

**CRANSWICK plc: PRELIMINARY RESULTS**  
A resilient and sustainable business model

**18 May 2021**

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 27 March 2021.

**Commercial and strategic progress:**

- Strong revenue growth and earnings momentum
- Exceptionally robust demand across all product categories
- Supported our customers by delivering excellent service levels to ensure full availability of our products both in store and through the fast growing online channel
- Strong contribution from the Eye poultry facility with further capacity and enhanced capability added during Q4
- New £20m premium cooked bacon facility now fully operational
- Work underway on new £25m breaded poultry facility in Hull which will be operational in FY23
- Total capital expenditure of £72m across the Group’s asset base
- A further bonus of £400 to be paid to each of our colleagues at the end of June, in addition to the £500 bonus paid to site based colleagues during the year, to recognise their valued contribution throughout the COVID-19 pandemic
- Brexit transition successfully managed with minimal disruption

**Sustainability highlights:**

- Retained Tier One status in the global Business Benchmark on Farm Animal Welfare for the fifth consecutive year
- Three sites achieved carbon neutral certification during the year with six more gaining the accreditation since year end
- Commitment made to achieving net zero by 2040 and setting a Science-Based Target in line with efforts to limit global warming

**Financial highlights\*:**

	<b>2021</b>	2020	Change (Reported)	Change (Like-for-like) <sup>†</sup>
Revenue	<b>£1,898.4m</b>	£1,667.2m	+13.9%	+12.1%
Adjusted Group operating profit	<b>£132.5m</b>	£105.1m	+26.1%	
Adjusted Group operating margin	<b>7.0%</b>	6.3%	+68bps	
Adjusted profit before tax	<b>£129.7m</b>	£102.3m	+26.8%	
Adjusted earnings per share	<b>199.3p</b>	156.4p	+27.4%	
Net cash from operating activities	<b>£181.4m</b>	£117.0m	+55.0%	

- Statutory profit before tax 10.4% higher at £114.8m (2020: £104.0m)
- Statutory earnings per share up 10.9% to 176.4p (2020: 159.1p)
- Full year dividend increased by 15.9% to 70.0p (2020: 60.4p); 31 years of unbroken dividend growth
- Return on capital employed<sup>‡</sup> of 17.2% (2020: 16.2%), helped by a full year contribution from Eye poultry facility
- Net debt reduced by 37.1% to £92.4m, including IFRS 16: ‘Leases’ (2020: £146.9m)
- Robust balance sheet with £200m of bank facilities providing over £170m of headroom

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

"We have delivered strong growth and made further strategic progress in a year of unparalleled challenge and complexity. We have supported our customers by delivering excellent service levels to ensure full availability of our products both in store and through the fast growing online channel.

"Our outstanding performance would not have been possible without the incredible support of our colleagues across the business and I thank them for their continued commitment and dedication.

"The safety and wellbeing of our colleagues remains our priority. Our thoughts are with the families of those colleagues we lost during the year and with all colleagues and their loved ones affected by COVID-19, who we continue to support in these most difficult times.

"We have made further progress in driving through our groupwide 'Second Nature' sustainability strategy during the year. In November, our Milton Keynes site became the first Cranswick facility to be awarded carbon neutral certification. Since then eight more Cranswick sites have achieved the same status as we continue to forge ahead with our climate change agenda.

"We have made a very positive start to the new financial year and, whilst there is still a degree of uncertainty about how the future will unfold, I am confident that the strengths of our business, which include its 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 in the current financial year and 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 9.
- † 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 Group operating profit divided by the sum of average opening and closing net assets, net debt/(funds), pension (surplus)/deficit and deferred tax.

**Presentation**

A conference call for analysts and institutional investors will take place at 8.30am 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 12,600 people and operates from sixteen well invested, highly efficient production 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 and gourmet products. Through the Group's four primary processing and twelve added value processing facilities 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 rapidly growing export business. For more information go to: [www.cranswick.plc.uk](http://www.cranswick.plc.uk)

Cranswick is committed to ensuring that its business activities are sustainable from farm-to-fork. Our ambitious sustainability strategy 'Second Nature' has been developed to deliver our vision to become the world's most sustainable meat business. Find out more at: [www.thisissecondnature.co.uk](http://www.thisissecondnature.co.uk)

# Chairman's Statement

Personal character comes to the fore at times of adversity. It was especially the case during this period when we all faced the challenges brought on by COVID-19. At Cranswick, colleague safety and wellbeing are a priority. Working practices were adapted, challenges were met, and the business came through to deliver a record set of results. A remarkable performance from everyone associated with the business. On behalf of the Board I thank all our colleagues for their tremendous contribution.

## Results

Total revenue for the year of £1.9 billion represented an increase of 13.9 per cent. Adjusting for acquisitions made during the previous year, but included for the full year this time, revenue on a like-for-like basis was 12.1 per cent higher. All product categories performed well and recorded growth in volumes.

Adjusted profit before tax was £129.7 million, an increase of 26.8 per cent. Adjusted earnings per share of 199.3 pence per share were ahead by 27.4 per cent year-on-year.

COVID-19 brought additional costs of working and a change in sales mix. This saw a reduction in sales into food service, on the back of lockdown restrictions, and an increase in sales to retail customers. Working closely with customers we were able to optimise service levels to meet this increased demand and the rising prominence of the online channel. Employment levels were maintained and there has been no call on the Government Job Retention Scheme or other Government-backed assistance.

A colleague "thank you" bonus was paid during the year and this, along with provision made for a further payment, totalled £9.8 million.

It was particularly pleasing to see positive performances from operations in which there has been substantial recent investment, including the Eye poultry facility, convenience foods and continental products.

Progress has also been made in various other areas of the business to provide for future growth. Investments included last month's commissioning of Cranswick Gourmet Kitchen, the cooked bacon facility in Hull; commencement of work on the new site for the supply of breaded poultry products; expansion of farming activities and further initiatives undertaken as part of the 'Second Nature' sustainability strategy.

## Cash flow and financial position

Net debt, including IFRS16 lease liabilities, at the end of the year fell to £92.4 million (2020: £146.9 million) reflecting the strong operational performance of the Group. Net debt, excluding IFRS16 lease liabilities was £20.8 million compared to £81.0 million previously. The Group's unsecured bank facilities, totalling £200 million, provide comfortable headroom for future growth.

