CRANSWICK plc: PRELIMINARY RESULTS

Strong growth and strategic progress

23 June 2020

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 28 March 2020.

COVID-19 update:

- Proactive and comprehensive COVID-19 action plan centred on keeping our colleagues safe, feeding the nation and supporting our local communities:
  - Introduction of enhanced protective measures for our colleagues including provision of visors, screens in production areas, social distancing protocols and new working patterns
  - A £500 bonus payable to each of our site based colleagues to recognise their essential key worker status and valued contribution throughout the pandemic
  - Working closely with our customers to ensure the continued supply of essential food products
  - Community support including making and providing sandwiches to front line NHS staff, giving food hampers to the elderly and vulnerable and making donations to local charities
- Strong financial position and trading has enabled us to continue operating well within banking covenants and without recourse to any Government assistance

Commercial and strategic progress:

- Strong revenue growth and earnings momentum
- Commissioning of new world-class primary poultry facility in Eye, Suffolk completed as planned in Q3, with successful ramp-up phase in Q4
- Total export revenue up 92% including Far East export revenue 122% ahead
- Record capital expenditure of £101m to provide platform for continued growth
- Continuation of substantial investment in farming operations, including acquisitions of Packington Pork and White Rose Farms in H2, delivering further vertical integration
- Acquisition of Katsouris Brothers in H1
- Strong progress towards meeting our 'Second Nature' sustainability targets

Financial highlights*:

	2020	2019	Change (Reported)	Change (Like-for-like†)
Revenue	**£1,667.2m**	£1,437.1m	+16.0%	+13.0%
Adjusted Group operating profit	**£105.1m**	£92.3m	+13.9%	
Adjusted Group operating margin	**6.3%**	6.4%	-12bps	
Adjusted profit before tax	**£102.3m**	£92.0m	+11.2%	
Adjusted earnings per share	**156.4p**	144.3p	+8.4%	

- Statutory profit before tax 20.2% higher at £104.0m (2019: £86.5m)
- Statutory earnings per share up 17.4% to 159.1p (2019: 135.5p)
- Full year dividend increased by 8.1% to 60.4p (2019: 55.9p), reflecting 30 years of unbroken dividend growth

- Return on capital employed‡ of 16.2% (2019: 18.4%), mainly reflecting Eye poultry facility growth capex
- Net debt of £146.9m, including £65.9m from first time adoption of IFRS 16: 'Leases' (2019: Net funds £6.3m)
- Robust balance sheet with £200m of bank facilities providing over £100m of headroom

Adam Couch, Cranswick's Chief Executive Officer, commented:
"We continue to experience and operate in the most challenging of periods. Our business is founded on our people and I would like to thank all our colleagues for their professionalism, commitment, dedication and passion. We will continue to support all Cranswick colleagues and their families who have been affected by COVID-19.

"To recognise the outstanding contribution of our people we announced in April that we will pay a £500 bonus to each of our site-based colleagues at the end of June. We have also supported local communities through a number of initiatives including making and delivering sandwiches and sausage rolls to front line NHS staff, giving food hampers to the elderly and the vulnerable in our communities and care homes, as well as supporting local charities.

"The last 12 months has seen us deliver key steps in our diversification strategy with the successful commissioning of our Eye poultry facility and the acquisition of Katsouris Brothers which expands our non-meat activities. We also completed two further acquisitions to increase our vertical integration in pork.

"We spent a record £101 million across our asset base and this brings the total investment in our infrastructure over the last eight years to more than £400 million.

"The strong growth and strategic progress we have made over the last 12 months has been made possible by the platform we have built and the pipeline we have laid down in recent years. Our positive momentum is a reflection of the continued investment we make in our infrastructure and the quality and capability of all our colleagues.

"There has been a positive start to trading in the new financial year, though we remain mindful of the uncertainty around the longer-term effects of the COVID-19 crisis and Brexit negotiations. Nonetheless, our outlook for the current year is unchanged and we have a solid platform from which to continue Cranswick's successful long-term development."

* Adjusted and like-for-like references throughout this statement refer to non-IFRS measures or Alternative Performance Measures ('APMs'). Definitions and reconciliations of the APMs to IFRS measures are provided in Note 10.
† For comparative purposes, like-for-like references exclude acquisitions in the current year.
‡ 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 liabilities and deferred tax. Like-for-like return on capital employed, excluding the impact of adoption of IFRS 16: 'Leases', in the current year was 16.9%.

Presentation
A conference call for analysts and institutional investors will take place at 9.30am 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 11,800 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

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

Summary

In November, alongside our half year results, we reported that the Company had delivered a robust performance in the competitive domestic market along with the further development of key export markets. This continued through the second half which also saw further expansion of the Group's livestock herd and the successful commissioning of the new poultry facility at Eye in Suffolk. However, this period will be remembered more for the COVID-19 pandemic and the worldwide disruptive and tragic consequences it has brought. We have very sadly lost three of our valued colleagues to this virus and to their families we extend our deepest sympathy.

COVID-19

The health and economic implications of the COVID-19 outbreak and its impact at individual, family, cultural, commercial and financial levels were unimaginable just a few months ago. From a business perspective the wellbeing of our colleagues has been paramount throughout. They have performed incredibly in keeping operations flowing at all sites whilst observing appropriate health and safety guidance. This is being acknowledged with a 'thank you' bonus for their unstinting and selfless endeavours. The sites in turn have been very supportive in their local communities towards the most vulnerable, care workers and NHS staff on whom we all rely.

From the outset of the pandemic, and in line with Government guidance, we implemented additional measures to protect both the physical and mental wellbeing of our people, including social distancing measures across all of our sites, recommended PPE (Personal Protective Equipment) for all employees in line with Public Health England and World Health Organisation guidelines, including the use of optional visors to provide reassurance to colleagues. We also implemented additional cleaning and hygiene measures to those stringent procedures already in place. We have provided counselling and occupational health services for all colleagues who may be concerned about their health, either whilst they are at work, or from home. Throughout the pandemic we have remained in constant dialogue with the relevant regulatory authorities and we will continue to adapt our protective measures as required.

