

CRANSWICK plc: INTERIM RESULTS

A resilient performance in a challenging environment

22 November 2022

Cranswick plc ("Cranswick" or "the Company" or "the Group"), a leading UK food producer, today announces its unaudited results for the 26 weeks ended 24 September 2022.

Commercial and strategic progress:

- Strong revenue growth reflecting inflation recovery with like-for-like volumes in line with the prior period
- Broad-based inflationary pressure across the Group's cost base continues to be well controlled
- Total capital expenditure of £38.1m across the Group's asset base to add capacity, capability and drive efficiency
- New £32m Hull Breaded Poultry facility successfully commissioned at the start of the period with retail and food service customers now on board
- Installation of third contact cooking line at the Hull Cooked Bacon facility to add capacity and capability
- Further investment in the Group's pig farming operations with self-sufficiency now more than 40%

Sustainability highlights:

- Six major solar panel installations at manufacturing sites approved, increasing green energy generation
- Progress made on transitioning the 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*:

	H1 22	H1 21	Change (Reported)	Change (Like-for-like†)
Revenue	£1,116.3m	£993.1m	+12.4%	+10.7%
Adjusted Group operating profit	£68.4m	£69.6m	-1.7%	
Adjusted Group operating margin	6.1%	7.0%	-88bps	
Adjusted profit before tax	£66.0m	£68.3m	-3.4%	
Adjusted earnings per share	98.6p	103.5p	-4.7%	

- Statutory profit before tax 2.7% lower at £61.5m (2021: £63.2m)
- Statutory earnings per share down 3.9% to 92.0p (2021: 95.7p)
- Interim dividend increased by 3.0% to 20.6p (2021: 20.0p)
- Return on capital employed[‡] at 15.9% (2021: 17.8%)
- Net debt (excluding IFRS 16 lease liabilities) of £61.1m (2021: £18.6m and March 2022: £36.2m)
- Robust balance sheet and significant headroom

Adam Couch, Cranswick's Chief Executive Officer commented:

"We have made further commercial and strategic progress in what continues to be a relentlessly challenging operating environment.

"Our unwavering focus on quality, value, innovation and our people, along with our commitment to delivering great tasting food, created with passion for our customers and the UK consumer, continue to drive our competitive advantage. We continue to invest to meet the needs of our customers, building our capacity and capability whilst driving efficiency across new and existing facilities.

"I want to thank our colleagues and all our stakeholders for their continued support and commitment and we look forward to working together to drive our shared agenda.

"Our outlook for the current financial year is unchanged. Notwithstanding the many challenges that we, our industry and the wider economy face, 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 14.
† For comparative purposes, like-for-like revenues exclude the current year 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.
± 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.

Presentation

A conference call for analysts and institutional investors will take place at 9.30 am today. Slides to accompany the call will be sent to registered participants ahead of the call. Slides will also be 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 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. Results for the 52 weeks to 26 March 2022 showed revenue of £2,008.5m and profit before tax of £129.9m. 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 2,100 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 700,000 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

Summary

The first half financial performance was in line with our expectations. We have delivered strong revenue growth, primarily reflecting good control of widespread cost inflation, with like-for-like volumes maintained and new products launched, including those from the newly commissioned Hull Breaded Poultry facility for both retail and food service customers.

We have invested a further £38.1m across our asset base to add capacity, capability and drive efficiency. The new Hull Breaded Poultry facility was commissioned at the start of the period with retail and food service customers now on board. We have also made further investment in our pig farming operations both during the period and subsequently, with self-sufficiency in this area now more than 40%.

We also continue to invest at pace to drive forward our 'Second Nature' sustainability programme. Six new solar panel installations were approved during the period alongside upgrading refrigeration systems across our estate to reduce CO₂ emissions further. We have made progress on transitioning our fleet to clean energy through investment in electric vehicles, Bio LPG and renewable diesel. We are proud to have achieved Leading Food Partner status with FareShare for our commitment to reducing food waste and providing meals for people in need.

Results

Total revenue in the 26 weeks to 24 September 2022 was £1,116.3m, 12.4% higher than the £993.1m reported in the corresponding period last year. Adjusting for the contribution from acquisitions made in the previous year, revenue increased by 10.7% on a like-for-like basis.

Adjusted profit before tax for the period at £66.0m was 3.4% lower than the £68.3m reported in the corresponding period last year. Adjusted earnings per share on the same basis was down 4.7% at 98.6p compared to 103.5p in the equivalent period last year.

Cash flow and financial position

Net debt, excluding IFRS 16 lease liabilities, at the end of the period stood at £61.1m (2021: £18.6m). The increase since September 2021 reflects the investment in Cranswick Pet Products (formerly known as Grove Pet Foods) in January 2022 and the investment in, and inflationary impact on, both working capital and biological assets. The Group has access to an unsecured, sustainability linked £250m facility which was renewed in November 2021 and extended post period end through to November 2026.

Dividend

The interim dividend is being increased by 3.0% to 20.6p per share from 20.0p per share previously. The interim dividend will be paid on 27 January 2023 to Shareholders on the register at the close of business on 16 December 2022. Shareholders will again have the option to receive the dividend by way of a scrip issue.

Colleagues

The Board recognises that the Company's success would not be possible without talented and motivated management teams, supported by skilled and enthusiastic colleagues at each site. We thank all our colleagues for their commitment and contribution during this very challenging period.