## Dividend

The Board is proposing a final dividend of 51.3 pence per share, an increase of 17.4 per cent on the 43.7 pence paid previously. Together with the interim dividend of 18.7 pence per share this is a total dividend for the year of 70.0 pence per share. That compares to 60.4 pence per share previously, an increase of 15.9 per cent, and extends the period of consecutive years of dividend growth to 31 years.

The final dividend, if approved by Shareholders, will be paid on 3 September 2021 to Shareholders on the register at the close of business on 23 July 2021. Shares will go ex-dividend on 22 July 2021. Shareholders will again have the option to receive the dividend by way of scrip issue.

## Second Nature

Cranswick's Second Nature sustainability strategy reflects the ambition to be the world's most sustainable meat business and is focused on key areas including food waste, plastics usage, greenhouse gases, deforestation, renewable energy, animal welfare and support for local communities.

Amongst the achievements during the year was the carbon neutral certification of many of our sites, remaining sites will be certified over the next few months; retention of the global Business Benchmark on Farm Animal Welfare (BBFAW) Tier One status – backed by Compassion in World Farming and World Animal Protection; local community support through food donations and laptops for local schoolchildren.

Progress was made in all areas of the Second Nature strategy. Sustainability and community are integral to the Cranswick way of doing business.

### **Board**

As announced separately today, I will be standing down as Chairman at this year's AGM and will continue in an advisory capacity until May next year. It has been an absolute pleasure and a privilege to have been part of the development of this fabulous Company for over 36 years from its origins as a local farmer-owned feed milling business in East Yorkshire into the FTSE 250 food producer that it is today.

The Board engaged external advisers to assist in the recruitment of a new Chairman. Potential external candidates were identified and considered alongside an internal candidate, Tim Smith. Tim, who has served as an independent Non-Executive Director for the past three years, was the preferred candidate and will take over the role following the AGM.

Liz Barber was recently appointed as an independent Non-Executive Director. Liz, a Chartered Accountant and CEO of Kelda Group plc, provides appropriate cover for NED succession planning on the Audit Committee. Mark Reckitt, current chair of that committee, is into his final three year term.

I wish Tim and Liz every success in their roles and in contributing to the ongoing growth and success of Cranswick.

### **Outlook**

The start to the current year has been particularly positive and the outlook for the Group is very encouraging.

The business has a strong balance sheet and comfortable financial headroom to support plans for growth that include further broadening of the range of products, increasing capacity and maintaining the asset base as the most modern and efficient in the sector. The Board is confident in its strategy and looks forward to the continuation of the successful long-term development of the business.

**Martin Davey**

Chairman

18 May 2021

# Operating and Financial review

## Operating review

### Revenue and Adjusted operating profit

	2021	2020	Change (Reported)	Change (Like-for-like*)
Revenue	<b>£1,898.4m</b>	£1,667.2m	+13.9%	+12.1%
Adjusted Group Operating Profit*	<b>£132.5m</b>	£105.1m	+26.1%	
Adjusted Group Operating Margin*	<b>7.0%</b>	6.3%	+68bps	

\*: See Note 9.

### Revenue

Reported revenue increased by 13.9 per cent to £1,898.4 million. Like-for-like revenue, which excludes the contribution from acquisitions made in the prior year, increased by 12.1 per cent, with corresponding volumes ahead by 8.7 per cent. All four product categories delivered strong volume growth reflecting a full year of sales from the new Eye poultry facility, annualisation of FY20 contract wins, new FY21 contract wins and a shift to in-home consumption resulting from the COVID-19 pandemic. Robust retail demand comfortably offset lower food service channel revenues, and the benefit of lower pig prices being passed on to customers, particularly in the final quarter of the year. Export revenues were modestly ahead of the prior year with continued growth in Far East and EU trade offsetting lower sales to other non-EU markets.

### Adjusted Group operating profit

Adjusted Group operating profit increased by 26.1 per cent to £132.5 million, with adjusted Group operating margin 68 basis points higher at 7.0 per cent reflecting a stronger product mix, improved operating efficiencies, a full year contribution from the Eye poultry facility and strong capacity utilisation across the business throughout the year. The uplift in operating profit was net of £18.6 million of COVID-19 related costs which included £9.8 million of colleague bonuses.

### COVID-19 update

The impact of COVID-19 on the business over the past year has been significant and wide reaching. The pandemic has had a meaningful impact on domestic volumes as consumers were forced to switch to greater in-home consumption whilst also causing challenges with exports and having a significant impact on the way we operate and how we work with our colleagues.

In our drive to keep our colleagues safe we rapidly invested in detection and physical protection measures at our sites, in support services to ensure the physical and mental wellbeing of our colleagues and in recognising our colleagues for their relentless efforts in continuing to meet customer demand throughout the pandemic. New systems and processes were introduced across all sites to reduce physical contact between staff including investment in larger site amenity facilities, new staggered shift patterns and additional cleaning and hygiene measures, above and beyond the stringent procedures already in place. We have continued to build on and enhance these measures throughout the year.

Despite this investment and continued focus on employee wellbeing, outbreaks have continued to arise nationwide, including in the communities in which we operate. These localised outbreaks disrupted operations, for short periods, at a small number of our sites. In August, we closed our Ballymena facility for 14 days to protect our colleagues following an outbreak in the local community which affected a small number of our site team. In October, production at our Norfolk primary processing site was briefly curtailed following a further community driven COVID-19 outbreak. We immediately, and voluntarily, suspended the site's China export licence to safeguard export trade for the rest of our business and the wider UK industry. Frustratingly, whilst the necessary technical audits were passed just after the start of the calendar year, we are still awaiting final reapproval. We continue to liaise with and lobby the UK Government to assist with reinstatement.

Importantly, the measures we put in place to protect our employees and our business have been extremely effective and have allowed us to run our business safely and efficiently through periods of extremely challenging and unpredictable demand. Service levels to our customers have been exemplary throughout the pandemic, helping to keep shelves well stocked and the nation fed. Robust trading and our strong financial position have enabled us to operate well within banking covenants and without recourse to any Government assistance throughout the pandemic.

## **Brexit update**

Following extensive preparation and planning, disruption caused by the UK's departure from the EU has been extremely limited. Investment in our people, our processes and our procedures as well as the extensive work performed with our customers and suppliers resulted in minimal disruption to both inbound and outbound supply chains. The Group's Brexit Taskforce, formed in 2019, ensured that all addressable risks were identified and mitigated and that extensive procedures were put in place to manage the increased supply chain complexity and the associated administrative burden. A specialist customs team was recruited, training rolled out and broker capacity secured. Extensive testing of new systems was performed in partnership with our customers and suppliers to ensure that supply chain disruption was minimised.

