



A LEADING CONVENIENCE FOOD MANUFACTURER

Annual Report and Financial Statements 2018

**GREENCORE IS A LEADING
MANUFACTURER OF CONVENIENCE
FOOD IN THE UK.**

**WE SERVE OUR CUSTOMERS ACROSS
A BROAD RANGE OF CATEGORIES
INCLUDING: SANDWICHES, SUSHI,
SALADS, CHILLED READY MEALS, CHILLED
SOUPS AND SAUCES, CHILLED QUICHE,
AMBIENT SAUCES AND PICKLES AND
FROZEN YORKSHIRE PUDDINGS.**

**WE SUPPLY GROCERY AND OTHER
RETAILERS, INCLUDING ALL OF THE
MAJOR UK SUPERMARKETS.**

Employees across the UK and Ireland

c.11,300

UK manufacturing facilities

15

Revenue (continuing operations)

£1,498.5m

Adjusted Operating Profit (continuing
operations)

£104.6m



OUR INVESTMENT CASE

OUR VISION IS TO BE A FAST-GROWING LEADER IN UK CONVENIENCE FOOD

The reasons to invest in Greencore are:

WE OPERATE IN A DYNAMIC CONSUMER MARKET IN THE UK

- We participate in a vibrant and prosperous market of approximately 67 million consumers.
- We are a food manufacturer of scale in the UK with revenue of £1.5 billion and a well-invested network of 15 facilities.
- We are relevant to key players across multiple channels in the retail market.

 *Read more:*
What We Do – page 4

WE ARE A LEADER IN STRUCTURALLY ADVANTAGED FOOD CATEGORIES

- We lead in attractive and structurally growing categories and formats in convenience food.
- This growth is driven by positive customer and channel dynamics.
- These are underpinned by convenience and health trends.

 *Read more:*
Market Review – page 12

WE HAVE ENDURING AND VALUED CUSTOMER RELATIONSHIPS

- Our relentless focus on customer centricity makes us a trusted partner in the industry.
- We develop multiple personal relationships across functions and levels, underpinned by long-term customer agreements.
- We are strategic partners for our customers, supporting them throughout the supply chain.

 *Read more:*
Our Strategy – page 14

WE STRIVE FOR EXCELLENCE IN WHAT WE DO – THE GREENCORE WAY

- We have a highly regarded core expertise in value-added, assembly led manufacturing of convenience food; this expertise is extending across all areas of the supply chain.
- We are committed to invest in people, infrastructure and capability to support this expertise; underpinned by a strong management team.
- We have a constant focus on continuous improvement – the need to adapt and innovate flows through The Greencore Way and is reflected in our culture.

 *Read more:*
Our Strategy – page 14

WE HAVE A STRONG FINANCIAL AND ECONOMIC MODEL THAT ALLOWS US TO EXECUTE ON VALUE CREATING INITIATIVES

- Structural growth, strong operational execution and our ability to adapt drives revenue and profit growth.
- We generate cashflow through careful control of working capital and capital expenditure.
- We have a strong track record of executing multiple strategic initiatives to drive organic and inorganic investment in the UK, delivering overall attractive returns.

 *Read more:*
Our Strategy – page 14



Premium prawn sandwich



The Greencore Way defines who we are and how we succeed. It is a simple model that brings together the key elements of what we are about at Greencore. It is based on four core principles that are central to how we deliver our vision.

OUR PRINCIPLES

PEOPLE AT THE CORE

We differentiate as a company through our people; people are key to the delivery of our consistent, high standard capabilities.

[Read more: Our Stakeholder Report – page 36](#)

GREAT FOOD

We stand out when it comes to our food by providing great, safe, tasty and nutritious food.

[Read more: What We Do – page 4](#)

BUSINESS EFFECTIVENESS

We create our competitive edge in the market by being continuously effective at executing our business plans.

[Read more: Delivering on our Strategy – page 20](#)

COST EFFICIENCY

We always seek to deliver real value. It's not just about cost, it's about cost efficiency.

[Read more: Delivering on our Strategy – page 20](#)

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Certain statements made in this Annual Report are forward-looking. These represent expectations for the Group's business, and involve known and unknown risks and uncertainties, many of which are beyond the Group's control. The Group has based these forward-looking statements on current expectations and projections about future events. These forward-looking statements may generally, but not always, be identified by the use of words such as 'will', 'aims' 'anticipates', 'continue', 'could', 'should', 'expects', 'is expected to', 'may', 'estimates', 'believes', 'intends', 'projects', 'targets', or the negative thereof, or similar expressions.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future and reflect the Group's current expectations and assumptions as to such future events and circumstances that may not prove accurate. A number of material factors could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements. You should not place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this Annual Report. The Group expressly disclaims any obligation to publicly update or review these forward-looking statements other than as required by law.

HIGHLIGHTS¹**OUR YEAR AT A GLANCE****CONTINUING OPERATIONS**

Revenue	Pro Forma Revenue Growth
£1,498.5m	+8.7%
+4.2%	
Adjusted Operating Profit	Group Operating Profit
£104.6m	£49.8m
+1.7%	(FY17: £45.5m)

GROUP OPERATIONS

Adjusted Earnings Per Share (Adjusted 'EPS')	Free Cash Flow	FY18 ROIC (continuing operations)
15.1p	£92.4m	15.6%
-1.9%	+£14.4m	(FY17: 16.0%)

1 The Group uses Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole. These APMs along with their definitions and reconciliations to IFRS measures are provided in the APMs section on pages 158 to 162.

Breakfast rolls

POST YEAR END DISPOSAL OF US BUSINESS

In November 2018 we completed the disposal of our entire US business to Hearthside Food Solutions LLC ('Hearthside') for \$1,075m.

In late August 2018, the Group received an unsolicited approach from Hearthside, a US food contract manufacturer, with an indicative offer to acquire our entire US business. The offer was highly compelling and the Board unanimously concluded that accepting the offer was in the best interest of shareholders.

The transaction was approved in November by shareholders at an Extraordinary General Meeting and was successfully completed on 25 November 2018.

We would like to take this opportunity to thank all the US team for their hard work and dedication to the business over the last decade and we wish the team every success in continuing to drive the business forward under Hearthside's ownership.

The disposal of the US business is discussed in the Chairman's Statement on pages 8 and 9, the Chief Executive's Review on pages 10 and 11, and the Operating and Financial Review on pages 24 to 29. The US business is presented as a discontinued operation in the Financial Statements, with details of the FY18 US performance provided in Note 9 on pages 118 to 120.



Turkey sub

WHAT WE DO

WE DEVELOP, MANUFACTURE AND DISTRIBUTE A WIDE RANGE OF CHILLED, AMBIENT AND FROZEN CONVENIENCE FOOD IN THE UK

WE SOURCE...

Greencore's central purchasing team in the UK sources from 3,600 different suppliers and has strategic partnerships with its largest suppliers.



Nearly two-thirds of Greencore's total purchasing spend is on ingredients, with the remainder being spent on packaging and other items.

WE INNOVATE...

Greencore's highly skilled team of development chefs and product developers are constantly creating new and interesting food ranges, based on key consumer needs and customer requirements.

Different products produced, UK FY18

2,300

New to market products, UK FY18

35%

WE MANUFACTURE...

Greencore operates 15 highly efficient manufacturing facilities across the UK, many of which have multiple manufacturing units – each specialising within specific product categories.



Greencore Manufacturing Excellence is a common approach to efficient manufacturing across Greencore's facilities. Launched in FY18 this programme will continue to be deployed across our manufacturing facilities.

WE SERVE...

On time delivery and product availability is important to Greencore's customers and consumers. Greencore's planning and supply chain teams ensure that the right products are at the right location at the right time.

Greencore's category management team works closely with customers to ensure in-store availability of products to meet consumer requirements and expectations. In this regard Greencore holds strong category leadership positions with many of its customers.



Daily convenience store deliveries, UK FY18

7,500

WE DISTRIBUTE...

Greencore supplies primarily multiple retailers and convenience stores throughout the UK. To facilitate this Greencore operates its own chilled HGV fleet with 25 units, completing up to 65 main depot deliveries each day.

Greencore has built a strong 'Direct to Store' operation, comprising 17 distribution centres, six picking depots and a fleet of 374 vehicles making 7,500 daily convenience store deliveries, distributing 270m units annually.



“We are proud to supply a wide range of convenience food to some of the most successful retail customers in the UK.”

Suppliers across the UK

3,600



We operate in food to go categories such as sandwiches, salads and sushi as well as activities in complementary convenience food categories including chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings.

Greencore average service levels, UK FY18

98.2%

[Read more: Key Performance Indicators – page 18](#)

Number of delivery days each year, UK

364

WE ADAPT...

The very nature of the product categories in which Greencore operates demands a high degree of operational and commercial flexibility to fulfil our customers' needs.

Product orders are placed just-in-time, and this requires a high level of responsiveness and agility across our teams. The need to adapt and innovate flows through all The Greencore Way principles and is reflected in our culture.

[Read more: Our Market Review – page 12](#)

[Read more: How We Do It – page 6](#)



Mini roll selection

HOW WE DO IT

OUR BUSINESS MODEL

Our vision is to be a fast-growing leader in UK convenience food. Our core expertise is in manufacturing processes that are high-volume and high-touch (people intensive) and in environments that are high-care (in terms of complexity and food safety). We supply grocery and other retailers, including all of the major supermarkets in the UK.

Revenue (continuing operations)

£1,498.5m

Employees across the UK and Ireland

c.11,300

UK manufacturing facilities

15

UK distribution centres

17



OUR MARKETS:

We are focused on attractive and structurally growing categories and formats in convenience food.

These are driven by positive customer and channel dynamics and underpinned by convenience and health trends.

 *Read more:
Market Review – page 12*

Our business primarily operates in the attractive convenience foods sector in the UK.

We operate in food to go categories such as sandwiches, salads and sushi as well as activities in complementary convenience food categories including chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings.

Our products are manufactured for grocery and other retailers, including all of the major UK supermarkets.

 *Read more:
Operating and Financial Review – page 24*

OUR BUSINESS RELIES ON:

EXCEPTIONAL PEOPLE

We employ c.11,300 talented, committed and experienced people across our UK and Irish operations, including production, distribution and administration teams.

A WELL INVESTED OPERATING NETWORK

Greencore operates 15 highly efficient manufacturing sites across the UK, many of which have multiple manufacturing units – each specialising within specific product categories. The Group also operates a Direct-to-Store distribution operation that makes daily deliveries to small format stores across the UK.

INDUSTRY-LEADING SAFETY AND TECHNICAL STANDARDS

We invest sensibly and effectively in food safety and technical capabilities that support product quality in the high-care environment required for most convenience food products.

EFFICIENT COST CONTROL

Our programme of continuous operational improvement provides us with an effective and cost efficient platform to ensure we create value for our customers and for our business.

A BROAD RANGE OF RAW MATERIALS

We use approximately 9,000 different ingredient and packaging materials, from UK and international sources, to produce our customers' convenience food products.

SECURE AND SUSTAINABLE LONG-TERM RELATIONSHIPS WITH SUPPLIERS AND PRODUCERS

We work with approximately 3,600 trusted suppliers across the UK and Ireland.

PRUDENT FINANCIAL MANAGEMENT

We maintain a strong balance sheet and debt profile, with prudent, relatively low levels of financial risk and a target medium term leverage ratio of 1.5-2.0x Net Debt to EBITDA (as measured under financing agreements). Improving cash flows are generated by a growing profits base, tightly managed working capital and normalising capital expenditure levels.

ALL UNDERPINNED BY THE PRINCIPLES OF THE GREENCORE WAY:



WE'RE DIFFERENT BECAUSE:

WE ARE A LEADER IN STRUCTURALLY ADVANTAGED CATEGORIES

We lead across a number of convenience food categories.

WE HAVE BUILT MANY LONG-TERM CUSTOMER PARTNERSHIPS

We have become a trusted supply chain partner with our customers, with specific sets of products and bespoke solutions for each of our customers.

WE ARE HIGHLY REGARDED EXPERTS IN ALL ASPECTS OF FOOD MANUFACTURING

Greencore creates Great Food by delivering industry-leading food safety and technical standards, innovating in recipes and technologies, and investing to understand consumers' tastes and preferences.

WE HAVE AN EFFECTIVE OPERATIONAL FRAMEWORK

Our investment in supply chain capabilities, our constant focus on operational improvement, and our expertise in labour management allow us to excel in high-touch processes of often complex product assembly.

WE LEVERAGE OUR SCALE

Our well invested network of 15 manufacturing facilities provide the scale for high-volume assembly-led manufacturing across multiple temperature regimes.

WE ARE AGILE, RESPONSIVE AND ADAPTABLE

In what is a dynamic marketplace, we apply a high level of insight and attention to developments from a consumer, customer, operations, economic and strategic perspective.

KEY REVENUE AND PROFIT DRIVERS:

HELPING OUR CUSTOMERS OUTPERFORM

Deepening our long-term partnerships with key customers enables them to grow their business.

GROWTH FROM EXISTING CATEGORIES

Our convenience food categories are driven by positive long-term structural dynamics.

BROADENING OUR CHANNEL MIX

We work with existing and new customers in multiple channels reflecting the dynamic nature of consumer demand for convenience food.

EXPANDING OUR PRODUCT RANGE

Our innovation capabilities, strong customer relationships, and flexibility to adapt allows us with develop new products and formats for food to go and other complementary convenience food categories.

STRONG OPERATIONAL EXECUTION AND EFFICIENCY

A programme of continuous operational improvement, underpinned by a strong culture of cost efficiency, reflects our emphasis on maintaining an effective infrastructure to create value for our customers and the business.

EXECUTING ON VALUE CREATING INITIATIVES

We have a strong track record of executing multiple strategic initiatives to drive organic and inorganic investment. Organic investment includes partnering with customers on key strategic projects to develop new capacity and capabilities.

 *Read more:
Delivering on our Strategy – page 20*

STAKEHOLDER OUTCOMES:

PEOPLE AT THE CORE

People at the Core is at the centre of The Greencore Way, the model that defines who we are and how we succeed.

ENVIRONMENT

Efficiently using and respecting all resources.

COMMUNITIES

Doing the right thing for our industry and communities.

SUPPLIERS

Building effective and transparent supply chains.

CUSTOMERS

Delivering excitement, intimacy, growth and trust.

SHAREHOLDERS

Delivering industry leading economic performance.

 *Read more:
Our Stakeholder Report – page 36*

PEOPLE AT THE CORE, GREAT FOOD, BUSINESS EFFECTIVENESS, COST EFFICIENCY

CHAIRMAN'S STATEMENT¹

Gary Kennedy

FOCUSED ON A DYNAMIC UK MARKETPLACE

Underpinned by enhanced strategic and financial flexibility, the Group is well positioned and confident for the opportunities and challenges in the UK market.



DEAR SHAREHOLDER,

FY18 has proved to be another year of change for Greencore, where we faced several challenges but also made much progress at a strategic, commercial and operational level.

STRATEGIC DEVELOPMENT

The key strategic decision since our last annual report was the decision to announce the proposed disposal of our US business, a transaction that we discuss on page 3. Whilst it is never easy to consider such an approach so soon after making material improvements in the strategic and commercial direction of the business, our duty to shareholders continued to be of paramount importance. The potential to immediately realise value for the future growth potential of the US business made it a highly compelling transaction for shareholders. The disposal was completed on 25 November 2018.

In our continuing business in the UK, we strengthened our leadership position in convenience food. In food to go categories we extended several long-term partnership agreements with core customers, while also securing new business wins. We opened a new centre of excellence for ready meals at Warrington, the last substantial project in our recent intensive phase of strategic capex. We also rationalised the UK portfolio by completing our exit from the cakes and desserts category and the restructuring of our longer life ready meals network. We made significant progress during the year in streamlining our UK organisation and we are already seeing the benefits of this in overall business performance.

Our vision to be a fast-growing leader in UK convenience food is now central to the strategy, shape and direction of the Group. A complete outline of our strategic framework is provided on pages 14 to 23, with examples of how this was implemented in FY18 and the priorities in place for FY19.

FINANCIAL PERFORMANCE

We assess financial performance across the Group using a framework of profitability, return and cash flow measures. This framework underpins our financial Key Performance Indicators (pages 16 and 17) and our criteria for remuneration (pages 60 to 77). Overall, it has felt tough at times from a

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financial perspective this year. In the US, it was very disappointing that the challenges in our business in the first half of FY18 led us to revise our Group earnings estimates in March. However, our decisive action in refining our US strategy formed the basis for a much improved commercial, operational and financial performance in the second half.

Our continuing business in the UK saw some modest progress in Adjusted Operating Profit, increasing by 1.7% to £104.6m. Our level of exceptional charges in continuing operations, at £52.2m before tax, were still high albeit as a result of sensible restructuring and rationalisation of our portfolio during the year.

Overall, we did not meet the demanding Adjusted EPS and ROIC targets that we set ourselves but I have been pleased with the increased focus and progress on cash flow and returns. This will continue to be a theme for the business in FY19 and beyond.

BREXIT

As I write the exact nature of the UK's exit from the EU is unclear. As a Board, we continue to monitor closely its potential implications on the business, including, in particular, any potential changes to costs in the supply chain and the availability and cost of labour. Whilst there will be Brexit related challenges for everyone involved in the UK food industry, the dynamic nature of the UK consumer will also continue to provide opportunities and we are confident that we are well placed to work with our customers to take advantage of these as they arise.

CAPITAL MANAGEMENT

As a Board we are committed to dynamic capital management, balancing the strategic and investment needs of the Group, leverage reduction, returns to shareholders and a progressive dividend policy.

In this context, we will use a substantial portion (£509m) of the net proceeds from the disposal of the US business to return capital to shareholders. The disposal proceeds also allows us to reduce leverage, and then target a medium term leverage ratio of 1.5-2.0x Net Debt to EBITDA (as measured under financing agreements).

In addition, the Board of Directors is recommending a final ordinary dividend for FY18 of 3.37 pence per share. This will result in

a total dividend for the year of 5.57 pence per share (FY17: 5.47 pence per share). The total dividend represents a pay-out amount of approximately 37% of Adjusted Earnings.

CORPORATE GOVERNANCE

We continue to strive for transparency for shareholders and other stakeholders, with a view to enhancing our corporate culture and governance framework. The Directors' Report set out on pages 48 to 85 provides biographical details for each Director and details of priorities and activities of the Board and its Committees. The Directors' Report also contains important updates on Board diversity and renewal, as well as consideration of the disposal of the US business.

In December 2017, Eric Nicoli retired from the Board as Non-Executive Director and Senior Independent Director. Upon his retirement, Sly Bailey was appointed Senior Independent Director. In April 2018, Helen Rose joined the Board as Non-Executive Director. Helen brings deep operational knowledge with a detailed financial focus and valuable experience of the food industry and I extend a very warm welcome to her.

The disposal of our US business has led to a reshaped and refocused UK strategy, and as a result both of our US based Non-Executive Directors, Thomas Sampson and Kevin O'Malley, have confirmed that they will not seek re-election at the 2019 Annual General meeting ('AGM'). I would like to express my appreciation to both Tom and Kevin for their individual valuable input and time commitment over their tenure.

Conor O'Leary, our Group Company Secretary, has confirmed his intention to retire from his role after the 2019 AGM. Conor was appointed Group Company Secretary in June 2010 and has contributed to the development and progress of Greencore and I would like to thank him for his service to the Board over the past 16 years. I am delighted that Jolene Gacquin will take up the role as Group Company Secretary post the 2019 AGM.

CULTURE AND VALUES

Throughout the year, the Group has continued to develop our environmental, social and governance agenda. Further details are set out in our Stakeholder Report. Though FY18 was another year of significant change for our

colleagues, The Greencore Way continues to drive our culture and our values. Through my visits to the sites during the year, I witnessed the enthusiasm and input of all of our employees and I am particularly impressed by the way our new employees have integrated and strengthened our capabilities in many areas. I wish all our former US colleagues the very best in their future endeavours. I want to take this opportunity to thank my fellow Board members and all our employees for their support and hard work throughout the year.

OUTLOOK

The Group entered FY19 with a stronger and leaner business in the UK following the refinement of its portfolio and the implementation of its streamlining and efficiency programme.

The Group anticipates continued underlying revenue growth in its key convenience food categories. Adjusted Operating Profit growth will be driven by this revenue growth, improved operational performance, and by a planned review of central overheads. Although the Group believes the risks from Brexit are manageable in the medium-term, the near-term challenges associated with a 'no withdrawal agreement' are uncertain. A strengthened balance sheet and strong underlying free cash generation leaves the Group well positioned to consider organic and inorganic investment as opportunities arise.

Over the medium term the Group expects that its market positioning, capability set, customer profile, well invested asset network and proven economic model will generate strong growth, cash generation and returns.



Gary Kennedy
Chairman

3 December 2018

CHIEF EXECUTIVE'S REVIEW

Patrick Coveney

BETTER POSITIONED TO DELIVER AN IMPROVED PERFORMANCE

This past financial year saw significant change and opportunity for Greencore.

This past year has seen significant change at Greencore. Having made important operational and organisational enhancements to our US business earlier in the year, we completed the sale of our US business on 25 November 2018 for nearly \$1.1 billion, realising material value for shareholders.

We also drove change across our UK business, strengthening our team and network, while deepening a number of our key customer relationships. As we look ahead to FY19 and beyond, I am convinced that we have a bright future as a fast-growing UK convenience food leader.

TRANSFORMATION AND DISPOSAL OF OUR US BUSINESS

FY18 was the first full year of our ownership of the Peacock Foods business, and this part of the US portfolio (representing the significant majority of US revenue) performed well, most particularly in the second half of the year. However, operational challenges at a number of smaller sites (in our original US network) resulted in underperformance for the US business in aggregate in the first half of the year.

We addressed these challenges head on during Q2: we re-shaped our US leadership model and senior team; we ceased production at our Rhode Island facility, and subsequently disposed of the asset; we revised our US strategy to focus on Branded Food Partner customers; we accelerated the rollout of the Greencore Production System to improve operational performance across the network; and we drove hard on our commercial agenda to secure a number of significant new business wins. Collectively these contributed to a strong performance in the second half of the year, with strong Pro Forma Revenue Growth, good profit progression and positive momentum for the business going forward.

This positive momentum enhanced the attractiveness of Greencore to a strategic buyer that approached us in August of this year – the combination of a well-performing



US business with Hearthside, a leading US co-manufacturer, generates substantial value and enabled them to propose a consideration that immediately and fully realised the value of our strategy for the US business. The transaction value represented a premium to both the price paid for Peacock Foods in 2016 and Greencore's total invested capital in the US.

A STREAMLINED, STRENGTHENED UK BUSINESS

FY18 saw further growth in our continuing operations, with pro forma revenue up 8.7%, and Adjusted Operating Profit up from £102.9m to £104.6m. We have made a series of organisational and operational enhancements too: we reshaped our senior team, appointing Peter Haden to lead a unified team with operational responsibility for the UK; we drove significant operational improvement, particularly in our food to go categories through the rollout of Greencore Manufacturing Excellence; and we tightened our portfolio, by completing our exit from the cakes and desserts category through the sale of our Hull facility and closure of our Evercreech facility.

In addition to this, we have deepened a number of our commercial relationships throughout the year; in food to go, we extended contracts with three of our five largest customers, with 90% of sandwich sales now sold under three-year+ contracts (compared to 23% in 2012). We also opened a new centre of excellence for ready meals at Warrington, to support growth with our strategically significant customer base there.

We did face some headwinds, in particular in our ready meals business where a changed revenue mix and the residual impact from commercial investments made in FY17, put some downward pressure on operating profit. Despite these challenges, we delivered solid pro forma revenue and profit growth in the UK overall and believe we are well set up to step up on our performance in FY19 and beyond.

A PROMISING FUTURE IN THE UK

Our conviction on the strategic attractiveness of the UK market rests on our belief both in strong fundamentals of the categories in which we play, as well as on our ability to execute well in these places.

We participate in categories that are exciting to our retail customers and to the end consumer, and we continue to extend our leading position in the growing food to go market, where compounded annual growth is projected to be 5% over the next five years.

We are also conscious that we are operating in an environment that is seeing consolidation and change across the UK food value chain. We anticipate that this trend will continue and believe we have the capability, relationships and financial flexibility to invest strategically in this dynamic market.

Despite some uncertainty on the UK economic outlook in light of Brexit, we believe we are largely insulated from some of the most widely cited potential negative effects – we are in most respects a 'domestic' UK business producing almost exclusively for the UK market and sourcing most of our ingredients from within the UK. We also know from the experience of the most recent recession in the UK that convenience food volumes held relatively firm even in times of economic pressure. Ultimately, we will continue to operate in a market of 67 million relatively high-income consumers, with a sustained underlying demand for convenient, fresh, locally-sourced food.

Finally, I would like to thank my Board colleagues, the other senior leaders in our Group and the thousands of colleagues across the business for their commitment to delivering Great Food. I would especially like to thank our customers and shareholders for their continued support. Personally, I am more excited than ever to lead a growing, high-performing UK food business with a bright future and a busy strategic, commercial, operational and people agenda. I look forward to driving on this agenda in the months and years ahead.

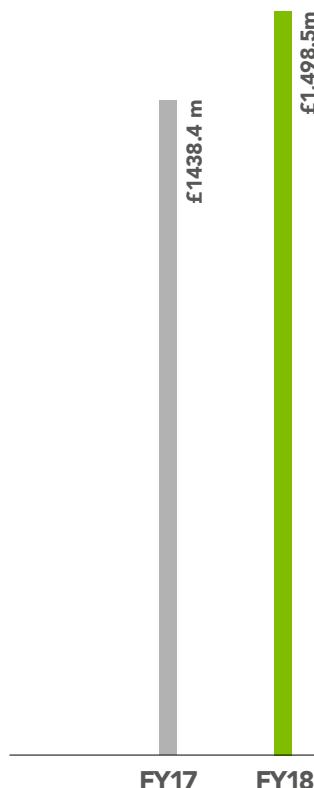


Patrick Coveney
Chief Executive Officer

3 December 2018

Revenue (continuing operations)

£1,498.5m
+4.2%



MARKET REVIEW

RESPONDING TO KEY CONSUMER TRENDS

We operate in attractive markets that demonstrate strong underlying growth. Our markets are driven by structural trends that generate high returns with good growth opportunities.

MARKET TRENDS



CONVENIENCE

Convenience might well be the defining fundamental trend of our generation. Our society demands products and services that deliver quickly, make life easier, or both. The enormous growth of the convenience food industry in recent decades is evidence of this, with an increase in meal occasions where consumers opt for convenience food. In this environment, consumers are constantly seeking more and more convenience and will switch products or stores if they are not satisfied.



HEALTH AND WELLNESS

Health and wellness is a complex topic, not least because how consumers express their desire for 'better for you' choices changes over time. However, we believe that there are a proportion of consumers in each category that we operate in for which making a healthy choice is one of their top decision criteria, and a large majority for which it is at least a factor in the way they shop and consume.



INDULGENCE

The need for indulgence remains a key consumer trend. At heart, we strongly believe that whatever the additional benefits we offer to consumers, our food should always fulfil this expectation and taste great. Enjoying food is a critical part of life and is not necessarily about being 'premium', gourmet, or expensive as some of the cheapest, simplest, most basic products can be the most pleasurable to eat.



GREAT VALUE

Value for money is top of mind for both our customers and our consumers, particularly over recent times. As there is enormous choice within the food industry, it is essential that a proposition represents value for money. This comes from doing other fundamentals extremely well. Though 'great value' does not necessarily mean 'lowest price', we can't lose sight of the fact that some can't afford to make that choice.



Convenience



Health and wellness



Indulgence



Market trends

Great value



WE ARE WELL POSITIONED TO ADDRESS THESE TRENDS

MARKET UNDERSTANDING

Greencore has important positions in many of the product categories in which it operates. These positions have been built through a deep understanding of market trends, an understanding of consumer and customer needs and the expertise within our team to convert these insights into winning products.

As a key market leader, and in many cases the sole supplier of specific product categories for our customers, Greencore is responsible for growing the market through product innovation, availability and supporting new format and channel growth strategies for its customers.

FOOD EXPERTISE

Greencore has a team of highly skilled and knowledgeable food and packaging experts that understand and shape current and future shopper and consumer trends, ensuring that the right product and packaging formats are available at the right place and time.

Greencore operates to the highest technical and food safety standards and is subject to rigorous internal and customer audits to ensure these standards are consistently met.

CUSTOMER PARTNERSHIPS

Greencore has deep, long-term partnerships with its customers, operating as an extension of our customers' brands to meet the needs and expectations of consumers.

The Group develops and produces bespoke solutions for each of our customers. Through our insight, product development and category management functions Greencore works on behalf of its customers to drive overall category growth and returns.

ABILITY TO ADAPT

The very nature of the product categories in which Greencore operates demands a high degree of operational and commercial flexibility to fulfil our customers' needs.

The need to adapt and innovate flows through all The Greencore Way principles and is reflected in our culture.

OUR STRATEGY¹

DELIVERING SUSTAINABLE GROWTH

Our vision and our strategy define the direction of the Group. In light of the disposal of our entire US business (for more detail, see page 3), our strategy is reshaped and is now focused solely on the UK market. Our strategic framework is now aligned around four strategic priorities that we use to optimise Greencore's growth potential.

STRATEGIC PRIORITY	2018 PERFORMANCE
 ENHANCE OUR LEADERSHIP POSITION IN UK CONVENIENCE FOOD	<p>The Group continued to develop and strengthen its commercial relationships to support growth, especially in the food to go category. In all categories, we worked with customers to implement initiatives to maximise returns and drive category growth.</p> <p>FY18 Pro Forma Revenue Growth was 8.7%, comprising a 10.8% advance in food to go categories and a 4.9% increase in other business.</p>
 DEVELOP ENDURING AND VALUED CUSTOMER RELATIONSHIPS	<p>We continued to deepen strategic relationships with our customers to achieve the best outcome for them, their consumers, and Greencore. This has allowed us to provide a broader capability set to customers including new product development, technical and food safety, sourcing, order management, manufacturing, distribution and merchandising.</p>
 INVEST IN PEOPLE, INFRASTRUCTURE AND CAPABILITY	<p>We have underpinned our commercial capability with enhanced productivity in our UK infrastructure. This has involved the implementation of a more compact and dynamic divisional structure, with a resulting overhead reduction, and an enhanced focus on operational capability and delivery.</p> <p>We have also further developed our employee engagement and retention policies so as to continue to differentiate ourselves through our people. We successfully expanded our workforce to support underlying growth and adopted a more consistent approach to divisional and functional deployment.</p> <p>Careful strategic capital investment in infrastructure and capacity was made to support growth opportunities and create a platform for enhanced returns.</p>
 MAINTAIN A STRONG FINANCIAL AND ECONOMIC MODEL	<p>We generated increased Free Cash Flow from a combination of a solid earnings base, tightly managed working capital, and reduced capital expenditure levels.</p>

¹ The Group uses Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole. These APMs along with their definitions and reconciliations to IFRS measures are provided in the APMs section on pages 158 to 162.



OUTLOOK	RELATED RISKS/KPIs
<p>We will continue to enhance our commercial collaboration with existing customers in existing channels to drive growth and maximise product returns.</p> <p>We will also seek to expand our product range and broaden our channel reach by utilising our investment in consumer insight and our additional capacity to develop new business opportunities with and for customers.</p> <p>We will also underpin this activity with disciplined strategic and tactical M&A activity.</p>	<p>RELATED RISKS Strategic risks (see page 32)</p> <p>RELATED KPIs Pro Forma Revenue Growth (see page 16)</p>
<p>We will continue to expand our capability set throughout the supply chain, underpinned by excellent customer service.</p> <p>We will engage openly with customers as they seek to grow in new formats and channels or to consolidate markets via acquisition.</p>	<p>RELATED RISKS Commercial risks (see pages 32 and 33)</p> <p>RELATED KPIs Food safety and service (see page 18)</p>
<p>We will ensure that we have an aligned cost infrastructure to fit the scale and growth opportunities available to the business. We will also continue to drive operational improvement, focusing on all areas of the supply chain.</p> <p>We will continue to enhance our engagement and retention strategy and maintain pay structures and employment conditions to ensure labour availability.</p> <p>Infrastructure and capacity are important elements of our strategic growth plan and investment opportunities will be considered to maintain this capability in a disciplined manner.</p>	<p>RELATED RISKS Operational risks (see pages 33 to 35)</p> <p>RELATED KPIs Employee engagement and health and safety (see page 18) Free Cash Flow (see page 17)</p>
<p>We will generate increased cash flow from the business by maintaining close control of key drivers such as working capital management, capital expenditure levels, and other operating cash flows.</p> <p>We will use a substantial portion of the net proceeds from the disposal of the US business to reduce leverage, and then target a medium-term leverage ratio of 1.5-2.0x Net Debt to EBITDA (as measured under financing agreements).</p> <p>We are committed to dynamic capital management, balancing the strategic and investment needs of the Group, leverage reduction, returns to shareholders and a progressive dividend policy.</p>	<p>RELATED RISKS Financial and other risks (see page 35)</p> <p>RELATED KPIs Adjusted EPS and ROIC (see page 16)</p>

KEY PERFORMANCE INDICATORS

Financial

The Group uses a set of headline Key Performance Indicators ('KPIs') to measure the performance of its operations and of the Group as a whole.