Avian Influenza

The UK poultry industry is experiencing the most virulent Avian Influenza season with record numbers of protection and captive bird monitoring zones in place. From 7 November 2022, a nationwide bird housing order was introduced. We continue to monitor events closely with the strictest bio-security protocols enforced across all Cranswick farms.

Outlook

Our outlook for the current financial year is unchanged. Notwithstanding the many challenges that we, our industry and the wider economy face, 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.

Operating review

Revenue and adjusted operating profit

	H1 22	H1 21	Change (Reported)	Change (Like-for-like)*
Revenue	£1,116.3m	£993.1m	+12.4%	+10.7%
Adjusted Group operating profit*	£68.4m	£69.6m	-1.7%	
Adjusted Group operating margin*	6.1%	7.0%	-88bps	
Group operating profit	£63.9m	£64.5m	-0.9%	

* See Note 14

Revenue

Reported revenue increased by 12.4% to £1,116.3m. Like-for-like revenue, which excluded the contribution from prior year acquisitions during the period, increased by 10.7%, with corresponding volumes in line. Revenue growth primarily reflects recovery of significant and widespread cost inflation, with all four categories well ahead of the same period last year. Gourmet Products revenue grew strongly reflecting successful onboarding of new customers and the rollout of products from the new Hull Cooked Bacon facility. Growth in Poultry revenue reflected the launch of a new range of breaded and coated products from the new Hull Breaded Poultry facility, partly offset by lower sales of Cooked Poultry products. Fresh Pork revenue was also ahead with stronger pricing reflecting the successful pass through of higher pig prices more than compensating for modestly lower volumes. Export revenue also returned to growth in the second quarter reflecting improved volumes and stronger pricing.

Adjusted Group operating profit

Adjusted Group operating profit was 1.7% lower at £68.4m with adjusted Group operating margin down 88bps to 6.1%. Adjusted Group operating profit included a net charge of £3.1m in relation to costs associated with the product recall at the Hull Cooked Poultry facility at the start of the period. The lower Group operating margin reflected the short-term lag, as anticipated, in recovering inflationary pressure across several cost categories. Good progress continues to be made in managing and recovering these incremental costs.

Category review

FOOD SEGMENT

Fresh Pork

Fresh Pork includes the Group's three primary processing facilities and associated farming operations and represented 25% of Group revenue. Fresh Pork revenue was 5.9% above the prior period, primarily reflecting inflation recovery driving revenue growth with volume falling only marginally from peak pandemic levels. Labour constraints seen in the prior year have eased with ongoing investment in our skilled labour pool. Our successful campaign to recruit skilled butchers from the Philippines has helped to alleviate the pressure in this area and we now have approaching 300 colleagues from the Philippines employed across the Group. We continue to invest in all three Fresh Pork facilities to drive further efficiencies and to enhance capability. This investment programme includes the first stage of the redevelopment of the Hull site where investment in the latest technology will automate previously manual processes driving both quality and efficiency benefits. Further investment is also being made to expand retail packing, to increase the range of Fresh Pork products supplied.

Fresh Pork export revenue was below the same period last year, however second quarter revenue was well ahead reflecting a modest uplift in volume and a marked improvement in pricing compared to Q1.

The UK standard pig price increased from 147p/kg at the start of year to 200p/kg by the end of September, reflecting the sharp rise in feed prices with wheat and soya prices reaching all-time highs in Q1. Prices have since stabilised at this level through the early part of H2. With the continued support of our customers, we have reflected these higher input costs in the price that we pay both our own farming business and third-party producers.

We continue to invest in our farming infrastructure with the purchase of an additional pig herd completed during the period lifting our self-sufficiency to more than 40%. As well as enhancing security of supply this increases our ability to drive our agricultural sustainability strategy. We have a herd of c45,000 sows producing c24,000 pigs per week.

Convenience

Convenience, which comprises Cooked Meats and Continental Products, represented 39% of Group revenue. Revenue was 13.1% ahead of the same period last year.

Cooked Meats revenue growth reflected proactive inflation recovery and strong performance from '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 in the home. A £7.8m project is underway at our Hull Cooked Meats facility to double capacity in this area supporting underlying category growth, new product development and business wins. These include a new range of slow cooked turkey products launched with a major premium retailer. A similar size project has also commenced at the Milton Keynes site to add cooked meat production capacity.

Continental Products revenue grew strongly supported by robust underlying volume growth as the category continues to build on the popularity of olives, antipasti and charcuterie products as a centre of plate eating occasion. This growth has been delivered through category leadership, a strong supply chain model, and is supported by the manufacturing facility in Bury where £7.5m is being spent to create additional production space and introduce state-of-the-art robotics to increase quality and efficiency of production. Innovation plans and our sector expertise will drive further expansion in this category.

Revenue from Katsouris Brothers and Ramona's Kitchen, acquired in August 2021, was strongly ahead of the same period last year. Ramona's Kitchen offers a range of plant-based Mediterranean foods to several retailers under the Ramona's Kitchen brand and, during the period, launched the 'Heavenly Houmous' range with new listings secured with several leading retailers.

Gourmet Products

Gourmet Products, which comprise Sausage, Bacon, and Pastry, represented 16% of Group revenue. Revenue was 19.5% ahead of the same period last year. Category revenue increased strongly in the period supported by a step change in volumes of cooked bacon and sausage from the new Gourmet Kitchen facility in Hull.