Short term challenges relating to the supply of products to Northern Ireland and in securing Export Health Certificates continue, but the Taskforce team continues to work with all stakeholders to ensure these legislative challenges are effectively managed and mitigated and we are confident that they will be resolved successfully in the coming months.

Also, we have tirelessly supported our EU national colleagues in claiming their right to settled status in the UK and we have moved a significant number of our colleagues from agency to permanent contracts to provide them with greater job security and continuity.

## **Capital expenditure**

Despite the challenges created by COVID-19 we have continued to invest at pace across our asset base, spending £71.9 million during the year to add further capacity, extend capability, improve operational efficiency and to drive our Second Nature sustainability strategy.

We spent £25.9 million on projects to broaden our product portfolio and unlock new sales channels, including the construction of a new £20 million added-value cooked bacon facility in Hull which was completed in Q4. This facility, which has been developed to serve a leading Quick Service Restaurant chain as its anchor customer, will also serve other retail and food service customers. The facility will benefit from the full vertical integration we offer across our pork supply chain. The site is adjacent to our Lazenby's sausage facility and will link into the strong operational and management infrastructure which is already in place there.

We have also increased capacity at the Eye poultry facility as well as extending the site's capabilities. We have developed and expanded slow cook and smoking technology across our Cooked Meats operations and added automation, including extending the use of robotics at our Fresh Pork primary processing sites.

In December, we acquired a cold store in Goole, East Yorkshire for £3.0 million which provides us with much needed additional cold storage capacity and greater supply chain flexibility. We will continue to upgrade the facility through FY22 and plan to substantially increase capacity over the medium term.

We spent £12.7 million to strengthen our vertical integration by expanding and enhancing our agricultural supply chain. This included further investment in growing our pig herds and poultry flock, improving our milling operations and generally increasing efficiency across our farming operations. In poultry, the investment in NestBorn, in-shed hatching delivers considerable health and welfare benefits whilst also improving hatchability rates and feed conversion efficiency.

We have also spent £20.2 million to improve operational resilience, update equipment and enhance colleague amenities.

Finally, £10.1 million has been invested in further projects aligned to our 'Second Nature' sustainability programme. These include installing new Combined Heat and Power (CHP) systems, effluent plant upgrades, solar panelling and more efficient, environmentally friendly refrigeration systems across several of our sites.

## **Sustainability**

Our 'Second Nature' sustainability strategy reflects Cranswick's ambition to be the world's most sustainable meat business and includes ambitious targets which focus on food waste, plastic usage, energy efficiency, water usage and reducing our carbon footprint. Second Nature is firmly embedded in our business and is a key determinant in all strategic or investment related decisions.

As part of our journey to achieve net zero emissions by 2040 we have committed to setting Science-Based Targets and we have made considerable progress in this area during the year. Three of our production facilities attained carbon neutral certification PAS2060 during FY21 with a further six sites having gained the same accreditation during the early part of FY22.

We have surpassed the Champions 12.3 target we set in January 2018, achieving a 61 per cent reduction in edible food waste by removing over 4,200 tonnes of food waste against the 2017 baseline position. During the pandemic we have also donated enough food to create 229,000 meals for vulnerable people through our partnership with the food charity FareShare and we have continued to support several local community initiatives.

We also recently retained our 'Tier One' status in the global 'Business Benchmark on Farm Animal Welfare' for the fifth consecutive year. We are one of only four companies globally, and the only meat processor, to be ranked in 'Tier One'.

## **Category Review**

### **Fresh Pork**

Fresh Pork includes the three primary processing facilities and associated farming operations and represented 30 per cent of Group revenue.

Like-for-like Fresh Pork revenue increased by 0.1 per cent reflecting strong retail and export volumes, offset by lower wholesale volumes as more product was diverted into the Group's internal supply chain. Despite the operational challenges caused by the pandemic, the average number of pigs processed each week during the year increased by 1.9 per cent to 61,400, peaking at over 66,600 pigs per week in February in response to the continued elevated retail and export demand.

Increased retail demand for pork products reflected the shift to in-home consumption with consumers regaining their appetite for traditional pork products resulting in record sales of pork joints over the Christmas period and a strong barbecue season. This demand was augmented by the launch of innovative new products developed for the fast-growing online grocery and direct-to-customer channels. During the year we also renewed multi-category, long-term supply agreements with several of our principal retail customers.

We invested £20.5 million across the three pork primary processing facilities, the new Goole cold store and our farming infrastructure to increase automation, improve and expand farming capacity and enhance our sustainability credentials to support our long term growth strategy in our core pork business. Despite processing record pig numbers, growth in our farming operations enabled us to maintain our self-sufficiency in UK pigs at over 30 per cent.

Far East export volumes were 6 per cent ahead of the prior year. Exports to China during the first half of the year were strongly ahead, but sales slowed in Q3 due to the temporary, voluntary suspension of our Ballymena and Norfolk export licences. The Ballymena licence was reinstated in November. The Norfolk facility has not yet regained China export approval, but the loss of this China export capability is being mitigated to an extent by flexing production levels between our three primary processing facilities to optimise export potential from the two which remain China approved. This flexibility enabled Far East export sales to recover strongly during the final quarter due to strong demand and rising prices in the region.

We continue to make progress in growing alternative pork export markets including Korea, Japan and South Africa by responding to the growing demand in these markets for premium products, particularly British Outdoor Bred higher welfare pig meat and high quality, value-added products. Demand from China is expected to remain strong throughout FY22 providing optionality for the business with the potential to redirect prime cuts and whole carcasses into China dependent on the level of UK retail demand.

African Swine Fever (ASF) continues to affect large parts of China and, to a lesser extent, Eastern Europe. In Europe, the situation over the past 12 months has remained relatively stable despite the detection of ASF in the German wild boar population, which resulted in the immediate suspension of German pig meat exports to China. In China, positive signs that ASF was under control and that the Chinese pig herd was rapidly being rebuilt have faded, with reports of a resurgence in ASF and a consequential extension to the herd recovery programme. This will provide ongoing export opportunities for all ASF free pig producing nations including the UK. In the UK, we remain acutely aware of the impact an outbreak of ASF would have on the UK pig industry and its ability to continue exporting. The UK industry remains on high alert with intensive bio-security protocols in place.