The Group has identified these financial KPIs to measure progress of our strategic priorities in delivering profitability, returns and cashflow generation. Following the disposal of our US business the majority of these KPIs are shown on a continuing basis except for Adjusted EPS and Free Cash Flow which are shown as total measures. Although the measures are separate, the relationship between them is also monitored. All these KPIs are non-IFRS measures or Alternative Performance Measures ('APMs'). The definitions, calculations and reconciliations of all APMs (including these KPIs) to IFRS are set out within the APMs section on pages 158 to 162.

PROFITABILITY

PRO FORMA REVENUE GROWTH

The Group uses Pro Forma Revenue Growth as it believes this provides a more accurate guide to underlying revenue performance.

FY18 Pro Forma Revenue Growth (continuing operations)

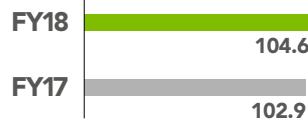
+8.7%

Continuing Pro Forma Revenue increased by 8.7% in FY18 primarily driven by strong growth in food to go categories.

ADJUSTED OPERATING PROFIT

The Group uses Adjusted Operating Profit to measure the underlying and ongoing operating performance of each business unit and of the Group as a whole. This measure now includes central costs previously allocated to discontinued operations.

Adjusted Operating Profit (£m) (continuing operations)

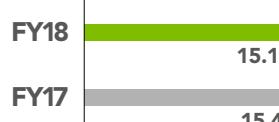


Continuing Adjusted Operating Profit was £104.6m, compared to £102.9m in FY17, an increase of £1.7m with an improved performance in food to go categories offset by performance in other parts of the UK and Ireland portfolio notably in ready meals.

ADJUSTED EARNINGS PER SHARE (ADJUSTED 'EPS')

The Group uses Adjusted EPS as a key measure of the overall underlying performance of the Group and returns generated for each share. This is shown at a Group level because the KPI on a continuing basis does not yet reflect the full financial effects of the disposal of the US business and related return on capital.

Adjusted EPS (p)



Adjusted EPS was 15.1 pence compared to 15.4 pence in FY17, a decrease of 1.9%. The decrease reflects an increase in Adjusted Earnings offset by an increase in weighted average number of shares.

RETURNS

RETURN ON INVESTED CAPITAL ('ROIC')

The Group uses ROIC as a key measure to determine returns from each business unit and of the Group as a whole, and as a key measure to determine potential new investments.

ROIC (%) (continuing operations)



The Group's ROIC in FY18 was 15.6% on a continuing basis. FY18 ROIC was negatively impacted by an increase in the effective tax rate.

CASH FLOW

FREE CASH FLOW

This is a new KPI and replaces Operating Cash Flow which continues to be an APM. The Group uses Free Cash Flow to measure the amount of cash available for distribution and allocation.

Free Cash Flow (£m)

FY18	 92.4
FY17	 78.0

Free Cash Flow was £92.4m compared to £78.0m in FY17, an increase of £14.4m reflecting increased EBITDA, reduced cash exceptional and reduced maintenance capital expenditure in the period partly offset by a working capital outflow and increased pension payments.



KEY PERFORMANCE INDICATORS

Non-financial

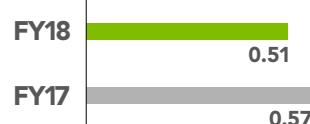
The Group measures progress against a number of non-financial Key Performance Indicators ('KPIs').

In all instances, the non-financial KPIs shown are for the continuing business. Further details on our measurement and improvement actions, including certain details for our discontinued US business, can be found in our Stakeholder Report on pages 36 to 45.

HEALTH AND SAFETY

The health and safety of our colleagues are fundamental to the Greencore principle of 'People at the Core'. Keeping people healthy and safe is a top priority. The key way we monitor this is through our Accident Incidence Rate ('AIR'). This measures the number of accidents per 100 employees.

Accident Incident Rate per 100 employees (UK)



In the UK, we have made progress in reducing our AIR, from 0.57 in FY17 to 0.51 in FY18, through continued focus and investment.

EMPLOYEE ENGAGEMENT

At Greencore, we seek to fully engage our colleagues to drive their understanding, awareness and connectivity to the business and to fellow colleagues.

We formally measure engagement through regular surveys, with specific markers which collectively add to a single engagement score. We are currently reviewing our survey mechanism to ensure its continued effectiveness. We also carry out regular listening groups to engage with colleagues directly.

Employee Engagement (UK)
FY17 – most recent survey

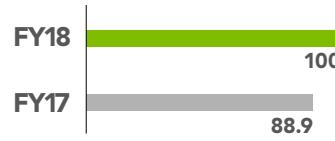
80%

The last time we carried out our engagement survey, in FY17, the engagement score in the UK was 80%. During the year, we carried out a number of colleague forums and listening groups to continue to build and understand engagement, and we understand that it continues to be high.

FOOD SAFETY

Providing safe, authentic and excellent quality food is at the heart of what we do at Greencore. Our key measure is how our manufacturing facilities perform in auditing against Global Food Safety Initiative ('GFSI') standards.

Percentage of BRC unannounced audits with AA* or A* grades (UK %)

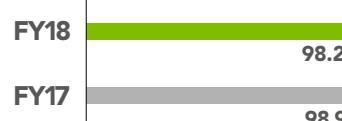


In the UK, all of our facilities are certified to the British Retail Consortium ('BRC') Global Standard for Food Safety, through its unannounced audit programme, and all of our facilities received AA* or A* grades in 100% of these audits. This represents an improvement on last year when we achieved these standards in 88.9% of such audits.

SERVICE

Our customer relationships are based on our ability to deliver excitement, intimacy, growth and trust. A critical component of this is our service level. We track this by measuring the product we deliver to customers, on time and in full, compared to what they ordered from us.

Percentage of products delivered on time and in full (UK %)



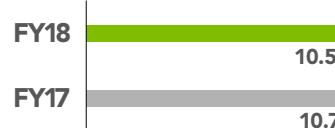
Over FY18, in the UK, our average service levels were 98.2%. This is a slight drop off from FY17, when we achieved service levels of 98.9%, largely due to specific operational challenges at certain facilities.

FOOD WASTE

This year has seen increased focus from the food sector on reducing food waste, in particular in light of the United Nations' Sustainable Development Goal ('UN SDG') which targets a 50% reduction in food waste globally by 2030. To track progress towards this target, we measure food waste as a percentage of production.

For our UK business, we established a baseline for FY17 at 10.7%, and have committed to reducing this to 5.35% by 2030, in line with the UN SDG.

Food waste as a percentage of total food production (UK %)

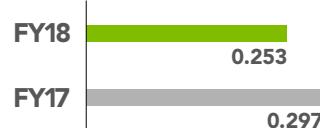


We have made progress towards this goal in FY18, reducing our food waste to 10.5%, through a series of waste avoidance and food redistribution initiatives.

CARBON INTENSITY

At Greencore, we are committed to managing our carbon footprint and aim to significantly reduce this over time. We measure our annual carbon intensity ratio on the basis of kilograms of carbon dioxide equivalent per £1 of sales revenue ('KgCO₂e per £1 of sales revenue'). Our reporting has been produced using the UK's Department for Environment, Food and Rural Affairs environmental reporting guidelines and UK government conversion factors for company reporting.

Carbon intensity ratio (UK – KgCO₂e per £1 sales revenue)



This year, we reduced the carbon intensity of our UK operations from 0.297 to 0.253, largely reflecting an increased share of renewable energy in UK electricity generation, but also driven by energy efficiency improvements we have implemented and the disposal of two of our more energy intensive UK facilities.



DELIVERING ON OUR STRATEGY (STRATEGY IN ACTION)



ENHANCE OUR LEADERSHIP POSITION IN UK CONVENIENCE FOOD

 [Read more:
Financial KPIs – page 16](#)

Sandwiches and other food to go items, UK

706m

Ready meal items, UK

614m



Our performance in the UK continues to benefit from growth in structurally attractive convenience food categories.

Our Pro Forma Revenue Growth of 8.7% overall and 10.8% in food to go categories continued to exceed the 3.7%¹ growth in the overall food market.

We continue to operate substantial activities in food to go categories such as: sandwiches, sushi and salads, as well as in complementary convenience food categories including; chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings.

These categories continue to benefit from positive channel and consumer trends. Customers in supermarket and specialist channels continue to invest in what generally are categories of strategic importance. We have built strong long-term partnerships with our customers who are also looking to these categories for growth.

1 Market/category growth rates are based on various Nielsen data for the 52 weeks to 6 October 2018.

FY18 IN ACTION

We have expanded our capabilities throughout the supply chain to deliver a set of configured skills to customers that extend significantly beyond product manufacturing. Examples of this include where we began to operate order management for customers and determining which products go to which stores using our merchandising expertise and capability. In technical and food safety, we have moved to 'earned recognition' status with some customers so as to remove the requirement for internal auditing and management. These expanded capabilities provide us with a real point of difference in the marketplace.

Another example of a category initiative is our distribution capability. Our Direct to Store network is a chilled distribution operation that makes daily deliveries to small format retail stores across the UK. It comprises 17 distribution depots, six picking centres and a fleet of small chilled vans which deliver to numerous outlets daily. The business has grown strongly in recent years. Recent consolidation in the distribution industry has also provided opportunities for new business in the Direct to Store network.



Strong relationships with our customers has been a critical element of Greencore's success for many years.



DEVELOP ENDURING AND VALUED CUSTOMER RELATIONSHIPS

 [Read more: Non-Financial KPIs – page 18](#)

Net sandwich sales sold under long-term customer contracts, UK

90%

Source: Greencore commissioned research.

We have a broad retail customer base in the UK, with significant sales to each of the largest supermarket customers and expanding coverage of other specialist customers and channels. We have developed sole supply status in certain categories and have expanded our capabilities across all areas of the supply chain including new product development, technical and food safety, sourcing, order management, distribution and merchandising.

Our relationships with our customers are characterised by strong partnerships underpinned by long-term agreements, a track record of excellent customer service and multiple personal relationships across functions and levels.



FY18 IN ACTION

Relationships with customers are often and increasingly underpinned by long-term agreements. Approximately 90% of our net sandwich sales in FY18 were pursuant to customer contracts with a duration of three years or more. During FY18 we extended contracts with three of our largest grocery retail customers, while adding several new customers in new channels.

We also continued to innovate at all levels with the business. During FY18, 35% of our products in the UK were new to market, as we worked with customers on product or packaging development initiatives.

We have also won many customer and industry awards in recognition of our track record and sustained performance with and for customers. In addition, in FY18, we again achieved a leading performance in retailers' ranking of suppliers in The Advantage Report, part of a worldwide programme where retailers rate and rank all of their suppliers, both branded and own-label.



DELIVERING ON OUR STRATEGY CONTINUED (STRATEGY IN ACTION)



INVEST IN PEOPLE, INFRASTRUCTURE AND CAPABILITY

 [Read more:](#)
Financial KPIs – page 16

 [Read more:](#)
Non-Financial KPIs – page 18

The business has a highly experienced leadership team with wide-ranging food sector knowledge.

Industry-leading expertise in commercial, manufacturing, technical/food safety and sourcing is combined with a strong track record of people development and colleague engagement.

We provide an integrated approach to staff and leadership development that we believe is critical to our continued success. A programme of continuous operational improvement, underpinned by a strong culture of Cost Efficiency, reflects our emphasis on maintaining an effective infrastructure to create value for our customers and to enhance our long-term returns profile. The business continues to invest carefully in its UK infrastructure overall to ensure it continues to have the right platform for its customers and for enhanced returns.



FY18 IN ACTION

We have worked through FY18 to more tightly align our UK business into a single operational structure with a single leadership team.

We underpinned this new structure and our commercial capability with a programme of operational effectiveness. This targets continuous improvement in two key areas – labour productivity and waste reduction – across all of our sites. The overall programme will help underpin operating leverage progression in FY19 and beyond.

In FY18 we marked the opening of one of our most significant strategic investments in the UK, the refurbishment and extension of the Group's largest ready meals facility in Warrington. In a project that was first agreed in FY16, we created a state of the art production facility with a significantly enhanced environment for colleagues. This will enable us maintain a low cost manufacturing base through automation and market leading efficiency. It provides the Group with a centre of excellence in fresh ready meals at a time when supply chains continue to consolidate in the fresh ready meals sector.

Strategic capital expenditure
FY18 (continuing operations)

£24.6m



MAINTAIN A STRONG FINANCIAL AND ECONOMIC MODEL

 [Read more: Financial KPIs – page 16](#)

In pursuing our strategic priorities we maintain prudent, relatively low levels of financial risk. This provides us with a platform to generate sustainable cash flow that is used for effective capital allocation.

ROIC is a key internal measure of value creation and is driven by increased profit conversion from the existing asset base, managing capital allocation effectively, and maintaining robust internal disciplines and metrics.



Free Cash Flow

£92.4m



FY18 IN ACTION

We reduced the trajectory of capital expenditure during the period, after a phase of significant investment through FY16 and FY17 to support future growth. This decrease in capital expenditure, supported by an increase in Operating Cash Flow, underpinned Free Cash Flow generation and supported Net Debt reduction during the year.

Capital expenditure in continuing operations reduced from £97.5m in FY17 to £51.6m, driven by a £37.8m reduction in strategic capital expenditure levels.

In February 2018 the Group sold its cakes and desserts business in Hull to Bright Blue Foods Ltd. The phased closure of the desserts manufacturing facility in Evercreech was completed in June 2018 and the site was subsequently divested. Together these initiatives marked Greencore's exit from the UK cakes and desserts category, and will improve the long-term returns profile of the Group.

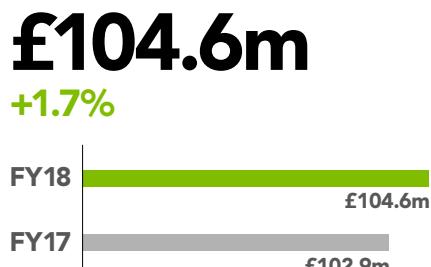
OPERATING AND FINANCIAL REVIEW^{1,2,3}

Eoin Tonge, Chief Financial Officer

PROGRESS IN
CONTINUING
OPERATIONS

Though it was a challenging year in many respects, we delivered Pro Forma Revenue Growth of 8.7% and further advanced Adjusted Operating Profit in continuing operations, and delivered on our FY18 guidance provided in March.

Revenue (continuing operations)

Adjusted Operating Profit
(continuing operations)

1 The Group uses Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole. These APMs along with their definitions are provided on pages 158 to 162.

2 Continuing operations for FY17 and FY18 include central costs previously allocated to discontinued operations.

3 Market/category growth rates are based on various Nielsen data for the 52 weeks to 6 October 2018.



OPERATING REVIEW

CONVENIENCE FOODS UK AND IRELAND (CONTINUING OPERATIONS)

	FY18 £m	FY17 £m	Change (As reported)	Change (Pro forma basis)
Revenue	1,498.5	1,438.4	+4.2%	+8.7%
Adjusted Operating Profit (before reallocated central costs)	110.6	106.8	+3.6%	
Adjusted Operating Profit	104.6	102.9	+1.7%	
Adjusted Operating Margin %	7.0%	7.2%	-20 bps	

STRATEGIC DEVELOPMENTS

FY18 was a year of strategic progress and development in the Group's UK operations in several respects.

The Group's business in food to go categories (comprising sandwiches, sushi and salads) generated revenue growth of 10.8% on a pro forma basis and continued to extend its leadership position. In these and many other categories, the Group continued to play an increasing role in supporting customer growth in new channels, formats and product types.

The Group continued to optimise its portfolio in the UK, exiting the cakes and desserts category with the phased closure of the desserts manufacturing facility in Evercreech and the disposal of the business in Hull. As part of the strategy to transition part of its ready meals portfolio to fresher meal propositions, the Group also announced it will phase out longer life ready meals manufacturing at Kiveton (where it continues to manufacture quiche and soup) by March 2019 and transfer volume to other facilities.

The Group extended its long-term partnership model with key customers in FY18, with several important business wins and commercial launches delivered during the year across several categories. The business also extended a number of contracts with its core customers and added new customers in multiple channels.

The Group implemented a streamlining and efficiency programme across its operations in FY18. This involved the implementation of a more compact and dynamic divisional structure, an accompanying overhead reduction, and an enhanced focus on operational capability and delivery. The overall programme is on track and will help underpin operating margins.

Careful strategic capital investment in infrastructure and capacity was made to support growth opportunities and create a platform for enhanced returns. The extended and refurbished ready meals facility in Warrington was opened in September, and provides the Group with a centre of excellence for its customer base in fresh ready meals.

There were exceptional charges relating to these strategic developments and they are detailed in the Financial Review.

PERFORMANCE

Reported revenue from continuing operations increased by 4.2% to £1,498.5m. Pro Forma Revenue Growth was 8.7%. Adjusted Operating Profit rose by 1.7% to £104.6m, with Adjusted Operating Margin down 20bps to 7.0%. This includes central costs previously allocated to discontinued operations. Excluding this impact, Adjusted Operating Profit rose by 3.6% to £110.6m, with improved profits in food to go categories being partly offset by a decline in other activities, notably ready meals. On this basis, Adjusted Operating Margin for FY18 was flat at 7.4% for the full year, with a year on year improvement of 30bps in the second half. This performance was delivered against the backdrop of a UK trading environment which was characterised by retail competition, cost inflation, and operational disruption from adverse weather.

The Group's activities in food to go categories accounted for over 60% of revenue from continuing operations in FY18. Reported revenue growth in these categories was 11.1%, and Pro Forma Revenue Growth was 10.8% when the impact of the Heathrow sandwich facility acquisition in FY17 is excluded. This pro forma growth accelerated in the second half of the year.

FY18 Pro Forma Revenue Growth in these categories was driven by solid category growth and an increased revenue contribution from the distribution of third party products through the Direct to Store network.

Underlying growth in the food to go category was approximately 3%. The Group remains confident in growth prospects for the broader category, which are underpinned by favourable consumer trends and ongoing investment by retail customers.

Following substantial investment in its distribution capability in recent years, this part of the business helped drive strong growth again in FY18. Consolidation in the overall distribution market allowed this part of the business to grow faster than originally anticipated. Revenue for the distribution of third party products accounts for just under 10% of sales in continuing operations. It is one of a set of capabilities beyond product manufacturing that the Group is developing with customers, which deepen and enhance these commercial relationships.

The other parts of the business comprise activities in the chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Pudding categories, as well the Irish ingredient trading businesses. Reported revenue across these businesses declined by 5.5%, but increased by 4.9% on a pro forma basis when excluding the disposed and exited businesses in Hull and Evercreech respectively, as well as foreign exchange movements.

Pro Forma Revenue Growth was driven by the ready meals and cooking sauce businesses. Performance in ready meals was primarily driven by stronger pricing, though volume trends deteriorated as the year progressed. The performance in the cooking sauce business was driven by higher volumes as own label penetration increased in a low growth category. Solid progress was also made in the Group's Irish trading businesses, driven by increased volumes.

Inflation trends in the Group's main UK cost components were broadly as anticipated. Raw material and packaging costs rose by approximately 3% in FY18 as certain commodity costs continued to increase.

Labour inflation in the UK was approximately 4% in the year, primarily due to the effect of increased National Living Wage levels on the Group's wage structure. The Group successfully mitigated the overall effects of this inflation during FY18 by working with customers on a variety of cost and innovation programmes, and by continued internal cost efficiency initiatives.

OPERATING AND FINANCIAL REVIEW CONTINUED

PERFORMANCE CONTINUED

As noted previously, Adjusted Operating Profit in continuing operations was negatively impacted by the adverse weather in the first half. In the second half of the year, the Group was encouraged by the year on year uplift in operating leverage. This was most notable in its food to go categories where an improved performance in the year was built on volume growth, recovery in its salads business, and the rollout of the operational efficiency programme. There were operating profit declines elsewhere in the year, most notably in the ready meals part of the business where a weaker volume and mix performance in the second half was combined with the residual impact of commercial investments made during FY17.

BREXIT

Greencore continues to monitor closely the potential implications of Brexit on its business, particularly in the areas of volume, material sourcing and labour availability. The Group has been engaged in Brexit planning since the result of the referendum was first announced. A multi-functional team meets on an ongoing basis to assess Brexit-related risks, build mitigation plans, test alternative scenarios and support dialogue with our customers, government, the wider industry and other stakeholders. Although the Group believes the risks from Brexit are manageable in the medium-term, the near-term challenges associated with 'no withdrawal agreement being reached' remain uncertain.

CONVENIENCE FOODS US (DISCONTINUED OPERATIONS)

	FY18 £m	FY17 £m	Change (As reported)	Change (Pro forma basis)
Revenue	1,061.8	881.3	+20.5%	+6.6%
Adjusted Operating Profit	48.0	37.2	+29.0%	
Adjusted Operating Margin	4.5%	4.2%	+30 bps	

DISPOSAL OF US BUSINESS

On 15 October 2018 the Group announced a proposed agreement to sell its entire US business to Hearthside Food Solutions LLC for \$1,075m. The transaction subsequently completed on 25 November. Results for the US business are presented as discontinued operations in the Financial Statements.

PERFORMANCE

After a challenging first half of the year, the discontinued US operations demonstrated significant commercial and operational improvement as the year progressed, driven by the former Peacock Foods part of the business.

Reported revenue in discontinued operations increased by 20.5% to £1,061.8m, and by 6.6% on a pro forma basis when adjusted for foreign exchange, for the ownership of Peacock Foods for the full period of FY17, and for the exclusion of Rhode Island which ceased trading during the year. Revenue in the former Peacock Foods part of the business accounted for

approximately 83% of revenue in the period. In this part of the business pro forma revenue grew by 15.1%, driven by underlying category growth and the impact of new business. Pro forma revenue in the original part of the US business declined by 22.4%, reflecting previously announced volume losses.

Adjusted Operating Profit from discontinued operations increased by 29.0% to £48.0m in the period. The contribution of an extra quarter of Peacock Foods compared to FY17, and the strong pro forma volume growth and good operational performance in the former Peacock Foods part of the business, more than offset the decline in the original part of the business. There was a modest foreign exchange translation benefit in FY18.

In March 2018 the Group decided to exit production at its Rhode Island business and completed the disposal of the facility in September 2018 for a consideration of \$10.8m.



GROUP CASH FLOW AND RETURNS

	FY18 £m	FY17 £m	Change
Operating Cash Flow	136.6	117.8	+£18.8m
Free Cash Flow	92.4	78.0	+£14.4m
Net Debt	501.1	519.2	
Net Debt: EBITDA as per financing agreements	2.3x	2.4x	
ROIC % – continuing operations	15.6%	16.0%	

STRATEGIC DEVELOPMENTS

Following the completion of the disposal of our US business, the Group received net cash proceeds of \$1,055m (approximately £802m as at the rate of the announcement date) after the payment of costs relating to the disposal. The final amount is subject to customary adjustments for cash, debt and working capital. The Group intends to use these net proceeds to return £509m of value to shareholders and to use the remainder of the net proceeds to reduce leverage.

During FY18, the Group normalised the trajectory of capital spend across the business, after a phase of significant investment through FY16 and FY17 to support future growth, most notably in its continuing operations. As a result, strategic capital expenditure in its continuing operations was £24.6m (FY17: £62.4m).

PERFORMANCE

Operating Cash Flow is used to measure the Group's net generation of cash through business operations. The Group calculates this measure as the net cash flow from operating and investing activities before strategic capital expenditure, contributions to legacy defined benefit pension schemes, interest paid, tax paid, and acquisitions and disposals.

Operating Cash Flow increased by £18.8m to £136.6m in FY18, driven by increased Adjusted EBITDA, reduced capital expenditure and reduced exceptional cash outflows, offset by increases in working capital.

Free Cash Flow is used to measure the level of cash available for allocation and distribution. This measure is calculated as the net cash inflow/outflow before the following items: strategic capital expenditure, M&A activity, issue and purchase of shares, dividends paid to equity holders and translation and other cash movements. Free Cash Flow increased by £14.4m to £92.4m in FY18, primarily reflecting the increase in Operating Cash Flow.

Maintenance capital expenditure was £36.7m in the period, a decrease of £3.0m year on year. Strategic capital expenditure in the period was £26.8m for the Group (FY17: £83.6m), as investment normalised after a phase of significant spending in FY16 and FY17. Cash tax remained very low. Overall, Net Debt decreased to £501.1m (FY17: £519.2m).

Group ROIC for FY18 was 10.2% (FY17: 12.2%) primarily reflecting the full year dilutive impact of the addition of Peacock Foods and an increased tax rate. ROIC in continuing operations was 15.6% in FY18, a modest decline of 40bps. Improved profitability on a broadly unchanged capital base supported an underlying increase but this was offset by an increase in central costs previously allocated to discontinued operations and the impact of an increased tax rate.

CAPITAL MANAGEMENT

At the end of the financial year the Group's Net Debt: EBITDA leverage as measured under financing agreements was 2.3x. The Group was well financed with committed facilities of £728.5m at the end of the fiscal year and a weighted average maturity of 3.6 years. The Group plans to enter into discussions with its lenders to refinance its existing debt agreements in the first half of FY19, taking into account the return of capital to shareholders.

Following the disposal of the entire US operations and the related return of capital to shareholders as noted above, the Group is committed to focussing on dynamic capital management, balancing the ongoing strategic and investment needs of the Group, leverage reduction, returns to shareholders and a progressive dividend policy. In this context the Board intends to target a leverage ratio of between 1.5x to 2.0x Net Debt to EBITDA (as measured under financing agreements) over the medium term. Managing to within this range will enable the Group to make organic and inorganic investments that fit with the Group's strategy and/or return further cash to shareholders in an efficient manner, whether through dividends or other forms of return of value.



OPERATING AND FINANCIAL REVIEW CONTINUED

FINANCIAL REVIEW

The Group announced the disposal of its entire US business on 25 November 2018. The results of this business have been included as discontinued operations in the Group Financial Statements in FY18 and the comparatives for FY17 have been re-presented on the same basis.

REVENUE AND ADJUSTED OPERATING PROFIT – CONTINUING OPERATIONS

Reported revenue in the year was £1,498.5m, an increase of 4.2% versus FY17. Pro Forma Revenue Growth was 8.7%. Adjusted Operating Profit of £104.6m was 1.7% higher than in FY17, and Adjusted Operating Margin was 7.0%, 20 basis points below the prior year, primarily due to the increase in central costs that were previously allocated to the discontinued US business. Excluding the impact of central costs previously allocated to discontinued operations, Adjusted Operating Profit rose by 3.6% to £110.6m.

NET FINANCE COSTS – CONTINUING OPERATIONS

The Group's bank interest payable in FY18 was £26.2m, an increase of £2.5m. The increase was driven by higher average Net Debt through the year. £0.4m of interest on major projects was capitalised during the period (FY17: £1.8m).

The Group's non-cash finance charge in FY18 was £6.7m (FY17: £6.7m). The change in the fair value of derivatives and related debt adjustments was a non-cash charge of £3.3m (FY17: charge of £2.8m) reflecting the foreign exchange movement on balances where hedge accounting is not applied. The non-cash pension financing charge of £3.4m was £0.5m lower than the FY17 charge of £3.9m.

TAXATION – CONTINUING OPERATIONS

The Group's effective tax rate in FY18 (including the tax impact associated with pension finance items) was 13% (FY17: 8%). The rate had been lower as a result of the benefit of tax attributes including those acquired as part of the Uniq plc acquisition. Substantially all UK tax attributes have now been recognised on the balance sheet such that there is no further rate benefit in the current year, nor expected in the future.

There is a degree of uncertainty over the level of this effective rate, due to a combination of factors including Base Erosion and Profit Shifting ('BEPS') actions and the impact of Brexit on levels of UK taxation.

EXCEPTIONAL ITEMS

Exceptional Item	FY18 Income Statement £m	FY18 Cashflow £m
Continuing operations		
Network rationalisation and optimisation: related to the ready meals manufacturing network	(21.2)	–
Reorganisation and integration: costs relating to the streamlining and efficiency programme in the UK	(15.9)	(12.1)
Business exit costs: relating to the Group's exit from its cakes and desserts businesses	(13.9)	1.5
Pre-commissioning and start-up costs: relating to the ready meals facility in Warrington	(1.2)	(1.0)
Exceptional items (pre-tax) – continuing operations	(52.2)	(11.6)
Tax on exceptional items – continuing operations	7.8	
Exceptional items (after tax) – continuing operations	(44.4)	(11.6)
 Discontinued operations		
Exceptional items (pre-tax) – discontinued operations	(27.9)	3.2
Tax on exceptional items – discontinued operations	20.6	–
Exceptional items (after tax) – discontinued operations	(7.3)	3.2

EXCEPTIONAL ITEMS

The Group incurred a pre-tax exceptional charge of £52.2m in its continuing operations in FY18, and an after tax charge of £44.4m. The potential cash outflow associated with these charges in continuing operations is £21.4m, with £11.6m spent during the year. The overall exceptional charge, including exceptional charges related to discontinued operations, is comprised as seen in the table above.

EARNINGS PER SHARE

Adjusted Earnings were £105.9m in the period, 5.4% ahead of the prior year. Adjusted Earnings per share for total operations of 15.1 pence was 1.9% behind FY17 which reflects the impact of an increased number of shares in issue as a result of the rights issue in December 2016. On 13 March 2018, the Group issued a profit forecast stating "For FY18 the Group now anticipates Adjusted EPS in the range of 14.7p-15.7p". It subsequently confirmed that guidance on 22 May 2018, 31 July 2018 and 15 October 2018. Actual FY18 Adjusted EPS was 15.1p, which was in line with the previously announced guidance. Basic earnings per share was 4.8 pence (FY17: 1.9 pence). The weighted average number of shares in issue in FY18 was 703.3m (FY17: 652.5m).

CASH FLOW AND NET DEBT

Operating Cash Flow was £136.6m in FY18, an increase of £18.8m driven by increased Adjusted EBITDA, reduced capital expenditures and reduced exceptional cash outflows, offset by increases in working capital. Free Cash Flow increased by £14.4m to £92.4m in FY18, primarily reflecting the increase in Operating Cash Flow, partly offset by a modest increase in contributions to legacy defined pension schemes.

Adjusted EBITDA grew by 1.7% to £140.0m. A working capital outflow of £15.9m was incurred, including a £17.0m outflow associated with businesses disposed or exited during FY18. Capital expenditure of £63.5m was incurred in the period (FY17: £123.3m), as strategic investment spending normalised. The total cash outflow during the year in respect of exceptional charges was £15.0m (FY17: £33.7m), of which £6.6m was in respect of prior year exceptional charges.

Cash tax continues to be low as the Group utilises historical tax attributes in both the UK and the US. The cash tax rate in the period was 1% (FY17: 0%). The cash tax rate for the Group is expected to rise towards the Group's effective rate in the short term as a result of increased profitability and a reduction in the degree to which UK losses may be utilised in any one year.

The Group's Net Debt at 28 September 2018 was £501.1m, a decrease of £18.1m from 29 September 2017, primarily reflecting an increase in Free Cash Flow.

FINANCING

The Group remains well financed with committed facilities of £728.5m at the end of September 2018 and a weighted average maturity of 3.6 years.

Following the disposal of its US business the Group announced its intention to return £509m to shareholders and utilise the remainder of the net sales proceeds to reduce leverage. In addition, the Group plans to enter into discussions with its lenders to refinance its existing debt agreements in the first half of FY19, taking into account the return of capital to shareholders.

PENSIONS

All legacy defined benefit pension schemes are closed to future accrual and the Group's pension policy with effect from 1 January 2010 is that future service for current employees and new entrants is provided under defined contribution pension arrangements.