We have worked in close partnership with our supermarket customers to enable the optimisation of production and in maximising output to meet the surges in demand from consumers.

The 'Food-to-Go' sector has been badly hit which has impacted production at a small number of sites. Any colleagues affected have relocated to our other local facilities, avoiding any need to make use of the Government's Coronavirus Job Retention Scheme.

With all livestock sourced from within the UK, including our own pig herds and poultry flocks, supply to the primary processing sites has operated relatively smoothly and enabled raw material flow into further processing to continue uninterrupted. The investment in expanding the Company's pig herds and increasing our self-sufficiency in this and recent years has proved invaluable.

Business planning and forecasting continues to be rigorously tested to ensure the adequacy of financing facilities from pre-existing arrangements. Our balance sheet and cash flow remain strong and therefore we have had no need for recourse to Government-backed assistance.

We will continue to do all we can to safeguard the health and safety of our colleagues whilst meeting the requirements of our customers and consumers.

Results

Total revenue for the year of £1.7 billion represented an increase of 16.0 per cent on the previous year. Excluding turnover from Katsouris Brothers, acquired during the first half of the year, and that from the more recent livestock acquisitions, Packington Pork and White Rose Farms, revenue on a like-for-like basis was 13.0 per cent higher.

Adjusted profit before tax was £102.3 million, an increase of 11.2 per cent and adjusted earnings per share of 156.4 pence were up by 8.4 per cent year-on-year.

A net £69.4 million was spent on the acquisitions of Katsouris Brothers, Packington Pork and White Rose Farms during the year.

In addition, a record level of investment was made in the Group's asset base. This year saw the commissioning of the new poultry facility at Eye in Suffolk as well as the expansion of the Group's cooked meats facility in Hull. Other projects were undertaken elsewhere in the business to improve efficiency, expand capacity and enhance the resources available for product development.

The Group's balance sheet remains in robust shape. Cranswick has significant unsecured banking facilities which were increased by £40 million, to a total of £200 million, during the year. At the year end, after a year of record investment and significant corporate activity, the Group's net debt stood at £146.9 million, including the first-time recognition of £65.9 million of IFRS 16 lease liabilities.

Dividend

The Board is proposing a final dividend of 43.7 pence per share, an increase of 9.3 per cent on the 40.0 pence paid previously. Together with the interim dividend of 16.7 pence per share this is a total dividend for the year of 60.4 pence per share and compares to 55.9 pence per share previously. This is the 30th consecutive year of dividend growth.

The final dividend, if approved by Shareholders, will be paid on 4 September 2020 to Shareholders on the register at the close of business on 24 July 2020. Shareholders will again have the option to receive the dividend by way of scrip issue.

Sustainability

The Company's 'Second Nature' sustainability strategy reflects the ambition to be the leading sustainable meat business and is focused on key areas including food waste, plastic usage, energy efficiency, water usage and carbon footprint. Our industry leading animal welfare standards are reflected in the award of the highest performance ranking of 'Tier One' in the global 'Business Benchmark on Farm Animal Welfare' for the fourth consecutive year, underlining Cranswick's position as a global leader in the sector.

Outlook

There has been a positive start to the current year.

Whilst the impact of COVID-19 will be ongoing for some time, we are confident we will continue to meet the challenges it presents.

Brexit negotiations are still to be finalised and trade deals with other countries concluded. Until we see the details it is difficult to assess how well the food industry will be positioned. That said we are hopeful that the COVID-19 experience underlines and reinforces the importance of having a resilient and successful domestic food sector and that this is at the forefront of negotiators thoughts during discussions.

Notwithstanding this, the business has a strong balance sheet, comfortable financial headroom and has made tremendous strategic and commercial progress over the past year. The successful commissioning of the major poultry investment at Eye and the broadening customer base provides a solid platform from which to continue Cranswick's successful long-term development.

Operating and Financial review

Operating review

Revenue and Adjusted operating profit

	2020	2019	Change (Reported)	Change (Like-for-like*)
Revenue	**£1,667.2m**	£1,437.1m	+16.0%	+13.0%
Adjusted Group Operating Profit*	**£105.1m**	£92.3m	+13.9%	
Adjusted Group Operating Margin*	**6.3%**	6.4%	-12bps	

*: See Note 10.

Impact of COVID-19
Given the timing of the virus outbreak in the UK, the Group's results to 28 March 2020 have not been significantly impacted by COVID-19.

Revenue
Reported revenue increased by 16.0 per cent to £1,667.2 million.

Like-for-like revenue of £1,623.8 million, excluding the contribution from acquisitions in the year, increased by 13.0 per cent, with corresponding volumes up by 3.4 per cent. A combination of new contract wins, strong export demand, an uplift in poultry revenue following the successful commissioning of the new Eye facility and pass through of higher pig prices contributed to robust revenue growth across all categories.

Total export revenue increased by 91.9 per cent year-on-year with Far East export revenue 122.0 per cent ahead. Total export revenue represented 11 per cent of total Group revenue, up from 7 per cent a year earlier.

Adjusted Group operating profit
Reported adjusted Group operating profit increased by 13.9 per cent to £105.1 million, with adjusted Group operating margin just 12 basis points lower at 6.3 per cent despite absorbing start-up costs during the commissioning phase of the new Eye poultry facility and modest COVID-19 related costs in quarter 4.

Category Review

Fresh Pork
Fresh Pork includes the three primary processing facilities and associated farming operations and represented 34 per cent of Group revenue.

Like-for-like Fresh Pork revenue increased by 22.3 per cent reflecting strong wholesale and export volumes. The average numbers of pigs processed each week during the year increased by 7.9 per cent to 60,000 and reached record levels in March due to ongoing export demand and increased retail demand during the early stages of the COVID-19 outbreak in the UK. Fresh Pork retail volumes across the year were ahead of the prior year.