The UK standard pig price (SPP) ended the year at 141p/kg, down 14 per cent year-on-year. The average SPP across the full year was, however, still 1 per cent higher than the previous financial year. The EU pig price started the year at 170p/kg but had fallen to 113p/kg in early February as a result of the oversupply of pig meat in the region, driven principally by the continued ban on exports from Germany into China but also by other factors including the impact of COVID-19 on product

shipments and EU food service demand. The trend of falling pig prices over the year started to reverse in the last quarter of the financial year with recovery reflecting strong demand from China and rebalancing of supply and demand across Europe resulting from pig herd contraction.

### **Convenience**

Convenience, which comprises Cooked Meats and Continental Products, represented 38 per cent of Group revenue. Like-for-like Convenience revenue, excluding the impact of the Katsouris Brothers acquisition in July 2019, increased by 14.1 per cent reflecting strong growth in both Cooked Meats and Continental Products. Including the contribution from Katsouris Brothers, Convenience revenue was 18.5 per cent ahead of the prior year.

Strong retail demand, resulting from the shift to in-home consumption, was supported by exceptional customer service levels from all five Convenience facilities throughout the pandemic. The annualisation of new contracts secured in the prior year also fuelled growth alongside continued product innovation including the launch of new 'Slow Cook' and 'Food for Later' ranges which immediately performed ahead of plan as customers looked to replicate a restaurant quality eating experience at home. Further innovation included the introduction of alternative pack formats to offset the closure of deli counters and the increased premiumisation of core ranges.

The Continental Products facility in Bury performed strongly due to robust demand from the site's retail customer base. Extensive innovation led to several new product launches and range expansion including tapas meal kits, small plates, snacking ranges and further growth came from multi-component platters. These platters and other sharing style products contributed to a buoyant Christmas sales performance.

Katsouris Brothers continued to perform strongly. Revenue growth reflected the first full year of ownership, compared to eight months in the prior year. A successful innovation programme with the site's anchor retail customer ensured sales remained resilient with new pre-packaged 'grab and go' products offsetting lost sales due to deli counter closures during lockdown. Sales of ambient olives, Mediterranean cheeses and nuts and pulses have also been strong with growth across the site's retail customer base.

### **Gourmet Products**

Gourmet Products, which comprise Sausage, Bacon and Pastry, represented 16 per cent of Group revenue. Gourmet Products revenue increased 11.5 per cent with strong retail growth offsetting lower food service demand.

Robust Sausage revenue growth was driven by increased cooked breakfast occasions in the home, which more than doubled during the first national lockdown, and a buoyant barbecue season. Delivery of these sustained high retail volumes was facilitated by continued investment in automation and production efficiency improvements at the site.

Growth in Bacon reflected increased consumer demand and new retail business, which comfortably offset the COVID-19 driven reduction in food service demand. Two new retail contracts were secured during the year as well as adding a new business-to-business customer. Underlying retail volumes again increased as a result of more cooked breakfasts being consumed at home and due to strong demand for traditional gammon joints over the Christmas trading period.

Pastry volumes grew strongly as successful new product development led to significant growth with the site's anchor customer as well as with other new retail and food service customers. Although food service revenues were suppressed during the year, new contract wins with two national coffee shop chains supported trading throughout the summer and leave the business well placed to benefit from the gradual recovery of the food service sector in FY22.

### **Poultry**

Poultry, which includes Fresh and Cooked Poultry represented 16 per cent of Group revenue. Poultry revenue increased by 38.5 per cent in the year reflecting a full year contribution from the new Eye poultry facility.

Fresh Poultry performed ahead of expectations, with the planned uplift in sales following successful commissioning of the Eye facility in late FY20 being bolstered by ongoing strong retail demand. The successful partnership with the site's anchor retail customer has been strengthened by the exceptional service levels delivered throughout the pandemic. The initial processing target of 1.1 million birds per week was achieved as anticipated at the start of the year and production is now being lifted towards the planned uplift to 1.4 million birds per week. This increased capacity has primarily been achieved by increasing the number of production hours at the site but has also been enabled by continued investment in our feed milling, hatching and rearing operations where we spent £5.7 million during the year to lay down the internal supply chain for the additional 0.3 million birds per week. This industry leading sustainable agricultural supply chain is now supplying in excess



of 1.3 million birds per week. Investment has also centred on developing the site's capability to produce more portions and value-added products including a 'roast in the bag' range. The Eye facility is now capable of producing a wider array of core and value-added products enabling it to more effectively flex production to respond to seasonal demand patterns.

Cooked Poultry volumes were lower, as anticipated, reflecting reduced food service and food-to-go channel demand. Lower food service revenue was partly offset by incremental retail business resulting from continued strong product innovation and robust underlying demand. This retail growth, alongside the anticipated recovery in the food service sector will drive further growth in cooked poultry.

## **Finance review**

### **Revenue**

Reported revenue increased by 13.9 per cent to £1,898.4 million (2020: £1,667.2 million). On a like-for-like basis, excluding the contribution from acquisitions in the prior year, revenues increased by 12.1 per cent, with volumes 8.7 per cent higher.

Total export volumes increased by 7.8 per cent during the year driven by continued strong demand from Far Eastern markets and growth in trade with EU customers.

### **Adjusted gross profit and adjusted EBITDA**

Adjusted gross profit of £269.2 million (2020: £221.3 million) increased by 21.6 per cent with adjusted gross profit margin increasing to 14.2 per cent (2020: 13.3 per cent). Adjusted EBITDA increased by 26.7 per cent to £196.7 million (2020: £155.3 million) and adjusted EBITDA margin increased to 10.4 per cent (2020: 9.3 per cent).

### **Adjusted Group operating profit**

Adjusted Group operating profit of £132.5 million (2020: £105.1 million) increased by 26.1 per cent and adjusted Group operating margin was 7.0 per cent of sales compared to 6.3 per cent last year.

Full reconciliations of adjusted measures to statutory results can be found in Note 9. The net IAS 41 movement on biological assets results in a £11.4 million charge (2020: £5.4 million credit) on a statutory basis reflecting the significant fall in the UK pig price during the year.