The net pension deficit relating to legacy defined pension schemes, before related deferred tax, at 28 September 2018 was £89.3m, £35.5m lower than the position at 29 September 2017. The net pension deficit after related deferred tax was £73.6m, a decrease of £29.5m from 29 September 2017. The decrease in net pension deficit was driven principally by a reduction in UK scheme liabilities.

The valuations and funding obligations of the Group's legacy defined benefit pension schemes are assessed on a triennial basis with the relevant trustees. Following the most recent reviews, including the latest agreed actuarial valuation for the Greencore UK Defined Benefit Pension Scheme, the Group expects the annual cash funding requirement for defined benefit pension schemes to remain unchanged at approximately £15m.

DIVIDENDS

The Board of Directors is recommending a final dividend of 3.37 pence per share. This will result in a total dividend for the year of 5.57 pence per share (FY17: 5.47 pence per share). The total dividend represents a pay-out amount of approximately 37% of Adjusted Earnings.

SUMMARY

The Group entered FY19 with a stronger and leaner business in the UK following the refinement of its portfolio and the implementation of its streamlining and efficiency programme.

Over the medium term the Group expects that its market positioning, capability set, customer profile, well invested asset network and proven economic model will generate strong growth, cash generation and returns.



Eoin Tonge
Chief Financial Officer

3 December 2018



RISKS AND RISK MANAGEMENT

HOW WE MANAGE RISK

As a leading food manufacturer in a highly competitive environment, it is critical that Greencore identifies, assesses and prioritises its risks in order to help mitigate the probability and impact of these risks. Following the disposal of the US business, the Group has focused its risk management process on those risks facing the UK business.

OUR APPROACH TO RISK MANAGEMENT

Risk management is the responsibility of the Board and is integral to the ability of the Group to deliver on its strategic objectives. The Board recognises the need for a robust system of internal control and risk management in accordance with the UK Corporate Governance Code. There is a clear link between risk and risk management and the Company's ability to continue as a viable entity. This is set out in further detail on pages 58 and 59.

The Board establishes the culture of effective risk management throughout the business by identifying and monitoring the material risks, setting risk appetite and determining the risk tolerance of the Group. The Board is responsible for establishing and maintaining appropriate systems and controls to manage risk within the Group and to ensure compliance with relevant regulation.

Under delegation from the Board, the Audit Committee regularly monitors the Group's risk management systems. The Audit Committee is responsible for overseeing the effectiveness of the internal control environment of the Group. Details of the activities of the Audit Committee for the year under review can be found in the Report of the Audit Committee set out on pages 78 to 81.

The Group has a well-established internal audit function, known as the Risk Management Group ('RMG') whose role is to provide independent assurance that the Group's risk management, governance and internal control processes remain appropriate and continue to operate effectively.

IDENTIFYING AND MONITORING

PRINCIPAL RISKS

Principal risks are identified through a well-established business-wide risk assessment process, which is known as a 'bottom up approach', along with an evaluation of the strategy and operating environment of the Group, which is known as a 'top down approach'.

The bottom up review encompasses the identification, management and monitoring of risks in each area of the business and ensures risk management controls are embedded within the business' operations. This process includes an assessment of the risks to determine the likelihood of occurrence, potential impact and the adequacy of the mitigation or control in place. A full review is then undertaken by operational management, who evaluate the material risks of the Group with reference to its strategy and the operating environment.

The Audit Committee monitors these processes, reviewing the risk register and reporting material risks to the Board.

The Group's principal risks and uncertainties facing the Group are summarised in the risk profile table as set out in pages 32 to 35.

BREXIT

We have been engaged in planning for the UK's exit from the EU since the result of the referendum was first announced. Our Brexit taskforce brings together a multi-functional team on an ongoing basis to assess Brexit-related risks, build mitigation plans, test alternative scenarios and support dialogue with our customers, the government, the wider industry and other stakeholders.

We have identified three primary areas of potential risk, in particular if the UK leaves the EU without a withdrawal agreement:

VOLUME

We are largely a 'domestic UK' business from a production and commercial standpoint, as the vast majority of the consumer products we produce in the UK are sold in the UK. We also believe, based on our experience from the last UK recession, that volumes in the categories in which we operate would be relatively resilient to any headwinds to the UK economy following Brexit. We therefore anticipate limited risk to our volumes post-Brexit.

MATERIAL SOURCING

We estimate that we source approximately 80% of our raw materials from UK-based suppliers. Even taking account of raw materials which are in turn sourced from outside the UK by our suppliers, we estimate that less than a third of our raw materials are imported from the EU-27. For these materials, we are actively making alternative sourcing arrangements and contingency planning, including forward buying, qualification of alternative suppliers, storage of raw materials, and flexibility in recipes. We are also confident in our ability to largely pass through any associated cost increases, given our track record of inflation management with our customers, and the heightened attention on continuity of supply during the transition period.

LABOUR AVAILABILITY

We note the increased pressure on the availability of lower skilled labour in recent years, and the reduction in migration from EU-27 countries since the Brexit referendum. While we anticipate that these trends will continue, we expect this to play out over a period of years, and are adapting our labour model accordingly. The UK government has stated that EU citizens would be allowed to remain in the UK until at least the end of 2020 even in the absence of a withdrawal agreement.



We are engaged in ongoing dialogue with our customers, the government and with the wider food industry to help coordinate Brexit preparations and mitigate negative consequences, including being a member of the Brexit advisory boards of a number of our larger customers and participation in multiple industry forums. Consideration of these risks has been incorporated into the Group's principal risks as appropriate.

RISK APPETITE

The Board considers and assesses risks in four broad categories, namely; strategic, commercial, operational and financial. As a consumer foods business, the Board has a low risk appetite for risks which may impact the Group's reputation or brand in financial, compliance or operational areas such as product quality and safety, health and safety and compliance with laws and regulations. However, the Board recognises that, in pursuit of strategic growth objectives, there is a trade-off between risk and reward in making certain strategic investment decisions, for example, acquisitions, capital investments or new category expansions. In these cases, a higher level of risk may be accepted. Through the risk management framework outlined above, all strategic investment decisions are approved by the Board. These are supported by detailed documentation and analysis, along with senior management input, to ensure that the risks associated with each decision, and the related execution plan, are fully understood and accepted.

RISK ASSURANCE

The Group operates a three lines of defence model to provide assurance that each risk has adequate control and mitigation.

1st LINE OF DEFENCE

Source

Operational management/business operations

Nature of Assurance

Direct assurance at the business level – including direct management monitoring, management controls, policy and procedure, KPIs and self-assessment.

2nd LINE OF DEFENCE

Source

Group corporate governance oversight

Nature of Assurance

Risk assurance – including corporate risk assessment and management process, central technical and health and safety and environment resource at business level. Central corporate governance processes including policy, procedure and training.

3rd LINE OF DEFENCE

Source

Third party and independent review

Nature of Assurance

Independent assurance – including internal audit review (RMG), external audit, customer, regulatory review and insurance.

RISKS AND RISK MANAGEMENT CONTINUED



Risk area	Description of risk	Control	Movement
STRATEGIC			
COMPETITOR ACTIVITY	The Group operates in highly competitive markets. Significant product innovations, technical advances or the intensification of price competition by competitors could adversely affect the Group's results.	The Group develops long-term relationships with its customers that are based on several factors including quality, service, innovation and costs effectiveness. The Group continually works to streamline its cost base to ensure it remains competitive. The Group also invests in research and development and continuous improvement to ensure that the introduction of both new products and improved production processes places the Group at the forefront of customer needs in its chosen markets.	 The risk has stayed the same.
GROWTH AND CHANGE	The Group continues to pursue a strategy of growth and expansion. Delivering this strategy necessitates organisational change and investment, major capital investments and potential further corporate development opportunities. Major capital investments and corporate development opportunities are often high cost, may involve significant change, and may result in the addition of material numbers of new employees.	The Board and senior management engage in a robust, formal and thorough process for identifying, measuring and deciding on the suitability of such growth and change initiatives. In the case of acquisitions, an integration team reporting to senior Group management and the Board is established to ensure a successful integration. Resources are put in place as deemed necessary to manage business change. Post project reviews are carried out on all major capital investment projects to monitor the effectiveness of execution. The Group opened the extended and refurbished ready meals facility in Warrington, carried out a substantial restructure in the UK to deliver on a more compact, dynamic divisional structure and implemented a new operational effectiveness programme.	 The risk will reduce following the Group's exit from the US.
COMMERCIAL			
CHANGES IN CONSUMER BEHAVIOUR AND DEMAND	In common with other food industry manufacturers, unforeseen changes in food consumption patterns or in weather patterns may impact the Group. In addition, demand for a number of the Group's products can be adversely affected by fluctuations in the economy.	The Group works closely with its customers to adapt to changing consumer trends and invests in market research, innovation and new product development to ensure regulatory, customer and consumer requirements are addressed.	 The gross risk has increased, due to the continuing uncertainty associated with Brexit.
KEY CUSTOMER RELATIONSHIPS AND GROCERY INDUSTRY STRUCTURE	The Group benefits from close commercial relationships with a number of key customers. The loss of any of these key customers, or an impact to the relevant brand reputation, or a significant worsening in commercial terms, could result in a material impact on the Group's results. In addition, changes to the grocery industry structure in the UK may also adversely affect performance. For example, the grocery market is undergoing significant change with increasing consolidation and the growth of limited assortment discounters, small stores and online sales.	The Group invests significant resources to maintain deep, multi-level relationships which drive value and minimise risk for both itself and its key customers. The Group also continues to focus on a broad range of customers across all formats. The Group has moved to secure longer-term supply arrangements, for example, in 2018 90% of sandwich sales were sold under three-year+ contracts compared to 23% in 2012.	 The risk has stayed the same.

STRATEGIC PRIORITIES



Risk area	Description of risk	Control	Movement
COMMERCIAL (continued)			
RAW MATERIAL AND INPUT COST INFLATION	<p>The Group's cost base and margin can be affected by fluctuating raw material and energy prices and changes in cost and price profile.</p> <p>The Group may also be impacted by the loss of a key supplier. The Group relies on a concentrated number of key suppliers. A loss of, or interruption of supply from a key supplier could cause short-term disruption to the operational ability of the Group and adversely affect its results.</p>	<p>The Group maintains a strong commercial focus on purchasing, process and cost improvement to manage and mitigate these risks. In addition, the Group adopts strategies that diversify risk thereby improving the positioning of its businesses and the defensibility of its margins. The Group now has a number of cost transparency models with its customers, which also seek to mitigate the impact of input cost fluctuations. The Group has mitigated the impact of approximately 3% cost inflation in FY18 in the UK through this combined approach.</p>	<p>The gross risk has increased, due to currency volatility and the continuing uncertainty associated with Brexit.</p>
OPERATIONAL			
FOOD INDUSTRY AND ENVIRONMENTAL REGULATIONS	<p>As a producer of convenience food and ingredients, Greencore is subject to rigorous and constantly evolving regulations and legislation, particularly in the areas of food safety and environmental protection. Failure to comply with such regulations may lead to serious financial, reputational or legal risk.</p>	<p>The Group maintains a strong technical function in which sets high standards for food safety and environmental controls, striving for best practice above and beyond the minimum compliance requirements. In addition, Greencore closely monitors emerging issues in an ever-changing regulatory environment to address increasing compliance requirements. An example of this is the increase of the use of plastics in food packaging.</p>	<p>The risk has stayed the same.</p>
PRODUCT CONTAMINATION	<p>The Group produces a large volume of food annually and there are risks of product contamination through either accidental or deliberate means. This may lead to products being recalled as well as being a significant draw on resources and could therefore result in both a financial and/or reputational impact on the Group.</p>	<p>The Group maintains industry leading food safety and traceability processes and procedures. Each facility has a team dedicated to ensuring compliance with Group and industry standards in this area and the Group constantly monitors performance against a detailed set of metrics and measures. They are subject to a significant number of audits by internal teams, customers and independent bodies auditing against recognised global food safety standards. The Group also operates stringent controls across its supply chain, including audits and strict approval of its suppliers, supported by rigorous ethical and quality checking of all ingredients. In FY18, 32,300 internal audits and 295 external audits were carried out at our UK facilities and 142 audits were carried out on Group suppliers.</p>	<p>The risk has stayed the same.</p>
HEALTH AND SAFETY	<p>In addition to the obvious human cost, a serious workplace injury or fatality could inevitably carry serious financial, reputational and legal risk.</p>	<p>The Group has in place strong processes and procedures in health and safety, supported by an established review programme across all sites. We also have a culture of engagement throughout the business from executive management through to the shop floor.</p>	<p>The risk has stayed the same.</p>

RISKS AND RISK MANAGEMENT CONTINUED

RISK TREND

-  Risk increased
-  Risk unchanged
-  Risk decreased

Risk area	Description of risk	Control	Movement
OPERATIONAL (continued)			
DISRUPTION TO DAY-TO-DAY GROUP OPERATIONS	The Group is at risk of disruption to its day-to-day operations from poor operational management, the breakdown of individual facilities or the loss of a significant manufacturing plant.	The Group maintains operational processes and procedures to ensure effective operational management at each facility. The Group invests in high calibre on-site teams, with responsibility across engineering and maintenance, supply chain, planning and operational excellence. The Group also maintains robust security and comprehensive operational disaster recovery plans. In addition, the Group undertakes regular reviews of all sites with external insurance and risk management experts, with these reviews being aimed at improving the Group's risk profile.	 The risk has stayed the same.
RECRUITMENT AND RETENTION OF KEY PERSONNEL	The ongoing success of the Group is dependent on attracting and retaining high quality senior management who can effectively implement the Group's strategy.	The Group mitigates the risk through robust succession planning and strong recruitment processes, offering competitive and attractive remuneration and benefits packages. In addition, during the year the Group announced a new senior team, which supports succession planning at the senior management level.	 The risk has increased due to the smaller size of the Group.
LABOUR AVAILABILITY AND COST	Due to political and economic pressures and changes, there may be a risk that labour cost and availability may be affected and this would have a detrimental impact on the Group. The Group needs to also ensure it is compliant with any ethical legislation, such as the 'Working Time Directive' and 'Eligibility to Work' in the UK. Failure to comply could result in heavy fines and reputational damage.	The Group is continually reviewing and improving its recruitment processes to reflect changing market conditions, including rigorous compliance checks. The Group also has a strong commitment to excellent working conditions, on-the-job training and specific programmes to enhance communication and colleague engagement. The Group also maintains a strong commercial focus on process and cost improvement to manage and mitigate the increased cost of labour. There are over 1,670 registered users on the Greencore line manager framework (the tool used to help build management capability). Greencore regularly reviews employee engagement through surveys or listening groups. Employment compliance checks are carried out on all new employees and an independent review is carried out by RMG on an annual basis.	 The gross risk has increased, due to continuing uncertainty associated with Brexit.

STRATEGIC PRIORITIES



Risk area	Description of risk	Control	Movement
OPERATIONAL (continued)			
IT SYSTEMS AND CYBER RISK	<p>The Group relies heavily on information technology and continuous investment in systems to support our business. An extended failure of our core systems, caused by accidental or malicious actions, including those resulting from a cyber-security attack, could result in a significant impact on the business. In common with most large global companies, the Group is susceptible to cyber-attacks with the threat to the confidentiality, integrity and availability of such systems. Whilst no material losses related to cyber-security breaches have been suffered, given the increasing sophistication and evolving nature of this threat, we cannot rule out the possibility of them occurring in the future.</p>	<p>Greencore maintains a program of controls and processes, including disaster recovery to protect the confidentiality, integrity and availability of information across the Group. Recent Group business wins have highlighted that the Group will increasingly be required by its clients to show compliance with accepted Information Security Standards and the Group plans to review the full set of control documents against the requirements of ISO27001. In addition, the Group has cyber insurance to transfer part of the risk of any deliberate attack over to our insurer. Furthermore, a dedicated IT security team has been established to assess cyber-security and a budget has been agreed for security-related activities. An IT security programme has been implemented to ensure a secure position going forward.</p>	 <p>The gross risk has increased, principally due to heightened cyber threat levels globally.</p>
FINANCIAL AND OTHER			
INTEREST RATES, FOREIGN EXCHANGE RATES, LIQUIDITY AND CREDIT	<p>In the capital markets environment in which the Group operates, there are inherent risks associated with fluctuations in both foreign exchange rates and interest rates. In addition, in the current economic climate, the Group's credit rating and its related ability to obtain funding for future development and expansion are specific risks.</p>	<p>These risks are actively managed by the Group's treasury team, which operates within the framework of strict Board approved policies and procedures which are explained further in Note 22 to the Group Financial Statements.</p>	 <p>The level of foreign exchange risk has increased principally due to global uncertainty associated with Brexit.</p>
EMPLOYEE RETIREMENT OBLIGATIONS	<p>The Group's legacy defined benefit pension funds are exposed to the risk of changes in interest rates and the market values of investments, as well as inflation and the increasing longevity of scheme members. The recent volatility in worldwide equity markets and decline in bond yields has highlighted the risk of employee retirement valuations.</p>	<p>These risks are mitigated by paying appropriate contributions into the funds and through balanced investment strategies which are designed to avoid a material worsening of the current surplus or deficit in each fund. The Group has closed all legacy defined benefit pension schemes to future accrual. Where relevant, the Group also uses specific arrangements with schemes to improve the security of scheme benefits, while reducing contributions.</p>	 <p>The risk has stayed the same.</p>
TAXATION	<p>In an increasingly complex, international tax environment, such matters as changes in tax laws, changing legal interpretations, tax audits and transfer pricing judgements may impact the Group's tax liability or reporting requirements. Failure to accumulate and consider relevant tax information may result in non-compliance with tax regulations or adverse tax consequences.</p>	<p>The Group employs internal tax experts who support the Group in ensuring compliance with all taxation matters globally. The Group also engages external taxation advisors for research, use of economic statistical studies and guidance on matters of compliance where appropriate.</p>	 <p>The risk will reduce following the Group's exit from the US.</p>

OUR STAKEHOLDER REPORT

CORPORATE SOCIAL RESPONSIBILITY GROUNDED IN THE GREENCORE WAY

The focus of this report is on our continuing business in the UK, but where relevant we have highlighted notable performance in our discontinued US business.

We have already introduced The Greencore Way on page 1 – it is who we are and how we win. The Greencore Way is integrated into every aspect of how we do business, and thus it is appropriate that we focus our corporate social responsibility report on how we deliver for each of the six stakeholders to The Greencore Way: our own 'People at the Core', as well as the environment, the communities in which we operate, our suppliers, our customers and our shareholders.

In building our reporting, we share material information on how our operations affect each of these stakeholders and how we aim to maximise benefit to them while minimising or mitigating negative impacts. Targets are in place for us to improve on these metrics over time and our corporate social responsibility agenda has Board sponsorship through the CEO, CFO and Senior Independent Director.



OUR STAKEHOLDERS

ENVIRONMENT	COMMUNITIES	SUPPLIERS	CUSTOMERS	SHAREHOLDERS
Efficiently using and respecting all resources	Doing the right thing for our industry and our communities	Building effective and transparent supply chains	Delivering excitement, intimacy, growth and trust	Delivering industry leading economic performance

OUR PRINCIPLES

PEOPLE AT THE CORE

- Keep people healthy and safe
- Respect, recognise and reward everyone's contribution
- Ensure responsibility is owned by the right people
- Support one another to fulfil each person's potential
- Build a sense of excitement and fun into the work environment

GREAT FOOD

- Deliver industry leading food safety standards every day
- Put great tasting food at the heart of our culture
- Continuously innovate food recipes and technologies
- Establish industry recognised food expertise and credibility

BUSINESS EFFECTIVENESS

- Drive growth and performance with and for our customers
- Operate as a lean enterprise – right across our supply chain
- Align our resources to our strategy
- Maintain control and discipline across the business

COST EFFICIENCY

- Embed the importance of cost efficiency
- Develop a constant pipeline of cost initiatives across all parts of our business
- Challenge the status quo to deliver substantial value for all stakeholders
- Share a strong sense of personal responsibility and care for all Group resources

PEOPLE AT THE CORE

Putting People at the Core is the underlying principle of The Greencore Way. We want Greencore to be a great place to work where our people are healthy and safe and have real opportunities to develop their careers. Treating our colleagues with dignity and respect is a cornerstone of this, and we also recognise our role in confronting people challenges in the global supply chain, including modern slavery.

HEALTH, SAFETY AND WELLBEING

The health, safety and wellbeing of our colleagues are fundamental to the Greencore principle of People at the Core. We aim to keep people healthy and safe by first and foremost providing a safe working environment, with a culture that promotes healthy life choices and supports physical and emotional wellbeing.

Our health and safety performance metrics have shown good improvement across both geographies, with the average Accident Incidence Rate per 100 employees in the UK reducing from 0.57 in FY17 to 0.51 this year. The equivalent metric in the US, reduced from 0.63 to 0.34. In the UK, we are pleased to be recognised by the Royal Society for the Prevention of Accidents at Northampton (President's award), Wisbech (gold award) and Park Royal (silver award). This year, each of our UK facilities was subject to an independent third party health and safety compliance audit. Our facilities continue to develop in line with our health and safety roadmap and in FY18 we have focused on machinery safety, engaging an independent assessment in line with the 'Provision and Use of Work Equipment' Regulations across the UK facilities. Another priority has been improving our contractor management, with new procedures launched and full training across the business.

Accident Incidence Rate per 100 employees (UK)

FY18		0.51
FY17		0.57

Accident Incidence Rate per 100 employees (US)

FY18		0.34
FY17		0.63

Our focus in the year has also been on delivering a consistent occupational health service for the future. This model will be more progressive, as we standardise our occupational health services and implement an Employee Assistance Programme. In the UK, we are progressing with accreditation to relevant standards and now have nine of our facilities independently accredited to OHSAS 18001¹. Some of the key activities we will build upon in the coming year include: 'Know your numbers' educational support days encouraging employees to learn more about their health and wellbeing; rollout of 'Mental Health First Aid' training to managers; and organisation of monthly wellbeing themes across facilities, to shine a spotlight on health issues as well as to provide wellbeing tips and activities to support healthy lifestyles.

EMPLOYEE ENGAGEMENT

People are at the heart of what we do at Greencore. As such, we seek to fully engage our colleagues, to drive understanding, awareness and connectivity to the business and fellow colleagues.

The Greencore 'People at the Core' survey has shown that engagement is strong. In our most recent survey, overall engagement was 81% across the Group (82% in the US and 80% in the UK). We are in the process of reviewing our survey mechanism to ensure its effectiveness.

Across the Group, we use colleague forums and listening groups to continue to build engagement and drive improvements, while in the UK, union forums provide another mechanism for communication and engagement.

We also operate the 'My Core Benefits' online portal, giving colleagues access to benefits against a range of shopping, leisure and service providers. Having launched this in the UK in FY17, we rolled it out to US colleagues in FY18.

DIVERSITY

At Greencore, we aim to ensure that all our colleagues have the opportunity to grow their careers and be themselves at work. This is not only the right thing to do for our people – we believe that diversity also enables us to achieve better business outcomes.

In striving for this, we use a broad definition of diversity, to encompass age, gender, sexual orientation and ethnicity as well as

1 Occupational Health and Safety Assessment Series, recognised standard for occupational health and safety management systems.

educational, attainment social background and experience. Our Diversity and Inclusion Policy, which was launched this year, outlines our commitment not to discriminate (nor tolerate any colleague discriminating) against any colleague or potential colleague on such grounds. We will rollout and measure against the policy over the course of FY19.

This year, we have also taken a number of actions to further develop and diversify our pool of operational managers, including the introduction of our trainee manager scheme in the UK. We have ran diversity listening groups across the country to better understand the barriers to career progression. Overall, we received good engagement, with feedback from the groups indicating that colleagues felt they could grow their careers in the way best suited to their needs. In the US, we completed annual Equal Employment Opportunities Commission reporting, to demonstrate our commitment to equal opportunity employment.

In terms of the gender mix of our employees, we have 40% female and 60% male colleagues in the UK, while in the US, the split is 54% male and 46% female. During FY18, we published information on pay by gender in our UK business, in accordance with new UK regulations. Across the four Greencore entities reported, the pay gap between male and female colleagues was below the national median pay gap of 18.4%. We continue to review our recruitment, retention and development practices surrounding under-represented groups.

NON-FINANCIAL INFORMATION REPORTING

New regulations on non-financial information mean that we must report on a series of topics listed below. We provide information on these matters across this report, as well as in our Directors' Report. We have included page references to the most relevant information on these topics below:

- Employee matters – see People section, pages 37-38
- Respect for human rights – see People section, pages 37-38 and Suppliers section, pages 42-43
- Environmental matters – see Environment section, pages 39-41
- Social matters – see Communities section, page 42
- Anti-corruption and bribery – see People section, page 38
- Diversity – see page 37 (above) and our Directors' Report, page 56

OUR STAKEHOLDER REPORT CONTINUED

LEARNING AND DEVELOPMENT

The focus for our learning and development function is to build capability among our people and to support them in developing themselves and our business.

During FY18, in the UK, we launched 'Grow with Greencore', a learning resource that builds capability aimed at our management and leadership populations. This has been a great success with over 1,200 live users regularly accessing the material. The initiative has been recognised externally with multiple awards including the Chartered Institute of Personnel and Development award for 'Best Learning & Development Initiative' and the Institute of Grocery Distribution 'Learning & Development' award. Additionally, there are over 1,670 registered users on the Greencore line manager framework, a tool used to help build management capability.

In addition, we have launched the Greencore 'Trainee Manager' programme in the UK, an entry-level talent programme, aimed at people entering the workforce for the first time or those wanting to restart their career. The initiative places people in roles within Greencore, supported by a structured development plan, while in parallel they participate in a degree programme which is funded by the apprenticeship levy.

In the US, we launched the 'Back to Basics' programme, a standardised new hire and refresher training course aimed at improving knowledge of workplace safety, food safety and human resources across our network. We also introduced a 'Core4' supervisory training

programme in early 2018 which aims to upgrade capability across the supervisory population.

ETHICS

Our approach to ethical trading is outlined in our Ethical Code and Employment Standards Policy, which highlights our commitment to high standards of ethical and environmental practices. Our approach is informed by the International Labour Organization's 'Declaration on Fundamental Principles and Rights at Work' and the United Nations ('UN') 'Guiding Principles on Business and Human Rights'.

Each of our UK facilities is subject to an ethical audit and we conduct regular reviews of ethical priorities with our customers as part of our ongoing relationships with them.

Integrity is a fundamental principle of our Code of Business Practice, and we have many policies in place across the business to support this. This includes an Anti-Bribery and Corruption Policy as well as a detailed manual, explaining, in clear language, what is considered as bribery and corruption and the implications of such offences. Refresher training on anti-bribery and corruption is planned for FY19. Other policies include our Code of Conduct Policy, Dignity at Work Policy, our Diversity and Inclusion Policy, Ethical Code and Employment Standards Policy and our Inclusive Recruitment Policy.

MODERN SLAVERY

We strive to achieve a workplace free of modern slavery and adopt a zero-tolerance

approach to this issue. In support of this aim, we have created an internal steering committee to drive progress in combatting modern slavery. In the UK, all of our facilities are 'Business Partners' with Stronger Together, a multi-stakeholder, business-led initiative aiming to reduce modern slavery.

In addition to this, we have implemented a comprehensive education programme, which includes the development of procedures for managing incidents of modern slavery and training on how to spot the signs of slavery for key members of our human resources team and for our agency colleague providers. This initiative is supported by the UK's 'Gangmasters and Labour Abuse Authority'. We have also reviewed our eligibility to work systems and started implementation of new pre-employment checks.

Greencore complies with the requirement of the Modern Slavery Act 2015, to produce a slavery and human trafficking statement for each financial year of the organisation. This is published on our website.

WHISTLEBLOWER

Greencore provides an independent whistleblower line which is available to all employees to report any concerns anonymously.

The Risk Management Group provides independent oversight of any whistleblower reports to the Group Audit Committee, ensuring any concerns raised are investigated fully and appropriate actions taken where required.

"I see the qualification as a very important step in my professional and personal development."

"You can learn so much, not just from the course content, but from the other students on the course from the different backgrounds, ages etc."

Greencore Qualifications participant feedback, 2018.



GREENCORE QUALIFICATIONS

In the UK, our 'Greencore Qualifications' programme, funded by the UK apprenticeship levy, enables us to further build capability in food technical, management, project management and human resources, by awarding formal qualifications up to degree level. Anyone can apply, with over 230 people starting in FY18, studying across nine different qualifications.

ENVIRONMENT

At Greencore, we are committed to conducting our business activities in an environmentally responsible and sustainable manner, efficiently using and respecting all resources.

During FY18 we have rolled out our environmental roadmap to all UK facilities to provide a framework for improvement that is routinely measured and reviewed. We have implemented formal reviews, risk assessment processes and best practice sharing to help drive improvement across the business.

In FY18 we also completed re-certification of the environmental management systems ('EMS') of certain facilities, in line with the updated EMS standard ('ISO14001') introduced in 2015. Our certification of three facilities in FY18 means that all previously certified facilities have now transitioned to the new standard.

Our sustainability team continues to work closely with a number of our UK customers to support their sustainability aims and commitments and actively support the Chilled Food Association's sustainability working group.

WASTE

Food waste has been a major focus for the food sector this year. We have committed to the UN Sustainable Development Goal ('SDG') 'target 12.3' to halve our food waste by 2030, and have joined a group of companies leading progress to achieve this target, the 'Friends of Champions 12.3'. We have also been recognised by the 'Support the Goals' non-profit initiative which celebrates businesses which support the SDGs.

In September 2018, we published our food waste inventory for FY17 for our UK business, which provided a comprehensive assessment



One of our distribution depots

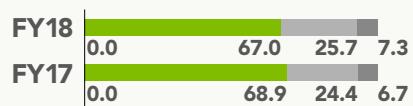
of food waste to all destinations and established a baseline of 10.7% food waste as a percentage of production. Our target for 2030 is, therefore, to achieve below 5.35% food waste by 2030 in the UK in line with the UN target of 12.3. During the year we contributed to workshops leading to the publication of the joint Institute of Grocery Distribution/Waste and Resources Action Programme ('IGD/WRAP') food waste reduction roadmap and provided input into the development of guidance on assessing food waste losses to drain.

We have also continued to develop our partnerships with key organisations to support the redistribution of food for human consumption in the UK. During the year we redistributed 791 tonnes of food to Fareshare, and The Company Shop/Community Shop, equivalent to around 1.9 million meals, and established a new outlet with the redistribution charity The Felix Project in West London.

In the UK, our total food waste for FY18 was 40,912 tonnes, a reduction of 1,268 tonnes versus FY17. Waste as a percentage of production was down from 10.7% to 10.5%.

A significant contributor to this was a new operational excellence team which was established to drive performance, initially focusing primarily on our sandwich facilities.

Total solid waste removal from sites (UK manufacturing)



█ Disposal 0%
█ Recovery
█ Recycling
█ Re-use

UK food waste and surplus data FY18

	Description of destination	Tonnes	As % of production	Total tonnes	Total as % of production
Waste avoided	Redistribution for human consumption (Company Shop, Community Shop, Fareshare)	791	0.2%	5,686	1.5%
	Animal Feed	4,895	1.3%		
Food waste	Co/Aerobic Digestion	32,202	8.3%	40,912	10.5%
	Controlled Combustion	1,964	0.5%		
	Sewer	6,395	1.7%		

OUR STAKEHOLDER REPORT CONTINUED

PLASTICS

During FY18, teams from our purchasing, technical, development and sustainability departments have been engaged in cross-functional activities to review our use of plastics in product packaging and identify ways to remove it or improve recyclability and recycled content. Greencore supports the 'Plastic Pact' commitments for 2025 which were signed by the UK's Chilled Food Association on behalf of its membership.

In the UK, we introduced a peelable sandwich skillet lining enabling the cardboard to be separated and recycled. In total we have removed over 350 tonnes of plastics from our UK products during the year, including 293 tonnes of hard plastic lids from a ready meal range.

We continue to work with our packaging suppliers to increase the levels of recycled content in packaging and have been engaged in pilot trials to improve recyclability of black plastic trays.

We are exploring opportunities to recycle more plastic waste generated throughout our operations. As part of our celebration of World Environment Day in June 2018 we provided 1,500 reusable water bottles to UK colleagues as part of our commitment to phase out single-use plastic water bottles in favour of on-site drinking water facilities.