Sausage revenue growth reflected a resurgent performance in the food service sector partly offset by lower retailer promotional activity. An £8.2m site investment programme at the Hull facility to add new alginate casing capability and deliver process improvements is nearing completion. The business won the prestigious 'Britain's best sausage' award for 2022, recognising our ongoing innovation in this category.

Cooked Bacon revenue was strongly ahead. Delivery to date, following commissioning of the new Gourmet Kitchen facility in April 2021, has been in line with expectations with £4.5m of additional investment in a third contact cooking line increasing capacity and capability completed during the period. The facility supplies cooked bacon and sausage to both retail and food service customers, including a leading Quick Service Restaurant chain.

Bacon revenue was ahead, with inflation recovery offsetting lower volumes which reflects reduced promotional activity in this category during the first half of the financial year.

Pastry revenue improved year-on-year with the recovery of the food service business complementing premium retail demand. Sales to the national coffee shop chains and other 'food-to-go' customers continue to recover to pre-pandemic levels.

Poultry

Poultry, which includes Fresh, Cooked and Breaded Poultry, represented 19% of Group revenue. Poultry revenue increased by 7.6% during the period driven by the successful launch of products from the new Hull Breaded Poultry facility, partly offset by lower Cooked Poultry sales.

Fresh Poultry continued to perform well with the number of birds processed per week during the period in excess of 1.3m birds. Revenue growth reflected a modest volume uplift and stronger pricing. Further investment to add additional automated portioning and thigh deboning capability will increase efficiency and further maximise value from birds processed at the site.

Cooked Poultry revenues were lower as a result of the product recall in Q1 where the factory was closed briefly whilst testing and remedial work was carried out. Volumes continued to recover throughout the period.

The new £32m Hull Breaded Poultry facility was successfully commissioned at the beginning of the period. The state-of-the-art facility is capable of servicing retail, food service and 'food-to-go' customers. Initial retail volumes have been complemented by the addition of a strategic Quick Service Restaurant customer shortly after the period end.

OTHER SEGMENT

Pet Food

Cranswick Pet Products, formally known as Grove Pet Foods, was acquired on 28 January 2022. Revenue from Pet Products represented 1% of Group revenue during the period.

Focus during the period has been on reshaping the business for the future to create a more efficient manufacturing operation with a strong complementary customer base. Progress has included strengthening the management team, gaining British Retail Consortium approval for the site and the approval of a capital investment programme to lower the cost of manufacturing. Good progress is also being made in securing a significant new customer. During the period a legacy private label customer decided to exit the business resulting in the impairment of £3.0m of customer relationship intangible assets.

Work will begin shortly on an £8.6m investment programme at the business's manufacturing facility in Lincolnshire. The project, which will take approximately two years to complete, will expand capacity through dual line capability and upgrade the facility to support the strategic growth plans of the business.

Sustainability

We have made further meaningful progress during the period in delivering our 'Second Nature' sustainability strategy, working towards achieving carbon neutral manufacturing by investing in how we power our sites, focusing on reducing our waste, conserving our water, and sourcing our feed.

During the period we have continued to decarbonise our fleet by taking delivery of our first batch of electric trailers. We have accelerated our investment in solar energy with six projects at a cost of £3.7m being approved during the period and nine additional production facilities have been approved to the ISO50001 standard.

Finance review

Revenue

Reported revenue increased by 12.4% to £1,116.3m (2021: £993.1m). Like-for-like revenue, excluding the contribution from acquisitions made in the previous financial year, increased by 10.7%.

Adjusted Group operating profit

Adjusted Group operating profit reduced by 1.7% to £68.4m (2021: £69.6m). Adjusted Group operating margin at 6.1% of sales was 88bps lower than the prior period.

Finance costs and funding

Net financing costs at £2.4m (2021: £1.3m) included the amortisation of arrangement fees following the refinance in the prior year, and additional bank interest reflecting higher average borrowings compared to the same period last year and increases in the base rate throughout the period.

On 22 November 2021, the Group successfully refinanced its banking facility. The sustainability linked agreement is unsecured and with an initial period agreed to November 2025. The facility was successfully extended, shortly after the period end, for a further year, through to November 2026. The facility comprises a revolving credit facility of £250m, including a committed overdraft of £20m. It also includes the option to access a further £50m on the same terms at any point during the term of the agreement. The facility provides the business with generous headroom for the future.

Adjusted profit before tax

Adjusted profit before tax was 3.4% lower at £66.0m (2021: £68.3m).

Taxation

The tax charge of £12.4m (2021: £12.6m) was 20.2% of profit before tax (2021: 19.9%). The UK statutory rate of corporation tax was 19.0% (2021: 19.0%). The effective rate was higher than the standard rate due to non-qualifying depreciation, disallowable expenses and the deferred tax charge resulting from the future, enacted increase in the UK corporation tax rate to 25.0%, partly offset by the super-deduction on eligible capital investment.

Adjusted earnings per share

Adjusted earnings per share for the 26 weeks to 24 September 2022 fell by 4.7% to 98.6p compared to the 103.5p reported in the corresponding period in the prior year. The average number of shares in issue was 53,348,000 (2021: 52,796,000).

