investment in electric vehicles, Bio LPG and renewable diesel. Our focus on regenerative farming is building resilience into our farming operations and agricultural supply chains as we move towards our target of gaining carbon neutral status for all Cranswick farms by 2030. This year we again improved our Carbon Disclosure Project scores: grade A- for Climate and grade B- for Soya within Forests were both a grade improvement on the previous year and reflect our continued focus on, and commitment to, delivering our industry leading sustainability strategy.

A people business

I continually say that we are a people business, and that our colleagues are our biggest and most valuable asset. We understand that being an employer of choice in a tight labour market enables us to compete and win by attracting and retaining the best talent. We are sector leading in terms of pay, working conditions, health and safety, inclusivity and wellbeing for all Group colleagues. We recruited 12 more graduates this year, bringing the total enrolled onto the programme since 2013 to 85, with 25 now occupying management roles. We also have a vibrant apprenticeship programme with over 141 apprentices spread across the business. We actively support and encourage diversity and our Diversity, Equality and Inclusion programme is now firmly embedded and recognised in all functions. Succession planning through developing and retaining talent has been the cornerstone of our success over many years and we would not be the business we are today without a deep and continually replenished talent pool.

Adam Couch
Chief Executive Officer

23 May 2023

Operating and Financial Review

Operating review

Revenue and adjusted operating profit

	2023	2022	Change (Reported)	Change (Like-for-like*)
Revenue	**£2,323.0m**	£2,008.5m	+15.7%	+14.4%
Adjusted Group Operating Profit*	**£146.5m**	£140.6m	+4.2%	
Adjusted Group Operating Margin*	**6.3%**	7.0%	-69bps	

*See Note 10

Revenue
Reported revenue increased by 15.7 per cent to £2,323.0 million reflecting inflation recovery. Like-for-like revenue increased by 14.4 per cent with corresponding volumes down 1.4 per cent, primarily reflecting lower export volumes. Volumes in our core UK Pork, Convenience and Poultry businesses remained resilient.

Gourmet Products revenue was particularly strong with volumes from the Hull Cooked Sausage and Bacon facility accelerating strongly in its second year of operation. Convenience revenue was also strongly ahead reflecting continued expansion of the Continental Products businesses as we broaden our range in adjacent categories.

The new £32 million Prepared Poultry facility in Hull was successfully commissioned at the beginning of the year and has delivered first year revenue ahead of initial expectations. This additional revenue offset lower sales from our Hull Cooked Poultry business resulting from the impact of the product recall at the beginning of the year.

Customer services levels remained consistently high including during a record Christmas trading period.

Adjusted Group operating profit
Adjusted Group operating profit increased by 4.2 per cent to £146.5 million. Adjusted Group operating margin was 69 bps lower at 6.3 per cent. Adjusted Group operating margin improved to 6.5 per cent in the second half of the year compared to the 6.1 per cent reported in the first half of the year with margin accelerating through the second half of the year reflecting ongoing recovery of significant, broad-based cost inflation.

Category review

FOOD SEGMENT
Fresh Pork
Fresh Pork revenue was 15.6 per cent above the prior year and represented 26 per cent of Group revenue. Revenue increased as a result of higher average UK pig prices. UK Fresh Pork volumes were modestly ahead of the prior year.

The average UK standard pig price ("SPP") closed the year at a record high of 214p/kg, 45.6 per cent higher than the opening price of 147p/kg. The average price for the year was 30.2 per cent higher than the prior year. This significant movement in the pig price reflected a sharp increase in the cost of feed following the outbreak of war in Ukraine with wheat and soya prices reaching all-time highs. These higher input costs alongside more widespread inflationary cost pressure pushed the pig price rapidly up to 200p/kg by the end of the first half. The pig price remained at this level throughout the third quarter before increasing further in the fourth quarter.

Security of supply is of paramount importance in ensuring we are able to meet the needs of our customers and so we continued to invest in increasing our self-sufficiency. During the year we increased the herd both in terms of premium outdoor and indoor pigs. We now have a herd of c62,000 sows producing c29,000 pigs per week resulting in self-sufficiency in UK pigs of approaching 50 per cent. Direct ownership gives us greater control over our vertical supply chain and facilitates implementation of sustainability initiatives and targets.

Weekly average pig numbers remained strong with a record peak in November when we processed over 67,700 pigs per week to meet Christmas demand. The average for the year was 61,600, 2.7 per cent ahead of pre pandemic levels.