African Swine Fever (ASF) had a material impact on the price of, and demand for, exports to the Far East in the year. By year end, the widespread outbreak in China had resulted in a reduction of nearly 50 per cent in the Chinese herd and an increase of almost 150 per cent in the country's pig price from January 2019. We were well positioned to capitalise on the increased demand from China with our in-depth local knowledge of the Chinese market and our operational expertise enabling us to increase the supply of a wide range of products including prime cuts and full carcasses into the region. This capability was further enhanced by the Norfolk facility being awarded approval to export trotters to China from October. All three pork primary processing facilities now have full export approval. We process approximately one third of all British pigs but accounted for in excess of 50 per cent of UK exports to the region during the year. Restocking of the Chinese herd has started but it is expected that it will take several years to return to pre ASF levels with the COVID-19 pandemic putting further pressure on this recovery.

ASF outbreaks continue in both the wild boar and commercial pig populations in Eastern Europe. Strict controls have been put in place in both Poland and Germany to try to limit the spread of the virus. We are acutely aware of the impact an outbreak of ASF would have on the UK pig industry including its ability to continue to export. The UK industry remains on high alert with intensive biosecurity protocols in place. We have introduced a raft of preventative measures to minimise our exposure to the disease. We will continue to reach out to our industry bodies and government agencies to ensure that the risk posed by ASF to the UK farming sector is fully understood and brought to the attention of the wider public.

During the year we invested heavily in our farming infrastructure, increasing our self-sufficiency in both British free range and outdoor pigs through the acquisition of Packington Pork in December and British Red Tractor assured pigs through the acquisition of the Buckle family's pig farming and rearing operations and the remaining 50 per cent of our White Rose Farms joint venture in February. Whilst neither acquisition will have a material impact on revenue given the majority of their sales are now Inter-Group, these acquisitions reinforce our commitment to build a sustainable and traceable farm-to-fork operation in line with our Second Nature strategy and they have increased our self-sufficiency in UK pigs to over 30 per cent.

We also invested £9 million across the three pork primary processing facilities during the year including investment in robotics, automation and the refrigeration system upgrade at our Hull facility. We also continued to invest in our farming infrastructure across both our Wayland and Wold farming operations.

The average UK pig price (EU-spec SPP) was 7 per cent higher year-on-year. By the end of March, the UK pig price had increased by 19 per cent compared to a year earlier, reaching a two-year high. The EU reference pig price increased by 33 per cent during the year, with the average price up 29 per cent year-on-year reflecting strong demand from China.

Convenience
Convenience, which comprises Cooked Meats and Continental Products, represented 36 per cent of Group revenue. Like-for-like Convenience revenue, excluding the impact of the Katsouris Brothers acquisition in July 2019, increased by 10.5 per cent reflecting strong growth in both Cooked Meats and Continental Products. Including the contribution from Katsouris Brothers, Convenience revenue was 18.8 per cent ahead of the prior year.

Cooked Meats revenue increased strongly, underpinned by contract wins with two of the Group's key retail customers. A £13.9 million extension to the Sutton Fields site was completed during the early part of the year to accommodate a new premium retail contract. The extension was built and commissioned incredibly quickly to take on the new business. This proved operationally challenging in the pre-Christmas period, but by year end these difficulties had been addressed with the site performing more in line with expectations. Further investment of £17.0 million across the three Cooked Meats facilities will enable us to continue to develop key retail partnerships and cement long-term supply agreements. These supply agreements now extend to over 90 per cent of the Cooked Meats business. Growth has also been strong in our 'Sous Vide' products within the growing 'Slow Cook' category, which delivered double-digit growth during the year.

The Continental Products business was augmented, in July 2019, by the acquisition of Katsouris Brothers, a leading processor and multi-channel supplier of Continental and Mediterranean food products. The acquisition broadened our offering in several fast-growing non-meat categories. Like-for-like Continental Products revenue improved year-on year, underpinned by growth in corned beef, olive and pre-pack ranges. Christmas trading was particularly strong following the launch of multi-component platters into the premium tiers of three of our key retail customers and into one of the discounters. These platters included a range of olives, antipasti, cheeses, biscuits, dips and charcuterie. Ongoing investment in the new Bury facility, alongside a reinforced management team helped drive labour and yield efficiencies as well as environmental benefits. Further investment in the automation of olive packing has increased throughput and created capacity to accommodate future volume growth. During the year the freehold site at Trafford Park, Manchester, which was vacated when the Continental business moved to its new location in Bury, was sold for £3.2 million, generating a profit on disposal of £0.4 million.

Katsouris Brothers has performed in line with expectations since acquisition. Strong growth has been achieved across several niche product ranges, and we have worked closely with the site's retail customers to adapt established products to evolving retail trends. This work was recognised by the business receiving the award of 'Brand Partner of the year 2019' from the site's anchor customer, a tremendous achievement for the business and indicative of the close and successful working relationship the two businesses have.

Gourmet Products

Gourmet Products, which comprise Sausage, Bacon and Pastry, represented 17 per cent of Group revenue. Gourmet Products revenue increased 6.5 per cent on the prior year with strong growth in pastry products complemented by more modest growth in bacon and sausage products.

Modest Sausage revenue growth was due in part to a very strong barbecue season in the prior year and the loss of a retail contract part way through the current financial year. This offset growth achieved through continued success in retail led new product development, growth in the food service channel and a strong Christmas trading period.

Positive volume and revenue growth in Bacon reflected new food service business coming on stream during the period and increased promotional activity with a key retail customer. Product mix also had a positive impact with strong sales of 'Ready to Cook' gammon products.

Strong growth in Pastry was driven by new contract wins and sales of the 'Best Ever' and 'En-Croute' ranges, which are supplied to the site's anchor retail customer, performing ahead of expectations. Food Service contract wins in the year included the successful launch of the pork and pancetta sausage roll with a leading coffee shop chain which became its best-selling product. Other highlights included growth of vegan ranges for both retail and food service channels including sausage rolls and a tarte tatin. Further investment in the Malton site during the year helped support product innovation and led to improved operational efficiency.

Poultry

Poultry, which includes Fresh and Cooked Poultry represented 13 per cent of Group revenue. Poultry revenue increased by 8.6 per cent in the year.