ENERGY AND CLIMATE CHANGE

At Greencore, we are committed to managing our carbon footprint and aim to significantly reduce this over time. Our annual carbon footprint has been produced using the UK's Department for Environment, Food and Rural Affairs environmental reporting guidelines and the UK government conversion factors for company reporting. We have included both Scope 1 emissions (fossil fuels for process, transport fuel and refrigerant losses) and Scope 2 (electricity).

Overall, we have seen a reduction in our total emissions from last year, largely due to a reduction in our Scope 2 emissions (reflecting an increased share of renewable energy in UK electricity generation). The reduction is also

driven by further energy efficiency improvements we have implemented and changes to our portfolio of facilities.

As part of the UK government's Energy Savings Opportunity Scheme ('ESOS'), all of our UK facilities are subject to a mandatory energy assessment every four years, with a view to improving their energy efficiency. In the intervening years, we continue to assess our facilities on a rolling basis against in-house best practice guides to maintain momentum towards our improvements goals. During FY18, we completed such assessments on one-third of our UK facilities to identify further opportunities for energy efficiency and carbon reduction. We have also established a plan for compliance with the second phase of ESOS assessments which will take place in 2019.

Emissions are summarised below, all reported as CO₂ equivalent ('CO₂e²'):

Emissions from:	Tonnes of CO ₂ e ²			
	US	UK & I	FY17	FY18
Combustion of fuel and operation of facilities (Scope 1)	9,536	9,264	71,648	66,336
Electricity, heat, steam and cooling purchased for own use (Scope 2)	36,138	35,365	44,903	32,389
Total emissions (Scope 1 & 2)	45,674	44,629	116,551	98,725
Ratio (KgCO ₂ e per £1 sales revenue)	0.052	0.042	0.297	0.253

² In FY18 we have moved to a new bespoke reporting tool resulting in a correction to our Scope 1 & 2 emissions reported for FY17.



Primary energy consumption per tonne of product (UK manufacturing)



Primary energy consumption per tonne of product for our UK manufacturing operations has reduced 8.5% from last year. This is due in part to the closure of Evercreech and sale of Hull (two of our more energy intensive production facilities), but also due to continued focus on delivering energy efficiency improvements. In the last five years, we have achieved a total reduction in primary energy per tonne of product of 22%. An example of our improvement efforts can be seen with the combined heat & power ('CHP') plant at our Selby facility. The CHP plant runs off biogas from the on-site anaerobic digestion plant for effluent treatment, and in FY18, generated around 11% of the site's electricity. From 1 October 2018 we have moved to a 100% renewable electricity supply for all of our UK operations.

Looking to FY19, we will evaluate the opportunity either to establish science-based targets for emission reductions, or to establish an alternative quantifiable target to support our aims to significantly reduce our carbon footprint.

WATER

We continue to promote the efficient use of water, and encourage water conservation measures, without compromising hygiene standards.

Water consumption per tonne of product (UK manufacturing)



In the UK, our overall water consumption per tonne of product reduced by 2% year-on-year from 6.59 to 6.45, giving a cumulative reduction of 7.2% in the last five years.

During the year, we have completed a number of projects that will help to reduce our water consumption. This has included a new



Colleagues review line performance

standard for tray wash facilities at our food to go sites, reducing both energy and water consumption. Our Crosby facility has successfully trialled an alternative cleaning regime that improved standards while delivering a 40% reduction in water usage. We will evaluate the new process for potential rollout to other facilities next year.

We have also engaged in water reduction activities within the supply chain. For example, we have worked with a key supplier of lettuce to our sandwich business to start supplying from a new facility using hydroponics. This has enabled a 90% reduction in water consumption for this product.

POLLUTION PREVENTION

We endeavour to minimise the impact of our facilities on the local environment and communities in which we operate.

In the UK, as part of our extensive redevelopment of our Warrington facility, we have significantly invested in a new odour abatement system to minimise potential nuisance to the local community. Throughout the site development, the local residents' committee regularly visited the site and received updates on actions to minimise impact on them from the development and expanded operation.

We have also sought to actively manage impacts from a new effluent treatment plant at our Park Royal facility, due for completion by early 2019. We have used innovative 3D spill modelling to identify potential pollution risks and plan key containment measures. This will enable us to prevent pollutants from escaping the site either in case of a spillage incident or in the case of a fire, which raises a pollution risk from fire-fighting water run-off.

LOGISTICS

This year, we have upgraded our chilled distribution fleet in the UK with enhanced engine technology and improved aerodynamics. We have seen improved fuel efficiency and a 25% reduction in CO₂e emissions per mile.

Our logistics team has focused on improved vehicle optimisation, achieving 90% use during engine running time, and upgrading our van specification with 330 'Lightfoot' units installed over the last two years. These units provide live, in-cab coaching to help drivers improve both fuel efficiency and road safety, delivering a 14% reduction in fuel use and a 112 tonne reduction in emissions.



OUR STAKEHOLDER REPORT CONTINUED

COMMUNITIES

As a large and growing business, we are aware of the significant impact we have on the world around us. This is why we are committed to doing the right thing for the communities in which we operate and the industry in which we aspire to be a leader.

During FY18, we supported our local communities through a number of country-wide activities in the UK and many local, site-based initiatives across the UK and US.

At national level in the UK, we work with GroceryAid, a grocery industry charity supporting former and current grocery industry workers and their dependents who find themselves in financial difficulty. We participate in the committee work at GroceryAid, support the charity's various fundraising activities and provide marketing support on social media – helping the charity to raise its profile further.

We also support the Institute of Grocery Distribution ('IGD'). IGD is a research and training charity which sits at the heart of the UK's food and grocery industry. IGD's 'Feeding Britain's Future' initiative brings together stakeholders from across the grocery industry to support young people and equip them with skills to be successful in the workplace. Since its launch in 2012, Greencore has played a key

role in the initiative as an active committee member, providing volunteers to support engagement programmes in schools across the UK.

At the local level, the majority of our manufacturing facilities across the Group, work with organisations in their local communities, providing support through volunteering, sponsored fundraising events and donations of food and other items.

Within the community of the UK food industry itself, we have funded places at 'Food Science Summer Schools' both directly and through our membership of the Chilled Food Association and the IGD. Members of our technical team are Science, Technology, Engineering and Maths ('STEM') ambassadors and regularly give presentations to school students on careers in the food industry.

Also in the UK, we are represented on the review panel for the AgriFood Training Partnership. This is a consortium of universities, funded by the Biotechnology and Biological Sciences Research Council, which provides specialist training to technical staff working in the agriculture and food sector. We are also an advisory member to the 'Knowledge Transfer Network' providing a valuable connection between industry and academia.

SUPPLIERS

SUPPLIER MANAGEMENT

Greencore places great emphasis on the integrity of our supply chain. In the UK, we have a dedicated team of auditors who approve all suppliers. In the last year, this team has conducted 142 audits, 985 approvals, and 130 matrix reviews of agents and brokers. We require all suppliers to achieve recognised food safety standards, including BRC (formerly 'British Retail Consortium') certification for agents and brokers. Outbound storage and distribution services, including our own, also require BRC certification.

In the UK, we have a team of Subject Matter Experts ('SMEs') who work closely with our procurement team on supply chain coordination, and manage supply chain events, such as the discovery of avian influenza in the UK's egg supply chain last year. During FY18, our SMEs and raw material technologists carried out 140 supplier visits, and have delivered innovations such as hydroponic 'ready-to-eat' herbs which achieve improved quality, higher microbiological standards and greater sustainability, with less water usage.

We source ingredients for our products from global supply chains, and we understand the impact of supply chains on the environment, biodiversity and populations. We have implemented standards for certain raw materials using, for example, the 'British Lion' (egg traceability), the British 'Duck Assurance Scheme' as well as salmon assured by the Royal Society for the Prevention of Cruelty to Animals. Beyond this, we continually review and develop our sourcing standards in partnership with our suppliers.

Greencore is a member of the Roundtable on Sustainable Palm Oil ('RSPO') and we maintain multi-site RSPO certification for certain UK facilities. We carry out annual internal audits for compliance with the RSPO chain of custody standards at each of the facilities in the programme. A number of these are also selected for surveillance audits by an authorised certification body. Our aim is to use 100% certified sustainable palm oil in our products, and we achieved 99% certification in our most recent communication of progress to the RSPO.

We have also completed the annual CDP (formerly Carbon Disclosure Project) forests questionnaire for several years including data on timber products and palm oil. 90%



of the card used in our primary packaging is from sustainable sources.

In addition to this, we hold Group Marine Stewardship Council certification for our UK food to go facilities, demonstrating our commitment to sustainable fisheries. These also receive annual compliance audits as part of our internal governance with a sample selected for surveillance by the certification body.

ANIMAL WELFARE

Greencore takes animal welfare seriously and we influence best practice by requiring appropriate standards from our suppliers and other participants within the supply chain.

We take animal welfare standards into account during our supplier approval process, and require our suppliers to comply with certain welfare standards for eggs, poultry and red meats. All UK suppliers use material approved with the 'Red Tractor' traceability and quality standard, with seven welfare schemes currently in use.

Our Animal Welfare Policy specifically excludes the use of raw materials from slaughterhouses that practice unstunned slaughter. During FY18, a new state of the art CO₂ chicken slaughterhouse was introduced to current supply chains in the UK.

Our technical team has expertise in animal products spanning meat, fish, poultry and eggs and gives guidance on sourcing strategies and supply chains, while our UK 'protein' SME is a member of the Humane Slaughter Association. During FY18, we visited 10 slaughterhouses and three farms supplying meat into our UK manufacturing facilities.



ETHICAL TRADING

We work with our suppliers to build effective and transparent supply chains. This includes understanding social standards in our supply chain and encouraging our suppliers to operate to the same ethical standards that we employ ourselves.

In the UK, during our supplier approval process, suppliers are provided with a copy of our Ethical Trade Policy, which is aligned to the base code of the Ethical Trading Initiative, a multi-stakeholder group which promotes ethical trade. They are also required to register on the Supplier Ethical Data Exchange ('SEDEX'). We have achieved 95% registration of our top 500 raw material suppliers, and have also begun a programme of engagement with suppliers to ensure that they understand our expectations on ethical trading and to provide support where possible.

In addition to this, we are members of the Food Network for Ethical Trade ('FNET'), an initiative within the UK food industry that aims to improve human rights in global

food supply chains through a common approach to managing ethical trade. Greencore coordinates a working group focused on ethical trade within the spices supply chain, involving seven suppliers and three retailers.

In our Slavery and Human Trafficking Transparency Statement, we set out the measures we are taking to prevent modern slavery in our supply chains, in addition to our own operations. We have carried out an assessment of our raw materials to identify areas most at risk of modern slavery and human rights abuses and we are targeting these through our supplier engagement programme.

FOOD SECURITY

Climate change, the growing global population and pressure on resources all threaten food supply chains. We aim to develop sourcing strategies that promote security of supply and enable us to deliver Great Food to our customers.

Our sourcing strategies are informed by horizon scanning for future risks. Other strategies include promotion of integrated supply chains, reduction of supply chain complexity and adoption of assured standards for certain raw materials. Diversification of our ranges with an increase in production of plant-based products is also helping to meet increased consumer demand for vegan and vegetarian options.

Greencore is represented on the Global Food Security Strategy Advisory Board for the UK.



OUR STAKEHOLDER REPORT CONTINUED

CUSTOMERS

FOOD SAFETY

Providing safe, authentic and excellent quality food is at the heart of what we do at Greencore.

In the UK, each of our manufacturing facilities is compliant with the Global Food Safety Initiative ('GFSI'). They are also certified to the BRC Global Standard for Food Safety, through its unannounced audit programme. Performance in these audits is a key metric for managing our food safety performance, and in FY18 we achieved AA* or A* grades in all of these audits.

Our UK technical team also conducts separate technical and compliance audits across all facilities as part of our governance programme. In the last year, the team carried out 20 hygiene audits and 34 audits against our technical standard. Additionally, over 32,300 routine audits were conducted by site teams across our UK facilities. In addition to BRC compliance audits, our UK facilities received 295 inspections from external organisations during the year, including customers and assured standards certification bodies.

From a training standpoint, we continue to deliver our graduate programme in the UK, recruiting recently qualified food science graduates. As part of our Trainee Manager programme, we also now offer the 'Food

Industry Technical Professional' degree apprenticeship. In addition, Greencore technical teams have access to our 'Technical Toolbox' training programme, offering continued professional development to technical experts across the business.

In the US, Greencore's facilities were GFSI compliant in all locations and were externally audited by the US Food and Drug Administration, the US Department of Agriculture and large customers on a regular basis. Over FY18, all facilities achieved either BRC AA grades or a Safe Quality Food ('SQF') score of >90%.

In FY18, we further integrated systems in the US and completed additional training, site and supply chain work to ensure compliance with the Food Safety Modernisation Act. We also created a 'Sanitation Excellence Program' to standardise best practice in the delivery of sanitation across the business.

FOOD AUTHENTICITY AND INTEGRITY

Protecting food integrity and authenticity are important challenges for our industry and we work to reduce the vulnerability of our supply chains to this threat.

In the UK, Greencore played a leading role in establishing the Food Industry Intelligence Network ('Fiin') in 2015 with 20 other industry participants and we continue to co-Chair the Fiin governing board. The network has now

grown to over 30 members who share sanitised data on authenticity, helping to identify potentially vulnerable supply chains.

We monitor risks to raw materials both through a horizon-scanning process and a testing schedule implemented by our central technical team. These actions inform our purchasing strategy across ingredient categories and feed into vulnerability assessments for site Threat Assessment and Critical Control Point ('TACCP') plans. Training on TACCP is coordinated centrally for our UK facilities.

We have also expanded our UK raw materials team. This now includes four Subject Matter Experts ('SMEs') for key categories, as well as specialist technologists who support our team in ensuring the safety, integrity and authenticity of the raw materials in our products.

HEALTH AND NUTRITION

As a responsible food manufacturer, Greencore recognises the importance of producing healthy and nutritious foods and we seek to offer healthy options in each of the categories in which we operate.

Innovation in both our foods and packaging is at the heart of what we do and, in FY18, 35% of our products were new to market. In the UK, we began reformulating products to reduce salt content as far back as 2004 and we continue to align product ranges with nutrient





and energy targets set by Public Health England. During FY18, we have removed over 80 tonnes of sugar from sauces produced at our Selby facility. Where reformulation is challenging due to the nature of some of our raw materials, we look for other innovations. For example, we lead an 'Innovate UK'-funded project to reduce the fat and salt content of baked cheese products.

We are also responsive to health trends to ensure our products can be enjoyed by all consumers. It is especially important to provide choices for vulnerable groups and those with specific dietary needs. In support of this goal, we have a food to go facility in the UK dedicated to gluten-free products and

have increased the availability of meat-free options, with 23 vegan and 54 vegetarian products in our UK food to go ranges.

We also work with the wider industry on nutrition issues, and in the UK, we are represented in nutrition groups with the Institute of Grocery Distribution and Campden BRI.

SHAREHOLDERS

Greencore is committed to ensuring that our corporate governance arrangements are effective and continue to evolve with best practice. The Board of Directors is responsible for the governance of the Group. It is also responsible for leading, monitoring and controlling the Group, and for promoting its long-term success. More information on our corporate governance practices can be found in our Corporate Governance Report on pages 53 to 59.

The Group operates a transparent and responsible approach to the management of taxes. Since FY17, the Group publishes a Board-endorsed Group Tax Policy and Code of Conduct for each financial year. This policy provides further detail in relation to our approach to taxation and is available on our website.

In addition, Greencore is committed to ensuring active engagement with our shareholders. Our investor relations team holds meetings with institutional and major shareholders at certain times throughout the year as well as regular capital market engagements. All shareholder presentations, as well as announcements which have been submitted via the Regulatory News Service of the London Stock Exchange are also made available on our website. Further information on shareholder engagement is set out on pages 56 and 57.



MEET THE SENIOR TEAM



Patrick Coveney*



Eoin Tonge*

Chief Executive Officer

Chief Financial Officer

IN FY18, THE SENIOR TEAM, UPON DELEGATION BY THE BOARD, UNDERTOOK THE RESPONSIBILITY FOR DELIVERING THE STRATEGY AND LEADING THE ORGANISATIONAL AND CAPABILITY PERFORMANCE. THE GROUP RECENTLY ANNOUNCED A NEW SENIOR TEAM STRUCTURE.



Nigel Blakey

Finance Director



Tracy Costello

Chief Information Officer



Guy Dullage

HR Director

* Denotes Greencore Group plc Board Director.
For full biography see page 48.



Martin Ford

Jolene Gacquin

Peter Haden

Alwen Hill

Kevin Moore

Clare Rees

Technical Director

Incoming Group Company Secretary

Managing Director

Purchasing Director

Chief Operating Officer

Manufacturing Director

Biography

Martin was appointed Technical Director in November 2018. He has responsibility for food safety, quality and sustainability as well as the leadership of the central technical team, which manages supplier performance and our technical systems. Martin has 10 years' experience at Greencore, having worked across all our manufacturing sites during this time. Prior to joining Greencore, Martin worked at NSF International supporting the technical standards of Whitbread and other foodservice brands.

With effect from the end of January 2019, Jolene will take up the role of Group Company Secretary. Jolene is currently Head of Legal and Compliance, with responsibility for driving legal compliance and best practice across the Group. Before taking up her current role, Jolene was Deputy Group Secretary, having joined the Group in August 2008. Jolene is also Director and Company Secretary of Simon Community Galway, Ireland.

Peter was appointed to lead our UK senior team in July 2018 and is responsible for running our UK business day-to-day. Peter joined Greencore in 2015 and has held prior roles as Group Chief Operating Officer and Chief Development Officer. Prior to joining Greencore, Peter was a Partner with McKinsey & Co., where he led the UK Consumer Practice. Before McKinsey, he was a brand manager with Procter & Gamble.

Alwen is the Group's Purchasing Director. Alwen joined the business over 20 years ago and has held several roles including Purchasing Manager, divisional Purchasing Director and Interim Managing Director. During her time with the Group she also worked in IT 'over the millennium' and led the integration of both the Atherstone and Heathrow sites. Prior to joining Greencore, Alwen worked in procurement at Northern Foods, and in the textiles manufacturing industry.

Kevin is Chief Operating Officer with responsibility for commercial, marketing and insight, end-to-end value chain optimisation, new product development, purchasing and Greencore's Direct to Store and distribution operations. Kevin joined the Group in 1999 and prior to his current appointment, he served as Managing Director of Greencore's Food to Go and previously Prepared Meals divisions. Before joining the business, Kevin worked for more than a decade in senior roles in management consultancy and retail.

Clare became Manufacturing Director in October 2018. In this role, she leads all aspects of manufacturing across the UK network, including operational performance across our 15 sites, Greencore Manufacturing Excellence, engineering, health and safety and supply chain planning. Clare joined Greencore as a graduate in 1996 and has held a variety of senior roles in Greencore including Commercial Director of Greencore Food to Go, Business Unit Managing Director of Greencore Food To Go Retail and Managing Director of Greencore Convenience Foods.

OUR BOARD OF DIRECTORS



PG Kennedy,
BA, FCA



PF Coveney,
B Comm, M Phil,
D Phil



EP Tonge,
B Eng



SG Bailey



HA McSharry,
B Comm, MBS



JJ Moloney,
B Ag. Sc., MBA

Non-Executive Director	Chief Executive Officer (Aged 48)	Chief Financial Officer (Aged 46)	Non-Executive Director	Non-Executive Director (Aged 57)	Non-Executive Director (Aged 64)
Chairman (Aged 60)			Senior Independent Director (Aged 56)		

Biography

Gary joined the Board as a Non-Executive Director on 20 November 2008 and was appointed Chairman in January 2013. Gary has extensive board experience, currently serving as Chairman of Connect Group plc and Green REIT plc and previously holding positions on the boards of Elan plc, Allied Irish Bank plc and Friends First Holdings Ltd. In the past he also served on the Board of the IDA Ireland and was a Government appointed Director of IBRC.

Patrick joined the Board on 5 September 2005 and held the position of Chief Financial Officer until March 2008, when he was appointed Chief Executive Officer. Before joining Greencore, Patrick was Managing Partner of McKinsey & Co., Ireland. Currently, Patrick serves as a Non-Executive Director of Glanbia plc and is also Non-Executive Chairman of Core Media. Patrick is also a Director of Irish Sailing Foundation Company Limited By Guarantee.

Eoin joined the Board and was appointed Chief Financial Officer on 3 October 2016, having previously led Greencore's Grocery division and serving in a number of other senior roles throughout the Group, including Chief Strategy Officer. Prior to joining Greencore in 2006, Eoin worked for Goldman Sachs where he held a variety of finance, treasury and capital market roles.

Sly joined the Board as a Non-Executive Director on 17 May 2013 and became Senior Independent Director in December 2017. Sly currently serves as a Non-Executive Director of the IPSX Group Limited. Previously, she held the position of Chief Executive Officer of Trinity Mirror plc, as well as serving as a Non-Executive Director on the boards of Ladbrokes plc and EMI plc, where she was Chair of the Remuneration Committee and Senior Independent Director. She has also served as a Non-Executive Director and Chair of the Remuneration Committee for the Press Association.

Heather Ann joined the Board as a Non-Executive Director on 30 January 2013. Currently, she serves as a Non-Executive Director of CRH plc, Jazz Pharmaceuticals plc and Ergonomics Solutions International. Heather Ann has also held the position of Managing Director for Reckitt Benckiser and Boots Healthcare in Ireland and previously served as a Board Director of the Governor and Company of the Bank of Ireland.

John joined the Board on 8 February 2013. He currently serves as a Non-Executive Director of Smurfit Kappa Group plc and holds the position of Chairman at DCC plc and Coillte Teoranta (the Irish State Forestry Company). John is also a director in a number of private companies. John was Group Managing Director of Glanbia plc from 2001 to November 2013 having also held senior management positions within the organisation, including the position of Chief Executive of Food Ingredients and Agribusiness.

Committee membership

Nomination and Governance Committee	Audit Committee	Audit Committee	Nomination and Governance Committee*
Remuneration Committee	Nomination and Governance Committee	Remuneration Committee*	Remuneration Committee

* Denotes Committee Chair.



KF O'Malley,
AB, JD

HC Rose,
FCA

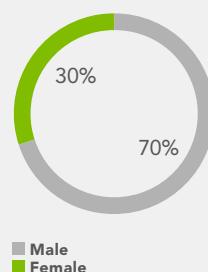
TH Sampson

JA Warren,
BSc, FCA

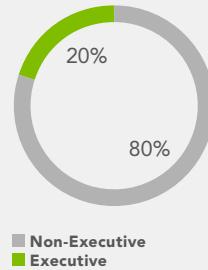
CM O'Leary,
FCIS

BOARD DIVERSITY

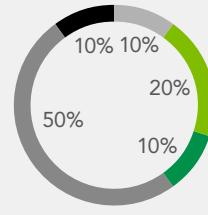
By gender



By role



By tenure



Biography

Kevin joined the Board as Non-Executive Director on 14 March 2017. He has spent the majority of his career in legal and regulatory affairs, including spending 11 years as a Partner of Greensfelder, Hemker & Gale, PC in the US. He also served as United States Ambassador to Ireland from 2014 to 2017. Kevin was also a member of the Missouri, Illinois and District of Columbia Bar Associations and he was awarded an Honorary Doctorate from Saint Louis University.

Helen joined the Board as Non-Executive Director on 11 April 2018. Helen is currently Chief Operating Officer at TSB Banking Group plc, a subsidiary of Sabadell. Helen has extensive operational, financial, risk and UK retail experience and has held a number of senior finance roles at Dixons, Forte, Safeway and Lloyds Banking Group. She is a Fellow of the Institute of Chartered Accountants having qualified at Coopers & Lybrand.

Tom joined the Board as Non-Executive Director on 1 February 2017. Tom has held a number of senior management positions including Chief Executive Officer of Peacock Foods from 2013 to 2016, prior to that he was President of Kraft North American Food Service for 10 years. A former Chairman of the International Foodservice Manufacturers Association, Tom currently serves as President of Chicago Children's Advocacy Center and as a board member of American Hotel Register Company and the Community Coffee Company LLC.

John joined the Board as Non-Executive Director on 30 January 2013. Currently, John serves as Senior Independent Director and Chairman of the Audit Committee at Bloomsbury Publishing Plc and 4imprint plc and as Director and Chairman of the Audit Committee at Welsh Water. He has extensive financial experience and has held the role of Group Financial Director of United Biscuits (Holdings) Plc and WH Smith PLC. He also previously served as Chairman of Uniq Plc and as a Non-Executive Director of Bovis Homes Group PLC, Spectris plc, The Rank Group Plc, BPP Holdings plc, Aria Foods UK plc, RAC Plc and Rexam Plc.

Conor was appointed Group Company Secretary on 4 June 2010, having previously served as Deputy Group Secretary since 2005. Before joining Greencore in 2001, Conor held senior company secretarial positions in Glanbia plc and Cable and Wireless plc and trained with Pricewaterhouse Coopers. Conor is currently a member of the steering committee of the 30% Club Ireland.

Conor is retiring from his role with effect from the conclusion of the 2019 AGM.

Committee membership

Audit Committee

Audit Committee*

* Denotes Committee Chair.

DIRECTORS' REPORT

INTRODUCTION

The Directors present their Report and Financial Statements for the year ended 28 September 2018. The Directors' Report is contained on pages 48 to 85.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

Our business primarily operates in the attractive convenience food sector in the UK. We operate in food to go categories such as sandwiches, salads and sushi as well as activities in complementary convenience food categories including chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings.

On 15 October 2018, we issued a circular to shareholders proposing the sale of our US business. At an Extraordinary General Meeting ('EGM') held on 7 November 2018, a large majority of shareholders approved the sale and subsequent resolutions regarding the share capital of the Company. Further details are set out below.

The Group's performance and development activity is summarised in the Operating and Financial Review set out in pages 24 to 29. The principal subsidiary and associate undertakings are listed in Note 34 to the Group Financial Statements and form part of this report.

RESULTS FOR THE YEAR

Following the disposal of our entire US business, results are presented on a continuing and discontinued basis. See Note 9 to the Financial Statements for further detail. The Group Income Statement, which is set out on page 92 details the Group's results for the year. The Group reported Adjusted Operating Profit for the year before exceptional items of £104.6m (FY17: £102.9m) for continuing operations, whilst the profit after taxation and exceptional charges was £36.5m (FY17: £13.9m).

DIVIDENDS

An interim dividend of 2.20 pence (FY17: 2.10 pence) per share was paid on 4 October 2018. The Directors are recommending a final ordinary dividend of 3.37 pence (FY17: 3.37 pence) per share. Subject to shareholder approval, this dividend is to be paid on 5 February 2019 to shareholders who are on the register of members at 5.00 pm on 11 January 2019. This will give a total dividend of 5.57 pence for the year.

At the Annual General Meeting ('AGM') held on 30 January 2018, shareholders were informed that the Board had decided to cease offering the scrip dividend. The final dividend in respect of FY17, which was paid in April 2018, was the last dividend where shareholders could elect to receive shares in lieu of cash. It is intended that all future payments will be made by cash.

SHARE CAPITAL

During the year 1,210,655 (FY17: 4,250,498) Ordinary Shares were issued under the Company's Scrip Dividend Scheme and 120,950 (FY17: 714,595) Ordinary Shares were issued under the Company's ShareSave Schemes. Further details are set out in Note 26 to the Group Financial Statements.

On 28 November 2018, the Company completed the capital reduction of £650,785,438.98 of share premium, which was converted into profits available for distribution. The capital reduction had previously been approved by a special resolution of shareholders on 7 November 2018 and was confirmed by the High Court on 28 November 2018.

One Special Share of €1.26 exists in the share capital of the Company. The Articles of Association provide that the Special Share may be held only by, or transferred only to, the Minister for Agriculture, Food & the Marine or some other person appointed by the Minister. Under the Articles of Association, the consent of the holder of the Special Share is required in the winding up of the Company. Many of the rights attached to the Special Share were abolished in 2011.

At the 2018 AGM, the shareholders gave the Directors the authority to allot shares up to a maximum nominal amount equal to £2,331,237.61. This authority will expire at the forthcoming AGM and therefore, shareholders will be asked to renew, until the date of the AGM to be held in 2020 or 29 April 2020, whichever is earlier, the authority of the Directors to allot new shares. This authority will be limited to the allotment of up to an aggregate nominal value of 33% of the nominal value of the Company's issued share capital.

Shareholders will also be asked at the forthcoming AGM to approve until the date of the AGM to be held in 2020, or 29 April 2020, whichever is earlier, the Directors' power to disapply the strict statutory pre-emption provisions relating to the issue of new equity for cash. The disapplication will be limited to the allotment of equity securities in connection with any rights issue or any open offer to shareholders and the allotment of shares in lieu of dividends, and/or the allotment of shares up to an aggregate nominal value equal to 5% of the nominal value of the Company's issued share capital.

At the 2018 AGM, the shareholders passed a resolution to give the Company, or any of its subsidiaries, the authority to make market purchases of up to 10% of its own shares. At the forthcoming AGM, it is expected that shareholders will be asked to authorise the Directors to make market purchases or overseas market purchases of its own shares. Any purchases would be made only at price levels which the Directors consider to be in the best interests of the shareholders generally, taking into consideration the Group's overall financial position.

This authority will be separate from any other authorities that may be sought from shareholders from time to time for specific share repurchase programmes or tender offers.

Shareholders will be asked to pass a resolution at the forthcoming AGM authorising the Company to re-allot shares purchased by it and not cancelled as treasury shares. If the resolution is passed, the authority will expire on the earlier date of the AGM in 2020 or 29 April 2020 and the minimum price at which treasury shares may be re-allotted shall be set at the nominal value of the share where such a share is required to satisfy an obligation under an employees share scheme or, in all other cases, an amount equal to 95% of the then market price of such shares and the maximum price at which treasury shares may be re-allotted shall be set at 120% of the then market price of such shares.

FUTURE DEVELOPMENTS

The Group entered FY19 with a stronger and leaner business in the UK following the refinement of its portfolio and the implementation of its streamlining and efficiency programme. The Group anticipates continued underlying revenue growth in its key convenience food categories. Adjusted Operating Profit growth will be driven by this revenue growth, improved operational performance, and by a planned review of central overheads. Although the Group believes the risks from Brexit are manageable in the medium-term, the near-term challenges associated with a 'no withdrawal agreement' are uncertain. A strengthened balance sheet and strong underlying free cash generation leaves the Group well positioned to consider organic and inorganic investment as opportunities arise. Over the medium-term the Group expects that its market positioning, capability set, customer profile, well invested asset network and proven economic model will generate strong growth, cash generation and returns.

DIRECTORS

Ms SG Bailey was appointed Senior Independent Director upon the retirement of Mr EL Nicoli in December 2017. On 11 April 2018, Ms HC Rose was appointed to the Board as Non-Executive Director. Mr TH Sampson and Mr KF O'Malley confirmed their intention not to seek re-election at the 2019 AGM.

In accordance with the Greencore Group plc Articles of Association and Provision B.7.1. of the 2016 UK Corporate Governance Code (the '2016 Code') each of the Directors individually retire at each AGM of the Company and where appropriate submit themselves for re-election. No re-appointment is automatic and all Directors who intend to submit themselves for re-election are subject to a full and rigorous evaluation. One of the main purposes of the evaluation is to assess each Director's suitability for re-election. If a Director is not deemed to be effective in carrying out their required duties, the Board will not recommend that Director for re-election.

In line with the 2016 Code, in the year under review, each Director was subject to an internal evaluation. Following on from the review, the Chairman and Board are pleased to recommend for re-election of those Directors who are seeking re-appointment at the forthcoming AGM as they continue to be effective and remain committed to their role on the Board.

DIRECTORS' INTERESTS IN THE ORDINARY SHARES AT 28 SEPTEMBER 2018

The interests of Directors and Group Company Secretary in the shares of the Company are set out in the Report on Directors' Remuneration. The Directors and Group Company Secretary have no beneficial interests in any of the Group's subsidiary or associated undertakings.