Far East export revenue was 2.7 per cent behind the prior year as demand from China remained subdued as the country slowly emerged from its strict pandemic enforced lockdown. Exports to other markets grew strongly, partly compensating for the lower Far East revenue.

Our successful campaign to recruit skilled butchers from the Philippines into our primary processing facilities helped to alleviate the well-publicised labour shortage in our sector, although there was a significant cost to the business from doing this. During the year we invested £20 million across the three primary processing facilities and our farming infrastructure. £10 million of this investment related to the first stage of the redevelopment of our largest primary processing facility in Hull. Alongside the existing semi-automated shoulder deboning line, we have more recently added a similar leg deboning line and now an automated cutting line. The Hull facility incorporates some of the most technologically advanced butchery equipment the industry has to offer.

African Swine Fever ("ASF") continues to affect large parts of China and, to a lesser extent, parts of Europe. In Europe, most ASF cases continue to be detected in Romania and Poland however recent cases have been found in eastern Germany, Italy and Greece. In the UK, we remain acutely aware of the impact an outbreak of ASF would have on the UK pig industry. New legislation was introduced in November banning the import of non-commercial pork. These measures will further enhance the intensive bio-security protocols which are in place across the industry.

Convenience

Convenience revenue was 15.5 per cent ahead on a reported basis and represented 38 per cent of Group revenue. Revenue growth reflected ongoing inflation recovery and continued progress in expanding the range offered by the Continental Products portfolio of businesses, with volumes ahead of the prior year.

Cooked Meats revenue growth reflected proactive inflation recovery and a strong performance from the 'slow cook' and 'sous vide' ranges as these products continue to meet the changing needs of consumers who are increasingly demanding more convenient high-quality meals at home. This year, range expansion included centre-of plate 'slow cook' Christmas products including Turkey Crown, Three Bird Roast, Beef Rump and Slow Cook Gammon, with over 400,000 units supplied over the Christmas period. The ongoing £8 million investment at the Hull Cooked Meats facility will double 'slow cook' capacity, enabling us to drive further growth in this attractive, fast growing category. At the Milton Keynes facility a £10 million extension is nearing completion. This will provide opportunities for further expansion with added production capacity and additional packing capability enabling the site to increase food service and wholesale volumes. Investment at the Valley Park facility is driving process efficiency through a programme of upgrades utilising the most efficient slicing technology.

Continental Products revenue grew strongly underpinned by robust underlying volume growth as the category continued to build on the popularity of olives, antipasti and charcuterie products as a centre of plate eating occasion. Growth continues to be delivered through category leadership and a strong supply chain model. Investment in the Bury site has continued at pace with £3 million spent on increasing olive, antipasti and charcuterie production capacity. A further £3 million was deployed on new manufacturing capability including state-of-the-art robotics to increase quality and efficiency of production. Innovation and sector expertise will continue to drive growth in this category.

Katsouris Brothers revenue was strongly ahead driven by double-digit volume growth. Ramona's performed particularly well with a number of new retail listings. Ramona's is the only houmous brand to be listed in three major retailers. Category expansion has continued throughout the year with Katsouris winning three Great Taste awards for its branded Cypressa Virgin Olive Oil, Tahini and Authentic Cyprus Halloumi.

Product development at Continental, Katsouris and Ramona's drove success over the Christmas period. Collectively 48 festive lines were launched with 2.3 million units sold. Sharing platters were particularly successful with over 1.5 million units sold.

Expansion of the portfolio of Continental businesses remains a priority for the Group. Following the acquisition of Atlantica UK and Ramona's Kitchen in 2022, two further manufacturing facilities were acquired in 2023 to significantly increase production capacity and add cooking capability and flexibility.

In February 2023 the Group acquired the trade and assets of Mediterranean Foods (London) Ltd, now renamed Cranswick Mediterranean Foods, a supplier of houmous and fried Mediterranean snacks. This acquisition adds additional capacity in houmous and new falafel frying capability.

In March 2023 the Group purchased a food-grade manufacturing facility in Worsley, Manchester. This 50,000 square foot facility will allow future expansion across our fast-growing Continental Foods business.

Gourmet Products
Gourmet Products revenue increased 20.2 per cent year-on-year, and represented 17 per cent of Group revenue, underpinned by strong volume growth.