Statutory profit measures

Statutory profit before tax decreased by 2.7% to £61.5m (2021: £63.2m), statutory Group operating profit was 0.9% lower at £63.9m (2021: £64.5m) and statutory earnings per share were 3.9% lower at 92.0p (2021: 95.7p). Full reconciliations of these results to the adjusted measures can be found in Note 14.

Cash flow and net debt

Cash generated from operations in the period was £59.3m (2021: £83.4m), reflecting a working capital outflow in the period of £45.1m (2021: £18.3m) of which £15.9m (2021: £7.6m) was the movement in biological assets. Net debt, including the impact of IFRS 16 lease liabilities, increased by £30.5m in the period to £136.5m from £106.0m at 26 March 2022 reflecting the growth in working capital in the business. Capital expenditure was £38.1m in the period.

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 24 September 2022 was £4.3m compared to £8.3m at 26 March 2022. Cash contributions to the scheme during the period were £0.9m. The present value of funded obligations was £21.0m, and the fair value of plan assets was £25.3m. The decrease in the surplus during the period reflects the update to actuarial assumptions in relation to inflation and the liability discount rate.

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

Principal risks and uncertainties

The Board continues to assess the principal risks and uncertainties of the Group on a frequent basis. The principal risks and uncertainties faced by the business at 26 March 2022 are set out 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. An update to these principal risks and uncertainties at 24 September 2022 is set out in Note 15.

Forward looking information

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

Group income statement (unaudited)

for the 26 weeks ended 24 September 2022

		Half year		52 weeks ended 26 March 2022 (Audited) £'m
	Notes	2022 £'m	2021 £'m	
Revenue		1,116.3	993.1	2,008.5
Adjusted Group operating profit		68.4	69.6	140.6
Net IAS 41 valuation movement on biological assets		1.2	(3.2)	(2.8)
Amortisation of acquired intangible assets		(2.7)	(1.9)	(4.2)
Impairment of intangible assets	9	(3.0)	-	-
Group operating profit	5	63.9	64.5	133.6
Finance costs		(2.4)	(1.3)	(3.7)
Profit before tax		61.5	63.2	129.9
Taxation	6	(12.4)	(12.6)	(26.4)
Profit for the period		49.1	50.6	103.5

Earnings per share (pence)

On profit for the period:

Basic	7	92.0	95.7	195.7
Diluted	7	91.8	95.2	194.8

Group statement of comprehensive income (unaudited)

for the 26 weeks ended 24 September 2022

	Half year		52 weeks ended 26 March 2022 (Audited)
	2022 £'m	2021 £'m	£'m
Profit for the period	49.1	50.6	103.5
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Cash flow hedges			
Gains/(losses) arising in the period	0.5	0.2	(0.3)
Reclassification adjustments for gains included in the income statement	0.5	-	-
Income tax effect	(0.2)	-	0.1
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	0.8	0.2	(0.2)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial (losses)/gains on defined benefit pension scheme	(5.0)	1.7	0.7
Income tax effect	1.0	(0.8)	(0.5)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	(4.0)	0.9	0.2
Other comprehensive income, net of tax	(3.2)	1.1	-
Total comprehensive income, net of tax	45.9	51.7	103.5

Group balance sheet (unaudited)

at 24 September 2022

As at
26 March
2022

	Notes	Half year		(Audited)
		2022	2021	
		£'m	£'m	£'m
Non-current assets				
Intangible assets		225.8	210.4	231.3
Defined benefit pension scheme surplus		4.3	8.4	8.3
Property, plant and equipment		444.0	395.2	434.8
Right-of-use assets		71.9	65.4	65.5
Biological assets		2.6	1.2	2.7
Total non-current assets		748.6	680.6	742.6
Current assets				
Biological assets		67.9	46.7	50.7
Inventories		131.1	89.9	105.2
Trade and other receivables		277.8	236.4	244.4
Income tax receivable		0.9	-	-
Financial assets		1.2	0.2	-
Cash and short-term deposits	11	11.5	6.4	0.2
Total current assets		490.4	379.6	400.5
Total assets		1,239.0	1,060.2	1,143.1
Current liabilities				
Trade and other payables		(267.4)	(228.6)	(238.7)
Lease liabilities		(13.8)	(12.8)	(13.8)
Financial liabilities		(0.6)	(3.0)	(3.1)
Provisions		(2.7)	(1.3)	(1.8)
Income tax payable		-	(0.6)	(2.4)
Total current liabilities		(284.5)	(246.3)	(259.8)
Non-current liabilities				
Other payables		(0.5)	(0.9)	(0.6)
Lease liabilities		(61.6)	(55.8)	(56.0)
Financial liabilities		(75.3)	(25.0)	(36.4)
Deferred tax liabilities		(23.1)	(13.4)	(19.7)
Provisions		(1.5)	(1.2)	(1.7)
Total non-current liabilities		(162.0)	(96.3)	(114.4)
Total liabilities		(446.5)	(342.6)	(374.2)
Net assets		792.5	717.6	768.9
Equity				
Called-up share capital		5.3	5.3	5.3
Share premium account		119.3	109.5	115.9
Share-based payments		48.0	40.8	44.3
Hedging reserve		0.5	0.1	(0.3)
Retained earnings		619.4	561.9	603.7
Equity attributable to owners of the parent		792.5	717.6	768.9