Commissioning of the new £78 million poultry primary processing facility in Eye, Suffolk, started in November and was completed prior to the year end. The completion of one of Europe's most advanced poultry primary processing facilities also marked the closure of the old Weybread facility, with the customer base being realigned prior to transfer of production to Eye. Following the rapid commissioning period in the third quarter and subsequent ramp-up phase in the fourth quarter, birds processed have now reached 1.1 million per week. The Eye facility is the most technologically advanced and efficient poultry processing plant in the UK. In addition to this, significant environmental benefits will be generated with the facility being industry leading in terms of water and power usage per bird. An integrated Combined Heat and Power plant and effluent plant, which allows up to 60 per cent of the daily water requirement for the site to be recycled, is on track to be fully commissioned shortly.

Further investment continues to be made in the upstream agricultural operations, including the commissioning of a second feed mill in Hoxne, Suffolk and the successful trial of 'in shed' hatching to ensure increased primary processing volumes can be met from our fully vertically integrated supply chain. In establishing a supply chain of 1.1 million birds per week prior to the new Eye facility fully coming on stream, we needed to sell some of these birds out into the open market and so were exposed to subdued bird pricing. Also, above average summer temperatures adversely affected bird growing performance albeit the impact of this was not as severe as in the previous financial year. The supply chain has now rebalanced to reflect the ongoing uplift in demand from the Eye facility.

Sales of premium Cooked Poultry grew modestly during the year with a new retail contract win and continued growth across the business' other retail customers as well as a strong Christmas period offsetting soft manufacturing and food service demand.

Finance review

Revenue
Reported revenue at £1,667.2 million (2019: £1,437.1 million) increased by 16.0 per cent compared to the previous year, with growth across all categories. On a like-for-like basis, excluding the contribution from acquisitions, revenues were 13.0 per cent higher.

Adjusted gross profit and adjusted EBITDA
Adjusted gross profit of £221.3 million (2019: £186.5 million) increased by 18.7 per cent with adjusted gross profit margin increasing to 13.3 per cent (2019: 13.0 per cent). Adjusted EBITDA increased by 28.1 per cent to £155.3 million (2019: £121.2 million) and adjusted EBITDA margin increased to 9.3 per cent (2019: 8.4 per cent).

Adjusted Group operating profit
Adjusted Group operating profit of £105.1 million (2019: £92.3 million) increased by 13.9 per cent and adjusted Group operating margin was 6.3 per cent of sales compared to 6.4 per cent last year. The first-time application of IFRS16 'Leases' increased adjusted Group operating profit by £1.2 million in the current year. See Note 2.

Share of loss of joint venture
Share of loss of joint venture of £0.1 million (2019: £0.1 million) represents the start-up losses of White Rose Farms. The remaining 50 per cent share of the business was acquired during the year as part of the Group's longer-term strategy to secure commercial pig supply.

Finance costs and additional funding
Net financing costs of £2.8 million included £1.6 million of IFRS 16 lease interest, recognised within finance costs for the first time in the year. Underlying net finance costs were £1.0 million higher than the prior year, with higher average borrowings used to fund record capital expenditure and the acquisition of Katsouris Brothers, Packington Pork and White Rose Farms.

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 arranged an additional £40 million of short-term, unsecured funding, split evenly across two of its incumbent banking partners, which runs to December 2020. This increases the Group's overall facilities to £200 million, providing the business with over £100 million of headroom at 28 March 2020. The adequacy of this facility has been considered as part of robust scenario testing performed over the 3 year viability period for the Group (see Note 1).

Adjusted profit before tax
Adjusted profit before tax was 11.2 per cent higher at £102.3 million (2019: £92.0 million).

Taxation
The tax charge of £21.3 million (2019: £16.9 million) was 20.5 per cent of profit before tax (2019: 19.5 per cent). The standard rate of UK corporation tax was 19.0 per cent (2019: 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, and, in the current year, due to a change in the rate of deferred tax from 17 per cent to 19 per cent.

Adjusted earnings per share
Adjusted earnings per share increased by 8.4 per cent to 156.4 pence (2019: 144.3 pence). The average number of shares in issue was 51,966,000 (2019: 51,385,000).

Statutory profit measures
Statutory profit before tax was £104.0 million (2019: £86.5 million), with statutory Group operating profit at £106.8 million (2019: £86.8 million) and statutory earnings per share of 159.1 pence (2019: 135.5 pence). Statutory gross profit was £226.7 million (2019: £183.7 million). Full reconciliations of these results to the adjusted measures can be found in Note 10.

Acquisition of Katsouris Brothers

On 26 July 2019, we acquired the whole of the issued share capital of Katsouris Brothers Limited, a leading Continental and Mediterranean food products supplier, which further broadened our non-meat activities. The initial cash consideration was £41.3 million net of cash acquired with a further fixed payment of £0.7 million paid in October 2019. Contingent consideration of up to £7.0 million is due during the new financial year. Further details of the transaction are set out in Note 9.

Acquisitions of farming operations

On 16 December 2019, the Group acquired the whole of the issued share capital of Packington Pork Limited, which comprises pig farming and rearing operations and specialises in the production of British free range and outdoor bred pigs. On 10 February 2020, the Group acquired the Buckle family's pig farming and rearing operations as well as the family's 50 per cent share of the White Rose Farms Limited pig production joint venture set up by Cranswick and the Buckle family in 2018. The enlarged White Rose Farms pig enterprise specialises in the production of Red Tractor assured pigs. The initial cash consideration for both farming operations combined was £27.4 million net of cash acquired, with deferred consideration of £3.9 million paid in April. Further details of the transactions are set out in Note 9.

Cash flow and net debt

The net cash inflow from operating activities in the year was £117.0 million (2019: £87.7 million) reflecting the increase in Group operating profit and a lower working capital outflow of £13.2 million (2019: £17.8 million). Net debt at the end of the year was £146.9 million (2019: net funds of £6.3 million) with the inflow from operating activities offset by £65.9 million of IFRS 16 lease liabilities recognised for the first time (Note 2), a net £69.4 million cash outflow on acquisitions (Note 9), £97.1 million invested in our asset base, net of disposal proceeds and £22.6 million of dividends paid to the Group's Shareholders.