### **Share of loss of joint venture**

Share of loss of joint venture of £0.1 million in the prior year represented the start-up losses of White Rose Farms. The remaining 50 per cent share of the business was acquired during the prior year as part of the Group's longer-term strategy to secure commercial pig supply.

### **Finance costs and funding**

Net financing costs of £2.8 million included £2.3 million of IFRS 16 Lease interest. Bank finance costs were £0.8 million lower than the prior year at £0.7 million following the reduction in the base rate at the end of the prior year and lower levels of borrowing throughout the year.

The Group's core banking facility is unsecured, runs to November 2023 and comprises a revolving credit facility of £160 million (falling to £120 million from November 2022), including a committed overdraft of £20 million. It also includes the option to access a further £40 million on the same terms at any point during the term of the agreement.

During the year the Group extended the term of the additional £40 million of short-term, unsecured funding arranged in the prior year, split evenly across two of its incumbent banking partners. This additional funding now runs to December 2021 and increases the Group's overall facilities to £200 million, providing the business with over £170 million of headroom at 27 March 2021. The adequacy of this facility has been considered 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 26.8 per cent higher at £129.7 million (2020: £102.3 million).

### **Taxation**

The tax charge of £22.3 million (2020: £21.3 million) was 19.4 per cent of profit before tax (2020: 20.5 per cent). The standard rate of UK corporation tax was 19.0 per cent (2020: 19.0 per cent). The effective corporation tax rate in both years was higher than the standard rate due to non-qualifying depreciation and disallowable expenses.

### **Adjusted earnings per share**

Adjusted earnings per share increased by 27.4 per cent to 199.3 pence (2020: 156.4 pence). The average number of shares in issue was 52,469,000 (2020: 51,966,000).

### **Statutory profit measures**

Statutory profit before tax was £114.8 million (2020: £104.0 million), with statutory Group operating profit at £117.6 million (2020: £106.8 million) and statutory earnings per share of 176.4 pence (2020: 159.1 pence). Statutory gross profit was £257.8 million (2020: £226.7 million).

### **Cash flow and net debt**

The net cash inflow from operating activities in the year was £181.4 million (2020: £117.0 million). This 55.0 per cent uplift primarily reflected the 26.7 per cent increase in EBITDA and a working capital inflow of £2.9 million (2020: outflow of £13.2 million) partly offset by the full year depreciation charge increasing to £64.2 million (2020: £50.2 million). The prior year working capital outflow reflected higher year-end receivables resulting from the COVID-19 related surge in retail demand shortly before the FY20 year end. The current year inflow included a £25.8 million increase in trade and other payables reflecting the increased scale of the business, particularly in Fresh Poultry, and accrued colleague bonus payments. Net debt at the end of the year was £92.4 million (2020: £146.9 million) with the inflow from operating activities offset by the payment of £10.7 million of deferred consideration on acquisitions, £13.7 million of IFRS 16 lease charges, £71.1 million invested in the Group's asset base, net of disposal proceeds and £27.9 million of dividends paid to the Group's Shareholders.

### **Pensions**

The Group operates defined contribution pension schemes whereby contributions are made to schemes administered by major insurance companies. Contributions to these schemes are determined as a percentage of employees' earnings.

The Group also operates a defined benefit pension scheme which has been closed to further benefit accrual since 2004. The surplus on this scheme at 27 March 2021 was £5.7 million, compared to £7.2 million at 28 March 2020, reflecting, in part, a long-term commitment to increased funding for the scheme. Cash contributions to the scheme during the year, as part of the programme to fully fund the scheme, were £1.8 million. The present value of funded obligations was £36.2 million, and the fair value of plan assets was £41.9 million.

### **COVID-19**

Towards the end of the previous financial year, the Group incurred certain costs relating to the COVID-19 pandemic. These costs primarily consisted of inventory write-downs and an increase in the provision for bad debts relating, respectively, to products destined for and receivables due from certain customers. These provisions have been reassessed at the year end.

Additional costs were incurred in the current year following the implementation of new processes to keep our colleagues safe during the pandemic and a bonus was paid to them during the year in recognition of their efforts, along with a provision for a further payment to be made. The total cost of these items during the year was £18.6 million.

# Group income statement

For the 52 weeks ended 27 March 2021

	<i>Notes</i>	<b>2021</b> <b>£'m</b>	2020 £'m
<b>Revenue</b>		<b>1,898.4</b>	1,667.2
<b>Adjusted Group operating profit</b>		<b>132.5</b>	105.1
Net IAS 41 valuation movement on biological assets		<b>(11.4)</b>	5.4
Amortisation of intangible assets		<b>(3.5)</b>	(3.7)
<b>Group operating profit</b>	<i>4</i>	<b>117.6</b>	106.8
Share of loss of joint venture		-	(0.1)
Profit on disposal of joint venture		-	0.1
Finance costs		<b>(2.8)</b>	(2.8)
<b>Profit before tax</b>		<b>114.8</b>	104.0
Taxation		<b>(22.3)</b>	(21.3)
<b>Profit for the year</b>		<b>92.5</b>	82.7
<b>Earnings per share (pence)</b>			
<b>On profit for the year:</b>			
Basic	<i>5</i>	<b>176.4p</b>	159.1p
Diluted	<i>5</i>	<b>175.6p</b>	158.6p

# Group statement of comprehensive income

For the 52 weeks ended 27 March 2021

	2021	2020
	£'m	£'m
<b>Profit for the year</b>	<b>92.5</b>	<b>82.7</b>
<b>Other comprehensive (expense)/income</b>		
<i>Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods:</i>		
Cash flow hedges		
Gains arising in the year	<b>0.2</b>	0.4
Reclassification adjustments for (gains)/losses included in the income statement	<b>(0.4)</b>	0.2
Income tax effect	-	(0.1)
<b>Net other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods</b>	<b>(0.2)</b>	0.5
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial (losses)/gains on defined benefit pension scheme	<b>(3.4)</b>	11.9
Income tax effect	<b>0.6</b>	(2.2)
<b>Net other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods</b>	<b>(2.8)</b>	9.7
<b>Other comprehensive (expense)/income, net of tax</b>	<b>(3.0)</b>	10.2
<b>Total comprehensive income, net of tax</b>	<b>89.5</b>	<b>92.9</b>