Group statement of cash flows (unaudited)

for the 26 weeks ended 24 September 2022

		Half year		52 weeks ended 26 March 2022 (Audited)
	Notes	2022 £'m	2021 £'m	£'m
Operating activities				
Profit for the period		49.1	50.6	103.5
Adjustments to reconcile Group profit for the period to net cash inflows from operating activities:				
Income tax expense		12.4	12.6	26.4
Net finance costs		2.4	1.3	3.7
Gain on sale of property, plant and equipment		(0.5)	(0.1)	(0.1)
Depreciation of property, plant and equipment		26.9	23.2	47.9
Depreciation of right-of-use assets		6.9	6.5	13.2
Amortisation of acquired intangibles		2.7	1.9	4.2
Impairment of intangibles		3.0	-	-
Share-based payments		3.7	3.4	6.9
Difference between pension contributions paid and amounts recognised in the income statement		(0.9)	(0.8)	(1.9)
Release of government grants		(0.1)	(0.1)	(0.2)
Net IAS 41 valuation movement on biological assets		(1.2)	3.2	2.8
Increase in biological assets		(15.9)	(7.6)	(12.7)
Increase in inventories		(25.9)	(7.9)	(21.3)
Increase in trade and other receivables		(33.4)	(13.5)	(20.1)
Increase in trade and other payables		30.1	10.7	17.5
Cash generated from operations		59.3	83.4	169.8
Tax paid		(11.0)	(4.0)	(9.8)
Net cash from operating activities		48.3	79.4	160.0
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	9	-	(5.6)	(38.5)
Purchase of property, plant and equipment		(38.1)	(40.5)	(93.7)
Proceeds from sale of property, plant and equipment		0.6	0.7	1.3
Net cash used in investing activities		(37.5)	(45.4)	(130.9)
Cash flows from financing activities				
Interest paid		(1.4)	(0.3)	(1.6)
Proceeds from issue of share capital		1.3	1.0	4.6
Issue costs of long-term borrowings		-	-	(1.8)
Proceeds from borrowings	11	36.0	-	-
Repayment of borrowings		-	(35.0)	(22.0)
Dividends paid		(27.6)	(25.0)	(32.8)
Payment of lease capital		(6.7)	(6.2)	(12.1)
Payment of lease interest		(1.1)	(1.1)	(2.2)
Net cash from/(used in) financing activities		0.5	(66.6)	(67.9)
Net increase/(decrease) in cash and cash equivalents	11	11.3	(32.6)	(38.8)
Cash and cash equivalents at beginning of period	11	0.2	39.0	39.0
Cash and cash equivalents at end of period	11	11.5	6.4	0.2

Group statement of changes in equity (unaudited)

for the 26 weeks ended 24 September 2022

	Share capital	Share premium	Share- based payments	Hedging reserve	Retained earnings	Total equity
	£'m	£'m	£'m	£'m	£'m	£'m
At 26 March 2022	5.3	115.9	44.3	(0.3)	603.7	768.9
Profit for the period	-	-	-	-	49.1	49.1
Other comprehensive income	-	-	-	0.8	(4.0)	(3.2)
Total comprehensive income	-	-	-	0.8	45.1	45.9
Share-based payments	-	-	3.7	-	-	3.7
Scrip dividend	-	2.1	-	-	-	2.1
Share options exercised	-	1.3	-	-	-	1.3
Dividends	-	-	-	-	(29.7)	(29.7)
Deferred tax relating to changes in equity	-	-	-	-	(0.5)	(0.5)
Corporation tax relating to changes in equity	-	-	-	-	0.8	0.8
At 24 September 2022	5.3	119.3	48.0	0.5	619.4	792.5
At 27 March 2021	5.3	106.4	37.4	(0.1)	537.1	686.1
Profit for the period	-	-	-	-	50.6	50.6
Other comprehensive income	-	-	-	0.2	0.9	1.1
Total comprehensive income	-	-	-	0.2	51.5	51.7
Share-based payments	-	-	3.4	-	-	3.4
Scrip dividend	-	2.1	-	-	-	2.1
Share options exercised	-	1.0	-	-	-	1.0
Dividends	-	-	-	-	(27.1)	(27.1)
Deferred tax relating to changes in equity	-	-	-	-	(0.1)	(0.1)
Corporation tax relating to changes in equity	-	-	-	-	0.5	0.5
At 25 September 2021	5.3	109.5	40.8	0.1	561.9	717.6
(Audited)						
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 relating to changes in equity	-	-	-	-	(0.1)	(0.1)
Corporation tax relating to changes in equity	-	-	-	-	0.7	0.7
At 26 March 2022	5.3	115.9	44.3	(0.3)	603.7	768.9

Responsibility statement

The Directors confirm that these condensed interim financial statements have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first 26 weeks of the year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year; and
- material related-party transactions in the first 26 weeks of the year and any material changes in the related-party transactions described in the last annual report.

On behalf of the Board

Tim Smith
Chairman

Mark Bottomley
Chief Financial Officer

22 November 2022

Notes to the interim accounts

1. Basis of preparation

Cranswick plc is incorporated in the UK. The Group is presenting its condensed consolidated interim financial statements for the 26 weeks to 24 September 2022 with comparative information for the 26 weeks to 25 September 2021 and the 52 weeks to 26 March 2022. This interim report was approved by the Directors on 22 November 2022.

The interim report has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The annual financial statements will be prepared under prepared in accordance with UK-adopted International Accounting Standards and the requirements of the Companies Act 2006.