IFRS 16: 'Leases'

The Group has adopted IFRS 16 'Leases' during the year, recognising an initial £40.2 million of right-of-use assets and lease liabilities on the transition date of 31 March 2019. Lease liabilities were £65.9 million at the end of the year. Right-of-use assets include £8.5 million recognised as a result of acquisitions and £25.0 million of leases taken out in the year. The income statement impact was modest with a £1.2 million increase in adjustment Group Operating profit being offset by £1.6 million of additional interest costs driving an overall £0.4 million reduction in adjusted profit before tax. Further details of the impact of IFRS 16 are given in Note 2.

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 28 March 2020 was £7.2 million, compared to a deficit of £6.5 million at 30 March 2019, 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 £33.4 million, and the fair value of plan assets was £40.6 million.

COVID-19

Towards the year end the Group incurred certain costs relating to the COVID-19 pandemic. These costs primarily consist 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.

UK Referendum on EU Membership

The continued uncertainty over the outcome of trade and other negotiations in respect of the UK's exit from the EU drives volatility in currency markets and uncertainty within the European labour market. The Group therefore continues to monitor and manage its business risks in these areas with the key issues facing the Group being; access to and cost of labour; import tariffs on EU pork and continental food products; and the valuation of Sterling versus the Euro and other world currencies.

The Group's Brexit taskforce, made up of key internal stakeholders and supported by external advisers, continues to meet regularly to review Brexit related risks and develop and deliver mitigating plans.

As political negotiations continue, the Board will monitor outcomes, seek to assess the possible impact on its stakeholders and implement appropriate responses.

Group income statement

For the 52 weeks ended 28 March 2020

	Notes	**2020 £'m**	2019 £'m
Revenue		**1,667.2**	1,437.1
Adjusted Group operating profit		**105.1**	92.3
Net IAS 41 valuation movement on biological assets		**5.4**	(2.8)
Amortisation of intangible assets		**(3.7)**	(2.7)
Group operating profit	*4*	**106.8**	86.8
Share of loss of joint venture		**(0.1)**	(0.1)
Profit on disposal of joint venture		**0.1**	-
Finance costs		**(2.8)**	(0.2)
Profit before tax		**104.0**	86.5
Taxation		**(21.3)**	(16.9)
Profit for the year		**82.7**	69.6
Earnings per share (pence)			
On profit for the year:			
Basic	*5*	**159.1p**	135.5p
Diluted	*5*	**158.6p**	134.9p

Group statement of comprehensive income

For the 52 weeks ended 28 March 2020

	2020	2019
	£'m	£'m
Profit for the year	**82.7**	69.6
Other comprehensive income/(expense)		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges		
Gains arising in the year	**0.4**	-
Reclassification adjustments for losses/(gains) included in the income statement	**0.2**	(0.5)
Income tax effect	**(0.1)**	0.1
Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods	**0.5**	(0.4)
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains on defined benefit pension scheme	**11.9**	0.3
Income tax effect	**(2.2)**	0.4
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**9.7**	0.7
Other comprehensive income, net of tax	**10.2**	0.3
Total comprehensive income, net of tax	**92.9**	69.9

Group balance sheet

At 28 March 2020

	Notes	2020 £'m	2019 £'m
Non-current assets			
Intangible assets		**207.3**	153.5
Defined benefit pension scheme surplus		**7.2**	-
Property, plant and equipment		**357.7**	291.2
Right-of-use assets		**64.8**	-
Biological assets		**3.8**	0.7
Total non-current assets		**640.8**	445.4
Current assets			
Biological assets		**41.9**	20.6
Inventories		**75.5**	67.4
Trade and other receivables		**213.6**	161.7
Income tax receivable		**0.7**	-
Financial assets		**1.5**	2.3
Cash and short-term deposits	*7*	**21.5**	20.5
Total current assets		**354.7**	272.5
Total assets		**995.5**	717.9
Current liabilities			
Trade and other payables		**(191.4)**	(150.2)
Financial liabilities		**(12.0)**	(0.6)
Lease Liabilities		**(10.3)**	-
Provisions		**(0.1)**	(0.2)
Income tax payable		**-**	(7.7)
Total current liabilities		**(213.8)**	(158.7)
Non-current liabilities			
Other payables		**(0.8)**	(0.7)
Financial liabilities	*7*	**(102.5)**	(14.2)
Lease liabilities		**(55.6)**	-
Deferred tax liabilities		**(7.2)**	(0.8)
Provisions		**(1.1)**	(2.0)
Share of joint venture		**-**	(0.1)
Defined benefit pension scheme deficit		**-**	(6.5)
Total non-current liabilities		**(167.2)**	(24.3)
Total liabilities		**(381.0)**	(183.0)
Net assets		**614.5**	534.9
Equity			
Called-up share capital		**5.2**	5.2
Share premium account		**98.5**	89.1
Share-based payments		**31.6**	25.8
Hedging reserve		**0.1**	(0.4)
Retained earnings		**479.1**	415.2
Equity attributable to owners of the parent		**614.5**	534.9