Sausage revenue grew strongly with robust retail volumes driven by tier expansion and product innovation with both premium and discount retailers. The continued recovery of food service volumes also contributed to revenue growth with more breakfasts being consumed out of the home. An £8 million investment programme at the Hull facility to add new alginate casing capability and deliver process improvements is largely complete.

Bacon revenue was ahead, with higher prices offsetting lower volumes resulting from reduced retailer promotional activity in the category, particularly during the first half of the year. New premium bacon business was secured, complementing the established supply of fresh pork and sausage into the same customer.

Pastry revenue improved year-on-year. Food service sales recovered to pre-pandemic levels offsetting a modest softening in retail demand for premium pastry products. Innovative product development resulted in a strong Christmas trading period. New festive launches included two vegetarian pies which received a trio of BBC Good Food and Good Housekeeping awards.

Revenue from the Cooked Bacon and Sausage facility was substantially ahead. Robust Quick Service Restaurant volumes and premium retail sales, which were ahead of expectations, were complemented by a new food service customer. Investment in the site to increase capacity has continued with £5 million spent on a third contact cooking line.

Poultry
Poultry revenue increased by 6.7 per cent and represented 18 per cent of Group revenue. Volumes were modestly down year-on-year.

Fresh Poultry performed well with an average 1.3 million birds processed per week. Supply to a popular casual dining chain started during the year, adding to the site's growing customer base and mitigating a modest decline in demand from the site's anchor customer. Investment into a 5th portioning line has progressed during the year. This investment will add additional automated portioning and thigh deboning capability, with the additional capacity added to meet retail demand.

Avian Influenza ("AI") continues to represent a heightened risk to the Fresh Poultry business. Although the business impact has been limited and the overall risk to production is still low, controlling the spread of AI remains a priority. Heightened bio-security protocols remain in place at the site and on all farms.

Cooked Poultry revenue was well below the prior year following the product recall in May 2022. Volumes continue to recover, albeit they are still below those prior to the product recall. Net of mitigation the product recall did not have a material impact on the Group's results.

The new £32 million Prepared Poultry facility in Hull was successfully commissioned at the beginning of the year. The state-of-the-art facility produces a range of premium prepared poultry products for an anchor retail customer and a strategic Quick Service Restaurant customer. First year volumes were ahead of initial expectations.

OTHER SEGMENT
Pet Products
Cranswick Pet Products (formally known as Grove Pet Foods) represented 1 per cent of Group revenue. Revenue growth in Pet Products reflected the first full year of ownership compared to two months in the prior year.

Significant progress has been made on reshaping the business for the future. Following a strengthening of the management team, the principal manufacturing site in Lincolnshire has gained British Retail Consortium approval and a multi-year capital investment programme has commenced. The first phase of this investment costing £9 million is underway and will provide increased capacity for dry dog food and increase the site's automated packing capability.

The business recently agreed terms to manufacture a range of established private label products for Pets at Home. Pets at Home is the largest specialist pet retailer in the UK with over 450 stores. This partnership, alongside reinvigorating the business's existing Vitalin and Alpha dog food brands, will support the ongoing strategic development of the business and accelerate our ambition to develop Pet Products into a leading British pet food manufacturer complemented by our farm-to-fork strategy in poultry and pigs. During the first half of the year, a legacy private label contract was terminated. This resulted in a £3.0 million impairment of the acquired customer relationship intangible asset.

Finance review

Revenue
Reported revenue increased by 15.7 per cent to £2,323.0 million (2022: £2,008.5 million). Like-for-like revenue, excluding the impact from acquisitions, increased by 14.4 per cent.

Adjusted gross profit and adjusted EBITDA
Adjusted gross profit increased by 7.1 per cent to £300.9 million (2022: £281.0 million) with adjusted gross profit margin at 13.0 per cent (2022: 14.0 per cent). Adjusted EBITDA increased by 6.7 per cent to £215.3 million (2022: £201.7 million) and adjusted EBITDA margin was 9.3 per cent (2022: 10.0 per cent).

Adjusted Group operating profit
Adjusted Group operating profit increased by 4.2 per cent to £146.5 million (2022: £140.6 million) and adjusted Group operating margin stood at 6.3 per cent (2022: 7.0 per cent).

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 £7.6 million credit (2022: £2.8 million charge) on a statutory basis primarily reflecting the substantial increase in the UK pig price during the year.