# Group balance sheet

At 27 March 2021

	<i>Notes</i>	<b>2021</b>	2020
		<b>£'m</b>	£'m
<b>Non-current assets</b>			
Intangible assets		<b>203.8</b>	207.3
Defined benefit pension scheme surplus		<b>5.7</b>	7.2
Property, plant and equipment		<b>376.7</b>	357.7
Right-of-use assets		<b>68.8</b>	64.8
Biological assets		<b>2.4</b>	3.8
<b>Total non-current assets</b>		<b>657.4</b>	640.8
<b>Current assets</b>			
Biological assets		<b>41.1</b>	41.9
Inventories		<b>81.8</b>	75.5
Trade and other receivables		<b>221.7</b>	213.6
Income tax receivable		<b>-</b>	0.7
Financial assets		<b>0.9</b>	1.5
Cash and short-term deposits	7	<b>39.0</b>	21.5
<b>Total current assets</b>		<b>384.5</b>	354.7
<b>Total assets</b>		<b>1,041.9</b>	995.5
<b>Current liabilities</b>			
Trade and other payables		<b>(217.2)</b>	(191.4)
Financial liabilities		<b>(1.0)</b>	(12.0)
Lease liabilities		<b>(12.5)</b>	(10.3)
Provisions		<b>(0.1)</b>	(0.1)
Income tax payable		<b>(1.4)</b>	-
<b>Total current liabilities</b>		<b>(232.2)</b>	(213.8)
<b>Non-current liabilities</b>			
Other payables		<b>(0.8)</b>	(0.8)
Financial liabilities	7	<b>(59.8)</b>	(102.5)
Lease liabilities		<b>(59.1)</b>	(55.6)
Deferred tax liabilities		<b>(2.7)</b>	(7.2)
Provisions		<b>(1.2)</b>	(1.1)
<b>Total non-current liabilities</b>		<b>(123.6)</b>	(167.2)
<b>Total liabilities</b>		<b>(355.8)</b>	(381.0)
<b>Net assets</b>		<b>686.1</b>	614.5
<b>Equity</b>			
Called-up share capital		<b>5.3</b>	5.2
Share premium account		<b>106.4</b>	98.5
Share-based payments		<b>37.4</b>	31.6
Hedging reserve		<b>(0.1)</b>	0.1
Retained earnings		<b>537.1</b>	479.1
<b>Equity attributable to owners of the parent</b>		<b>686.1</b>	614.5

# Group statement of cash flows

For the 52 weeks ended 27 March 2021

	<i>Notes</i>	<b>2021</b>	2020
		<b>£'m</b>	£'m
<b>Operating activities</b>			
Profit for the year		92.5	82.7
<i>Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:</i>			
Share of loss of joint venture		-	0.1
Income tax expense		22.3	21.3
Net finance costs		2.8	2.8
Gain on disposal of joint venture		-	(0.1)
Loss/(gain) on sale of property, plant and equipment		0.1	(1.1)
Depreciation of property, plant and equipment		51.9	42.0
Depreciation of right-of-use assets		12.3	8.2
Amortisation of intangible assets		3.5	3.7
Share-based payments		6.0	5.8
Difference between pension contributions paid and amounts recognised in the income statement		(2.0)	(1.8)
Release of government grants		(0.2)	(0.3)
Net IAS 41 valuation movement on biological assets		11.4	(5.4)
Increase in biological assets		(9.2)	(3.9)
Increase in inventories		(6.3)	(2.6)
Increase in trade and other receivables		(7.8)	(39.5)
Increase in trade and other payables		26.2	32.8
<b>Cash generated from operations</b>		<b>203.5</b>	144.7
Tax paid		(22.1)	(27.7)
<b>Net cash from operating activities</b>		<b>181.4</b>	117.0
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired		(10.7)	(69.4)
Loan to joint venture		-	2.2
Purchase of property, plant and equipment		(71.9)	(101.2)
Proceeds from sale of property, plant and equipment		0.6	4.1
Receipt of government grants		0.2	-
<b>Net cash used in investing activities</b>		<b>(81.8)</b>	(164.3)
<b>Cash flows from financing activities</b>			
Interest paid		(0.5)	(1.2)
Proceeds from issue of share capital		3.0	2.6
Issue costs of long-term borrowings		-	(0.1)
Proceeds from borrowings		-	88.0
Repayment of borrowings	7	(43.0)	(9.0)
Dividends paid		(27.9)	(22.6)
Payment of lease capital		(11.4)	(7.8)
Payment of lease interest		(2.3)	(1.6)
<b>Net cash (used in)/received from financing activities</b>		<b>(82.1)</b>	48.3
Net increase in cash and cash equivalents	7	17.5	1.0
Cash and cash equivalents at beginning of year	7	21.5	20.5
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>39.0</b>	21.5

# Group statement of changes in equity

For the 52 weeks ended 27 March 2021

	Share capital £'m	Share premium £'m	Share- based payments £'m	Hedging reserve £'m	Retained earnings £'m	Total equity £'m
At 30 March 2019	5.2	89.1	25.8	(0.4)	415.2	534.9
Profit for the year	-	-	-	-	82.7	82.7
Other comprehensive income	-	-	-	0.5	9.7	10.2
Total comprehensive income	-	-	-	0.5	92.4	92.9
Share-based payments	-	-	5.8	-	-	5.8
Scrip dividend	-	6.8	-	-	-	6.8
Share options exercised	-	2.6	-	-	-	2.6
Dividends	-	-	-	-	(29.4)	(29.4)
Deferred tax related to changes in equity	-	-	-	-	0.3	0.3
Current tax related to changes in equity	-	-	-	-	0.6	0.6
At 28 March 2020	5.2	98.5	31.6	0.1	479.1	614.5
Profit for the year	-	-	-	-	92.5	92.5
Other comprehensive income	-	-	-	(0.2)	(2.8)	(3.0)
Total comprehensive income	-	-	-	(0.2)	89.7	89.5
Share-based payments	-	-	6.0	-	-	6.0
Scrip dividend	-	4.8	-	-	-	4.8
Share options exercised	0.1	2.9	-	-	-	3.0
Share transfer	-	0.2	(0.2)	-	-	-
Dividends	-	-	-	-	(32.7)	(32.7)
Deferred tax related to changes in equity	-	-	-	-	0.4	0.4
Current tax related to changes in equity	-	-	-	-	0.6	0.6
<b>At 27 March 2021</b>	<b>5.3</b>	<b>106.4</b>	<b>37.4</b>	<b>(0.1)</b>	<b>537.1</b>	<b>686.1</b>

# Notes to the accounts

## 1. Basis of preparation

The results comprise those of Cranswick plc and its subsidiaries for the 52 weeks ended 27 March 2021. This preliminary announcement has been prepared on the basis of accounting policies as set out in the statutory accounts for the 52 weeks ended 28 March 2020 (except as detailed in note 2). The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Group and Company's financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. This does not constitute the Company's statutory accounts within the meaning of Section 435 of the Companies Act 2006.