SIGNIFICANT SHAREHOLDINGS

At 28 September 2018, the Company has been advised of the following notifiable interests in its Ordinary Share Capital:

	No. of interests in Ordinary Shares	% of Issued Share Capital
FMR, LLC	61,229,409	8.67
Polaris Capital Management, LLC	57,060,715	8.07
Melqart Asset Management (UK) Ltd	48,423,867	6.85
Axxion SA	35,599,710	5.04
BlackRock Inc	28,103,374	3.98
Prudential plc (M&G Investments)	21,453,748	3.03

At 3 December 2018, the Company has been advised of the following notifiable interests in its Ordinary Share Capital:

	No. of interests in Ordinary Shares	% of Issued Share Capital
Polaris Capital Management, LLC	66,827,515	9.45
FMR, LLC	59,837,561	8.46
Melqart Asset Management (UK) Ltd	48,423,867	6.85
BlackRock Inc	28,103,374	3.98
Axxion SA	26,487,075	3.75
Prudential plc (M&G Investments)	21,453,748	3.03

Other than these holdings, the Company has not been notified as at 3 December 2018 of any interest of 3% or more in its Ordinary Share Capital.

DIRECTORS' REPORT CONTINUED

CORPORATE GOVERNANCE

Statements by the Directors relating to the Group's application of corporate governance principles, compliance with the provisions of the 2016 Code and the Irish Corporate Governance Annex ('Annex'), the Group's system of internal controls and the adoption of the going concern basis in the preparation of the Financial Statements are set out on pages 53 to 59, 78 to 81 and 84 and 85.

Greencore Group plc is registered in Ireland and as an Irish incorporated company it is not subject to the UK executive remuneration requirements as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Nonetheless, in order to ensure transparency to all of our stakeholders, we have sought to comply with these requirements on a voluntary basis, to the extent possible under Irish law. The Report on Directors' Remuneration is contained on pages 60 to 77.

OUR STAKEHOLDERS

The Group is committed to maintaining sustainable and ethically responsible corporate and social practices in every aspect of its business for the benefit of its stakeholders. More details in relation to our corporate social responsibility agenda is set out in our Stakeholder Report, which includes our disclosures on non-financial information, which can be found on pages 36 to 45.

RESEARCH AND DEVELOPMENT

The Group continued its research and development programme in relation to its principal activities during the year under review. Further information is contained in Note 3 to the Group Financial Statements.

TAXATION STATUS

So far as the Directors are aware, the Company is not a close company within the meaning of the Taxes Consolidation Act 1997.

ACCOUNTING RECORDS

The Directors believe that they have complied with the requirements of Sections 281 to 286 of the Companies Act 2014 with regard to accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The accounting records of the Company are maintained at No. 2 Northwood Avenue, Northwood Business Park, Santry, Dublin 9, D09 X5N9, Ireland.

DIRECTORS' COMPLIANCE STATEMENT

The Directors acknowledge that they are responsible for securing compliance by the Company of its relevant obligations as set out in the Companies Act 2014 ('Relevant Obligations'). The Directors further confirm that there is a Compliance Policy Statement in place setting out the Company's policies which, in the Directors' opinion, are appropriate to ensure compliance with the Company's Relevant Obligations. The Directors also confirm that appropriate arrangements and structures are in place which, in the Directors' opinion, are designed to secure material compliance with the Company's Relevant Obligations. For the year ended 28 September 2018, the Directors, with the assistance of the Risk Management Group, conducted a review of the arrangements and structures in place. In discharging their responsibilities under Section 225 of the Companies Act 2014, the Directors relied on the advice of persons who the Directors believe have the requisite knowledge and experience to advise the Company on compliance with its Relevant Obligations.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the Directors individually confirm that:

- In so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- That they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

AUDITOR

As set out in the 2017 Annual Report, following a tender process which was conducted during FY17, Deloitte's tenure takes effect in respect of FY19. The Board will be proposing to shareholders at the 2019 AGM that Deloitte replace KPMG as external auditor with effect from FY19.

NOTICE OF ANNUAL GENERAL MEETING AND SPECIAL BUSINESS

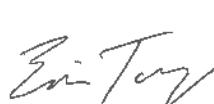
The Notice of the 2019 AGM, together with details of special business to be considered at the meeting, will be circulated to shareholders during December 2018.

On behalf of the Board



PG Kennedy
Chairman

Dublin
3 December 2018



EP Tonge
Director

CORPORATE GOVERNANCE REPORT

PG Kennedy

The Board is committed to ensuring that the Group has the best people, culture, structure and strategy in place to support the delivery of the Group's long-term success.



The Board is committed to ensuring that the Group's corporate governance arrangements are effective and continue to evolve with best practice. The benchmark used by the Group for measuring corporate governance is the 2016 UK Corporate Governance Code (the '2016 Code'). This statement explains how the Company has applied the principles and complied with the provisions set out in the 2016 Code.

Whilst Greencore is not listed on Euronext Dublin, for increased transparency, we have chosen to voluntarily adopt the provisions of the Irish Corporate Governance Annex (the 'Annex').

The Board believes that the Group continued to fully comply with the 2016 Code and the relevant provisions of the Annex throughout the financial year ended 28 September 2018 where the requirements are of a continuing nature. The full text of the 2016 Code can be found on the Financial Reporting Council's website, www.frc.org.uk, whilst the Annex can be found on the Euronext Dublin's website, www.ise.ie.

The Board keeps corporate governance developments under continuous review in order to ensure that the Group's governance structures evolve as necessary and remain appropriate for a Group of our size and complexity.

The Greencore Way principles set out the values which underpin the culture of Greencore and are drivers for our behaviour. My colleagues on the Board and I believe that effective governance set from Board level is realised through leadership, diversity, teamwork and commitment. This collaboration drives a culture of continuous improvement and performance across our business.

Throughout the year, the Board has visited many of the Group sites, and the Board recognises that spending time in the business is critical for getting a true sense of the culture in different parts of the business.

We believe that having a healthy and enduring culture both protects and generates value for our stakeholders. This is exemplified in our Stakeholder Report, set out on pages 36 to 45, which details the immense effort taken across the Group to maximise benefits for our stakeholders.

A handwritten signature in black ink, appearing to read 'PG Kennedy'.

PG Kennedy
Chairman

3 December 2018

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The Board is responsible for the corporate governance of the Group. It is also responsible for leading, monitoring and controlling the Group, and for promoting its long-term corporate success. The Board consists of two Executive Directors and eight Non-Executive Directors. The biographical details of each of the Directors, along with each of their individual dates of appointment, are set out on pages 48 and 49.

Both on an individual and collective basis, the Directors have the range of skills, understanding, experience and expertise necessary to ensure the effective leadership of the Group and to ensure high corporate governance standards are maintained.

The Board is comprised of Directors from a diverse range of backgrounds, each of whom brings independent judgement to bear on a number of key issues for the Group, including risk, strategy, performance, culture, environmental matters, health and safety, resourcing, ethics and regulation. In accordance with Provision B.1.2. of the 2016 Code at least half of the Board, excluding the Chairman, are independent. Where appropriate, it is Board policy to ensure that the independence of each Non-Executive Director is determined prior to his or her appointment and is reviewed annually thereafter.

CHANGES TO THE BOARD

During the period under review, Mr EL Nicoli formally retired from the Board following the December 2017 Board meeting. Ms SG Bailey replaced Mr Nicoli as Senior Independent Director upon his retirement. On 11 April 2018, Ms HC Rose was appointed to the Board as Non-Executive Director and has since joined the Audit Committee. With her extensive operational, financial, risk and UK retail experience, Ms Rose's appointment complements the widely experienced Board.

INDEPENDENCE AND BOARD RENEWAL

Following the above changes made to the composition of the Board and Committees during the year under review, it was determined that both the Board and the Committees are of the correct size and structure with no one individual or small group having the ability to dominate decision making. Furthermore, given the current composition of the Board, no undue reliance is placed on any individual Non-Executive Director. The Board continues to ensure that each of the Non-Executive Directors, where possible, remain impartial and independent. The Board is confident that the Board's composition is sufficiently independent in order to meet the collective challenges of their roles.

As the Group has disposed of the US business, both of our US-based Non-Executive Directors, Mr TH Sampson and Mr KF O'Malley have confirmed their intention to retire from the Board and will not be submitting themselves for re-election at the 2019 Annual General Meeting ('AGM'). The Board acknowledges that Mr PG Kennedy, the Group's Chairman, is currently serving his tenth year as Non-Executive Director of the Company and his fifth year as Chairman of the Company. The Board is satisfied that Mr Kennedy remains key to the continuity of leadership of the Group. The Board reviewed the independence of each of the Non-Executive Directors who are submitting themselves forward for re-election at the forthcoming AGM and confirmed that each of the Non-Executive Directors are independent. In addition, none of the other Non-Executive Directors have any material or other relationship with the Group.

TIME COMMITMENT

Each year, a schedule of regular meetings to be held in the following calendar year is agreed with each of the Directors. A list of the Directors' attendance at scheduled meetings throughout the year can be found on page 56. Additional Board meetings are held on an ad hoc basis as required throughout the year. In advance of the disposal of the US business in November 2018 further Board and Audit Committee meetings were held. Board meetings generally take place at the Group's head office in Dublin along with the offices of the Group's operating subsidiaries, wherein tours of the local facilities, and visits to customer stores, where appropriate, are also incorporated into the Board agenda. In FY18, the Board held two strategy sessions, which took place in the US at the Downers Grove office, and in the UK at the Warrington facility. Each session was held over the course of two days.

Prior to the appointment of any Non-Executive Director, he or she is provided with details of the time commitment required for the role to ensure the Directors devote sufficient time to discharge their responsibilities effectively. If a Director is unable to attend a Board meeting, either in person or remotely, he or she will receive meeting papers in advance and is encouraged to communicate his or her views on any particular topic to the Chairman, the Chief Executive Officer, the Senior Independent Director or the Group Company Secretary in advance of the meeting. These views are then communicated at the Board meeting on behalf of the absent Director.

KEY BOARD ACTIVITIES

There is an agreed formal list of matters reserved for Board consideration and decision. The list includes, but is not limited to, approving the half year (interim) and full year (final) results statements, Annual Report and Financial Statements, approving the interim dividend and recommending a final dividend to shareholders, Board membership, major acquisitions and disposals, major capital expenditure, risk management, internal controls, treasury policies and the approval of all circulars and listing particulars. The list of matters reserved for Board decision is available under the Corporate Governance section of the Group's website, www.greencore.com, and is reviewed regularly by the Board and updated as appropriate. The matters and agenda reserved for Board consideration are planned in order to best utilise the skills, expertise and experience of the Directors.

In addition, the Board is responsible for the approval of the Group's commercial strategy, trading, capital budgets and capital management. The Directors acknowledge that they are responsible for the proper stewardship of the Group's affairs, both on an individual and collective basis, and it is the Board alone which has the authority and responsibility for planning, directing and controlling the activities of the Group.

The Board meets with senior management in the Group on a regular basis to ensure that the Board remains fully aware of the business and its operating performance. Legislative changes along with any developments in accounting, governance and other standards are communicated to, and discussed with, the Board and the Committees as appropriate.

There is an agreed procedure for Directors to take independent legal advice at the expense of the Company in the furtherance of their duties as Directors of the Company. In addition, the Directors are indemnified for any legal action taken against them in respect of matters pertaining to their duties as Directors, subject always to the limitations under Irish company law. The Group Company Secretary, whose appointment and removal is a matter for the Board as a whole, is responsible for ensuring that Board procedures are followed. The Group Company Secretary is available to each of the Directors for any advice or additional services they may require.

Each month the Directors receive Group management accounts and reports. Full Board papers are sent to each Director in a timely manner in advance of the Board meetings. The Board papers include the minutes of all previous Board and where appropriate, Committee meetings. In addition, the Chair of each Committee provides a verbal update on the relevant Committee meeting's proceedings at the following meeting of the Board.

In accordance with best practice and the 2016 Code, the Board acknowledges the importance of having a recognised senior member of the Board, referred to as the 'Senior Independent Director'. It is the role of the Senior Independent Director to act as a confidential sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. The Senior Independent Director is available to shareholders, and other stakeholders, if they have concerns which they have been unable to resolve through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer, or indeed where such contact through the aforementioned channels is deemed inappropriate.

The roles of the Chairman and Chief Executive Officer are separate and distinct and there is a clear division of responsibilities between the two roles. The operational responsibility for the management of the Group has been delegated to the Chief Executive Officer who is accountable to the Board, whilst it is the role of the Chairman to ensure the effective running of the Board.

The role of a Non-Executive Director includes providing entrepreneurial leadership, setting the Group's strategy, acting as a conduit between shareholders and management, reviewing management performance and challenging management proposals as appropriate in a clear and constructive manner. Non-Executive Directors must also utilise their expertise and experience to contribute to the development of the Group as a whole. As outlined earlier, before a Non-Executive Director is appointed to the Board, or any of its Committees, he or she is advised of the scheduled calendar of meetings and the time commitment involved in the role. Furthermore, he or she is required to confirm that he or she is able to meet the time commitment required.

The Board understands the importance of an effective evaluation process. As set out on page 51, each year the Board undertakes an annual internal evaluation, which is led by the Chairman, as well as a triennial external evaluation. The evaluation focuses on individual Board members, Board effectiveness, the composition of the Board, the interaction between Board members, Board and Committee meetings and the performance of the Board as a whole in the year under review. Each year, as part of the performance evaluation process, the Non-Executive Directors, led by the Senior Independent Director, undertake an evaluation process without the Chairman's involvement, to evaluate the Chairman's performance. The views of the Executive Directors and the Group Company Secretary are also taken into account. This forms part of the broader Board effectiveness review and assists in ensuring a robust, independent and effective Board. In accordance with Provision B.6.2. of the 2016 Code, during the year, an externally facilitated review of its Directors, the Board and each of the Committees was undertaken by the ICSA: The Governance Institute, ('ICSA'), a body which does not have any other connection with the Group. The review took the form of interviews, meetings and questionnaires. ICSA presented their report to the Board at the November 2018 meeting. The Board are currently reviewing the recommendations of ICSA and will implement changes where necessary.

In addition to the above, at least annually, the Chairman meets with the Non-Executive Directors without the Executive Directors present to discuss, amongst other matters, the Executive Directors, the Board as a whole, the Committees and the interaction between the Executive and Non-Executive Directors.

BOARD COMMITTEES

In order to ensure that it discharges its role appropriately, the Board has established an effective Committee structure in order to assist the Board in the fulfilment of its responsibilities. Details of the various Committee memberships, together with the relevant biographies are set out on pages 48 and 49 of this report. Further details on the role of the Committees and the work undertaken by each Committee in the year under review can be found on pages 60 to 83.

	FY18	FY17
Average number of Executive Directors	2	2
Average number of Non-Executive Directors	8	8

CORPORATE GOVERNANCE CONTINUED

ATTENDANCE AT SCHEDULED BOARD AND COMMITTEE MEETINGS

Attendance at scheduled Board and Committee meetings during the financial year under review was as follows:

	Board	Audit Committee ¹	Nomination and Governance Committee ¹	Remuneration Committee ¹
PG Kennedy	8/8	—	2/2	4/4
PF Coveney	8/8	—	—	—
EP Tonge	8/8	—	—	—
SG Bailey	8/8	3/3	2/2	—
HA McSharry	8/8	3/3	—	4/4
JJ Moloney	7/8	—	2/2	4/4
EL Nicoli ²	2/2	—	—	—
KF O'Malley	7/8	—	—	—
HC Rose ³	4/4	2/2	—	—
TH Sampson	8/8	—	—	—
JA Warren	8/8	3/3	—	—

1 Each Committee held additional meetings throughout the year. Further detail of these meetings is set out in the respective Committee reports.

2 Mr EL Nicoli retired from the Board on 14 December 2017.

3 Ms HC Rose joined the Board on 11 April 2018.

Where appropriate, the Board also establishes sub-committees on an ad-hoc basis in order to deal with any additional items of business which arise throughout the year. The membership of the sub-committees will depend upon the purpose for which it was established and will take into account the skills and expertise necessary.

DIVERSITY

During the year, the Board adopted a Board Diversity Policy ('Policy'). The Policy recognises and places great emphasis on the principle of diversity, including gender diversity. The Board is committed to ensuring that its composition is diverse and balanced, and that all appointments will be made on merit against objective criteria, in the context of the overall balance of skills and backgrounds that the Board needs to maintain in order to remain effective. When carrying out its duty of reviewing the Board composition, including when considering new Board candidates, the Nomination and Governance Committee will give due regard to diversity. The Nomination and Governance Committee will monitor progress and report annually, in the Corporate Governance section of the Company's annual report, on the process it has used in relation to Board appointments.

US ADVISORY COUNCIL

The US Advisory Council ('Council') met during the year. Due to the change in the geographical portfolio of the Group, the Council has been disbanded.

ENGAGEMENT WITH SHAREHOLDERS

The Board recognises the importance of engaging with all shareholders on a regular basis to ensure that we capture and embrace feedback and to ensure that our obligations to shareholders and other stakeholders are met. The Group gives priority to effective dialogue with shareholders to allow shareholders the opportunity to discuss areas of interest and areas of concern. In advance of the 2018 AGM, the Group communicated with shareholders who queried or expressed concern about the resolutions proposed, including, our approach to remuneration. Throughout the year, the Chairman together with management engaged with a number of major shareholders following the announcement of significant developments.

The Group promotes communication with shareholders and welcomes queries via telephone, post or email. Throughout the year, apart from when the Group is in a close period, the investor relations team meets and communicates with institutional and major shareholders.

In addition, the Group runs an active investor relations management programme that comprises results releases, trading updates, conference presentations and regular ongoing dialogue with the investment community. Shareholder presentations are made at the time of issue of the Group's half year and full year results, following which the Chief Financial Officer provides the Board with an update on feedback received. The Board receives regular updates on analyst coverage, along with details in relation to share price movements and analysis of any significant changes in the shareholder base from the Head of Investor Relations. Periodically, additional events are held which provide the opportunity for the investment community to increase its knowledge in relation to the Group's vision, strategy, organisation and business model.

Details of any significant matters concerning the Group, including Board compositional changes, major mergers and acquisitions, divestments and other significant strategic developments are announced through a Regulatory News Service of the London Stock Exchange. The investor relations section of the Group's website, www.greencore.com, provides the full text of the Annual Reports and Financial Statements, trading updates, half year and full year results statements and presentations to analysts and investors, along with announcements released to the London Stock Exchange. A significant amount of other published material including news releases and share price information is also accessible to all shareholders on the Group's website. Shareholders and stakeholders can subscribe to receive automated email alerts when new information is posted to the site.

Shareholders can elect to receive the Annual Report and Financial Statements in paper form, or may elect to receive an email notification advising that the Annual Report and Financial Statements is available on the Group's website.

The Board welcomes the attendance and questions of shareholders at the AGM. The Board also encourages shareholders to make use of their votes at all general meetings. The Chairman, along with the Senior Independent Director and each of the Non-Executive Directors, are available to meet with shareholders at the AGM and also throughout the year upon request. At the AGM, separate resolutions are proposed on substantially different issues. The agenda of business to be conducted at the AGM includes a resolution to receive and consider the Annual Report and Financial Statements. The Chair of each Committee is available at the AGM to address any queries shareholders may have in relation to the role and/or activities of the relevant Committee for the year under review.

The notice of the AGM together with the Annual Report and Financial Statements are sent to shareholders at least 20 working days before the date of the AGM meeting and details of the total number of votes cast, the number of votes for and against each resolution and the number of abstentions are announced at the AGM meeting and are also available on the Group's website following the conclusion of the AGM. The Company held its AGM on 30 January 2018, along with an Extraordinary General Meeting ('EGM') on the 7 November 2018, wherein all shareholders were given the opportunity to ask questions or voice any concerns.

SHAREHOLDERS' MEETINGS

The Company operates under the Companies Act 2014 (the 'Act'). The Act provides for two types of shareholder meetings: the AGM with all other general meetings being called an EGM.

The Company must hold a general meeting each year as its AGM, in addition to any other general meetings held in that year. Not more than 15 months may elapse between the date of one AGM and the next. EGMs can also be convened at the request of members holding not less than 5% of the voting share capital of the Company. The notice period for an AGM and an EGM to consider any special resolution (a resolution which requires a 75% majority vote, not a simple majority) is 21 days.

No business shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. Three members present in person or by proxy and entitled to vote shall be a quorum. Only those shareholders registered on the Company's register of members at the prescribed record date, being a date not more than 48 hours before the general meeting to which it relates, are entitled to attend and vote at a general meeting.

Under the Act, ordinary resolutions may be passed by a majority of votes cast in favour, while special resolutions require a 75% majority of votes cast in favour. Any shareholder who is entitled to attend, speak and vote at a general meeting is entitled to appoint one or more proxies to attend, speak and vote on his or her behalf. A proxy need not be a member of the Company. All resolutions are determined by a poll.

The business of the Company is managed by the Directors who may exercise all the powers of the Company unless they are required to be exercised by the Company in general meeting. Matters reserved to shareholders in general meetings include the election of Directors, the declaration of final dividends on the recommendation of the Directors, the fixing of the remuneration of the external auditor, amendments to the Articles of Association, measures to increase or reduce the Ordinary Share Capital and the authority to issue shares.

The information required to be provided to shareholders in accordance with Sections 1099 to 1110 of the Companies Act 2014 is available on the Group's website.

PRINCIPAL RISKS AND UNCERTAINTIES

Similar to any large group, Greencore faces a number of risks and uncertainties. The key risks facing the Group include strategic risks, commercial risks, operational risks and financial risks. Under Irish company law (Section 327(1) (b) of the Companies Act 2014 and the Transparency (Directive 2004/109/EC) Regulations 2007, as amended), the Directors are required to give a description of the principal risks and uncertainties which the Group faces. The principal risks and uncertainties identified are set out on pages 30 to 35 and form part of this report.

Whilst the Board as a whole is responsible for the Group's system of internal control, each of the individual business unit management teams drive the process through which individual business unit risks and uncertainties are identified. The Board understands that the individual business unit management teams are in the best position to identify the principal significant and emerging risks and uncertainties associated with their respective business. Risks and mitigating controls common across business categories are managed and reviewed at Group level. Risks identified and associated mitigating controls are subject to review by the Board and the Audit Committee on a regular basis and form part of the Group's health and safety, technical compliance and operational/financial audit programmes.

Further details on risks and uncertainties are outlined on pages 30 to 35.

Further details on how the Board and the Audit Committee have discharged their responsibilities along with the reviews undertaken by the Audit Committee in the financial year can be found on pages 78 to 81.

Details regarding the Group's internal controls are highlighted on pages 58 and 59 of this report. Details of the Group's financial risk management and hedging policies are set out in Note 22 to the Group Financial Statements. Details of the Group's financial key performance indicators are set out on pages 16 and 17. These disclosures form part of this report.

CORPORATE GOVERNANCE CONTINUED

GOING CONCERN

The Directors, after making enquiries, have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the Financial Statements.

VIABILITY STATEMENT

In line with the Provision C.2.2. of the 2016 Code, the Directors have carried out a rigorous review of the prospects of the current business and its ability to meet its liabilities as they fall due over the medium term. In undertaking this review, the Directors have concluded that a three-year timeframe continues to be an appropriate period for this assessment given that this is the typical period for visibility of commercial arrangements with the Group's customers in the Group's strategic planning process. The objectives of the annual strategic planning process are to consider the key strategic choices facing the Group and to build a consolidated financial model with various scenarios, taking into account the principal risks and uncertainties facing the Company, including Brexit, which may threaten the Company's solvency, liquidity, cash flow and business model.

Assumptions are built for the Group Income Statement, Balance Sheet and cash flow. These are rigorously tested by management and the Directors. Sensitivity analysis has been applied to reflect the potential impact of some of the principal strategic and commercial risks of the Company as described on pages 30 to 35. These risks could affect the level of sales and profitability of the Company and the amount of capital required to deliver them. A model of financing requirements is also built for the same time period taking into account the base plan and sensitivities against this, together with the likelihood of being able to refinance maturing committed facilities. Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control, for reviewing its effectiveness and for confirming that there is a process in place for identifying, evaluating and managing the significant risks to the achievement of the Group's strategic objectives.

The process for identifying, evaluating and managing the significant risks has been in place throughout the financial year and up to the date of the approval of the Annual Report and Financial Statements, accords with the Financial Reporting Council ('FRC') Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and is regularly reviewed by the Board. This system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The internal control systems can only provide reasonable assurance, rather than absolute assurance, against material misstatement or loss.

The process involves the Board reviewing and analysing the following:

- The nature and extent of the risks, including principal risks, facing the Group;
- The extent and categories of risks it regards as desirable or acceptable for the Group to bear;
- The likelihood of the risk concerned materialising and the impact of associated risks materialising as a consequence;
- The Group's ability to reduce the incidence and impact on its business of risks that do materialise;
- The operation of the relevant controls and control processes;
- The costs of operating particular controls relative to the benefits thereby obtained in managing related risks; and
- The Group's risk culture.

On a regular basis, the risks faced by the Group are reviewed with management and also the Audit Committee. The Audit Committee's Terms of Reference (which are available under the Corporate Governance section of the Group's website, www.greencore.com) stipulate that it must conduct an annual risk and internal control assessment, following on from which it must present a report to the Board on: (a) the nature and extent of the significant risks facing the Group; (b) the design, operation and monitoring by management of internal control systems and the adequacy and frequency of reports from management to the Board; (c) whether the reports give a balanced assessment of the significant risks and the effectiveness of the system of internal control in managing those risks; and (d) the Going Concern and Viability Statements.

The key elements of the system of internal control are as follows:

- Clearly defined organisation structures and lines of authority;
- Corporate policies for financial reporting, treasury and financial risk management, information technology and security, project appraisal and corporate governance;
- Annual budgets and strategic business plans for all operating units, identifying key risks and opportunities;
- Monitoring of performance against budgets and forecasts and reporting thereon to the Directors on a regular basis;
- A Risk Management Group which reviews key business processes and controls and their effectiveness; and
- The Audit Committee which approves audit plans and deals with significant control issues raised by the Risk Management Group or external audit.

The preparation and issue of financial reports is managed by the Group finance department, as delegated by the Board. The Group financial reporting process is controlled using the Group accounting policies and reporting systems. The Group finance team supports all reporting entities with guidance on the preparation of financial information. Each division has a Finance Director or Controller who is responsible for information which accords with agreed policies.

In FY18, the financial information for each division was subject to a review at reporting entity and Group level by the Chief Executive Officer and the Chief Financial Officer, along with the divisional Managing Directors. The Annual Report and Financial Statements are reviewed by the Audit Committee in advance of its presentation to the Board for approval.

During the year under review, the Managing Director or the Finance Director of each division completed a Financial Internal Control Questionnaire which was used to identify control strengths and weaknesses across all financial areas and any weaknesses were subsequently addressed.

The Group also maintains a Risk Register which sets out the nature and extent of the risks facing each division and the Group as a whole. Each of the risks are prioritised in terms of likelihood and impact. The purpose of the Risk Register is to ensure that all significant risks within each business unit have been appropriately identified and also to ensure that all risk is mitigated or managed as appropriate. It is understood that regular and detailed assessment is critical due to the volatile and uncertain economic environment. Further detail on risk and risk management is set out on pages 30 to 35 and in Note 22 to the Group Financial Statements.

Finally, the Directors, through the use of appropriate procedures, systems and the employment of competent personnel, have ensured that measures are in place to secure compliance with the Company's obligation to keep adequate accounting records. The accounting records are kept at the registered office of the Company.

REPORT ON DIRECTORS' REMUNERATION

HA McSharry

The Committee continues to focus diligently on our approach to remuneration and has placed significant emphasis on ensuring pay-for-performance and a high level of transparency.



LETTER FROM THE REMUNERATION COMMITTEE CHAIR

DEAR SHAREHOLDER,

On behalf of the Remuneration Committee and the Board, I am pleased to present the Report on Directors' Remuneration for the 2018 financial year. Since the end of our financial year, the Group has completed the sale of its US business and this report is being written as the Group's strategy is being refocused on the continuing business in the UK. At this point, management are still working through the strategic and financial implications for the Group post completion and the Committee will review and take into account the impact on strategy and our future approach to remuneration in early 2019 when the overall detail is confirmed.

Notwithstanding the sale of the US business, the Committee continued to focus diligently on our approach to remuneration and has placed significant emphasis on ensuring pay-for-performance and a high level of transparency which we hope we have demonstrated again in this year's report. In light of the significant changes to the incentive structure during FY17, the Committee has not implemented any material alterations to the remuneration framework during FY18.

During FY17, after consulting with shareholders holding circa 55% of our issued share capital, the Committee made a number of substantive changes to our incentive arrangements, including the addition of a relative Total Shareholder Return ('TSR') measure under the Performance Share Plan ('PSP'), the extension of recovery provisions to incorporate clawback on all variable remuneration, and the implementation of an increase in the shareholding guideline for the Chief Financial Officer ('CFO') from 150% to 200% of salary. Each of these changes were implemented to further augment the alignment between the interests of management and shareholders. These changes have now been fully incorporated into our incentive framework, which we believe continues to promote the long-term success of the Group for all our stakeholders.

Following significant consultation with shareholders, our Annual Report on Remuneration received 83.68% support at our 2018 Annual General meeting ('AGM'). While satisfied with the clear majority of support for our approach to remuneration, the Committee continues to communicate with and take into account the feedback from all shareholders including those that abstained from voting on the Annual Report on Remuneration. There are, and will continue to be, circumstances and occasions where our approach may not align fully with the views of all our shareholders. Nonetheless, while those opinions may not always coincide, the views of individual shareholders are always taken into consideration and respected at Greencore. Such an approach is at the core of our commitment to openness and shareholder engagement.

BUSINESS PERFORMANCE

As referenced earlier in this Annual Report and Financial Statements, a number of factors impacted financial performance for FY18. In March 2018, we issued a trading update detailing the Group's challenges in the US during the first half of FY18 which reduced the expected profit contribution from the US portion of our business. The Group refined its US strategy and organisation, by focusing on the large and structurally growing Branded Food Partners channel and strengthening its US leadership team, which led to an uplift in US operational and financial performance from Q2 FY18. Adjusted Operating Profit in the US grew from £15.3m in H1 FY18 to £32.7m in H2 FY18. This positive business momentum enabled an attractive acquisition offer for the entire US business and resulted in its disposal for \$1,075m. This represented a premium to both the amount paid for Peacock Foods in 2016 and the total Greencore invested capital at the end of FY18, and it is proposed to return £509m of the proceeds to shareholders.

Against this backdrop, the Group continued to focus on its key strategic ambitions in the UK resulting in positive growth in both revenue and profitability. Adjusted Operating Profit in the UK grew from £44.4m in H1 FY18 to £60.2m in H2 FY18 with strong performance in H2 driving growth in the revenue and Adjusted Operating Profit from FY17 to FY18.

REMUNERATION OUTCOME FY18

As outlined above, FY18 delivered positive revenue and profit progression across the Group, driven by the strong turnaround in US performance in the second half of FY18 and positive revenue and profit growth in the continuing UK business.

Notwithstanding the progress in positioning the Group for future growth, we have not met the demanding Adjusted Earnings per Share ('Adjusted EPS') and Return on Invested Capital ('ROIC') targets we set for ourselves. Performance outcomes were below the target ranges set for the FY18 bonus and FY16 PSP awards, resulting in the following:

REMUNERATION OUTCOMES FY18 IN SUMMARY

Award	Outcome	CEO Payout of maximum	CFO Payout of maximum
Annual bonus	Financial metrics below target	0%	0%
	Personal and strategic objectives payout	18%	18%
PSPs awarded in December 2015 (FY16)	Financial metrics below target	0%	0%

FY18 ANNUAL BONUS

Executive Directors' maximum potential annual bonus is 150% of salary. Annual bonuses are determined based on the delivery of a mix of financial (75%) and personal and strategic objectives (25%). As outlined earlier Adjusted EPS and ROIC performance was below target, resulting in nil payout of the financial element. Against the personal and strategic objectives set, the Chief Executive Officer ('CEO') and CFO performed strongly. In assessing the outcome of this element for both the CEO and CFO, the Committee took particular account of the key objectives prioritised following the trading update issued in March 2018, specifically the sharp focus required to deliver the turnaround of the US business and continuing to build revenue and profit momentum from the core UK market.

The CEO and CFO were critical in ensuring the successful turnaround of the US business since the trading update issued to the market in March 2018. The stabilisation of the financial and operational performance of the US business provided the platform from which Greencore secured its successful disposal, thus facilitating the proposed return of capital to all shareholders while also enhancing the strategic and financial flexibility for the Group. Given the significant issues identified in the US business as recently as March, the progress made by management to put us in a position to receive such a compelling offer was a significant contribution.