Finance costs and funding
Net financing costs of £6.4 million (2022: £3.7 million) included £2.5 million (2022: £2.2 million) of IFRS 16 lease interest. Bank finance costs were £2.4 million higher than the prior year at £4.0 million (2022: £1.6 million) due to the increase in the bank base rate during the year.

During the year the Group successfully extended the term of it's banking facility for a further year with the facility now running to November 2026. This provides the Group with access to a £250 million revolving credit facility, including a committed overdraft of £20 million. It also includes the option to access a further £50 million on the same terms at any point during the term of the agreement. The facility provides the business with over £200 million of headroom at 25 March 2023. The adequacy of this facility has been confirmed as part of robust scenario testing performed over the three-year viability period for the Group.

Adjusted profit before tax
Adjusted profit before tax was 2.3 per cent higher at £140.1 million (2022: £136.9 million).

Taxation
The tax charge of £28.1 million (2022: £26.4 million) was 20.1 per cent of profit before tax (2022: 20.3 per cent). The standard rate of UK corporation tax was 19.0 per cent (2022: 19.0 per cent). The effective rate was higher than the standard rate due to disallowable expenses and the deferred tax charge resulting from the future enacted increase in the UK corporation tax rate to 25.0 per cent, partly offset by the super-deduction on eligible capital investment.

Adjusted earnings per share
Adjusted earnings per share increased by 2.2 per cent to 210.0 pence (2022: 205.4 pence). The average number of shares in issue was 53,461,000 (2022: 52,923,000).

Statutory profit measures
Statutory profit before tax was £139.5 million (2022: £129.9 million), with statutory Group operating profit at £145.9 million (2022: £133.6 million) and statutory earnings per share of 208.3 pence (2022: 195.7 pence). Statutory gross profit was £308.5 million (2022: £278.2 million).

Cash flow and net debt
The net cash inflow from operating activities in the year was £153.0 million (2022: £160.0 million). This reduction was primarily due to an increase in tax payments resulting from unwinding of the super deduction claimed in the prior year and a one-off contribution of £3.7 million into the Group's defined benefit pension scheme. Net debt, including the impact of IFRS 16 lease liabilities, fell to £101.4 million (2022: £106.0 million) with the inflow from operating activities offset by £83.9 million invested in the Group's asset base, net of disposal proceeds, £36.3 million of dividends paid to the Group's Shareholders and £16.3 million of IFRS 16 lease charges.

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. On 2 December 2022, the Trustees of the defined benefit pension scheme purchased a buy-in insurance policy to secure the majority of the benefits provided by the scheme. The surplus on this scheme at 25 March 2023 was £0.2 million, compared to £8.3 million at 26 March 2022. Cash contributions to the scheme during the year, and additional contributions to support the purchase of the buy-in insurance policy, were £4.3 million. The present value of funded obligations was £22.1 million, and the fair value of plan assets was £22.3 million. The Group does not expect to make any further contributions to the scheme during the year ending March 2024.

Group income statement

For the 52 weeks ended 25 March 2023

	Notes	**2023** **£'m**	2022 £'m
Revenue		**2,323.0**	2,008.5
Adjusted Group operating profit		**146.5**	140.6
Net IAS 41 valuation movement on biological assets		**7.6**	(2.8)
Amortisation of intangible assets		**(5.2)**	(4.2)
Impairment of intangible assets		**(3.0)**	-
Group operating profit	*4*	**145.9**	133.6
Finance costs		**(6.4)**	(3.7)
Profit before tax		**139.5**	129.9
Taxation		**(28.1)**	(26.4)
Profit for the year		**111.4**	103.5
Earnings per share (pence)			
On profit for the year:			
Basic	*5*	**208.3p**	195.7p
Diluted	*5*	**207.8p**	194.8p

Group statement of comprehensive income

For the 52 weeks ended 25 March 2023

	2023 **£'m**	2022 £'m
Profit for the year	**111.4**	103.5
Other comprehensive income/(expense)		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges		
Gains/(losses) arising in the year	**0.1**	(0.3)
Reclassification adjustments for gains included in the income statement	**0.3**	-
Income tax effect	**(0.1)**	0.1
Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods	**0.3**	(0.2)
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial (losses)/gains on defined benefit pension scheme	**(12.5)**	0.7
Income tax effect	**2.8**	(0.5)
Net other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods	**(9.7)**	0.2
Other comprehensive expense	**(9.4)**	-
Total comprehensive income	**102.0**	103.5