The Financial Statements of the Group are prepared to the Saturday nearest to 31 March. Accordingly, these Financial Statements are prepared for the 52 week period ended 27 March 2021. Comparatives are for the 52 week period ended 28 March 2020. The Statement of Financial Position for 2021 and 2020 have been prepared as at 27 March 2021 and 28 March 2020 respectively.

Statutory accounts for the 52 weeks ended 27 March 2021 and 28 March 2020 have been reported on by the auditors who issued an unqualified opinion in respect of both years and the auditors' reports for 2021 and 2020 did not contain statements under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the 52 weeks ended 28 March 2020 have been filed with the Registrar of Companies. The statutory accounts for the 52 weeks ended 27 March 2021, which were approved by the Board on 18 May 2021, 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 period, taking into account the current position, future prospects and the potential impact of both the principal risks of the Group and the on-going COVID-19 situation. The Board have determined that a three-year period to March 2024 is an appropriate period over which to provide its Viability Statement. This timeframe has been specifically chosen due to the current financial and operational planning 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 including the consideration of both the current and potential future impact of COVID-19 on the business and the potential impact of an outbreak of ASF in the UK.

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

Given the strong liquidity of the Group and the £200 million of committed banking facilities in place; the diversity of operations; and the limited exposure to food service customers, 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 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 both the next 12 months and the extended period to March 2024.



## 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 28 March 2020, except for the new standards and interpretations explained below.

### New and amended standards and interpretations applied

The Group has applied the following accounting standards and amendments for the first time in the current reporting period:

<i>International Accounting Standards (IAS/IFRSs)</i>	<i>Effective date</i>
IFRS 3 Business combinations (amendment)	1 January 2020
IAS 1 & IAS 8 Definition of materiality (amendments)	1 January 2020
IFRS 9, IAS 39 & IFRS 7 Interest rate benchmark reform (amendments)	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020

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

### New and revised standards and interpretations not applied

Certain new accounting standards and interpretations have been published that are not mandatory for the 27 March 2021 reporting period and have not been early adopted by the Group:

<i>International Accounting Standards (IAS/IFRSs)</i>	<i>Effective date</i>
IFRS 7 & 9 and IAS 39 (amendments)	1 January 2021
IFRS 7, IFRS 4 & IFRS 16 Interest rate benchmark reform (amendment)	1 January 2021
Annual improvements to IFRSs 2018-20 cycle	1 January 2022
IFRS 3 Business combinations (amendment)	1 January 2022
IAS 16 Property plant and equipment (amendment)	1 January 2022
IAS 37 Provisions, contingent liabilities and contingent assets	1 January 2022
Narrow scope amendments to IAS 1 and IAS 8	1 January 2023
IFRS 17 Insurance contracts	1 January 2023
IAS 1 Presentation of Financial Statements (amendment)	1 January 2023

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 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.

For the purposes of managing the business, the Group is organised into one reportable segment, being Food: manufacture and supply of food products to UK grocery retailers, the food service sector and other UK and global food producers.

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 above. 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.

## 4. Group operating profit

Group operating costs comprise:

	2021 £'m	2020 £'m
Cost of sales excluding net IAS 41 valuation movement on biological assets	1,629.2	1,445.9
Net IAS 41 valuation movement on biological assets*	11.4	(5.4)
Cost of sales	1,640.6	1,440.5
<b>Gross profit</b>	<b>257.8</b>	<b>226.7</b>
Selling and distribution costs	69.0	65.8
Administrative expenses excluding amortisation of intangible assets	67.7	50.4
Amortisation of intangible assets	3.5	3.7
Administrative expenses	71.2	54.1
<b>Total operating costs</b>	<b>1,780.8</b>	<b>1,560.4</b>

\* This represents the difference between operating profit prepared under IAS 41 and operating profit prepared under historical cost accounting, which forms part of the reconciliation to adjusted operating profit.

## 5. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to members of the parent company of £92.5 million (2020: £82.7 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:

	2021 Thousands	2020 Thousands
Basic weighted average number of shares	52,469	51,966
Dilutive potential ordinary shares – share options	244	162
	<b>52,713</b>	<b>52,128</b>

Adjusted earnings per share are calculated using the weighted average number of shares for both basic and diluted amounts as detailed above (see Note 9).

## 6. Dividends

Subject to Shareholders' approval the final dividend will be paid on 3 September 2021 to Shareholders on the register at the close of business on 23 July 2021.

## 7. Analysis of changes in net debt

<b>Group</b>	<b>At 28 March 2020 £'m</b>	<b>Cash flow £'m</b>	<b>Other non-cash changes £'m</b>	<b>At 27 March 2021 £'m</b>
Cash and cash equivalents	21.5	17.5	-	<b>39.0</b>
Revolving credit	(102.5)	43.0	(0.3)	<b>(59.8)</b>
Lease liabilities	(65.9)	13.7	(19.4)	<b>(71.6)</b>
<b>Net debt</b>	<b>(146.9)</b>	<b>74.2</b>	<b>(19.7)</b>	<b>(92.4)</b>

Net debt is 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. Alternative performance measures

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

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

	<b>2021 £'m</b>	<b>2020 £'m</b>	<b>Change</b>
Revenue	<b>1,898.4</b>	1,667.2	+13.9%
Katsouris	<b>(26.8)</b>		
Packington Pork and White Rose Farms	<b>(2.1)</b>		
<b>Like-for-like revenue</b>	<b>1,869.5</b>	1,667.2	+12.1%

### Adjusted gross profit

	<b>2021 £'m</b>	<b>2020 £'m</b>	<b>Change</b>
Gross profit	<b>257.8</b>	226.7	+13.7%
Net IAS 41 valuation movement	<b>11.4</b>	(5.4)	
<b>Adjusted gross profit</b>	<b>269.2</b>	221.3	+21.6%