Group statement of cash flows

For the 52 weeks ended 28 March 2020

	Notes	**2020** **£'m**	2019 £'m
Operating activities			
Profit for the year		**82.7**	69.6
Adjustments to reconcile Group profit for the year to net cash inflows from operating activities:			
Share of loss of joint venture		**0.1**	0.1
Income tax expense		**21.3**	16.9
Net finance costs		**2.8**	0.2
Gain on disposal of joint venture		**(0.1)**	-
Gain on sale of property, plant and equipment		**(1.1)**	(0.2)
Depreciation of property, plant and equipment		**42.0**	28.9
Depreciation of right-of-use assets		**8.2**	-
Amortisation of intangible assets		**3.7**	2.7
Share-based payments		**5.8**	4.8
Difference between pension contributions paid and amounts recognised in the income statement		**(1.8)**	(1.3)
Release of government grants		**(0.3)**	(0.2)
Net IAS 41 valuation movement on biological assets		**(5.4)**	2.8
Increase in biological assets		**(3.9)**	(6.3)
Increase in inventories		**(2.6)**	(8.2)
Increase in trade and other receivables		**(39.5)**	(1.1)
Increase/(decrease) in trade and other payables		**32.8**	(2.2)
Cash generated from operations		**144.7**	106.5
Tax paid		**(27.7)**	(18.8)
Net cash from operating activities		**117.0**	87.7
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	*9*	**(69.4)**	(0.8)
Loan to joint venture		**2.2**	(2.2)
Purchase of property, plant and equipment		**(101.2)**	(79.2)
Proceeds from sale of property, plant and equipment		**4.1**	0.8
Receipt of government grants		**-**	0.4
Net cash used in investing activities		**(164.3)**	(81.0)
Cash flows from financing activities			
Interest paid		**(1.2)**	(0.4)
Proceeds from issue of share capital		**2.6**	1.8
Issue costs of long-term borrowings		**(0.1)**	(0.1)
Proceeds from borrowings		**88.0**	14.0
Repayment of borrowings		**(9.0)**	-
Dividends paid		**(22.6)**	(22.1)
Payment of lease capital		**(7.8)**	-
Payment of lease interest		**(1.6)**	-
Net cash received from/(used in) financing activities		**48.3**	(6.8)
Net increase/(decrease) in cash and cash equivalents	*7*	**1.0**	(0.1)
Cash and cash equivalents at beginning of year	*7*	**20.5**	20.6
Cash and cash equivalents at end of year	*7*	**21.5**	20.5

Group statement of changes in equity

For the 52 weeks ended 28 March 2020

	Share capital £'m	Share premium £'m	Share-based payments £'m	Hedging reserve £'m	Retained earnings £'m	Total equity £'m
At 31 March 2018	5.1	81.5	21.0	-	372.3	479.9
Profit for the year	-	-	-	-	69.6	69.6
Other comprehensive income	-	-	-	(0.4)	0.7	0.3
Total comprehensive income	-	-	-	(0.4)	70.3	69.9
Share-based payments	-	-	4.8	-	-	4.8
Scrip dividend	-	5.9	-	-	-	5.9
Share options exercised	0.1	1.7	-	-	-	1.8
Dividends	-	-	-	-	(28.0)	(28.0)
Deferred tax related to changes in equity	-	-	-	-	(0.7)	(0.7)
Current tax related to changes in equity	-	-	-	-	1.3	1.3
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**

Notes to the accounts

1. Basis of preparation

The results comprise those of Cranswick plc and its subsidiaries for the 52 weeks ended 28 March 2020. This preliminary announcement has been prepared on the basis of accounting policies as set out in the statutory accounts for the 52 weeks ended 30 March 2019 (except as detailed in note 2) and International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board as adopted by the European Union ("IFRS") and 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 28 March 2020. Comparatives are for the 52 week period ended 30 March 2019. The Statement of Financial Position for 2020 and 2019 have been prepared as at 28 March 2020 and 30 March 2019 respectively.

Statutory accounts for the 52 weeks ended 28 March 2020 and 30 March 2019 have been reported on by the auditors who issued an unqualified opinion in respect of both years and the auditors' reports for 2020 and 2019 did not contain statements under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the 52 weeks ended 30 March 2019 have been filed with the Registrar of Companies. The statutory accounts for the 52 weeks ended 28 March 2020, which were approved by the Board on 23 June 2020, 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 a prolonged outbreak of COVID-19. The Board have determined that a three-year period to March 2023 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 as well as considering both the current and potential future impact of COVID-19 on the business.

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 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 2023.

Principal risks and uncertainties

There are a number of risks and uncertainties which could impact the business in the future. The Board considers, with the exception of the additional risks detailed below, these risks and uncertainties to be the same as those described in the Report & Accounts for the 52 weeks ended 30 March 2019, dated 21 May 2019, a copy of which is available on the Group's website at www.cranswick.plc.uk. The principal risks and uncertainties are:

Strategic risks
- Competitor activity
- Growth and change

Commercial risks
- Consumer demand
- Pig meat – availability and price
- Reliance on key customers and exports

Financial risks
- Interest rate, currency, liquidity and credit risk

People risks
- Recruitment and retention of key personnel
- Labour availability and cost

Operational risks
- IT systems and cyber security
- Food scares and product contamination
- Disease and infection within livestock
- Disruption to Group operations
- Health and safety

Additional risks

Brexit disruption

Description of risk	Mitigation and net risk rating	Risk trend
Failure to prepare for the UK's departure from the EU and future trading relationships could result in disruption to Group operations and potentially affect financial performance and impact on our ability to supply our customers.	The Group has a longstanding Brexit Taskforce in place which ensures Brexit risks and issues are effectively identified and addressed. Working with a leading third-party specialist, a detailed analysis of the potential implications and costs of leaving the EU without Free Trade Agreements together with appropriate mitigating actions is being finalised.	This is a new risk. Elements of Brexit were previously embedded within other principal risks.

Climate change

Description of risk	Mitigation and net risk rating	Risk trend
The Group operates within the context of having to evaluate the effects that climate change/ sustainability issues from its operations and regulatory requirements will have on both its financial performance and operational activities to include; supply chain, operations both farming and manufacturing, communities and customers.	The Group has enhanced its Second Nature programme with a focus on improving production efficiency, reducing carbon footprint, reducing weight of packaging, investing in the development of alternative proteins to respond to growing demands for plant-based diets and identifying alternative options to decrease reliance on imported soya for feed.	This is a new risk. Elements of climate change/sustainability were previously embedded within other principal risks.

Although not highlighted separately, COVID-19 impacts upon many of the Group's principal risks and there are several key areas where the Group has put in place immediate actions to mitigate emerging risks to the business. Going forward, given the unprecedented challenges caused by COVID-19 and the fact that it is not currently known when the outbreak will recede, there is the potential for further movement within existing reported risks, together with the opportunity for emerging risks to arise, which will be closely monitored by the Group Risk Committee and Board.