The information does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The statutory accounts for the 52 weeks ended 26 March 2022 were 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, and have been filed with the Registrar of Companies.

The report of the auditors on the statutory accounts was not qualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The interim report is unaudited but has been subject to an independent review by PricewaterhouseCoopers LLP pursuant to the Auditing Practices Board guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

1. Basis of preparation (continued)

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance review. The Group has considerable financial resources together with strong trading relationships with its key customers and suppliers. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Board's going concern assessment has utilised the Group's latest forecasts and has taken into account the Group's current position, future prospects and the potential impact of the principal risks of the Group. Forecasts have been sensitised to reflect severe yet plausible downside scenarios which consider the principal risks faced by the Group, as well as the Group's considerable financial resources and strong trading relationships with its key customers and suppliers. Specifically, modelled risks included, but were not limited to, the impact of Avian Influenza and an outbreak of African Swine Fever in the UK. Sensitivity analysis was carried out on the Group's forecasts to quantify the financial impact of these risks on the strategic plan and on the Group's viability against specific measures including liquidity and bank covenants.

Given the strong liquidity of the Group, the £250m committed banking facilities in place beyond the going concern period, and the diversity of operations, the results of the sensitivity analysis highlighted that the Group would be able to withstand the impact of the most severe, but plausible, 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.

After reviewing the available information, including forecasts, business plans and downside scenario modelling and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue to meet its financial obligations as they fall due and continue in operational existence for a period of at least twelve months from the date of signing the interim financial statements. For this reason, the condensed set of consolidated interim financial statements are prepared on a going concern basis.

2. Accounting policies

The accounting policies applied by the Group in this interim report are the same as those applied by the Group in the financial statements for the 52 weeks ended 26 March 2022.

There were no accounting standards or interpretations that have become effective in the current reporting period which had an impact on disclosures, financial position or performance.

Taxation

Taxes for the interim periods are accrued using the tax rate that is expected to be applicable to total earnings for the full year based on enacted tax rates at the interim date.

3. Significant estimates and judgements

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the 52 weeks ended 26 March 2022. This includes assumptions made around goodwill impairment testing. There was an impairment trigger for two of the Group's CGUs due to the lower headroom on the Livestock CGU and the loss of a customer at Cranswick Pet Products (formerly known as Grove Pet Foods), see Note 9 for further information. An assessment was carried out to review the carrying value of goodwill which has not identified any impairment. No reasonable change in assumptions would result in an impairment.

4. Segmental analysis

The Group has two reporting segments – Food and Other.

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 of the products and production process, the type and class of customer, the method of distribution and the regulatory environment.

Following the acquisition of Cranswick Pet Products (formerly known as 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' 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.

	Half year						52 weeks ended 26 March 2022		
	2022	2022	2022	2021	2021	2021	£'m	£'m	£'m
	£'m	£'m	£'m	£'m	£'m	£'m			
	Food	Other	Total	Food	Other	Total	Food	Other	Total
Revenue	1,102.6	13.7	1,116.3	993.1	-	993.1	2,004.6	3.9	2,008.5
Adjusted operating profit	67.6	0.8	68.4	69.6	-	69.6	140.7	(0.1)	140.6
Finance costs	(2.4)	-	(2.4)	(1.3)	-	(1.3)	(3.7)	-	(3.7)
Adjusted profit before tax	65.2	0.8	66.0	68.3	-	68.3	137.0	(0.1)	136.9

Geographical segments

The following table sets out revenues by destination, regardless of where the goods were produced:

	Half year		52 weeks ended 26 March 2022
	2022	2021	
	£'m	£'m	
UK	1,075.8	945.1	1,924.9
Continental Europe	20.3	21.4	31.9
Rest of world	20.2	26.6	51.7
	1,116.3	993.1	2,008.5

In addition to the non-UK sales disclosed above the Group also made sales to export markets through UK-based meat trading agents totalling £38.9m (2021: £34.4m). Including these sales, total sales to export markets were £79.4m for the period (2021: £82.4m).

Customer concentration

The Group has three customers (2021: three) which individually account for more than 10% of the Group's total revenue. These customers account for 21%, 15% and 11% respectively. In the prior year these same three customers accounted for 22%, 16% and 12% respectively.

5. Group operating profit

Group operating costs, net, comprise:

52 weeks
ended 26
March

	Half year		
	2022	2021	2022
	£'m	£'m	£'m
Cost of sales excluding net IAS 41 valuation movement on biological assets	970.5	856.0	1,727.5
Net IAS 41 valuation movement on biological assets*	(1.2)	3.2	2.8
Cost of sales	969.3	859.2	1,730.3
Gross profit	147.0	133.9	278.2
Selling and distribution costs	46.5	38.5	80.3
Administrative expenses excluding impairment and amortisation of intangible assets	35.2	29.0	60.1
Impairment of intangible asset (Note 9)	3.0	-	-
Amortisation of intangible assets	2.7	1.9	4.2
Administrative expenses	40.9	30.9	64.3
Other operating income	(4.3)	-	-
Total operating costs, net	1,052.4	928.6	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 of adjusted operating profit.

Included within other operating income is a credit of £4.3m for an insurance claim received in the period.