Group balance sheet

At 25 March 2023

	Notes	2023 £'m	2022 £'m
Non-current assets			
Intangible assets		**223.2**	231.3
Defined benefit pension scheme surplus		**0.2**	8.3
Property, plant and equipment		**464.1**	434.8
Right-of-use assets		**76.3**	65.5
Biological assets		**6.3**	2.7
Total non-current assets		**770.1**	742.6
Current assets			
Biological assets		**72.8**	50.7
Inventories		**113.0**	105.2
Trade and other receivables		**288.5**	244.4
Financial assets		**0.1**	-
Cash and short-term deposits	*7*	**20.3**	0.2
Total current assets		**494.7**	400.5
Total assets		**1,264.8**	1,143.1
Current liabilities			
Trade and other payables		**(268.5)**	(238.7)
Financial liabilities		**(0.1)**	(3.1)
Lease liabilities		**(14.4)**	(13.8)
Provisions		**(0.8)**	(1.8)
Income tax payable		**(4.3)**	(2.4)
Total current liabilities		**(288.1)**	(259.8)
Non-current liabilities			
Other payables		**(0.4)**	(0.6)
Financial liabilities		**(43.2)**	(36.4)
Lease liabilities		**(66.8)**	(56.0)
Deferred tax liabilities		**(20.7)**	(19.7)
Provisions		**(2.7)**	(1.7)
Total non-current liabilities		**(133.8)**	(114.4)
Total liabilities		**(421.9)**	(374.2)
Net assets		**842.9**	768.9
Equity			
Called-up share capital		**5.4**	5.3
Share premium account		**123.9**	115.9
Share-based payments		**49.0**	44.3
Hedging reserve		**-**	(0.3)
Retained earnings		**664.6**	603.7
Total equity attributable to owners of the parent		**842.9**	768.9

Group statement of cash flows

For the 52 weeks ended 25 March 2023

	Notes	**2023 £'m**	2022 £'m
Operating activities			
Profit for the year		**111.4**	103.5
Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:			
Income tax expense		**28.1**	26.4
Net finance costs		**6.4**	3.7
Gain on sale of property, plant and equipment		**(0.5)**	(0.1)
Depreciation of property, plant and equipment		**54.1**	47.9
Depreciation of right-of-use assets		**14.7**	13.2
Amortisation of intangible assets		**5.2**	4.2
Impairment of acquired intangible assets		**3.0**	-
Share-based payments		**4.7**	6.9
Difference between pension contributions paid and amounts recognised in the income statement		**(4.4)**	(1.9)
Release of government grants		**(0.2)**	(0.2)
Net IAS 41 valuation movement on biological assets		**(7.6)**	2.8
Increase in biological assets		**(18.1)**	(12.7)
Increase in inventories		**(7.7)**	(21.3)
Increase in trade and other receivables		**(44.8)**	(20.1)
Increase in trade and other payables		**29.1**	17.5
Cash generated from operations		**173.4**	169.8
Tax paid		**(20.4)**	(9.8)
Net cash from operating activities		**153.0**	160.0
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	*9*	**0.1**	(38.5)
Purchase of property, plant and equipment		**(85.1)**	(93.7)
Proceeds from sale of property, plant and equipment		**1.2**	1.3
Net cash used in investing activities		**(83.8)**	(130.9)
Cash flows from financing activities			
Interest paid		**(3.8)**	(1.6)
Proceeds from issue of share capital		**3.7**	4.6
Issue costs of long-term borrowings		**(0.4)**	(1.8)
Proceeds from/(repayment of) borrowings		**4.0**	(22.0)
Dividends paid		**(36.3)**	(32.8)
Payment of lease capital		**(13.8)**	(12.1)
Payment of lease interest		**(2.5)**	(2.2)
Net cash used in financing activities		**(49.1)**	(67.9)
Net increase/(decrease) in cash and cash equivalents	*7*	**20.1**	(38.8)
Cash and cash equivalents at beginning of year	*7*	**0.2**	39.0
Cash and cash equivalents at end of year	*7*	**20.3**	0.2