In addition, the CEO and CFO made significant contributions in continuing to positively develop our core UK business which has become significantly more important following the successful disposal of our US business. Specifically, during FY18, the CEO instigated operational and organisation enhancements through the establishment of one unified UK team with responsibility for all UK operations, and ensured we sustained our market leading customer satisfaction levels, (exemplified by the continued growth in our 'food to go' business and the further deepening of existing customer relationships). The CFO delivered significant operational efficiencies at a number of our UK sites, as well as further embedding cost saving measures across the region to protect profitability, and maintained a tight control on capital expenditure.

Together, both Executive Directors have performed to a very high standard, worked exceptionally hard and demonstrated unwavering commitment to deliver a strong financial outturn for FY18 following a disappointing trading update in March. This progress has ensured that the Group is very well positioned to drive growth and generate further value for shareholders as we refocus our strategy on the UK.

The Committee remains committed to incentivising and, if appropriate, rewarding strong performance under measures considered central to the delivery of our long-term strategy. It is for this very reason that such measures are included in the incentive framework. Mindful of the need to show restraint in years of below target financial performance, the Committee determined that 18% out of 25% was warranted for the personal and strategic component of the annual bonus.

FY16 PERFORMANCE SHARE PLAN

The awards eligible to vest under the PSP during FY18 were those granted in December 2015. Those awards were subject to equally weighted Adjusted EPS and ROIC performance conditions. Over the three-year performance period, underlying Adjusted EPS growth of 0.7% and underlying FY18 ROIC of 10.2% was achieved. Against the targets set, this level of performance warranted nil vesting of the awards granted in December 2015.

The Committee continues to set challenging targets and the absence of any vesting is reflective of the level of stretch included in the incentive framework as well as performance falling below our expectations. Overall for FY18 the total remuneration for CEO and CFO has reduced year-on-year (FY18 total remuneration is 13.9% less for the CEO and 13.1% less for the CFO from FY17).

Further details in relation to the FY18 remuneration for Executive Directors is provided on pages 63 to 77.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

LETTER FROM THE REMUNERATION COMMITTEE CHAIR continued

FY16 PERFORMANCE SHARE PLAN CONTINUED

As detailed last year, the Committee embedded principles into our approach to remuneration:

- Alignment and fairness;
- Pay-for-performance; and,
- Transparency and simplicity.

The Committee has continued to incorporate and reflect these principles in to its decision-making and is fully satisfied that the remuneration outcomes for the Executive Directors for FY18 are fair, appropriate and aligned with the performance of the Company and in the interests of our shareholders.

MARKET DEVELOPMENTS

The Committee remains fully apprised of all key market developments relating to remuneration each year, so as to ensure our incentive framework remains aligned with market best practice. During FY18, the UK Corporate Governance Code ('Code') was updated, with specific alterations made to the section on remuneration. The Committee has reviewed the new Code, which is effective for accounting periods beginning on or after 1 January 2019, and will be considering the implications of the new Code on executive remuneration at Greencore (as well as updated investor guidance on remuneration and the latest reporting requirements) as part of the review of the Remuneration Policy ('Policy') in FY19.

REMUNERATION IN FY19

The annual bonus remains unchanged from FY18 and will continue to be based on financial targets (currently 75%) and personal and strategic objectives (25%). The maximum opportunity will remain at 150% of salary. The Committee continues to believe the most appropriate financial measures for bonus performance are ROIC and Adjusted EPS. Personal and strategic objectives have been designed to draw sharp focus to the activities that are most critical to continue to grow our market leading position in the UK.

For FY19, there will be no change to grant levels for Executive Directors under the PSP, which will be maintained at 200% of salary for the CEO and 150% of salary for the CFO. However, given the significant change to our overall business post the sale of the US business, the Committee will review our PSP framework to ensure it is structured to promote the delivery of strategy in order to drive long-term value creation for all our stakeholders. In confirming the targets for awards, the Committee will be provided with an extensive presentation from management on the impact the disposal will have on the business and the key measures to deliver our strategy in order to create value for all stakeholders.

The Committee will also take into consideration external expectations for performance in setting targets that are appropriately stretching.

Following a review of internal and external data, the Committee confirmed that the CEO and CFO would receive a salary increase of 2% for FY19. This is marginally below the average salary increase awarded to the wider workforce and reflects the Committee's practice in recent years in aligning salary increases across the Group. Full details of the Executive Directors' remuneration is included on pages 63 to 77.

Our Policy is due to be submitted for approval by shareholders at the 2020 AGM. As part of this review of the Policy we will once again engage with shareholders and proxy advisers in FY19 to seek their input and to foster mutual understanding of expectations on our overall remuneration approach. Engagement with our shareholders over the coming year will provide invaluable input to the Committee in finalising the Policy to be proposed at the 2020 AGM, and help ensure it is aligned with our overall strategy and shareholder interests, while reflecting the current landscape for executive remuneration.

IN SUMMARY

The Committee believes the implementation of our Policy continues to deliver remuneration outcomes which are fair and appropriately reflect the performance of the Company and actual shareholder experience. As we embark on a review of our Policy in FY19 we look forward to engaging with our shareholders to ensure it remains appropriate for our refocused business strategy and to drive future value creation for our shareholders.

Together with the rest of the Committee, I look forward to hearing your views and hope to receive your support for the Annual Report on Directors' Remuneration at the 2019 AGM where I will be available to respond to your questions.

Finally I would like to thank my fellow Committee members Mr PG Kennedy and Mr JJ Moloney for all their commitment and support throughout the year.

On behalf of the Remuneration Committee

Heather-Ann McSharry

Heather Ann McSharry

3 December 2018

REMUNERATION AT A GLANCE

This section is a snapshot of the Group's performance over the FY18 year and the remuneration received by our Executive Directors. Full details can be found in the Annual Report on Remuneration on pages 65 to 77.

The Director's Remuneration Policy (the 'Policy') was approved by an advisory, non-binding shareholder vote at the 2017 Annual General Meeting ('AGM') and took effect from the date of that AGM. The full Policy is available on our website, www.greencore.com, and was most recently included in our 2017 Annual Report and Financial Statements. As the Company is not seeking approval for any revisions to the Policy in 2019, the full text has not been reproduced in this report. The following paragraphs and pages 65 to 77 provide a summary of the key elements of the Policy.

The Committee applies the following overarching remuneration principles in the design and implementation of our remuneration Policy:

- **Alignment and fairness:** aligning Executive Directors' and shareholders' interests, and ensuring pay arrangements are fair and equitable across the Group;
- **Pay-for-performance:** ensuring targets are appropriately stretching, and setting safeguards against paying for failure; and
- **Transparency and simplicity:** designing a simple remuneration structure, and clearly communicating remuneration decisions to shareholders.

It is in this context that remuneration outcomes for FY18 and implementation of the 2017 Policy for FY19 have been determined, as follows.

FY18 REMUNERATION OUTCOMES

ANNUAL BONUS

The maximum annual bonus potential of 150% of basic salary for executives was based on a mix of financial (weighted 75% of the total) and personal and strategic (weighted 25% of the total) performance measures for FY18. The performance targets and actual underlying performance are set out below:

Measure	Weighting (% of bonus)	Performance targets			Actual underlying FY18 performance
		Target (50% payout)	Stretch (100% payout)		
Adjusted EPS	50%	16.2p	17.9p	Below target	
ROIC	25%	10.5%	11.7%	Below target	
Financial element	75%				0%
Personal and strategic objectives	25%	CEO <ul style="list-style-type: none"> • Turnaround of the US business performance leading to its successful disposal • Deepening market leading positions in the UK, personally leading senior customer relationships • Rebalancing the UK portfolio • Delivering UK reorganisation 			Total: 18 out of 25
		CFO <ul style="list-style-type: none"> • Strong improvement in cash flow • Execution of the disposal of US business • Leading operational efficiencies • Leading the corporate social responsibility and sustainability business activity 			Total: 18 out of 25
Personal and strategic element	25%				18%
Total	100%				18%

Executive Directors received 18% of the maximum bonus, which represents 27% of salary, half of which is deferred in shares for a three-year period.

FY16 PSP AWARD

The Performance Share Plan ('PSP') values in respect of the FY18 single figure relate to awards granted in December 2015. Awards were subject to Adjusted EPS and ROIC performance targets measured over the period FY15 to FY18. Target and actual underlying outturn are set out in the table below. This resulted in the awards lapsing in full on 2 December 2018.

	Weighting (% of award)	Performance range	Actual underlying outturn	Vesting (% of award)
Adjusted EPS growth	50%	5 – 15% p.a.	0.7% p.a.	0%
FY18 ROIC	50%	12.5 – 15%	10.2%	0%
Total				0%

REPORT ON DIRECTORS' REMUNERATION CONTINUED

REMUNERATION AT A GLANCE continued IMPLEMENTATION OF THE REMUNERATION POLICY IN FY19

Element of pay	Implementation for FY19
Fixed remuneration	
Base salary	2% increase which is marginally below the average increase awarded to the wider workforce. Salaries for FY19 are: Patrick Coveney €840,202 and Eoin Tonge £418,200.
Pension and benefits	Per the terms of his contract, Patrick Coveney receives a taxable non-pensionable cash allowance equivalent to 35% of his pensionable earnings in lieu of participation in a Defined Contribution Pension Scheme. Eoin Tonge participates in the Greencore UK Master Trust Pension Scheme which is a Defined Contribution Pension Scheme and receives a partial non-pensionable cash allowance equivalent to 25% of his pensionable earnings. No change proposed for FY19.
Pay for performance	
Safeguards and risk management	Effective from FY18, malus and clawback provisions apply to the annual bonus and the PSP both prior to vesting and for a period of two years post-vesting. This enables the Company to withhold payment/vesting of any sums and/or recover sums paid on the occurrence of specific trigger events (e.g. a material misstatement of the Company's audited results, a material failure of risk management, a material breach of health and safety regulations, or serious reputational damage).
Annual bonus and Deferred Bonus Plan ('DBP')	No change to maximum opportunity: 150% of salary. The performance measures and weightings also remain unchanged: 50% Adjusted EPS, 25% ROIC and 25% personal and strategic objectives. 50% of bonus earned will be deferred in shares for three years under the DBP.
PSP ¹	200% of salary for Patrick Coveney and 150% of salary for Eoin Tonge. The performance measures and weightings will be: 1/3rd EPS, 1/3rd ROIC and 1/3rd relative TSR. PSP awards are subject to a three-year performance period and an additional two-year holding period. Vested awards may not be sold during the holding period except to cover tax liabilities.

1 Following the disposal of the US business, PSP awards will be made in early 2019.

ALIGNING LONG-TERM AWARDS

Both EPS and ROIC are Group financial KPIs.

 [Read more:
Financial KPIs – page 16](#)

Remuneration performance measures for FY19 and how these relate to our strategic priorities

Performance measure	Incentive plan	Reason for selection
Adjusted EPS	Annual Bonus PSP	Captures long-term growth and improves financial returns by leveraging operational efficiency
ROIC	Annual Bonus PSP	Improves capital discipline and efficiency
TSR	PSP	Provides alignment with shareholder value
Personal and strategic objectives	Annual Bonus	Aligned with short and medium-term strategic objectives to promote long-term performance

ANNUAL REPORT ON REMUNERATION

The following section sets out our Annual Report on Remuneration, outlines decisions made by the Committee in relation to Directors' remuneration in respect of FY18 and how the Committee intends to apply the remuneration Policy for FY19. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the AGM to be held on 29 January 2019. Where information has been audited by KPMG, this has been stated. All other information in this report is unaudited.

ROLE AND RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

The Committee currently consists of three Non-Executive Directors whose collective role is to ensure that the Group's remuneration arrangements are aligned with the Group's strategy and vision. The Terms of Reference of the Committee include the determination of the remuneration packages for Executive Directors, the Group Company Secretary and other members of the senior management team. The Board Chairman and the Executive Directors determine the fees for the Non-Executive Directors.

The Terms of Reference for the Committee are updated as appropriate and are available under the Corporate Governance section of the Group's website, www.greencore.com.

MEMBERS

The Committee currently comprises the following Non-Executive Directors:

Name	Remuneration Committee position
HA McSharry	Chair (appointed to Committee on 28 January 2014; Chair from 31 January 2017)
PG Kennedy	Member (appointed to Committee on 11 March 2010)
JJ Moloney	Member (appointed to Committee on 31 January 2017)

The Group Company Secretary acts as Secretary to the Committee. During the year, the Chief Executive Officer, Chief Financial Officer and the Chief People Officer attended meetings on an ad hoc basis at the invitation of the Committee and provided information and support as requested. However, no individual was present when his/her own remuneration was being discussed.

ADVISORS

The Committee's independent advisor during the year was Mercer Kepler, having been appointed in September 2016 following a competitive tender process. Mercer Kepler attends Committee meetings on an ad hoc basis and provides advice on remuneration for executives, benchmarking analysis, and updates on market developments and best practice. Mercer Kepler is a founding member of the Remuneration Consultants Group and adheres to its code of conduct. Mercer Limited (Mercer Kepler's parent company) additionally provided the Group with pension actuarial services during FY18. The Committee reviews the performance of its advisors annually, and remains satisfied that Mercer Kepler provides independent and objective remuneration advice to the Committee, and does not have any connections with Greencore which may impair its independence. The fees paid to Mercer Kepler in respect of work carried out for the Committee in the year under review amounted to £58,250.

KEY ACTIVITIES DURING THE YEAR

During FY18, the Committee held four scheduled meetings. Details of the attendances at these meetings are set out on page 56. The Committee held three additional meetings to cover the significant amount of work undertaken by the Committee during the year. The key activities and matters discussed at these meetings included:

- Review and approval of the FY17 Report on Directors' Remuneration;
- Review of changes to legislative, regulatory and corporate governance environment, and consideration of trends in executive remuneration;
- Review of the remuneration structure in the context of Group strategy and market developments, as well as remuneration policies throughout the Group;
- Review and approval of performance and payout in respect of FY17 annual bonus and FY15 PSP awards;
- Shareholder engagement, both prior to and following the 2018 AGM;
- Review of feedback received after the 2018 AGM;
- Approval of opportunities/award levels and performance targets for FY18 annual bonus and PSP awards;
- Approval of award levels and performance metrics for FY18 PSP awards;
- Irish and UK ShareSave Schemes;
- Review of the Committee's Terms of Reference; and
- Review of Committee effectiveness.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION continued

SHAREHOLDER VOTING

The table below shows the voting outcome of the resolution proposed at the 2018 AGM in relation to remuneration.

	For	Against	Total votes	Votes withheld
FY17 Annual Report on Remuneration	83.68%	16.32%	398,436,668	78,275,976

The table below shows the voting outcome of the latest remuneration Policy, which was last approved at the 2017 AGM.

	For	Against	Total votes	Votes withheld
Remuneration Policy ('Policy')	59.9%	40.1%	446,480,145	7,914

Following the low level of support received at the 2017 AGM, the Committee welcomed the increased level of shareholder support at the 2018 AGM.

The Committee notes that a certain number of shareholders expressed concerns about our approach to implementing the Policy. During engagement, certain shareholders noted concerns regarding the grant of PSP awards at 200%. While the Committee welcomes the significant majority of shareholders that supported the FY17 Annual Report on Remuneration, it continues to analyse feedback from those shareholders that voted against the FY17 Annual Report on Remuneration, as well as those that abstained. The various issues noted during engagement with shareholders over the past 18 months will form a key part of the review of the Policy during FY19.

The Committee keeps under regular review the PSP award sizes for each Executive Director. These are set in the context of the market competitiveness of the total remuneration opportunity, and to support the Committee's overarching principle that package design should reinforce a performance culture.

Total remuneration is periodically assessed against sector comparators as well as FTSE-listed companies of similar size; against these benchmarks, the Committee concluded that the FY18 packages for the Executive Directors were appropriate – and not excessive – and that the pay mix was appropriately weighted towards variable elements of remuneration (in particular longer-term variable pay). The Committee also reviews carefully the targets it sets for each incentive cycle immediately prior to grant, to ensure that these are appropriately stretching in the context of our internal strategic plan, external expectations for the Group's performance over the incentive time horizon, and the award opportunity.

This Policy will remain unchanged for FY19; PSP award opportunities and targets will be finalised in early 2019 in the context of the shape of the Group going forward, following the completion of the sale of our US business. The Committee is committed to meaningful engagement with our shareholders as part of our approach to strong governance, and continues to welcome comments from shareholders.

SINGLE FIGURE OF TOTAL REMUNERATION (AUDITED)

The following table sets out the single figure of total remuneration for Directors in FY18 and FY17.

NB: The exchange rates used for the conversion of remuneration from euro to sterling for FY18 and FY17 were €1:£0.8857 and €1:£0.8705, respectively, which were the average exchange rates for the two respective years.

	Salary/fee (£000)	Benefits (£000)	Annual bonus ² (£000)			Long-Term Incentive (£000)	Pension (£000)	Total remuneration (£000)
			Cash	Deferred Share Award				
Executive Directors								
Patrick Coveney ¹	FY18	730	52	98	98	0 ³	274	1,252
	FY17	699	50	0	230	213 ⁴	262	1,454
Eoin Tonge	FY18	410	31	55	55	0 ³	102	653
	FY17	400	24	0	132	96 ⁴	100	752
Non-Executive Directors								
Gary Kennedy	FY18	288	—	—	—	—	—	288
	FY17	282	—	—	—	—	—	282
Sly Bailey	FY18	81	—	—	—	—	—	81
	FY17	67	—	—	—	—	—	67
Heather Ann McSharry	FY18	80	—	—	—	—	—	80
	FY17	74	—	—	—	—	—	74
John Moloney	FY18	78	—	—	—	—	—	78
	FY17	76	—	—	—	—	—	76
Eric Nicoli ⁵	FY18	21	—	—	—	—	—	21
	FY17	82	—	—	—	—	—	82
Kevin O'Malley	FY18	69	—	—	—	—	—	69
	FY17	37	—	—	—	—	—	37
Helen Rose ⁷	FY18	33	—	—	—	—	—	33
Tom Sampson ⁶	FY18	69	—	—	—	—	—	69
	FY17	45	—	—	—	—	—	45
John Warren	FY18	84	—	—	—	—	—	84
	FY17	82	—	—	—	—	—	82

1 Patrick Coveney's salary for FY18 is €823,728 and has been converted to sterling using the exchange rate €1:£0.8857 which is the average exchange rate for FY18.

2 For FY18, half of the annual bonus is payable as a cash award and half as a Deferred Share Award. For FY17, 100% of the bonus was payable as a Deferred Share Award.

3 FY18 values: FY16 PSP awards lapsed in full on 2 December 2018.

4 FY17 values: FY15 PSP awards partially vested on 2 December 2017, based on performance to 29 September 2017 and subject to continued employment on the vesting date. The award values have been revised from last year's report to reflect the actual share price on vesting of £2.173.

5 Eric Nicoli retired on the 14 December 2017. His FY18 remuneration relates to the period 30 September 2017 to 14 December 2017.

6 Thomas Sampson was paid an additional fee of £124,203 for extra responsibilities undertaken throughout the year in relation to his role on the Group US Advisory Council.

7 Helen Rose was appointed to the Board on 11 April 2018. Her remuneration relates to the period 11 April 2018 to 28 September 2018.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION continued

NOTES TO THE TABLE (AUDITED)

BASE SALARY

The Committee reviewed the Executive Directors' salaries in November 2017 and determined that the salary of Patrick Coveney and Eoin Tonge would be increased in line with the wider workforce by 2.5% to €823,728 and £410,000 respectively.

ANNUAL BONUS

The maximum bonus opportunity for FY18 was 150% of salary for both Executive Directors. Performance against targets for annual bonus payment is subject to personal and strategic objectives (25% of total) as well as the achievement of demanding short-term financial targets (making up 75% of the total potential bonus). The bonus was based 75% on financial measures (Adjusted EPS and ROIC), and 25% on personal performance against strategic goals. The annual bonus measures reflect the Committee's aim of providing an appropriate balance between incentivising the achievement of key financial targets and specific personal and strategic objectives. Performance targets and actual outturn are provided in the table below:

Measure	Weighting (% of bonus)	Performance targets			Actual underlying FY18 performance
		Target (50% payout)	Stretch (100% payout)		
Adjusted EPS	50%	16.2p	17.9p	Below target	
ROIC	25%	10.5%	11.7%	Below target	
Financial element	75%				0%
Personal and strategic objectives	25%	CEO <ul style="list-style-type: none"> Turnaround of the US business performance leading to its successful disposal Deepening market leading positions in the UK, personally leading senior customer relationships Rebalancing the UK portfolio Delivering UK reorganisation 			Total: 18 out of 25
		CFO <ul style="list-style-type: none"> Strong improvement in cash flow Execution of the disposal of US business Leading operational efficiencies Leading the corporate social responsibility and sustainability business activity 			Total: 18 out of 25
Personal and strategic element	25%				18%
Total	100%				18%

Executive Directors were entitled to receive 18% of the maximum bonus, which represents 27% of salary, half of which is deferred in shares for a three-year period.

Although trading performance was below expectations, and resulted in no payouts under the Adjusted EPS and ROIC measures, both Executive Directors played a significant role in the progress made against certain key strategic and personal objectives during FY18.

The personal and strategic objectives are set out in full on page 69 and included a significant focus on continuing to promote strong relations with our stakeholders, increasing cash generation and delivering operational and organisational efficiencies. Additionally, following the trading update issued in March 2018, the alteration in the Group's priorities were reflected in the personal and strategic objectives. The Committee has acknowledged the significant contribution of the Executive Directors in respect of such a successful turnaround of the US business, which culminated in the disposal and return of capital to shareholders.

In terms of personal and strategic performance, both Patrick Coveney and Eoin Tonge have had a strong year, delivering considerable progress against key personal and strategic objectives for the Group, including as those objectives developed rapidly during the year. In this context, the Committee determined that both Patrick Coveney and Eoin Tonge would receive 18% out of 25% of the total personal and strategic element of their respective bonuses.

STRATEGIC PRIORITIES

 Enhance our leadership position in UK convenience food				 Develop enduring customer partnerships	 Invest in people, infrastructure and capability	 Maintain a strong financial and economic model
	Personal and strategic objectives	Performance assessment		Link to Group strategic priorities		
Patrick Coveney	Turnaround of the US business performance leading to its successful disposal	Following on from the trading update in March 2018, Patrick spent half his time in the US dedicated to the US business. He refined and refocused the US strategy and undertook a direct role in the strategic, organisational and commercial leadership of the US business up until a new US CEO was appointed in July 2018. This led to the highly compelling unsolicited offer for the purchase of the US business. Patrick negotiated the terms of the agreement, which was approved by over 97% of shareholders and resulted in the disposal of the US business for nearly \$1.1 billion, realising material value for shareholders.				
	Deepening market leading positions in the UK, personally leading senior customer relationships	In FY18, the Group has increased its overall market share by continuing to secure several significant new business wins and by developing a sole supply partnership model with key customers. Patrick has been instrumental in building these relationships and has played a pivotal role in delivering extensions in contracts. As at FY18, Greencore has extended contracts with three of our five largest customers and the average sandwich contract length has moved from approximately 2 years to 4.4 years since 2015. These key steps to enhance our market leading positions are of particular importance in light of the refocusing of our strategy in the UK.			 	
	Rebalancing the UK portfolio	The strategic exit from the highly intensive cakes and desserts market was led by Patrick. Tightening our portfolio facilitated the Group in avoiding significant maintenance capital if we had continued that business. This allowed the Group to refocus on the growing fresh ready meal market while protecting key customer relationships. Further, to support growth in the fresh ready meal category, the Group recently opened a new centre of excellence for ready meals at our Warrington facility.			 	
	Delivering UK reorganisation	Patrick continued to drive the talent development process to build a pipeline of future leadership succession candidates. Amongst the change within the Group during FY18, Patrick oversaw the rebalancing of operations from a divisional structure to a single UK leadership team. All members of the new leadership team derive from Greencore's existing talent pool demonstrating the significant progress Patrick has made in developing a wide team of existing talent.				
Eoin Tonge	Strong improvement in cash flow	Eoin maintained strong financial rigour, particularly with regard to tighter management of cash which resulted in a strong improvement in cash flow in FY18. There were prudent reductions in maintenance capital expenditure (FY17: £35.1, FY18: £20.6m) in continuing operations and the generation of Free Cash Flow increased from £78.0m in FY17 to £92.4m in FY18. There were also significant reductions in strategic capital expenditure (FY17: £621.0, FY18: £24.6m) and this is reflected in a Net Debt reduction of £18.1m to £501.1m.				
	Execution of the disposal of US business	Eoin structured and executed all elements of the disposal of the US business including all legal, tax and finance matters. He effectively managed capital market implications surrounding the transaction. During the disposal period, Eoin also ensured consistent delivery of financial management across the Group delivering growth in revenue in both the continued and discontinued operations. This is explained in detail in his Operating and Financial Review set out on pages 24 to 29.				
	Leading operational efficiencies	During FY18 Eoin led a cost reduction and streamlining efficiency programmes in the UK, defending the Group's margin in a competitive and inflationary market. It is anticipated that these initiatives will further protect the margin going forward.				
	Leading the corporate social responsibility and sustainable business activity	Eoin oversaw the implementation of the Group's corporate social responsibility activity with particular emphasis on developing a new framework for the overall agenda and ensuring the importance of our sustainable practices were understood and shared throughout the Group. During FY18, progress was made in a number of areas, with continued emphasis on the integration of sustainability criteria into the business model. Further information on the Group's initiatives are set out in our Stakeholder report on pages 36 to 45.				

REPORT ON DIRECTORS' REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION continued

The resulting bonus outcomes for FY18 for Patrick Coveney and Eoin Tonge are therefore as set out below:

Executive Director	Bonus outcome (% of maximum)	Bonus outcome (£000)
Patrick Coveney	18%	£197
Eoin Tonge	18%	£111

In line with our Policy, the bonus outcome will be paid 50% in cash and 50% in deferred shares in three years time dependent on continued employment.

LONG-TERM INCENTIVES: VESTING OF FY16 PSP AWARDS

On 2 December 2015, Patrick Coveney and Eoin Tonge received awards under the PSP as set out in the table below:

Executive Director	Date of grant	Number of shares granted	Share price on date of grant ¹	Face value	Award as % of salary	Vesting date
Patrick Coveney	2 December 2015	211,034 ³	£2.6234 ³	£553,637	100%	2 December 2018
Eoin Tonge ²	2 December 2015	107,990 ³	£2.6234 ³	£283,306	n/a	2 December 2018

1 Average share price for the three year days following 24 November 2015.

2 Eoin Tonge was not an Executive Director at the time of the award was granted; his award is disclosed here for transparency.

3 The number of awards and share price for awards granted in FY16 have been adjusted in line with the rights issue which completed in December 2016.

PSP awards granted in December 2015 were subject to Adjusted EPS and ROIC performance targets measured over the period FY15 to FY18.

Target and actual outturn have been as follows:

Measure	Weighting (% of award)	Performance range	Underlying outturn	Vesting (% of award)
Adjusted EPS growth	50%	5 – 15% p.a.	0.7% p.a.	0%
ROIC	50%	12.5 – 15%	10.2%	0%
Total				0%

Based on performance over the performance period, FY16 PSP awards lapsed in full.

PENSION

Patrick Coveney received a taxable non-pensionable cash allowance equivalent to 35% of his pensionable earnings in lieu of participation in a Defined Contribution Pension Scheme. Eoin Tonge participates in the Greencore UK Master Trust Pension Scheme which is a Defined Contribution Pension Scheme and receives a taxable non-pensionable cash allowance equivalent to 25% of his pensionable earnings.

Patrick Coveney is also a deferred member of the Group's Irish Defined Benefit Pension Scheme which closed to future accrual with effect from 31 December 2009. The value of the frozen scheme benefits for the Chief Executive Officer was £51,108 as at 28 September 2018. His normal retirement age under the scheme is 60 and he will not be entitled to any augmentation of benefit in the event that he retires early.

LONG-TERM INCENTIVES: PSP AWARDS GRANTED IN FY18

On 18 December 2017, Patrick Coveney and Eoin Tonge received awards under the PSP as set out in the table below:

Executive Director	Date of grant	Number of shares granted	Share price on date of grant ¹	Face value on date of grant	Award as % of salary	Vesting date	Holding period after vesting date
Patrick Coveney	18 December 2017	708,744	£2.046	£1,450,090	200%	18 December 2020	2 years
Eoin Tonge	18 December 2017	300,587	£2.046	£615,001	150%	18 December 2020	2 years

1 Average share price for 28, 29 and 30 November 2017.

Vesting of these awards will be subject to Adjusted EPS, ROIC and TSR performance targets measured over the period FY17 to FY20. The performance conditions are as follows:

Measure	Weighting (% of award)	Performance targets
EPS growth	1/3rd	Below 5% p.a.: 0% vesting; 5% p.a.: 25% vesting; 15% p.a.: 100% vesting (Straight-line vesting applies between 5% and 15% p.a.)
FY20 ROIC	1/3rd	Below 10%: 0% vesting; 10%: 25% vesting; 13%: 100% vesting (Straight-line vesting applies between 10% and 13%)
Relative TSR v.s a bespoke group of sector peers	1/3rd	Below median: 0% vesting Median: 25% vesting Upper quartile: 100% vesting (Straight-line vesting applies between median and upper quartile)

As in prior years, prior to determining the level of vesting, the Committee will also consider the underlying financial performance of the business, as well as the value added to shareholders, and the level of vesting may be adjusted where it considers that there is a material difference between the formulaic vesting outcome and underlying performance.

The awards will vest three years from the grant date, subject to meeting the performance conditions and continued employment. Clawback and malus provisions apply to the FY18 PSP awards. The Company introduced a mandatory two-year holding period for vested PSP awards made to Executive Directors in FY17 and subsequent years. Vested awards may not be sold during the holding period except to cover tax liabilities.

LONG-TERM INCENTIVES: DEFERRED BONUS PLAN ('DBP') AWARDS GRANTED IN FY18

During the year, the following deferred bonus shares were awarded to Patrick Coveney and Eoin Tonge in respect of FY17. The awards relate to the bonus awarded for performance during FY17.

Executive Director	Date of grant	Number of shares granted	Share price on date of grant ¹	Face value on date of grant	Vesting date
Patrick Coveney	18 December 2017	114,090	£2.046	£233,428	18 December 2020
Eoin Tonge	18 December 2017	64,516	£2.046	£131,999	18 December 2020

1 Average share price for the 28, 29 and 30 November 2017.

PAYMENTS FOR LOSS OF OFFICE

No payments for loss of office were made during the year under review.

PAYMENT TO PAST DIRECTORS

No payments were made to past Directors during the year under review.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION continued

IMPLEMENTATION OF THE REMUNERATION POLICY IN FY19

A summary of how the remuneration Policy will be applied for FY19 is set out below.

BASE SALARY

The Committee reviewed Executive Directors' salaries in late 2018 and agreed to award an increase of 2% for FY19 to both Patrick Coveney and Eoin Tonge, marginally below the average increase awarded to the wider workforce. The new salaries, effective from 1 October 2018, will be as follows:

Executive Director	Salary from 1 October 2018	Salary from 1 October 2017	% increase
Patrick Coveney	€840,202	€823,728	2%
Eoin Tonge	£418,200	£410,000	2%

PENSION AND BENEFITS

Provisions remain unchanged from FY18.

ANNUAL BONUS

The performance measures and bonus opportunity for the FY19 remain unchanged from FY18. The maximum opportunity will continue to be 150% of salary. Half of any bonus earned will be deferred in shares, vesting after three years subject to continued employment. Both the cash bonus and deferred bonus awards are subject to malus and clawback provisions.

As in previous years, bonus will be based on Group financial targets (75% of maximum bonus) and on personal and strategic goals (25% of maximum bonus). The financial targets are Adjusted EPS (50%) and ROIC (25%). Personal and strategic goals are set in relation to each Executive Director's responsibilities and are aligned with the Company's short and medium term strategic priorities but include a long-term focus.

As in previous years, the targets for FY19 will be set with reference to budget as well as broker forecasts and other external considerations, and the Committee considers its approach to target-setting to be robust. If maximum performance targets are achieved, the Committee considers that this would represent exceptional performance and add significant value for shareholders. Performance targets are considered by the Committee to be commercially sensitive and have therefore not been disclosed on a prospective basis. Full retrospective disclosure of the targets and performance against them will be provided in next year's report.

LONG-TERM INCENTIVE

For FY19, Patrick Coveney and Eoin Tonge will receive awards under the PSP of 200% and 150% of salary, respectively, in early 2019.