## 9. Alternative performance measures (continued)

### Adjusted operating profit and adjusted EBITDA

	2021 £'m	2020 £'m	Change
Group operating profit	117.6	106.8	+10.1%
Net IAS 41 valuation movement	11.4	(5.4)	
Amortisation of intangible assets	3.5	3.7	
Adjusted Group operating profit	132.5	105.1	+26.1%
Depreciation of property, plant and equipment	51.9	42.0	
Depreciation of right-of-use assets	12.3	8.2	
Adjusted EBITDA	196.7	155.3	+26.7%

### Adjusted profit before tax

	2021 £'m	2020 £'m	Change
Profit before tax	114.8	104.0	+10.4%
Net IAS 41 valuation movement	11.4	(5.4)	
Amortisation of intangible assets	3.5	3.7	
Adjusted profit before tax	129.7	102.3	+26.8%

### Adjusted earnings per share

	2021 £'m	2021 Basic pence	2021 Diluted pence	2020 £'m	2020 Basic pence	2020 Diluted pence
On profit for the year	92.5	176.4	175.6	82.7	159.1	158.6
Amortisation of intangible assets	3.5	6.6	6.6	3.7	7.2	7.2
Tax on amortisation of intangible assets	(0.7)	(1.3)	(1.3)	(0.7)	(1.4)	(1.4)
Net IAS 41 valuation movement	11.4	21.7	21.7	(5.4)	(10.5)	(10.5)
Tax on net IAS 41 valuation movement	(2.2)	(4.1)	(4.1)	1.0	2.0	2.0
On adjusted profit for the year	104.5	199.3	198.5	81.3	156.4	155.9

### Free cash flow

	2021 £'m	2020 £'m	Change
Net cash from operating activities	181.4	117.0	+55.0%
Net interest paid	(0.5)	(1.2)	
Free cash flow	180.9	115.8	+56.2%

## 9. Alternative performance measures (continued)

### Return on capital employed

	2021 £'m	2020 £'m	Change
Average opening and closing net assets	650.3	574.7	
Average opening and closing net debt	119.7	70.3	
Average opening and closing pension (surplus)/ deficit	(6.5)	(0.3)	
Average opening and closing deferred tax	5.0	4.0	
	768.5	648.7	
Adjusted Group operating profit	132.5	105.1	
Return on capital employed	17.2%	16.2%	+104bps

## 10. Principal risks and uncertainties

The Group has a structured and mature approach to risk management which facilitates the identification, evaluation and mitigation of key risks facing the business. The principal risks and uncertainties facing the Group are set out in detail on pages 52 to 54 of the Report & Accounts for the 52 weeks ended 28 March 2020, dated 23 June 2020 a copy of which is available on the Group's website.

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

Whilst the Board considers the principal risks and uncertainties as at 27 March 2021 to be the same as those described in the Report & Accounts for the 52 weeks ended 28 March 2020, due to the ongoing global COVID-19 pandemic, the Group has added the following risk to its risk registers and has seen fluidity within this area over the course of the year:

COVID-19 Pandemic		
DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21
The COVID-19 outbreak has led to unprecedented challenges and economic uncertainty remains. Whilst COVID-19 vaccines are being rolled out across the UK, there remains the risk of emerging variants disrupting the effectiveness of the vaccine programme.	The introduction of site COVID-19 procedures, new ways of working and additional safety measures have helped reduce the potential for a COVID-19 outbreak at a site.	<ul style="list-style-type: none"> <li>We have put in place a number of new site arrangements to include social distancing measures, new cleaning procedures and making available additional personal protective equipment as needed</li> <li>We have updated site business continuity plans to reflect the specific impacts of COVID-19</li> </ul>

### COVID-19

In late January 2020 the COVID-19 pandemic arrived in the UK and presented a number of unprecedented challenges to the Group which were managed through the establishment of a coronavirus crisis team. Specifically, the Government's decision to place the UK into lockdown on the 23 March 2020 saw an immediate change to consumer purchasing behaviours resulting in a substantial increase in retail demand which the Group successfully responded to. This experience left the Group well placed to continue to respond to new government restrictions across the UK including further lockdowns across the course of the financial year.

## 10. Principal risks and uncertainties (continued)

As the COVID-19 pandemic has evolved, the Group has implemented a range of additional measures to ensure the safety and wellbeing of all employees to include; staggered shift patterns and breaks, new communal areas, provision of additional personal protective equipment (PPE), restrictions when operating machinery and importantly ensuring that there is constant communication to employees during this challenging time.

Further to this, while the Group has always operated to rigorous Health & Safety, hygiene and food safety procedures, in order to further manage the ongoing risks associated with the COVID-19 pandemic the Group has now embedded a number of additional mitigation strategies to enable sites to remain operational whilst ensuring the safety of all employees. The additional sub-risks and mitigations include:

Potential risk	Impact	Risk mitigation strategies
Positive COVID-19 cases within workforce	<ul style="list-style-type: none"><li>Higher rates of absenteeism</li><li>Disruption to production</li></ul>	<ul style="list-style-type: none"><li>Restricted access onto site</li><li>Temperature monitoring when entering site</li><li>Extensive additional cleaning / sanitisation of surfaces</li><li>Increased hand sanitisation stations around sites</li><li>Social distancing markers being implemented at sites</li><li>Restrictions on movements between sites</li><li>Employees working from home where possible</li></ul>
Government introduce local/ regional / national lockdowns	<ul style="list-style-type: none"><li>Higher rates of absenteeism due to shielding / self-isolation</li><li>Potential site closure from an increase in local positive cases</li><li>Employee COVID-19 testing to be required</li></ul>	<ul style="list-style-type: none"><li>Ability to divert production routines to sites not impacted</li><li>All sites are compliant with PHE and WHO PPE requirements</li><li>Work with local councils and governing bodies to respond promptly to local lockdown issues</li></ul>
Supply chain interruptions	<ul style="list-style-type: none"><li>Disruption to production</li></ul>	<ul style="list-style-type: none"><li>Stock piling of key ingredients / packaging / raw materials</li><li>Alternative suppliers are sourced</li><li>Close monitoring of this key risk for all sites by the Group Procurement Team</li></ul>

## 11. Report and accounts

The Report and Accounts will be available on the Company's website at [www.cranswick.plc.uk](http://www.cranswick.plc.uk) on 25 June 2021. Further copies will be available upon request from the Company Secretary, Cranswick plc, Crane Court, Hessewood Country Office Park, Ferriby Road, Hesse, HU13 0PA.