Group statement of changes in equity

For the 52 weeks ended 25 March 2023

	Share capital £'m	Share premium £'m	Share-based payments £'m	Hedging reserve £'m	Retained earnings £'m	Total equity £'m
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
Profit for the year	-	-	-	-	111.4	111.4
Other comprehensive income	-	-	-	0.3	(9.7)	(9.4)
Total comprehensive income	-	-	-	0.3	101.7	102.0
Share-based payments	-	-	4.7	-	-	4.7
Scrip dividend	-	4.4	-	-	-	4.4
Share options exercised	0.1	3.6	-	-	-	3.7
Dividends	-	-	-	-	(40.7)	(40.7)
Deferred tax related to changes in equity	-	-	-	-	(0.9)	(0.9)
Current tax related to changes in equity	-	-	-	-	0.8	0.8
At 25 March 2023	**5.4**	**123.9**	**49.0**	**-**	**664.6**	**842.9**

Notes to the accounts

1. Basis of preparation

The results comprise those of Cranswick plc and its subsidiaries for the 52 weeks ended 25 March 2023. This preliminary announcement has been prepared on the basis of accounting policies as set out in the statutory accounts for the 52 weeks ended 26 March 2022 (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 consolidated financial statements of Cranswick plc have been prepared under the historical cost convention except where measurement of balances at fair value is required as explained in the accounting policies below. The Group's financial statements have been prepared in accordance with UK-Adopted International Accounting Standards ('UK-Adopted IAS'). The Group's financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 25 March 2023. Comparatives are for the 52 week period ended 26 March 2022. The Balance Sheet for 2023 and 2022 have been prepared as at 25 March 2023 and 26 March 2022 respectively.

Statutory accounts for the 52 weeks ended 25 March 2023 and 26 March 2022 have been reported on by the auditors who issued an unqualified opinion in respect of both years and the auditors' reports for 2023 and 2022 did not contain statements under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the 52 weeks ended 26 March 2022 have been filed with the Registrar of Companies. The statutory accounts for the 52 weeks ended 25 March 2023, which were approved by the Board on 23 May 2023, 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 2026 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 loss of consumer demand, especially during the cost-of-living crisis, and the impact of disease and infection in livestock, in particular focusing on the risk of both an outbreak of Avian Influenza impacting our chicken flock and a widespread outbreak of African Swine Fever in the UK and Europe.

The sensitivity analysis utilised the Group's robust three-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.

Given the strong liquidity of the Group; the committed banking facilities which are 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 28 March 2026.

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 26 March 2022, except for the new standards and interpretations explained below.

New and revised standards and interpretations not applied
In the 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*
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
IFRS 16 Leases (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 through the channels described below. 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 the products and production process, the type and class of customer, the method of distribution and the regulatory environment.

The reporting segments are organised based on the nature of the end markets served. The 'Food' 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 Cranswick Pet Products Limited.

	2023 £'m Food	**2023 £'m Other**	**2023 £'m Total**	2022 £'m Food	2022 £'m Other	2022 £'m Total
Revenue	**2,296.4**	**26.6**	**2,323.0**	2,004.6	3.9	2,008.5
Adjusted operating profit	**146.3**	**0.2**	**146.5**	140.7	(0.1)	140.6
Finance costs	**(6.3)**	**(0.1)**	**(6.4)**	(3.7)	-	(3.7)
Adjusted profit before tax	**140.0**	**0.1**	**140.1**	137.0	(0.1)	136.9
Assets	**1,248.4**	**16.4**	**1,264.8**	1,132.2	10.9	1,143.1
Liabilities	**(410.6)**	**(11.3)**	**(421.9)**	(368.3)	(5.9)	(374.2)
Net assets	**837.8**	**5.1**	**842.9**	763.9	5.0	768.9
Depreciation	**67.5**	**1.3**	**68.8**	60.9	0.2	61.1
Non-current asset additions	**105.4**	**3.5**	**108.9**	139.5	0.2	139.7

4. Group operating profit

Group operating costs comprise:

	2023 £'m	2022 £'m
Cost of sales excluding net IAS 41 valuation movement on biological assets	**2,022.1**	1,727.5
Net IAS 41 valuation movement on biological assets*	**(7.6)**	2.8
Cost of sales	**2,014.5**	1,730.3
Gross profit	***308.5***	*278.2*
Selling and distribution costs	**94.8**	80.3
Administrative expenses excluding amortisation and impairment of intangible assets	**69.5**	60.1
Impairment of acquired intangible assets	**3.0**	-
Amortisation of intangible assets	**5.2**	4.2
Administrative expenses	**77.7**	64.3
Other operating income	**(9.9)**	-
Total operating costs	**2,177.1**	1,874.9

*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.

Included within other operating income is a credit of £9.9 million for an insurance claim received in the period (2022: £nil). The net impact of the claim is not material.