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 30 March 2019, except for the new standards and interpretations explained below.

New standards and interpretations applied

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

International Accounting Standards (IAS/IFRSs)		Effective date
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9	Prepayment Features with Negative Compensation (amendment)	1 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (amendment)	1 January 2019
Annual improvements to IFRSs 2015-17 cycle		1 January 2019
IAS 19	Plan Amendment, Curtailment or settlement (amendment)	1 January 2019

The application of these standards has not had a material effect on the net assets, results and disclosures of the Group, with the exception of IFRS 16 which is considered below.

IFRS 16 – Leases

The Group has adopted IFRS 16 retrospectively from 31 March 2019 but has not restated comparatives for the 52 weeks to 30 March 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 31 March 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments discounted using the Group's weighted average incremental borrowing rate as of 31 March 2019 of 3.0 per cent.

Balance sheet impact

	£'m
Operating lease commitments disclosed as at 30 March 2019	45.8
Discounted using the Group's weighted average incremental borrowing rate at the date of initial application	40.5
Less short-term and low value leases recognised on a straight-line basis as an expense	(0.3)
Lease liability recognised as at 31 March 2019	**40.2**

	28 March 2020 **£'m**	31 March 2019 £'m
Total lease liability	**65.9**	40.2
Of which:		
Current lease liability	**10.3**	7.7
Non-current lease liability	**55.6**	32.5

The recognised right-of-use assets relate to the following asset classes:

	28 March 2020 **£'m**	31 March 2019 £'m
Properties	**60.4**	36.1
Plant, equipment and vehicles	**4.4**	4.1
Total right-of-use assets	**64.8**	40.2

Income statement impact

52 weeks ended 28 March 2020

	£'m
Reduction in lease rental charges	9.4
Increase in right-of-use asset depreciation	(8.2)
Impact on Group operating profit/Adjusted Group operating profit	1.2
Increase in lease related interest cost	(1.6)
Overall impact on Group profit before tax/Adjusted profit before tax	(0.4)

Impact on earnings per share
Earnings per share decreased by 0.7 pence per share for the 52 weeks ended 28 March 2020 as a result of the adoption of IFRS 16.

Practical expedients applied
In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 31 March 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

International Accounting Standards (IAS/IFRSs)		Effective date
IFRS 3	Business Combinations (amendment)	1 January 2020
IAS 1 & IAS 8	Definition of Material (amendment)	1 January 2020
IFRS 9	Financial Instruments (amendment)	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
IFRS 3	Reference to the Conceptual Framework in IFRS Standards	1 January 2022

None of these are expected to have a significant effect on the Financial Statements of the Group.

3. Business and geographical segments

IFRS 8 requires operating segments to be identified on the basis of the internal financial information reported to the Chief Operating Decision Maker (CODM). The Group's CODM is deemed to be the Executive Directors on the Board, who are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The CODM assesses profit performance principally through adjusted profit measures consistent with those disclosed in the Annual Report and Accounts.

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:

	2020 £'m	2019 £'m
Cost of sales excluding net IAS 41 valuation movement on biological assets	**1,445.9**	1,250.6
Net IAS 41 valuation movement on biological assets*	**(5.4)**	2.8
Cost of sales	**1,440.5**	1,253.4
Gross profit	***226.7***	*183.7*
Selling and distribution costs	**65.8**	55.4
Administrative expenses excluding amortisation of intangible assets	**50.4**	38.8
Amortisation of intangible assets	**3.7**	2.7
Administrative expenses	**54.1**	41.5
Total operating costs	**1,560.4**	1,350.3

* 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 £82.7 million (2019: £69.6 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:

	2020 Thousands	2019 Thousands
Basic weighted average number of shares	**51,966**	51,385
Dilutive potential ordinary shares – share options	**162**	222
	52,128	51,607

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

6. Dividends

Subject to Shareholders' approval the final dividend will be paid on 4 September 2020 to Shareholders on the register at the close of business on 24 July 2020.

7. Analysis of changes in net (debt)/funds

Group	At 30 March 2019 £'m	Cash flow £'m	Other non-cash changes £'m	**At 28 March 2020 £'m**
Cash and cash equivalents	20.5	1.0	-	**21.5**
Revolving credit	(14.2)	(87.9)	(0.4)	**(102.5)**
Lease liabilities	-	9.4	(75.3)	**(65.9)**
Net funds/(debts)	6.3	(77.5)	(75.7)	**(146.9)**

Net (debt)/funds are defined as cash and cash equivalents less interest-bearing liabilities net of unamortised issue costs.

8. Related party transactions

During the year the Group and Company entered into transactions, in the ordinary course of business, with related parties, including transactions between the Company and its subsidiary undertakings. In the Group accounts transactions between the Company and its subsidiaries are eliminated on consolidation.

9. Acquisitions

During the year, the following acquisitions were completed:

i) On 10 February 2020, the Group acquired 100 per cent of the issued share capital of the Buckle family's pig farming and rearing operations as well as the family's 50 per cent share of the White Rose Farms Limited pig production joint venture set up by Cranswick and the Buckle family in 2018. The enlarged pig enterprise, to be known as White Rose Farms, specialises in the production of Red Tractor assured pigs in Yorkshire. On 16 December 2019, the Group acquired 100 per cent of the issued share capital of Packington Pork Limited. Packington Pork Limited comprises pig farming and rearing operations and specialises in the production of British free range and outdoor bred pigs. The business operates predominantly from a range of sites across Staffordshire, Nottinghamshire and Lincolnshire. The two farming businesses were acquired for a combined initial net cash consideration of £27.4 million.

ii) On 26 July 2019, the Group acquired 100 per cent of the issued share capital of Katsouris Brothers Limited for initial net cash consideration of £41.3 million. Katsouris Brothers Limited is a leading processor and multi-channel supplier of Continental and Mediterranean non-meat food products.