The performance measures will continue to be Adjusted EPS, ROIC and TSR. Performance will be assessed over the period FY18 to FY21. As outlined previously, the Committee is currently reviewing the targets for the FY19 awards in light of the significant changes to our business as a consequence of the recent disposal of our entire US business. Consistent with that review, targets for the EPS and ROIC measures and an appropriate TSR peer group will be finalised shortly before awards are made and will be disclosed in the RNS announcement made in relation to the granting of the awards. The Committee continues to believe that Adjusted EPS, ROIC and TSR are the most appropriate measures for the next three year cycle for growth and returns in the business. The Committee has a robust approach to target-setting, taking into account internal and external forecasts, as well as market practice for similar-sized companies, and the need to set targets that are stretching yet achievable.

As in previous years, the Committee will consider the underlying financial performance of the business as well as the value added to shareholders in adjudicating the final overall PSP vesting level.

The awards will vest three years from the grant date, subject to meeting the performance conditions and continued employment. Malus and clawback provisions apply to the FY19 PSP awards both prior to vesting and for a period of two years post-vesting and vested awards may not be sold during the holding period except to cover tax liabilities.

NON-EXECUTIVE DIRECTOR FEES FOR FY19

Non-Executive Director fees are determined by the Board within the limit approved by shareholders in the Articles of Association, with the exception of the Chairman of the Board, whose remuneration is determined by the Committee. The fees for the Chairman and the Non-Executive Directors shall remain unchanged for FY19.

	FY18 (€)	FY17 (€)
Basic fee		
Chairman	78,000	78,000
Non-Executive Director	78,000	78,000
Additional fees		
Chairman	247,000	247,000
Senior Independent Director	16,500	16,500
Audit Committee Chair	16,500	16,500
Remuneration Committee Chair	12,000	12,000
Nomination and Governance Committee Chair	10,000	10,000

REPORT ON DIRECTORS' REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION continued

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below illustrates shareholder distributions (i.e. dividends and share buybacks) and total employee pay for FY18 and FY17, and the year on year change.

	Distributions to shareholders (£'000)	Total employee pay (£'000)
FY18	39,364	372,500
FY17	31,816	369,600
% change	23.7%	0.8%

1 Total employee pay in 2018 for UK & Ireland employees was £272.5m (2017: £286.1m) and for the US employees it was £100.0m (2017: £83.5m). See Note 5 for UK & Ireland employees in relation to continuing operations and see Note 9 for US employees as part of the discontinued operations.

HISTORICAL TSR PERFORMANCE AND REMUNERATION OUTCOMES FOR THE CHIEF EXECUTIVE OFFICER

The graph below compares the Company's TSR against the FTSE All-Share Index and the FTSE 250 Index for over a period of nine years up to 28 September 2018. It reflects the change in a hypothetical £100 holding in shares. The FTSE 250 Index has been chosen as the Company is a constituent of this index, whilst the FTSE All-Share Index has been chosen to provide a more broad-based comparator group.



The table below illustrates the CEO's single figure of total remuneration over the same nine year period to 28 September 2018.

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Single Figure (£'000)	1,920	1,933	2,029	1,740	2,130	3,750	2,424	1,454	1,252
Annual Bonus	95%	78%	92%	89%	98%	73%	83%	22%	18%
PSP vesting ¹	-	-	-	-	-	92.3%	79%	35%	0%

1 No performance-based long-term incentive awards were awarded prior to March 2013.

Each year the CEO's single figure of total remuneration is converted from euro to sterling using the average exchange rate over the relevant financial year. The CEO's salary for FY18 was €823,728 and has been converted to sterling using the exchange rate €1:£0.8857 which is the average exchange rate for FY18.

EXTERNAL APPOINTMENTS

We recognise the opportunities and benefits to both the Company and to our Executive Directors of serving as Non-Executive Directors of other companies. Executive Directors are permitted to take on a Non-Executive Directorship with another publicly listed company with the approval of the Nomination and Governance Committee. Any fees arising from such appointments will generally be retained by the individual.

On 30 May 2014, Patrick Coveney was appointed as a Non-Executive Director of Glanbia plc. In FY18, Patrick received €81,250 for this role.

OUTSTANDING SHARE AWARDS (AUDITED)

Details of the Executive Directors' existing share awards as at 28 September 2018 in the Company's share schemes are set out in the table below.

	Date of grant	Number of options/ awards at start of year	Granted/ awarded during the year	Vested/ exercised in the year	Lapsed during the year	Number of options awarded at year end	Market price of date of grant	Exercise price	Earliest date of exercise	Expiry date
Patrick Coveney										
Deferred Bonus Plan	02.12.14	192,315 ¹	–	198,872 ²	–	–	£2.3172 ¹	–	02.12.17	02.12.17
	02.12.15	115,964 ¹	–	–	–	115,964	£2.6234 ¹	–	02.12.18	02.12.18
	10.01.17	175,197	–	–	–	175,197	£2.4260	–	10.01.20	10.01.20
	18.12.17	–	114,090	–	–	114,090	£2.0460	–	18.12.20	18.12.20
Performance Share Plan ³	02.12.14	266,886 ¹	–	97,978 ⁴	–	–	£2.3172 ¹	–	02.12.17	02.12.17
	02.12.15	211,034 ¹	–	–	–	211,034	£2.6234 ¹	–	02.12.18	02.12.18
	07.02.17	562,829	–	–	–	562,829	£2.4633	–	07.02.20	07.02.20
	18.12.17	–	708,744	–	–	708,744	£2.0460	–	18.12.20	18.12.20
ShareSave	06.07.16	7,004 ¹	–	–	7,004	–	£3.2970	€2.1795 ¹	01.09.19	29.02.20
	06.07.18	–	11,522	–	–	11,522	–	€1.5700	01.09.21	28.02.22
Eoin Tonge										
Deferred Bonus Plan	02.12.14	84,112 ¹	–	86,977 ²	–	–	£2.3172 ¹	–	02.12.17	02.12.17
	02.12.15	59,742 ¹	–	–	–	59,742	£2.6234 ¹	–	02.12.18	02.12.18
	10.01.17	63,717	–	–	–	63,717	£2.4260 ¹	–	10.01.20	10.01.20
	18.12.17	–	64,516	–	–	64,516	£2.0460	–	18.12.20	18.12.20
Performance Share Plan ³	02.12.14	121,050 ¹	–	44,439 ⁴	–	–	£2.3172 ¹	–	02.12.17	02.12.17
	02.12.15	107,990 ¹	–	–	–	107,990	£2.6234 ¹	–	02.12.18	02.12.18
	07.02.17	243,572	–	–	–	243,572	£2.4633 ¹	–	07.02.20	07.02.20
	18.12.17	–	300,587	–	–	300,587	£2.0460	–	18.12.20	18.12.20
ShareSave	23.07.15	8,649 ¹	–	–	–	8,649	£3.1530	£2.0800 ¹	01.09.18	28.02.19
	06.07.18	–	12,162	–	–	12,162	–	£1.4800	01.09.21	28.02.22

1 The number of options and the market price for awards granted in FY15 and FY16 have been adjusted in line with the rights issue which completed in December 2016.

2 The difference between awards granted in 2014 and shares exercised in 2017 represents scrip dividend payments on the awards.

3 The share price used to calculate the number of shares under the award was the average share price for the three dealing days after the release of the Group's results.

4 The difference between awards granted in 2014 and shares exercised in 2017 represents satisfaction of the performance conditions and scrip dividend payments on the awards.

For the purposes of Section 305 of the Companies Act 2014, the aggregate gains by Executive Directors on the exercise of share options during the year ended 28 September 2018 was £916,189.46.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION continued

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED)

The Company has adopted Executive Director shareholding guidelines whereby all Executive Directors shall acquire a holding of shares in the Company equal to 200% of base salary, typically over a five year period commencing on the date of their appointment to the Board. The guideline was previously set at 150% of salary for the CFO, but was increased to 200% of salary for all Executive Directors from FY18 in response to shareholder feedback and in line with best practice.

There are currently no shareholding guidelines in place for Non-Executive Directors, though all Non-Executive Directors are encouraged to hold shares in the Company.

The table below shows the beneficial interests of Directors on 28 September 2018 (including the beneficial interest of their spouses, civil partners, children and stepchildren) in the Ordinary Shares of the Company, as well as unvested awards.

	Shareholding requirement					Value of shares held at 28 Sep 2018 ¹	Unvested performance shares subject to performance	Unvested awards not subject to performance	Vested options not exercised
	Ordinary Shares held at 29 Sep 2017	Ordinary Shares held at 28 Sep 2018	Ordinary Shares held at 03 Dec 2018	% of salary required	% of salary held				
Executive Directors									
Patrick Coveney	3,478,366	3,613,544	3,613,544	200%	893%	£6,521k	1,482,607	405,251	–
Eoin Tonge	458,616	553,552	553,552	200%	243%	£999k	652,149	187,975	–
Non-Executive Directors									
Gary Kennedy	101,087	153,363	153,363	–	–	–	–	–	–
Sly Bailey	55,576	55,576	55,576	–	–	–	–	–	–
Heather Ann McSharry	27,377	57,903	57,903	–	–	–	–	–	–
John Moloney	47,307	47,307	47,307	–	–	–	–	–	–
Eric Nicoli ²	28,769	–	–	–	–	–	–	–	–
Kevin O'Malley	19,500	29,742	29,742	–	–	–	–	–	–
Helen Rose ³	–	–	–	–	–	–	–	–	–
Tom Sampson	35,000	85,000	85,000	–	–	–	–	–	–
John Warren	60,000	60,000	60,000	–	–	–	–	–	–
Group Company Secretary									
Conor O'Leary	125,324	125,324	125,324	–	–	–	–	–	–

1 Calculated based on the average share price between 1 July 2018 and 28 September 2018 of £1.80467.

2 Eric Nicoli retired from the Board on 14 December 2017.

3 Helen Rose was appointed to the Board on 11 April 2018.

The table above reflects changes to current Directors' interests in Greencore shares during the period 29 September 2018 to 03 December 2018.

None of the Directors had a material interest in any contract of significance, other than a service contract in the case of Executive Directors, with the Company or any of its subsidiaries at any time during the period.

SHARE-BASED PAYMENTS

The Group operates a ShareSave Scheme in both Ireland and in the UK which encourages eligible employees to save in order to buy shares in the Company. The ShareSave Schemes provide a means of saving and give employees the opportunity to become shareholders. Currently, there are approximately 1,350 participants in the schemes. The Group's Financial Statements recognise an Income Statement charge in accordance with IFRS 2 *Share-based payment* in respect of options issued under the ShareSave Scheme, and awards granted under the DBP and the PSP. The related charge in respect of share-based payments issued to Executive Directors totalled £0.3m (FY17: £0.9m). Further detail in respect of the DBP and PSP awards is outlined in Note 6 of the Financial Statements.

Options outstanding under the Company's DBP, PSP and ShareSave Schemes at 28 September 2018 amounted to 15,635,761 Ordinary Shares (FY17: 12,217,828) made up as follows:

	Number of ordinary shares ¹	Price range ¹	Normal exercise dates
Deferred Bonus Plan	1,543,189	–	2018–2021
Performance Share Plan	8,553,037	–	2018–2021
ShareSave Scheme	140,223	€1.57–€2.58	2018–2022
	5,399,312	£1.48–£2.17	2018–2022

1 The number of shares and the prices have been adjusted in line with the rights issue which completed in December 2016.

FUNDING OF EQUITY AWARDS

Executive incentive arrangements are funded by a mix of newly issued shares and shares purchased in the market. Where shares are newly issued, the Company complies with the Investment Association guidelines in relation to issuing a maximum of 5% of share capital in respect of discretionary schemes and a maximum of 10% in respect of all share schemes in a rolling ten-year period. At 28 September 2018, there were 3,386,641 shares in the Company's share ownership trust (as at 29 September 2017: 4,085,161). Current shareholder dilution is circa 0.48%.

REPORT OF THE AUDIT COMMITTEE

John Warren

This report aims to provide an insight of the Audit Committee's essential role in protecting the interests of the Group and our shareholders.



DEAR SHAREHOLDER,

On behalf of the Audit Committee (the 'Committee') and the Board, it is my pleasure to present the Report of the Committee for the year ended 28 September 2018. The purpose of this report is to provide an understanding of the work of the Committee, including an overview of the principal matters which the Committee has assessed during the year. The report aims to provide an insight of its essential role in protecting the interests of the Group and our shareholders through ensuring the integrity of the Group's published financial information and the effectiveness of the risk management process.

ROLE OF THE COMMITTEE

The role, authority, responsibilities and scope of the Committee are set out in its Terms of Reference which are available on the Corporate Governance section of our website, www.greencore.com. The Terms of Reference are reviewed on an annual basis and were reviewed in September 2018 with minor amendments made.

MEMBERSHIP OF THE COMMITTEE

Ms HC Rose was appointed to the Audit Committee in April 2018. The Committee now consists of four Non-Executive Directors: Ms SG Bailey, Ms HA McSharry, Ms HC Rose and myself, each considered by the Board to be independent. Further details of the Committee members' experience and qualifications can be found in our biographical details as set out on pages 48 and 49.

The Board has determined that Ms Rose and I both have recent and relevant financial experience. Ms Rose also has specific risk expertise, being involved in risk management in TSB Banking Group plc. The Committee as a whole, brings a broad range of relevant experience and expertise from a variety of industries as well as knowledge of the Company which enables it provide effective governance. Following a review, the Committee has confirmed that, as a collective, it is competent in the manufacturing sector.

In accordance with the Committee's Terms of Reference, the Group Company Secretary acts as Secretary to the Committee. In line with Principle C.3 of the 2016 Corporate Governance Code ('2016 Code') and its associated provisions, the Board ensures that there are formal and transparent arrangements in place for considering how corporate reporting is applied, monitoring risk management and internal control principles and maintaining a suitable relationship with the external auditor.

The Committee meets at least three times in the financial year and attendance at the meetings held during FY18 is shown on page 56 of the Corporate Governance Report. The meetings of the Committee are scheduled to take place in advance of Board meetings. This allows me the opportunity to keep the Board apprised of the key items discussed at Committee meetings. The Board also receive copies of the minutes of the Committee meetings.

During FY18, meetings of the Committee were attended by the Chief Executive Officer, Chief Financial Officer ('CFO'), Group Finance Director, Head of Risk Management and Head of Legal and Compliance, together with any other individuals the Committee deemed appropriate upon invitation. Representatives of the external auditor also attended Committee meetings upon invitation. Given his knowledge of the US business, Non-Executive Director Mr TH Sampson attended the meetings during FY18. In addition, other individuals from within the Group attended Committee meetings during the year, and provided the Committee with an update on certain key areas of the business, such as health and safety, cyber risk, food safety, environment, insurance and IT.

In my capacity as Chair of the Committee, I am available to all Board members to discuss any audit or risk related issues they may have, either on a collective or individual basis. I meet with the external auditor and the Head of Risk Management, absent management, on an annual basis in order to discuss any issues which may have arisen during the year under review. In addition, the Head of Risk Management, whose appointment or removal is subject to Committee approval, has direct access to both the Board Chairman and myself.

HOW THE COMMITTEE HAS DISCHARGED ITS RESPONSIBILITIES

KEY AREAS OF FOCUS

The work of the Committee principally fell under the following key areas:

Key areas of focus

NEW ACCOUNTING STANDARDS The Committee, together with management, considered the potential impact and proposed timeframe for the Group to implement the new accounting standards in relation to Financial Instruments (IFRS 9), Revenue from Contracts with Customers (IFRS 15) and Leases (IFRS 16).

RISK MANAGEMENT AND INTERNAL CONTROLS The Committee continued to monitor and review the progress of the risk management framework, further details are set out on page 80.

EXTERNAL AUDIT FY18 The Committee monitored the activities undertaken by KPMG, the Group's current external auditor, to ensure external auditor independence and that an effective audit was carried out. In September 2018, the Committee met with KPMG to discuss and approve the FY18 external audit plan.

The Committee reviewed, with the external auditor, the half year results statement, full year results statement and the FY18 Annual Report and Financial Statements for recommendation to the Board. Further detail in relation to the external audit is set out on pages 80 and 81. The critical accounting policies and judgements which applied are set out below.

DISPOSAL OF THE US BUSINESS In October 2018, the Group announced the disposal of the entire US business. Given the complexity and scale of the disposal expertise was relied on from various professional service providers. The Committee considered the working capital statement and profit estimate analysis provided by both management and KPMG. KPMG also provided an Unaudited Pro Forma Statement of Net Assets of the Retained Group which is contained in the Group's circular to shareholders dated 15 October 2018. The Committee took comfort in external professional expertise when considering the appropriateness of these calculations. Committee members received detailed briefings from senior management and expert service providers on the disposal as part of additional Committee and Board meetings. On 7 November 2018, the Group's shareholders approved the sale of the US business, which completed on 25 November 2018. Details of the significant judgements in relation to the disposal are set out below.

MONITORING THE INTEGRITY OF THE FINANCIAL STATEMENTS INCLUDING SIGNIFICANT JUDGEMENTS

- We reviewed the appropriateness of Group accounting principles, practices and policies and monitored changes to, and compliance with, accounting standards on an ongoing basis;
- We reviewed the half year and full year results statements for FY18, having discussed them with the external auditor and compared the results to management accounts and budgets, focusing on key areas of judgement before recommending to the Board their release; and
- We reviewed, prior to making recommendations to the Board, the Annual Report and Financial Statements for the year ended 28 September 2018.

In undertaking this review we discussed with management and the external auditor the critical accounting policies and judgements that had been applied. These were:

EXCEPTIONAL ITEMS

Exceptional items are items which have been disclosed separately due to their amount or nature, the purpose of which is to assist the user in understanding underlying performance. Group management exercises judgement in assessing each exceptional item and analysing whether the treatment of exceptional items is consistent with accounting policies and practice. During the year, the Group had exceptional costs of £44.4m in its continuing operations, largely due to network rationalisation and optimisation costs, business exit costs and integration and reorganisation costs and £7.3m in its discontinued operations. During the audit, KPMG reviewed the treatment of exceptional items and discussed the application of the accounting policy and the related disclosures with management. Following discussions, the Committee was satisfied that the identification of items as exceptional items was applied on a consistent basis and the accounting policy and disclosures were in line with previous practice.

ACCOUNTING FOR THE DISPOSAL OF THE US BUSINESS

In advance of the disposal of the US operations, management presented an analysis to the Committee which outlined why the business was to be classified as a held for sale on the Group's Balance Sheet at 28 September 2018 and as a discontinued operation in the Income Statement accordance with IFRS 5: *Non-current assets held for sale and discontinued operations* (see Note 9 for more detail). KPMG have reported to the Committee on the appropriateness of valuations and judgements made with regards to the value of the US business net assets and on the completeness of relevant disclosures in the Group Financial Statements to ensure statutory reporting requirements have been met. Following discussion with management and KPMG, the Committee was satisfied that the accounting treatment applied to the disposal is appropriate and represents a true and fair view in the Financial Statements.

REPORT OF THE AUDIT COMMITTEE CONTINUED

GOODWILL	The Group had goodwill of £409.7m for continuing operations as at 28 September 2018 and as set out in Note 14 to the Group Financial Statements. As part of its audit, KPMG assessed the Group's impairment model for each Cash Generating Unit and performed analysis on the assumptions which had been used by the Group in the impairment model. Following a detailed review and discussions with KPMG, the Committee was satisfied that the assumptions used were appropriate. As there was sufficient headroom, the Committee was satisfied that no impairment was required.
TAXATION	<p>The recognition of deferred tax assets and current and deferred tax provisions represents a key area of judgement in the preparation of the Group's Financial Statements. The Group's current and deferred tax balances are sensitive to assumptions used in determining the appropriate liabilities and assets. The Group is required to consider the range of possible outcomes for a number of transactions/calculations across all the jurisdictions where the Group is subject to income tax and to provide for current and deferred taxes accordingly.</p> <p>As part of the audit, KPMG reviewed the corporation tax computations, the calculation of the deferred tax asset and liabilities and uncertain tax provision and discussed the application of the Group's accounting policy with management. Following discussion with management, the Committee was satisfied that the accounting treatment applied with regards to current and deferred tax and the level of tax provisioning is appropriate.</p>

FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT

Under Provision C.3.4. of the 2016 Code, the Committee, upon request from its Board, should "provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy."

The Board has tasked the Committee with this role, which is incorporated into the Committee's Terms of Reference.

In line with the above, the Committee has undertaken a review of the Annual Report and Financial Statements and confirmed to the Board that it was the opinion of the Committee that, taken as a whole, the Annual Report and Financial Statements was fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy. In advance of providing such a confirmation to the Board, the Committee considered the adequacy of the systems and internal controls, the consistency of the various elements of the Annual Report and Financial Statements (taking into account reports received by the Board during the year), the level of information provided, the narrative reporting and the language used.

RISK MANAGEMENT AND INTERNAL CONTROLS

Whilst it is the Board which is responsible for the Group's system of internal control, the Committee assists the Board in meeting its obligations in this regard. The Group's internal control framework is set out on pages 58 and 59.

At least twice in the financial year, the Committee formally meets with the Head of Risk Management who provides the Committee with reports on the Risk Management Group's key findings from business process and control reviews and management's response to same.

In May 2018, the Committee received an update from the Head of Risk Management on progress against the FY18 Risk Management Plan which had been approved by the Committee in September 2017. It focussed mainly on the ongoing integration and transition of the enlarged US business. Presentations on the reports actioned to date, including reviews and inputs concerning cyber risks, IT roadmaps, replacement of the Group corporate performance management system, GDPR readiness and updates on the risk management charter, were also provided to the Committee.

In September 2018, the Committee reviewed the Risk Management Plan for FY19 which set out the planned activities, including staffing and resources, for the Risk Management Group for the year ahead driven by the maturity of the business and perceived risk level. The Committee also received and reviewed the final comprehensive report on the activities of the Risk Management Group for FY18. The report included detailed information in relation to how the Risk Management Group had delivered against the FY18 plan, a summary of its risk assessment process for the year under review, its key findings and comprehensive information in relation to each of the risk management reports which had been issued since the previous report. The Committee also undertook a review of the Risk Management Group's mission and objectives along with its internal audit charter in order to assess how effectively it had performed during the year. Following the review, the Committee was satisfied that the Risk Management Group had performed well against its mission and objectives. Furthermore, the deployment of its formalised audit approach had ensured appropriate escalation and accountability processes remained in place.

In light of the above, the Committee continues to be satisfied that the Group control environment remains appropriate and effective.

In May and September 2018, the Committee also noted reports from the Head of Risk Management in relation to good faith reporting ('whistleblowing'). Under the Group's whistleblowing policy, arrangements are in place for individuals to raise any issue, in confidence, relating to accounting, risk issues, auditing issues or any other impropriety or area of concern. The whistleblowing reports included information on the nature of issues reported, an analysis of the issues raised by location, category and type along with the outcome of the investigations into the allegations.

EXTERNAL AUDIT EFFECTIVENESS

The Committee, on behalf of the Board, is responsible for monitoring the quality, objectivity and effectiveness of the external auditor. In order to assist the Committee in evaluating the external audit process and to ensure continuous improvement, following the completion of the audit each Committee

and relevant management team member completes a questionnaire on the effectiveness of the external auditor and the external audit process generally. The assessment of the FY17 audit highlighted a number of strengths, in particular, the external auditor's technical knowledge and professional scepticism with regards to key judgements, as well as their growing understanding of the Group's industry, business and risks facing the Group. In line with previous years, KPMG performed additional analytics to support their output, providing useful insights which were welcomed by the Committee. Overall the Committee was satisfied with the high level of services provided by KPMG to Greencore throughout the year.

In advance of the commencement of the annual audit in FY18, the Committee reviewed a letter provided by the external auditor confirming their independence within the meaning of the regulations and professional standards.

In September 2018, the Committee met with the external auditor to agree the FY18 audit plan. To ensure a quality audit, the external auditor needs to be aware of the business risks, therefore the Committee discussed and agreed the key business, financial statement and audit risks with the external auditor to ensure that the audit was appropriately directed. In addition, the external auditor's Letter of Engagement was reviewed by the Committee and signed on behalf of the Group in advance of the commencement of the audit.

In November 2018, in advance of the finalisation of the Group's Financial Statements, the Committee reviewed a report from KPMG on their key audit findings, including the key risk areas and significant judgements, and discussed it with them in order for the Committee to form a judgement on the Financial Statements. In addition, we considered the Letter of Representation and the management letter. At least annually, the Committee meets with the external auditor absent management to discuss any issues the external auditor may wish to raise.

As reported in our FY17 report, KPMG's tenure as the Group's statutory auditor concluded at the end of the FY18 audit.

EXTERNAL AUDIT FY19

The Committee undertook a tender process during FY17, after which the Committee recommended to the Board that Deloitte be appointed as external auditor. Deloitte's tenure takes effect in respect of FY19. It is intended that the lead partner will be rotated every five years to ensure continued independence and objectivity.

TRANSITIONAL PROCESS

To ensure that Deloitte is well prepared for its engagement as the Group's external auditor, transition meetings took place throughout FY18 with Group management, Deloitte and KPMG to fully understand the audit approach taken and conclusions reached on significant audit issues and judgements. During FY18 the Group also managed the transition of the services previously provided by Deloitte including tax and payroll.

NON-AUDIT SERVICES

The Committee has a formal approved policy on the provision of audit and non-audit services by the external auditor, which is reviewed on an annual basis, the aim of which is to ensure external auditor independence and objectivity. The policy details a schedule of prohibited non-audit services and sets out that no other non-audit work may be undertaken by the external auditor without the prior written approval of the CFO and the Committee, whose role also includes monitoring the level of fees incurred for the provision of non-audit services.

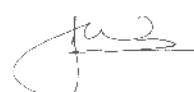
In FY18 the external auditor provided a number of non-audit related services including acting as reporting accountant for the disposal of the US business. A total sum of £471k non-audit fees were incurred by the Group, £437k of which related to the US disposal. The Committee believes that the external auditor's knowledge and objectivity were required and these were important factors in choosing KPMG to provide this service. No other fees were paid to other firms in the lead audit firms network during the year.

COMMITTEE EFFECTIVENESS

During FY18, the Board and the Committee reviewed the performance and effectiveness of the Committee, and I can confirm that the Committee continues to operate effectively and efficiently.

I would like to thank my fellow Committee members for their commitment and input to the work of the Committee over the past year. I will be available to shareholders at the forthcoming AGM to answer any questions relating to the role of the Committee.

Yours sincerely



John Warren
On behalf of the Audit Committee

3 December 2018

REPORT OF THE NOMINATION AND GOVERNANCE COMMITTEE

John Moloney

The Nomination and Governance Committee focused on diversity as a top priority throughout the year.



DEAR SHAREHOLDER,

As Chair of the Nomination and Governance Committee (the 'Committee') I am pleased to present the Committee's report for the year ended 28 September 2018 ('FY18'), which outlines the role of the Committee and the work it has undertaken during the year. The role of the Committee is defined within its Terms of Reference, which can be found under the Corporate Governance section of our website, www.greencore.com.

MEMBERSHIP OF THE COMMITTEE

The Committee consists of three Non-Executive Directors: Ms SG Bailey, Mr PG Kennedy and myself. Further details of the Committee members' experience and qualifications can be found in our biographical details as set out on pages 48 and 49.

The Committee believes that the composition of the Committee remains suitably equipped to perform both its nomination and governance duties effectively.

ACTIVITIES OF THE COMMITTEE

During FY18, the Committee focused on board renewal and the appointment of senior executive leadership positions within the Group. The Committee also concentrated on securing a suitable replacement for our Group Company Secretary who is due to retire from the Group in January 2019.

During the year, the Committee held two scheduled meetings and further additional meetings, which all members attended.

BOARD AND COMMITTEE COMPOSITION FY18

During FY18, Mr EL Nicoli retired from the Board as Non-Executive Director and Senior Independent Director. Upon his retirement, Ms Bailey took on the role of Senior Independent Director. The Committee identified and recommended to the Board that Ms HC Rose be appointed to the Board as Non-Executive Director. Ms Rose who was appointed to the Board on 11 April 2018 brings a wealth of operational, financial, risk and UK retail expertise to the Board. Ms Rose is also a member of the Audit Committee.

As part of the renewal process of the Board during FY18, the Committee evaluated the balance of skills, knowledge, experience, independence and diversity of the Board and the committees. The Board member's individual expertise and experience complemented each other and together formulated a Board and Board committees of appropriate size and structure.

BOARD RENEWAL AND EFFECTIVENESS

As the Group has disposed of the US business, both of our US-based Non-Executive Directors, Mr TH Sampson and Mr KF O'Malley have confirmed their intention not to seek re-election at the 2019 Annual General Meeting ('AGM').

The Committee together with the Board, continues to keep the composition of the Board and the membership of each of the committees under continuous review to ensure that each remains appropriately constituted.

The Committee acknowledges that Mr PG Kennedy, the Group's Chairman, is currently serving his tenth year as Non-Executive Director of the Company and his fifth year as Chairman of the Company. The Committee is satisfied that Mr Kennedy remains key to the continuity of leadership of the Group.

To ensure that the independence of the independent Non-Executive Directors is maintained, the Committee keeps the tenure and agreed timelines, within which tenure would not normally be extended, for each of the Non-Executive Directors, under review. Each year, the Committee reviews the time required to fulfil the roles of Chairman, Senior Independent Director and Non-Executive Director and ensures that all members of the Board continue to devote appropriate time to their duties and to be effective representatives of shareholder interests. As per previous years, all Directors will retire at the 2019 AGM and, where appropriate, submit themselves for re-election.

Our Non-Executive Directors' tenure on our Board as at 28 September 2018 was as follows:

Length of service	Number of Directors
Less than 1 year	1
Between 1-2 years	2
Between 3-5 years	1
Between 5-10 years	5
More than 10 years	1

The Letters of Appointment of each of the Non-Executive Directors are available for inspection at the Company's registered office during normal office hours and at the Company's AGM.

The Committee is also tasked with ensuring that succession plans are in place for the Directors and other key executives within the Group taking into consideration the current Board structure, the leadership requirements of the organisation and the commercial environment within which the Group operates, along with the wider market.

The Committee engaged MwM Consulting, who have no other affiliation with the Group, during FY18 to assist with identifying suitable Board candidates.

COMPANY SECRETARY

Mr CM O'Leary has confirmed his intention to step down as Group Company Secretary and Secretary to each of the Committees after the AGM in 2019. Ms JA Gacquin, current Group Head of Legal and Compliance will take on this role.

DIVERSITY

The Committee focused on diversity as a top priority throughout the year. As a result of our Board changes during the year, the number of female Directors increased from 20% to 30%. Gender diversity has been a commitment of the Committee for some time and the Committee is proud that the Board is progressing in this area. Additionally, the Board adopted a Board Diversity Policy during the year which is highlighted on page 56.

In terms of the gender mix of our employees, in FY18 40% of the workforce in the UK were female, while in the US, females made up 46% of the workforce. Further details on the breakdown of female and male employees can be found on page 37.

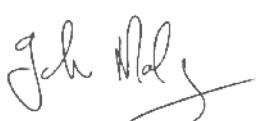
GOVERNANCE

The Committee continues to work with the Board to enhance the corporate governance processes and developments in legislation and regulation. During FY18, the Committee assisted the Group Chairman in the external evaluation of the Board. Further details are set out on page 55.

The Committee reviewed its Terms of Reference and concluded that they reflect the Committee's remit and remain appropriate.

Two key areas of focus for the Committee over the coming year will continue to be succession planning and diversity.

I will be available at the forthcoming AGM of the Company to answer any queries that shareholders may have in relation to my role, or the role of the Committee generally.



John Moloney
On behalf of the Nomination and Governance Committee

3 December 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. The Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and applicable accounting law including Article 4 of the International Accounting Standards ('IAS') Regulation. The Directors have elected to prepare the Company Financial Statements in accordance with FRS 101: Reduced Disclosure Framework, comprising the financial reporting standards issued by the Financial Reporting Council and published by the Institute of Chartered Accountants in Ireland, together with the Companies Act 2014.

Under company law directors must not approve the Group and Company Financial Statements unless they are satisfied that they give a true and fair view of assets, liabilities and financial position of the Group and Company of the Group's profit for that year.

In preparing these Group and Company Financial Statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the Group Financial Statements comply with IFRS as adopted by the EU and as regards the Company, comply with FRS 101 as applicable in accordance with the Companies Act 2014;
- Assess the Group Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended) (the 'Transparency Regulations') and the Transparency Rules of the Central Bank to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors confirm that they have complied with the above requirements in preparing the Annual Report and Financial Statements.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Group and Company and which enable them to ensure that the Financial Statements of the Group and Company comply with the provision of the Companies Act 2014. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the Financial Statements of the Group comply with the provisions of the Companies Act 2014 including Article 4 of the IAS Regulation. They are responsible for such internal controls as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Act 2014.