6. Taxation

The tax charge of £12.4m (2021: £12.6m) gives an effective tax rate of 20.2% (2021: 19.9%). The effective tax rate is higher than the UK statutory rate of corporation tax of 19.0% (2021: 19.0%) mainly due to the impact of the increase in the UK corporation tax rate to 25%, effective from 1 April 2023, since the calculation of deferred tax should be based on the rate at which the asset or liability is expected to unwind. The effective tax rate is also increased by depreciation on assets not qualifying for tax relief and disallowable expenses. These increases are partly offset by the 130% "super deduction" for investment in qualifying plant and machinery from 1 April 2021 to 31 March 2023. The additional 30% super deduction reduces the effective rate of tax but does not outweigh the impacts of the rate change and non-qualifying depreciation.

7. Earnings per share

Basic earnings per share are based on profit for the period attributable to Shareholders and on the weighted average number of shares in issue during the period of 53,348,000 (26 March 2022: 52,923,000, 25 September 2021: 52,796,000). The calculation of diluted earnings per share is based on 53,451,000 shares (26 March 2022: 53,169,000, 25 September 2021: 53,093,000).

8. Dividends

	Half year		52 weeks ended 26 March
	2022	2021	2022
	£'m	£'m	£'m
Interim dividend for year ended 26 March 2022 of 20.0p per share	-	-	10.6
Final dividend for year ended 26 March 2022 of 55.6p (2021: 51.3p) per share	29.7	27.1	27.1
	29.7	27.1	37.7

The interim dividend for the year ending 25 March 2023 of 20.6p per share was approved by the Board on 22 November 2022 for payment to Shareholders on 27 January 2023 and therefore has not been included as a liability at 24 September 2022.

9. Acquisitions

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 ("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 £32.9m.

The following table sets out the final 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)
Income 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	32.4
Cash and cash equivalents acquired	0.5
	32.9

9. Acquisitions (continued)

Included in the £15.1m 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 has been undertaken in line with the Sale and Purchase Agreement. This has resulted in an adjustment of £0.6m receivable 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 newly 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 £3.2m, resulting in an impairment loss of £3.0m.

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 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 period 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. Financial instruments

The Group's activities expose it to a number of financial risks which include foreign currency risk, interest rate risk, credit risk and liquidity risk. The Board considers the Group's financial instruments risk management strategy to be the same as described within the Directors' Report on page 126 of the Report & Accounts for the 52 weeks ended 26 March 2022.

Fair value of financial instruments

All financial instruments are shown in the balance sheet at fair value as follows:

	Half year				52 weeks ended	
	2022		2021		26 March 2022	
	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m
Forward currency contracts	(0.6)	(0.6)	(0.1)	(0.1)	0.3	0.3
Deferred consideration	2.7	2.7	2.9	2.9	2.7	2.7

The book value of trade and other receivables, trade and other payables, cash balances, overdrafts and amounts outstanding under the revolving credit facility equates to fair value to the Group.

Reconciliation of deferred consideration:

	£'m
At 26 March 2022	2.7
Accrued in the period	-
At 24 September 2022	2.7

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

10. Financial instruments (continued)

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. There were no such transfers in the period.

The Group's forward currency contracts are measured using Level 2 of the fair value hierarchy. The valuations are provided by the Group's bankers from their proprietary valuation models and are based on mid-market levels as at close of business on the Group's reporting date.

Contingent consideration is measured using Level 3 of the fair value hierarchy and relates to future amounts payable on acquisitions. Amounts payable are based on agreements within purchase contracts, management's expectations of the future profitability of the acquired entity and the timings of payments.

11. Analysis of Group net debt

	At 26 March 2022 £'m	Cash flow £'m	Non-cash movements £'m	At 24 September 2022 £'m
Cash and cash equivalents	0.2	11.3	-	11.5
Revolving credit	(36.4)	(36.0)	(0.2)	(72.6)
Net debt excluding IFRS 16 leases liability	(36.2)	(24.7)	(0.2)	(61.1)
Lease liabilities	(69.8)	7.8	(13.4)	(75.4)
Total net debt	(106.0)	(16.9)	(13.6)	(136.5)

Net debt is defined as cash and cash equivalents and loans receivable less interest-bearing liabilities (including IFRS 16 lease liabilities) net of unamortised issue costs.

12. Related party transactions

During the period the Group entered into transactions, in the ordinary course of business, with its subsidiaries which are related parties. Balances and transactions with subsidiaries are eliminated on consolidation.

13. Property, plant and equipment

Additions to owned property, plant and equipment during the period totalled £40.1m (2021: £42.0m). Future capital expenditure under contract at 24 September 2022 was £16.1m (2021: £27.8m).

Additions to right-of-use assets in the period totalled £14.0m (2021: £3.2m). At 24 September 2022, the Group had no signed leases for right-of-use assets which commence after the balance sheet date (2021: £nil).

14. 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 and amortisation of acquired intangible assets and, where relevant, profit on sale of a business and impairment charges. Free cash flow is defined as net cash from operating activities less net interest paid and like-for-like revenue excludes the current year contribution from prior year acquisitions prior to the anniversary of their acquisition.

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 other intangible assets) and non-cash (amortisation of acquired 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.