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 £111.4 million (2022: £103.5 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:

	2023 Thousands	2022 Thousands
Basic weighted average number of shares	**53,461**	52,923
Dilutive potential ordinary shares – share options	**129**	246
	53,590	53,169

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 1 September 2023 to Shareholders on the register at the close of business on 21 July 2023.

7. Analysis of changes in net debt

Group	At 26 March 2022 £'m	Cash flow £'m	Other non-cash changes £'m	**At 25 March 2023 £'m**
Cash and cash equivalents	0.2	20.1	-	**20.3**
Revolving credit	(36.4)	(3.6)	(0.5)	**(40.5)**
Lease liabilities	(69.8)	16.3	(27.7)	**(81.2)**
Net debt	(106.0)	32.8	(28.2)	**(101.4)**

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

i) Cranswick Mediterranean Foods Limited

On 13 February 2023, the Group acquired the trade and assets of Mediterranean Foods (London) Ltd. The business, now named Cranswick Mediterranean Foods Limited, produces Mediterranean snacking foods and was acquired for a cash consideration of £0.5 million.

The following table sets out the final fair values of the identifiable assets and liabilities acquired by the Group from Mediterranean Foods (London) Ltd:

	Fair value £'m
Net assets acquired:	
Property, plant and equipment	0.6
Inventories	0.1
Trade and other payables	(0.1)
Provisions	(0.1)
	0.5
Goodwill arising on acquisition	-
Total consideration	0.5
Satisfied by:	
Initial cash consideration	0.5
Deferred contingent consideration	-
	0.5
Net cash outflow arising on acquisition:	
Cash consideration paid	0.5
Cash and cash equivalents acquired	-
	0.5

Transaction costs in relation to the acquisition of £0.1 million have been expensed within administrative expenses.

9. Acquisitions (continued)

Post-acquisition Cranswick Mediterranean Foods Limited has contributed £0.1 million revenue and £nil operating result which is included in the Group income statement. Had the acquisiton taken place at the beginning of the year, the revenue in the year would have been £2.2 million higher and profit in the year would have been the same.

ii) Holdco Alpha Ltd (Grove Pet Foods)

On 28 January 2022, the Group acquired 100% of the share capital of a holding entity Holdco Alpha Limited and its subsidiary Grove Pet Foods Limited (later renamed to 'Cranswick Pet Products'), 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 £32.9 million.

The following table sets out the fair values of the identifiable assets and liabilities acquired by the Group in relation to Grove.

	Fair value £'m
Net assets acquired:	
Customer relationships	6.2
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)
	16.7
Goodwill arising on acquisition	15.1
Total consideration	31.8
Satisfied by:	
Initial cash consideration	32.4
Completion accounts adjustment	(0.6)
	31.8
Net cash outflow arising on acquisition:	
Cash consideration paid (included in cash flows from investing activities)	32.4
Cash and cash equivalents acquired	0.5
	32.9

Included in the £15.1 million of goodwill recognised above are certain intangible assets that cannot be individually separated from the acquirees and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce.

A review of the completion accounts was undertaken during the year in line with the Sale and Purchase Agreement. This has resulted in an adjustment of £0.6 million received from the seller, referred to as the 'completion accounts adjustment' above.

In May 2022, one of Grove's customers informed the Group of their intention to terminate the trading relationship and therefore the recognised intangible asset is now expected to generate lower future cashflows. A review of the recoverable amount has identified an updated customer relationships value of £3.2 million, resulting in an impairment loss of £3.0 million.

9. Acquisitions (continued)

Despite the loss of the customer, a review of the carrying value of goodwill has not identified any goodwill impairment. The goodwill assessment has been performed on the same basis as at the prior year end, but with an update to the discount rate and the future operating cash flows of the business.

The discount rate has been updated to the latest position at the year end and the operating profits were based on the latest Board approved cash flows which were revised to exclude the loss of the customer.

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 impact of current year acquisitions and the contribution from prior year acquisitions prior to the anniversary of their purchase.