Packington Pork Limited and White Rose Farms Limited

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

	Provisional fair value £'m
Net assets acquired:	
Goodwill	3.9
Right-of-use assets	3.6
Property, plant and equipment	7.7
Biological assets	15.1
Inventories	0.9
Trade and other receivables	1.8
Bank and cash balances	(0.2)
Trade and other payables	(4.0)
Corporation tax liability	0.2
Deferred tax liability	(0.6)
Other borrowings	(7.0)
Bank loan	(1.3)
Lease liabilities	(3.6)
	16.5
Goodwill arising on acquisition	14.6
Total consideration	31.1
Satisfied by:	
Initial cash consideration	27.2
Deferred consideration	3.9
	31.1
Net cash outflow arising on acquisition:	
Cash consideration paid	27.2
Cash and cash equivalents acquired	0.2
	27.4

The fair values on acquisition are provisional due to the timing of the transaction and will be finalised within twelve months of the acquisition date.

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

Included in the £14.6 million of goodwill recognised above are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce.

Transaction costs in relation to the acquisition of £0.3 million have been expensed within administrative expenses.

From the date of acquisition to 28 March 2020, the combined external revenues of Packington Pork Limited and White Rose Farms Limited were £1.0 million and the businesses contributed net profit after tax of £1.4 million to the Group.

Katsouris Brothers Limited

Fair values of the net assets at the date of acquisition were as follows:

	Provisional fair value £'m
Net assets acquired:	
Customer relationships	13.1
Trademark	2.5
Right-of-use assets	4.9
Property, plant and equipment	6.3
Inventories	4.6
Trade and other receivables	10.5
Bank and cash balances	13.2
Trade and other payables	(7.4)
Corporation tax liability	(0.4)
Deferred tax liability	(3.1)
Bank loan	(0.7)
Lease liabilities	(4.9)
	38.6
Goodwill arising on acquisition	23.4
Total consideration	62.0
Satisfied by:	
Initial cash consideration	54.5
Deferred consideration	0.7
Deferred contingent consideration	6.8
	62.0
Net cash outflow arising on acquisition:	
Cash consideration paid	55.2
Cash and cash equivalents acquired	(13.2)
	42.0

The fair values on acquisition are provisional due to the timing of the transaction and will be finalised within twelve months of the acquisition date.

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

Included in the £23.4 million of goodwill recognised above are certain intangible assets that cannot be individually separated from the acquiree and reliably measured due to their nature. These items include the expected value of synergies and an assembled workforce.

Transaction costs in relation to the acquisition of £0.3 million have been expensed within administrative expenses.

From the date of acquisition to 28 March 2020, the external revenues of Katsouris Brothers were £42.4 million, and the business contributed net profit after tax of £2.9 million to the Group.

Contingent Consideration
The agreement includes contingent consideration payable in cash to the previous owners of Katsouris Brothers Limited based on the performance of the business in the 12 month period ending 30 September 2020. The amount payable will be between £nil and £7 million. The fair value of the contingent consideration on acquisition was estimated at £6.8 million.

Contingent consideration – Yorkshire Baker
During the prior year £0.8 million of contingent consideration was paid in relation to previous acquisitions. This amount was provided in full at 31 March 2018.

10. Alternative performance measures

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

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

Like-for-like revenue

	2020 £'m	2019 £'m	Change
Revenue	**1,667.2**	1,437.1	+16.0%
Katsouris	**(42.4)**	-	
Packington Pork and White Rose Farms	**(1.0)**	-	
Like-for-like revenue	**1,623.8**	1,437.1	+13.0%

Adjusted gross profit

	2020 £'m	2019 £'m	Change
Gross profit	**226.7**	183.7	+23.4%
Net IAS 41 valuation movement	**(5.4)**	2.8	
Adjusted gross profit	**221.3**	186.5	+18.7%

Adjusted operating profit and adjusted EBITDA

	2020 £'m	2019 £'m	Change
Group operating profit	**106.8**	86.8	+23.0%
Net IAS 41 valuation movement	**(5.4)**	2.8	
Amortisation of intangible assets	**3.7**	2.7	
Adjusted Group operating profit	**105.1**	92.3	+13.9%
Depreciation of property, plant and equipment	**42.0**	28.9	
Depreciation of right-of-use assets	**8.2**	-	
Adjusted EBITDA	**155.3**	121.2	+28.1%

Adjusted profit before tax

	2020 £'m	2019 £'m	Change
Profit before tax	**104.0**	86.5	+20.2%
Net IAS 41 valuation movement	**(5.4)**	2.8	
Amortisation of intangible assets	**3.7**	2.7	
Adjusted profit before tax	**102.3**	92.0	+11.2%

Adjusted earnings per share

	2020 £'m	2020 Basic pence	2020 Diluted pence	2019 £'m	2019 Basic pence	2019 Diluted pence
On profit for the year	**82.7**	**159.1**	**158.6**	69.6	135.5	134.9
Amortisation of intangible assets	**3.7**	**7.2**	**7.2**	2.7	5.4	5.4
Tax on amortisation of intangible assets	**(0.7)**	**(1.4)**	**(1.4)**	(0.5)	(1.0)	(1.0)
Net IAS 41 valuation movement	**(5.4)**	**(10.5)**	**(10.5)**	2.8	5.4	5.4
Tax on net IAS 41 valuation movement	**1.0**	**2.0**	**2.0**	(0.5)	(1.0)	(1.0)
On adjusted profit for the year	**81.3**	**156.4**	**155.9**	74.1	144.3	143.7

Free cash flow

	2020 £'m	2019 £'m	Change
Net cash from operating activities	**117.0**	87.7	+33.4%
Net interest paid	**(1.2)**	(0.4)	
Free cash flow	**115.8**	87.3	+32.6%

11. Report and accounts

The Report and Accounts will be available on the Company's website at www.cranswick.plc.uk on 16 July 2020. Further copies will be available upon request from the Company Secretary, Cranswick plc, Crane Court, Hesslewood Country Office Park, Ferriby Road, Hessle, HU13 0PA.