14. Alternative performance measures (continued)

A reconciliation to relevant GAAP measures is given below:

Free cash flow

	Half year		52 weeks ended 26 March
	2022	2021	2022
	£'m	£'m	£'m
Net cash from operating activities	48.3	79.4	160.0
Net interest paid	(1.4)	(0.3)	(1.6)
Free cash flow	46.9	79.1	158.4

Like-for-like revenue

	Half year		52 weeks ended 26 March
	2022	2021	2022
	£'m	£'m	£'m
Revenue	1,116.3	993.1	2,008.5
Prior year acquisitions	(16.9)	-	-
Like-for-like revenue	1,099.4	993.1	2,008.5

Adjusted gross profit

	Half year		52 weeks ended 26 March
	2022	2021	2022
	£'m	£'m	£'m
Gross profit	147.0	133.9	278.2
Net IAS 41 valuation movement on biological assets	(1.2)	3.2	2.8
Adjusted gross profit	145.8	137.1	281.0

14. Alternative performance measures (continued)

	Half year		52 weeks ended
	2022	2021	26 March
	£'m	£'m	2022 £'m
Group operating profit	63.9	64.5	133.6
Net IAS 41 valuation movement on biological assets	(1.2)	3.2	2.8
Amortisation of acquired intangible assets	2.7	1.9	4.2
Impairment of acquired intangible assets	3.0	-	-
Adjusted Group operating profit	68.4	69.6	140.6
Depreciation of plant, property, and equipment	26.9	23.2	47.9
Depreciation of right-of-use assets	6.9	6.5	13.2
Adjusted EBITDA	102.2	99.3	201.7

Adjusted profit before tax	Half year		52 weeks ended
	2022	2021	26 March
	£'m	£'m	2022 £'m
Profit before tax	61.5	63.2	129.9
Net IAS 41 valuation movement on biological assets	(1.2)	3.2	2.8
Amortisation of acquired intangible assets	2.7	1.9	4.2
Impairment of acquired intangible assets	3.0	-	-
Adjusted profit before tax	66.0	68.3	136.9

Adjusted earnings per share

On adjusted profit for the period:

	Half year				52 weeks ended	
	2022	2022	2021	2021	26 March	
	Basic pence	Diluted pence	Basic pence	Diluted pence	2022 Basic pence	2022 Diluted pence
On profit for the period	92.0	91.8	95.7	95.2	195.7	194.8
Net IAS 41 valuation movement on biological assets	(2.3)	(2.3)	6.0	6.0	5.2	5.2
Tax on net IAS 41 valuation movement on biological assets	0.6	0.6	(1.1)	(1.1)	(2.4)	(2.4)
Amortisation of acquired intangible assets	5.1	5.1	3.6	3.6	7.9	7.9
Tax on amortisation of acquired intangible assets	(1.0)	(1.0)	(0.7)	(0.7)	(1.0)	(1.0)
Impairment of acquired intangible assets	5.6	5.6	-	-	-	-
Tax on impairment of acquired intangible assets	(1.4)	(1.4)	-	-	-	-
On adjusted profit for the period	98.6	98.4	103.5	103.0	205.4	204.5

15. Principal risks and uncertainties

The Group continues to enhance its risk management framework which facilitates the identification, evaluation and mitigation of key risks facing the business. Over the course of recent months, the Group has started to integrate technology into its risk management framework by embedding a new risk management IT system that provides a number of benefits which include: encouraging risk owners to have more in-depth and thought-provoking risk conversations; direct access to risk data which streamlines the process of compiling risk reports, and the efficient real-time reporting and management of risks across the Group. 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:

- | | |
|--|--|
| - Reliance on key customers & exports | - Labour availability & cost |
| - Disease & infection within livestock | - COVID-19 |
| - Consumer demand | - Brexit disruption |
| - Recruitment & retention of senior management | - Competitor activity |
| - Climate change | - Health & Safety |
| - Food scares & product contamination | - Interest rate, currency, liquidity & credit risk |
| - Disruption to Group operations | - IT systems & cyber security |
| - Adverse media attention | - Pig meat availability & price |
| - Growth & change | |

The Board considers the principal risks and uncertainties at 24 September 2022 to be the same as those described in the Report & Accounts for the 52 weeks ended 26 March 2022. However, over recent months the Group has seen volatility within existing risks caused by external issues including the ongoing war in Ukraine, the cost of living crisis, the high rate of UK inflation and uncertainties within specific supply chains such as the availability and price of CO₂.

Disease in livestock continues to present a significant risk to the Group with the UK poultry industry experiencing the most virulent Avian Influenza season with record numbers of protection and captive bird monitoring zones in place. From 7 November 2022 a nationwide bird housing order was introduced. We continue to monitor events closely with the strictest bio-security protocols enforced across all Cranswick farms. African Swine Fever (ASF) continues to impact China and, to a lesser extent Eastern Europe, with cases detected in Romania, Poland, and Germany. While the spread of the virus in Europe appears to be well controlled, we remain acutely aware of the impact an outbreak of ASF would have on the UK pig industry and its ability to continue exporting. The UK industry remains on high alert with intensive bio-security protocols in place.

In addition, the Group continues to monitor the COVID-19 risk particularly as we head towards the winter months.

Independent review report to Cranswick plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Cranswick plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Cranswick plc for the 26 week period ended 24 September 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Group balance sheet as at 24 September 2022;
- the Group income statement and Group statement of comprehensive income for the period then ended;
- the Group statement of cash flows for the period then ended;
- the Group statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results of Cranswick plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the interim results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.