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

	2023 **£'m**	2022 £'m	Change
Revenue	**2,323.0**	2,008.5	+15.7%
Ramona's Kitchen, Atlantica UK Limited and Mediterranean Foods	**(2.8)**	-	
Cranswick Pet Products	**(22.3)**	-	
Like-for-like revenue	**2,297.9**	2,008.5	+14.4%

Adjusted gross profit

	2023 **£'m**	2022 £'m	Change
Gross profit	**308.5**	278.2	+10.9%
Net IAS 41 valuation movement	**(7.6)**	2.8	
Adjusted gross profit	**300.9**	281.0	+7.1%

Adjusted Group operating profit and adjusted EBITDA

	2023 **£'m**	2022 £'m	Change
Group operating profit	**145.9**	133.6	+9.2%
Net IAS 41 valuation movement	**(7.6)**	2.8	
Impairment of acquired intangible assets	**3.0**	-	
Amortisation of intangible assets	**5.2**	4.2	
Adjusted Group operating profit	**146.5**	140.6	+4.2%
Depreciation of property, plant and equipment	**54.1**	47.9	
Depreciation of right-of-use assets	**14.7**	13.2	
Adjusted EBITDA	**215.3**	201.7	+6.7%

10. Alternative performance measures (continued)

Adjusted profit before tax

	2023 £'m	2022 £'m	Change
Profit before tax	**139.5**	129.9	+7.4%
Net IAS 41 valuation movement	**(7.6)**	2.8	
Amortisation of intangible assets	**5.2**	4.2	
Impairment of acquired intangible assets	**3.0**	-	
Adjusted profit before tax	**140.1**	136.9	+2.3%

Adjusted earnings per share

	2023 £'m	**2023 Basic pence**	**2023 Diluted pence**	2022 £'m	2022 Basic pence	2022 Diluted pence
On profit for the year	**111.4**	**208.3**	**207.8**	103.5	195.7	194.8
Amortisation of intangible assets	**5.2**	**9.6**	**9.6**	4.2	7.9	7.9
Tax on amortisation of intangible assets	**(1.0)**	**(1.8)**	**(1.8)**	(0.5)	(1.0)	(1.0)
Net IAS 41 valuation movement	**(7.6)**	**(14.2)**	**(14.2)**	2.8	5.2	5.2
Tax on net IAS 41 valuation movement	**1.9**	**3.6**	**3.6**	(1.3)	(2.4)	(2.4)
Impairment of acquired intangible assets	**3.0**	**5.6**	**5.6**	-	-	-
Tax on impairment of acquired intangible assets	**(0.6)**	**(1.1)**	**(1.1)**	-	-	-
On adjusted profit for the year	**112.3**	**210.0**	**209.5**	108.7	205.4	204.5

Free cash flow

	2023 £'m	2022 £'m	Change
Net cash from operating activities	**153.0**	160.0	-4.4%
Net interest paid	**(3.8)**	(1.6)	
Free cash flow	**149.2**	158.4	-5.8%

Return on capital employed

	2023 £'m	2022 £'m	Change
Average opening and closing net assets	**805.6**	727.5	
Average opening and closing net debt	**103.7**	99.5	
Average opening and closing pension surplus	**(4.2)**	(7.0)	
Average opening and closing deferred tax	**20.1**	11.2	
	925.2	830.9	
Adjusted Group operating profit	**146.5**	140.6	
Return on capital employed	**15.8%**	16.9%	-109bps

11. Principal risks and uncertainties

The Group has an established risk management framework which identifies, assesses, and mitigates key risks facing the business. The principal risks and uncertainties facing the Group are set out in detail on pages 75 to 79 of the Report & Accounts for the 52 weeks ended 26 March 2022, dated 24 May 2022 a copy of which is available on the Group's website.

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

Whilst the Board considers the principal risks and uncertainties as at 25 March 2023 to be the same as those described in the Report & Accounts for the 52 weeks ended 26 March 2022, the war in Ukraine continues to create economic uncertainty across markets in which the Group operates, impacting, in particular, the cost and availability of materials in the Group's supply chain. To manage these uncertainties, the Group identified potential future scenarios which allowed timely and appropriate mitigating actions to be put in place.

The cost of living crisis, driven predominately by rising energy prices, increasing interest rates and high inflation, has put significant pressure on household budgets. Consequently the Group has started to see changes in consumer spending habits. Retail data, in the categories in which the Group operates, is being proactively monitored to ensure that appropriate strategies are developed to minimise the impact of any potential economic downturn.

12. Report and accounts

The Report and Accounts will be available on the Company's website at www.cranswick.plc.uk on 30 June 2023. Further copies will be available upon request from the Company Secretary, Cranswick plc, Crane Court, Hesslewood Country Office Park, Ferriby Road, Hessle, HU13 0PA.