The Directors are responsible for the maintenance and integrity of the website (www.greencore.com). Legislation in Ireland concerning the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

In accordance with the 2016 UK Corporate Governance Code, the Directors, having taken all relevant matters into consideration, believe that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and gives shareholders the information needed to assess the Group's performance, business model and strategy.

REGULATION 21 OF SI 255/2006 'EC (TAKEOVER BIDS DIRECTIVE) REGULATIONS 2006'

For the purposes of Regulation 21 of SI 255/2006 'EC (Takeover Bids Directive) Regulations 2006', the information given under the following heading on page 50 (Share Capital), 48, 49 and 51 (Directors), 51 (Significant Shareholdings), 68 (Performance Related Annual Bonus and Deferred Bonus Plan), 70 (Performance Share Plan), 77 (Share Option Schemes), 76 (Directors' and Company Secretary's Shares Interests), 75 and 77 (Share Options), 77 (Share-Based Payments) and 67 (Remuneration and Fees Paid in respect of FY18) are deemed to be incorporated in this part of the Director's Report. In addition, the Company's Memorandum and Articles of Association, which set out the rules that apply in relation to the appointment and replacement of Directors and the amendments of the Articles of Association, are available on the Greencore website and are deemed to be incorporated in this part of the Directors' Report.

The Group's financing facilities contain provisions that may require repayment in the event that a change in control of the Company occurs, in addition, the Company's ShareSave Schemes allow for the early exercise of outstanding options upon a change in control of the Company, subject to the approval of the Remuneration Committee.

RESPONSIBILITY STATEMENT IN REGARD TO ANNUAL REPORT

Each of the Directors, whose names and functions are listed on pages 48 and 49 of this Annual Report, confirm that, to the best of each person's knowledge and belief:

As required by the Transparency Regulations:

- The Group Financial Statements, prepared in accordance with IFRS as adopted by the EU and the Company Financial Statements prepared in accordance with FRS 101: Reduced Disclosure Framework, give a true and fair view of the assets, liabilities, financial position of the Group and Company at 28 September 2018 and the profit/loss of the Group for the year then ended; and
- The Directors' Report contained in the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

As required by the 2016 UK Corporate Governance Code:

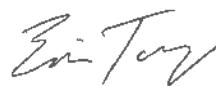
- The Annual Report and Financial Statements, taken as a whole, provides the information necessary to assess the Group's performance business model and strategy is fair, balance and understandable.

On behalf of the Board



PG Kennedy
Chairman

Dublin
3 December 2018



EP Tonge
Director

INDEPENDENT AUDITOR'S REPORT

to the Members of Greencore Group plc

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1. OPINION: OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the Group and Company Financial Statements of Greencore Group plc for the year ended 28 September 2018 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity, the Company Balance Sheet, Company Statement of Changes in Equity and the related notes, including the accounting policies in Note 1.

The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards ('IFRS') as adopted by the European Union and, as regards the Company Financial Statements, Irish Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion:

- the Group Financial Statements give a true and fair view of the assets, liabilities and financial position of the group as at 28 September 2018 and of its profit for the year then ended;
- the Company Balance Sheet gives a true and fair view of the assets, liabilities and financial position of the Company as at 28 September 2018;
- the Group Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company Financial Statements have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework* issued by the UK's Financial Reporting Council; and
- the Group Financial Statements and Company Financial Statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the Directors on 19 August 2008 and subsequently re-appointed by shareholders at each subsequent Annual General Meeting to date. The period of total uninterrupted engagement is the 11 years ended 28 September 2018. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ('IAASA') as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters relating to the Group and Company, in decreasing order of audit significance, were as follows:

1. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

Refer to page 104 (accounting policy) and pages 118 to 120 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
The Group has agreed to sell the entire US business for \$1,075m. The risks relating to the transaction include the incorrect measurement and presentation of: <ul style="list-style-type: none">• Results relating to the discontinued operations (£23.9m); and• Assets held for sale (£944.7m) and associated liabilities (£203.0m).	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none">• Obtaining and documenting our understanding of the process management undertook to present the results and assets and liabilities of the US business as discontinued operations. In addition, we identified relevant controls in this process and tested their design and implementation.• Inspecting management's assessment of how the transaction complies with the requirements of IFRS 5.• Testing the reclassification of the performance of the US division from continuing to discontinued operations for the current and prior year.• Testing the reclassification of the assets held for sale and liabilities held for sale of the US business in the Group Balance Sheet.• Assessing the disclosures in relation to the assets and liabilities held for sale and the results from discontinued operations in the Annual Report and Financial Statements were in line with IFRS 5.• Assessing if assets and liabilities have been held at the lower of carrying value or fair value less costs to sell. <p>As a result of our work, we determined that the transaction has been presented in accordance with IFRS 5 criteria for assets held for sale and discontinued operations.</p>

2. PRESENTATION OF EXCEPTIONAL ITEMS – GROUP £80.1M (2017 – £78.2M) AND COMPANY £1.0M (2017 – £2.5M)

Refer to page 108 (accounting policy) and pages 116 to 118 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
The Group and Company has identified and the Group has presented a significant amount of costs as exceptional in the year ended 28 September 2018 in accordance with its stated accounting policy. The classification of items as exceptional affects adjusted earnings per share and is inherently judgemental. As a result there is a risk that items are not consistently classified as exceptional items.	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none">• Obtaining and documenting our understanding of the process management undertook to identify and present exceptional items and testing the design and implementation of the relevant controls therein.• Evaluating the classification of transactions as exceptional in accordance with the Group and Company's accounting policy, whilst also, evaluating whether the accounting policy for exceptional items is appropriate and is consistent with previous periods.• Assessing whether items are appropriately and consistently classified as exceptional items. In addition, assessing the appropriateness of disclosures made in relation to each item classified as exceptional.
The Group exceptional cost recognised during the year relates to continuing (£52.2m) and discontinued (£27.9m) operations.	<p>As a result of our work, we determined that items identified as exceptional items are presented in accordance with the Group and Company's stated accounting policy.</p>

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the Members of Greencore Group plc

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT CONTINUED

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT CONTINUED

3. POST-RETIREMENT BENEFITS OBLIGATIONS NET DEFICIT £89.3M (2017 – £124.8M)

Refer to page 106 (accounting policy) and pages 140 to 144 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
Significant estimates are made in valuing the Group's post-retirement defined benefit schemes, particularly the discount rate.	Our audit procedures included, among others: <ul style="list-style-type: none"> Obtaining and documenting our understanding of the process management undertook to value post-retirement benefits and testing the design and implementation of the relevant controls therein. With the support of our actuarial specialists, challenging the key assumptions applied in determining the Group's net deficit, being the discount rate, inflation rate and mortality/life expectancy, including a comparison of these key assumptions against externally derived data. Considering the adequacy of the Group's disclosures in respect of the sensitivity of deficits to these assumptions against externally derived data. Overall, we found the key assumptions used in, and the resulting estimate of, the valuation of the retirement benefit obligations of the Group to be appropriate.
Small changes in assumptions and estimates used to value the Group's pension deficit would have a significant effect on the results and financial position of the Group.	We also found the disclosures in respect of post-retirement benefits to be reasonable.

4. GOODWILL £807M (2017 – £797.1M)

Refer to page 102 (accounting policy) and pages 126 to 128 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
There is a risk of irrecoverability of the Group's significant goodwill balance (of which £409.7m relates to continuing and £397.3m relates to discontinued operations) due to potential changes in customer demand and preferences in certain markets and general cost inflation across the industry.	Our audit procedures included, among others: <ul style="list-style-type: none"> Obtaining and documenting our understanding of the process management undertook to review goodwill for impairment and testing the design and implementation of the relevant controls therein. Considering the appropriateness of the methodology applied by the Directors in determining the Cash Generating Units ('CGUs') and calculating the impairment charges. Evaluating the budgeting process upon which the Group's discounted cash flow model is based. Also, testing the integrity and mathematical accuracy of this cash flow model. Comparing the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. Evaluating the assumptions and methodologies used by the Group, in particular those relating to the forecast revenue growth and profit margins. Comparing the Group's assumptions in relation to key inputs such as projected cost inflation and discount rates to externally derived data and our own assessments of these inputs. Also, performing additional sensitivity analysis on these assumptions. Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assessments reflected the risks inherent in valuation of goodwill. Management have recognised an impairment charge of £1.4m. As a result of our work, we found that this impairment is in line with the relevant accounting standards. We also found that management's judgement that no other impairment was required was appropriate, and supported by reasonable assumptions. We found the disclosures to be adequate.
Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which rely on the directors' assumptions and estimates of future trading performance, there is a risk that the Group's goodwill needs to be impaired.	

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The materiality for the Group Financial Statements as a whole decreased to £3.0m (2017: £4.0m). This has been calculated using a benchmark of Group's profit before taxation normalised to exclude the impact of the exceptional costs.

Both Group and component audit teams performed work over the excluded items.

This materiality measure represents 3% (2017: 4%) of this benchmark and 30% of total reported profit before tax. We carry out audit procedures to assess the accuracy of the excluded exceptional items as part of our audit.

We report to the Audit Committee all material corrected identified misstatements, all uncorrected identified misstatements exceeding £150,000 (2017: £150,000) and other identified misstatements that warrant reporting on qualitative grounds.

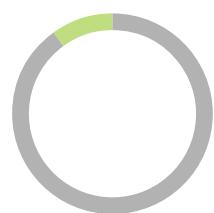
Materiality for the Company Financial Statements as a whole was set at £1.7m (2017: £3m), determined with reference to a benchmark of Company total assets, of which it represents 0.11% (2017: 0.21%).

The structure of the Group's finance function is such that certain transactions and balances are accounted for by central Group and divisional finance teams, with the remainder accounted for in the operating units. We performed comprehensive audit procedures, including those in relation to the significant risks above, on those transactions and balances accounted for at Group, divisional and operating unit level.

We subjected 19 (2017: 18) of the Group's reporting components to audits for group reporting and 7 (2017: 5) to specified risk-focused audit procedures. The latter were not individually sufficiently financially significant to require an audit for group reporting purposes. For the remaining components, the Group audit team performed analysis at a Group or divisional level to re-examine our assessment that there were no significant risks of material misstatement within these components.

SUMMARY OF SCOPE

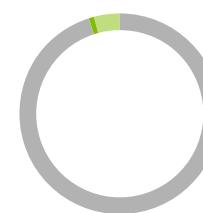
Profit before Tax
(pre-exceptional items)



Revenue



Total Assets



In relation to the Group's operating units, audits for Group reporting purposes were performed at identified key reporting components in Ireland, the UK and the US, augmented by risk focused audit procedures which were performed for all other components. The audit of the parent company was performed by the Group audit team. As set out in the tables above, these audits covered 90% of Group profit before taxation (and pre-exceptional items), 96% of the Group's total assets and 92% of total Group revenue.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above, and the information to be reported back. The Group audit team approved the component materiality assessments, which ranged from £40k to £2.6m, having regards to the mix of size and risk profile of the Group across the components. The work on all components was performed by KPMG Ireland. Senior members of the Group audit team, including the lead engagement partner, either physically attended divisional closing meetings or attended via telephone conferencing facilities, at which the results of component audits were discussed with divisional and Group management.

4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in Note 1 to the Financial Statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the Financial Statements; or
- if the related statement under the Listing Rules is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the Members of Greencore Group plc

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT CONTINUED

5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. The other information comprises the information included in the Annual Report other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work we report that:

- we have not identified material misstatements in the Directors' Report;
- in our opinion, the information given in the Directors' Report or other accompanying information is consistent with the Financial Statements; and
- in our opinion, the Directors' Report has been prepared in accordance with the Companies Act 2014.

DISCLOSURES OF PRINCIPAL RISKS AND LONGER-TERM VIABILITY

Based on the knowledge we acquired during our Financial Statements audit, we have nothing material to add or draw attention to in relation to:

- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the Directors' confirmation within the statement of Risk and Risk Management on pages 57 to 59 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- the Directors' explanation in the statement of Risk and Risk Management of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

OTHER CORPORATE GOVERNANCE DISCLOSURES

We are required to address the following items and report to you in the following circumstances:

- *Fair, balanced and understandable*: if we have identified material inconsistencies between the knowledge we acquired during our Financial Statements audit and the Directors' statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- *Report of the Audit Committee*: if the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee;
- *Statement of compliance with UK Corporate Governance Code*: if the Directors' statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance statement on pages 53 to 59, that:

- based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/EC) Regulations 2016 and specified for our consideration, is consistent with the Financial Statements and has been prepared in accordance with the Act;
- based on our knowledge and understanding of the Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and
- the Corporate Governance statement contains the information required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017.

We also report that, based on work undertaken for our audit, other information required by the Act is contained in the Corporate Governance statement.

6. OUR OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2014 ARE UNMODIFIED

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Group and Company were sufficient to permit the Group and Company Financial Statements to be readily and properly audited and the Group and Company's Balance Sheet and the Group's Income Statement is in agreement with the accounting records.

7. WE HAVE NOTHING TO REPORT ON OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

The Companies Act 2014 also requires us to report to you if, in our opinion, the Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 28 September 2018 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

The Listing Rules of Euronext Dublin and the UK Listing Authority require us to review:

- the Directors' statement, set out on page 58, in relation to going concern and longer-term viability;
- the part of the Corporate Governance statement on page 53 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures in the report to shareholders by the Board of Directors' Remuneration Committee.

8. RESPECTIVE RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on pages 84 and 85, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the Financial Statements.

A fuller description of our responsibilities is provided on IAASA's website at http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

9. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.



Tom McEvoy

for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place, St. Stephen's Green Dublin 2
D02 DE03 Ireland

3 December 2018

GROUP INCOME STATEMENT

year ended 28 September 2018

	Notes	2018			2017		
		Pre-exceptional £m	Exceptional (Note 7) £m	Total £m	Pre-exceptional* £m	Exceptional (Note 7)* £m	Total* £m
Continuing operations							
Revenue	2	1,498.5	–	1,498.5	1,438.4	–	1,438.4
Cost of sales		(1,023.0)	–	(1,023.0)	(970.2)	–	(970.2)
Gross profit		475.5	–	475.5	468.2	–	468.2
Operating costs, net	3	(370.9)	(52.2)	(423.1)	(365.3)	(53.2)	(418.5)
Group Operating Profit before acquisition related amortisation		104.6	(52.2)	52.4	102.9	(53.2)	49.7
Amortisation of acquisition related intangibles	2	(2.6)	–	(2.6)	(4.2)	–	(4.2)
Group Operating Profit		102.0	(52.2)	49.8	98.7	(53.2)	45.5
Finance income	8	0.2	–	0.2	–	–	–
Finance costs	8	(33.1)	–	(33.1)	(30.4)	–	(30.4)
Share of profit of associates after tax	10	0.9	–	0.9	0.7	–	0.7
Profit before taxation		70.0	(52.2)	17.8	69.0	(53.2)	15.8
Taxation	11	(13.0)	7.8	(5.2)	(7.4)	8.9	1.5
Profit for the period from continuing operations		57.0	(44.4)	12.6	61.6	(44.3)	17.3
Discontinued operations							
Result from discontinued operations	9	31.2	(7.3)	23.9	21.6	(25.0)	(3.4)
Profit for the financial year	4	88.2	(51.7)	36.5	83.2	(69.3)	13.9
Attributable to:							
Equity shareholders		85.5	(51.7)	33.8	81.5	(69.3)	12.2
Non-controlling interests	27	2.7	–	2.7	1.7	–	1.7
		88.2	(51.7)	36.5	83.2	(69.3)	13.9
Earnings per share							
Basic earnings per share (pence)	12			4.8			1.9
Diluted earnings per share (pence)	12			4.8			1.9

* Re-presented to reflect the change in presentation of discontinued operations and categorisation of costs on a basis consistent with the current year as set out in Note 1.

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

year ended 28 September 2018

	Notes	2018 £m	2017 £m
Items of income and expense taken directly to equity for continuing and discontinued operations			
Items that will not be reclassified to profit or loss:			
Actuarial gain on Group legacy defined benefit pension schemes	5	24.3	30.1
Tax charge on Group legacy defined benefit pension schemes	11	(4.5)	(5.1)
		19.8	25.0
Items that may subsequently be reclassified to profit or loss:			
Currency translation adjustment		15.4	(45.2)
Tax on currency translation adjustment	11	–	0.1
Hedge of net investment in foreign currency subsidiaries		(10.6)	25.8
Cash flow hedges:			
fair value movement taken to equity		4.1	1.9
transfer to Income Statement for the year		5.9	1.5
Tax on cash flow hedges	11	–	(0.1)
		14.8	(16.0)
Net income recognised directly within equity		34.6	9.0
Profit for the financial year		36.5	13.9
Total recognised income and expense for the financial year		71.1	22.9
Attributable to:			
Equity shareholders		68.4	21.1
Non-controlling interests		2.7	1.8
Total recognised income and expense for the financial year		71.1	22.9
Attributable to:			
Continuing operations		27.4	78.6
Discontinued operations		43.7	(55.7)
Total recognised income and expense for the financial year		71.1	22.9

GROUP BALANCE SHEET

at 28 September 2018

	Notes	2018 £m	2017 £m
ASSETS			
Non-current assets			
Goodwill and intangible assets	14	425.3	1,077.6
Property, plant and equipment	15	323.0	485.7
Investment property	16	6.3	6.3
Investment in associates	10	1.3	1.2
Retirement benefit assets	25	15.3	17.3
Derivative financial instruments	22	0.5	—
Deferred tax assets	11	41.7	93.5
Total non-current assets		813.4	1,681.6
Current assets			
Inventories	17	39.1	81.9
Trade and other receivables	18	181.0	254.8
Derivative financial instruments	22	0.3	0.3
Cash and cash equivalents	20	37.0	19.8
Assets held for sale	9	944.7	—
Total current assets		1,202.1	356.8
Total assets		2,015.5	2,038.4
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	26	7.1	7.1
Share premium		650.8	647.8
Reserves		79.3	50.7
Non-controlling interests	27	737.2	705.6
Total equity		743.6	710.8
LIABILITIES			
Non-current liabilities			
Borrowings	21	537.9	539.0
Derivative financial instruments	22	13.4	14.3
Retirement benefit obligations	25	104.6	142.1
Other payables	19	3.7	11.9
Provisions for liabilities	24	8.9	29.8
Deferred tax liabilities	11	4.2	111.5
Total non-current liabilities		672.7	848.6
Current liabilities			
Borrowings	21	0.2	—
Derivative financial instruments	22	0.1	—
Trade and other payables	19	377.9	460.3
Provisions for liabilities	24	6.7	8.4
Current tax payable		11.3	10.3
Liabilities directly associated with assets held for sale	9	203.0	—
Total current liabilities		599.2	479.0
Total liabilities		1,271.9	1,327.6
Total equity and liabilities		2,015.5	2,038.4

PG Kennedy
Director

EP Tonge
Director

GROUP CASH FLOW STATEMENT

year ended 28 September 2018

	Notes	2018 £m	2017 £m
Profit before taxation		17.8	15.8
Finance income	8	(0.2)	–
Finance costs	8	33.1	30.4
Share of profit of associates (after tax)	10	(0.9)	(0.7)
Exceptional items	7	52.2	53.2
Continuing Operating Profit (pre-exceptional)		102.0	98.7
Discontinued Operating Profit (pre-exceptional)		30.4	22.2
Operating Profit (pre-exceptional)		132.4	120.9
Depreciation of property, plant and equipment	15	47.3	45.1
Amortisation of intangible assets	14	25.3	23.7
Employee share-based payment expense		1.6	3.5
Contributions to legacy defined benefit pension scheme		(15.1)	(11.1)
Working capital movement	28	(15.9)	(3.0)
Other movements		(3.2)	0.5
Net cash inflow from operating activities pre-exceptional items		172.4	179.6
Cash outflow related to exceptional items	7	(15.0)	(33.7)
Interest paid		(26.7)	(27.2)
Tax paid		(0.9)	(0.5)
Net cash inflow from operating activities		129.8	118.2
Cash flow from investing activities			
Dividends received from associates	10	0.8	0.5
Purchase of property, plant and equipment		(60.5)	(105.4)
Purchase of intangible assets		(3.0)	(17.9)
Acquisition of undertakings, net of cash acquired		–	(606.2)
Disposal of undertakings		–	2.9
Net cash outflow from investing activities		(62.7)	(726.1)
Cash flow from financing activities			
Proceeds from issue of shares		0.2	427.7
Ordinary shares purchased – own shares		(2.0)	(7.2)
Drawdown of bank borrowings	23	–	199.7
Repayment of bank borrowings	23	(9.6)	–
Decrease in finance lease liabilities	23	(1.3)	(0.1)
Dividends paid to equity holders of the Company		(35.7)	(16.5)
Dividends paid to non-controlling interests	27	(1.5)	(1.0)
Net cash (outflow)/inflow from financing activities		(49.9)	602.6
Net increase/(decrease) in cash and cash equivalents		17.2	(5.3)
Reconciliation of opening to closing cash and cash equivalents			
Cash and cash equivalents at beginning of year	20	19.8	25.5
Translation adjustment	23	–	(0.4)
Increase/(decrease) in cash and cash equivalents	23	17.2	(5.3)
Net cash and cash equivalents at end of year	20	37.0	19.8

GROUP STATEMENT OF CHANGES IN EQUITY

year ended 28 September 2018

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 29 September 2017	7.1	647.8	92.2	(41.5)	705.6	5.2	710.8
Items of income and expense taken directly to equity							
Currency translation adjustment	–	–	15.4	–	15.4	–	15.4
Net investment hedge	–	–	(10.6)	–	(10.6)	–	(10.6)
Actuarial gain on Group legacy defined benefit pension schemes	–	–	–	24.3	24.3	–	24.3
Tax charge on Group legacy defined benefit pension schemes	–	–	–	(4.5)	(4.5)	–	(4.5)
Cash flow hedge fair value movement taken to equity	–	–	4.1	–	4.1	–	4.1
Cash flow hedge transferred to Income Statement	–	–	5.9	–	5.9	–	5.9
Profit for the financial year	–	–	–	33.8	33.8	2.7	36.5
Total recognised income and expense for the financial year	–	–	14.8	53.6	68.4	2.7	71.1
Employee share-based payments expense	–	–	1.6	–	1.6	–	1.6
Exercise, lapse or forfeit of share-based payments*	–	0.2	(4.0)	4.0	0.2	–	0.2
Shares acquired by Employee Benefit Trust ^(A)	–	–	(2.2)	0.2	(2.0)	–	(2.0)
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust ^(B)	–	–	2.7	(2.7)	–	–	–
Dividends	–	2.8	–	(39.4)	(36.6)	(1.5)	(38.1)
At 28 September 2018	7.1	650.8	105.1	(25.8)	737.2	6.4	743.6
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 30 September 2016	4.1	198.9	110.5	(32.3)	281.2	4.4	285.6
Items of income and expense taken directly to equity							
Currency translation adjustment	–	–	(45.3)	–	(45.3)	0.1	(45.2)
Tax on currency translation adjustment	–	–	–	0.1	0.1	–	0.1
Net investment hedge	–	–	25.8	–	25.8	–	25.8
Actuarial gain on Group legacy defined benefit pension schemes	–	–	–	30.1	30.1	–	30.1
Tax charge on Group legacy defined benefit pension schemes	–	–	–	(5.1)	(5.1)	–	(5.1)
Cash flow hedge fair value movement taken to equity	–	–	1.9	–	1.9	–	1.9
Cash flow hedge transferred to Income Statement	–	–	1.5	–	1.5	–	1.5
Tax on cash flow hedge	–	–	(0.1)	–	(0.1)	–	(0.1)
Profit for the financial year	–	–	–	12.2	12.2	1.7	13.9
Total recognised income and expense for the financial year	–	–	(16.2)	37.3	21.1	1.8	22.9
Employee share-based payments expense	–	–	3.5	–	3.5	–	3.5
Tax on share-based payments	–	–	–	0.1	0.1	–	0.1
Exercise, lapse or forfeit of share-based payments*	–	1.1	(4.5)	4.5	1.1	–	1.1
Issue of shares – Rights Issue	2.9	436.7	–	–	439.6	–	439.6
Costs associated with the issue of shares	–	–	–	(13.0)	(13.0)	–	(13.0)
Shares acquired by Employee Benefit Trust ^(A)	–	–	(7.4)	–	(7.4)	–	(7.4)
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust ^(B)	–	–	6.3	(6.3)	–	–	–
Dividends	0.1	11.1	–	(31.8)	(20.6)	(1.0)	(21.6)
At 29 September 2017	7.1	647.8	92.2	(41.5)	705.6	5.2	710.8

* See Note 26.

OTHER RESERVES

	Share options ^(C) £m	Own shares ^(D) £m	Undenominated capital reserve ^(E) £m	Hedging reserve ^(F) £m	Foreign currency translation reserve ^(G) £m	Total £m
At 29 September 2017	6.6	(8.6)	117.8	(11.5)	(12.1)	92.2
Items of income and expense taken directly to equity						
Currency translation adjustment	–	–	–	–	15.4	15.4
Net investment hedge	–	–	–	–	(10.6)	(10.6)
Cash flow hedge fair value movement taken to equity	–	–	–	4.1	–	4.1
Cash flow hedge transferred to Income Statement	–	–	–	5.9	–	5.9
Total recognised income and expense for the financial year	–	–	–	10.0	4.8	14.8
Employee share-based payments expense	1.6	–	–	–	–	1.6
Exercise, lapse or forfeit of share options	(4.0)	–	–	–	–	(4.0)
Shares acquired by Employee Benefit Trust ^(A)	–	(2.2)	–	–	–	(2.2)
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust ^(B)	–	2.7	–	–	–	2.7
At 28 September 2018	4.2	(8.1)	117.8	(1.5)	(7.3)	105.1
At 30 September 2016	7.6	(7.5)	117.8	(14.8)	7.4	110.5
Items of income and expense taken directly to equity						
Currency translation adjustment	–	–	–	–	(45.3)	(45.3)
Net investment hedge	–	–	–	–	25.8	25.8
Cash flow hedge fair value movement taken to equity	–	–	–	1.9	–	1.9
Cash flow hedge transferred to Income Statement	–	–	–	1.5	–	1.5
Tax on cash flow hedge	–	–	–	(0.1)	–	(0.1)
Total recognised income and expense for the financial year	–	–	–	3.3	(19.5)	(16.2)
Employee share-based payments expense	3.5	–	–	–	–	3.5
Exercise, lapse or forfeit of share options	(4.5)	–	–	–	–	(4.5)
Shares acquired by Employee Benefit Trust ^(A)	–	(7.4)	–	–	–	(7.4)
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust ^(B)	–	6.3	–	–	–	6.3
At 29 September 2017	6.6	(8.6)	117.8	(11.5)	(12.1)	92.2

(A) The Employee Benefit Trust acquired 56,858 (2017: 45,228) shares in the Group with a combined value of £0.2m (2017: £0.2m) and a nominal value at the date of purchase of £0.0006m (2017: £0.0005m) through the Scrip Dividend Scheme and utilisation of dividend income. Pursuant to the terms of the Employee Benefit Trust 984,678 (2017: 3,231,732) shares were purchased during the financial year ended 28 September 2018 at a cost of £2.0m (2017: £7.2m). The nominal value of these shares, on which dividends have not been waived by the Employee Benefit Trust was £0.01m (2017: £0.03m) at the date of purchase.

(B) During the year 1,248,039 (2017: 2,105,187) shares with a nominal value at the date of transfer of £0.01m (2017: £0.02m) at a cost of £2.7m (2017: £6.3m) were transferred to beneficiaries of the Annual Bonus Plan, the Performance Share Plan and the Executive Share Option Scheme.

(C) The share-based payments reserve relates to equity settled share-based payments made to employees through the Performance Share Plan, the Annual Bonus Plan, ShareSave Scheme and the Executive Share Option Scheme. Further information in relation to these share-based payments schemes is set out in Note 6.

(D) The amount included as own shares relates to Ordinary Shares in Greencore Group plc which are held in trust. The shares held in trust are granted to beneficiaries of the Group's share-based payment scheme when the relevant conditions of the scheme are satisfied.

(E) The undenominated capital reserve represents the nominal cost of cancelled shares and the amount transferred to reserves as a result of renominalising the share capital of Greencore Group plc on conversion to the euro.

(F) The hedging reserve represents the effective portion of gains or losses on hedging instruments from the application of cash flow hedge accounting for which the underlying hedged transaction is not impacting profit or loss. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction is no longer expected to occur.

(G) The currency reserve reflects the exchange difference arising from the translation of the net investments in foreign operations and on borrowings and other currency instruments designated as hedges of such investments which are taken to equity. When a foreign operation is sold, exchange differences that are recorded in equity are recognised in the Group Income Statement as part of the gain or loss on sale.

NOTES TO THE GROUP FINANCIAL STATEMENTS

year ended 28 September 2018

1. GROUP STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The Group Financial Statements of Greencore Group plc have been prepared in accordance with International Financial Reporting Standards ('IFRS') and their interpretations approved by the International Accounting Standards Board ('IASB') as adopted by the European Union ('EU') and those parts of the Companies Act 2014, applicable to companies reporting under IFRS and Article 4 of the IAS Regulation.

The accounting policies applied in the preparation of the Group Financial Statements for the year ended 28 September 2018 are set out below.

The IFRS adopted by the EU and applied by the Group in the preparation of these Financial Statements are those that were effective for the accounting period ending 28 September 2018.

BASIS OF PREPARATION

The Group Financial Statements, which are presented in sterling and rounded to the nearest million (unless otherwise stated), have been prepared on a going concern basis under the historical cost convention, except where assets and liabilities are stated at fair value in accordance with relevant accounting policies.

The accounting policies set out below have been applied consistently by all the Group's subsidiaries and associates and have been consistently applied to all years presented, unless otherwise stated.

The preparation of the Group Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best estimate of the amount, event or actions, actual results ultimately may differ from those estimates.

The Financial Statements of the Group are prepared to the Friday nearest to 30 September. Accordingly these Financial Statements are prepared for the 52 week period ended 28 September 2018. Comparatives are for the 52 week period ended 29 September 2017. The Balance Sheets for 2018 and 2017 have been prepared as at 28 September 2018 and 29 September 2017 respectively.

The profit attributable to equity shareholders dealt with in the Financial Statements of the Parent Company was £94.5m (2017: profit of £17.9m).

In accordance with section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its individual profit and loss account, which forms part of the approved Financial Statements, to the Annual General Meeting and from filing it with the Registrar of Companies.

Certain comparative amounts in the Group Income Statement have been reclassified or re-presented, to achieve a more appropriate presentation as required by IFRS 5: *Non-current assets held for sale and discontinued operations*. Following the announcement in October 2018 of the disposal of Greencore's US business, the results of the business have been presented within profit from discontinued operations in the Group Income Statement with the prior period comparatives re-presented accordingly.

In the year, an analysis of expenses between direct and indirect costs was carried out and a more appropriate presentation was identified which resulted in a reclassification of certain indirect costs from cost of sales to operating costs. As a result, the prior year comparatives were re-presented on a consistent basis. There was no impact to previously reported profit.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group Financial Statements in accordance with IFRS, requires management to make certain estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information or more experience. Such changes are recognised in the period in which the estimate is revised.

Critical Accounting Judgements

The critical accounting judgements exercised in applying the Group accounting policies are:

Accounting for exceptional items (Note 7)

The Group consider that items of income or expense which are material by virtue of their nature and amount should be disclosed separately if the Group Financial Statements are to fairly present the financial position and financial performance of the entity. The Group label these items collectively as 'exceptional items'.

Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Group believe would give rise to exceptional items for separate disclosure are outlined in the exceptional accounting policy on page 108. All exceptional items are included on the appropriate income statement line item to which they relate. In addition, for clarity, separate disclosure is made of all items in one column on the face of the Group Income Statement.

Recognition of provisions for current and deferred tax; including deferred tax asset recognition (Note 11)

The Group considers provisions for current and deferred taxes requires significant judgement in areas where the treatment of certain items may be the subject of debate with tax authorities. The Group provide for current and deferred taxes on the basis of the most likely single outcome, in the event of a tax authority audit. The Group is required to consider the range of possible outcomes for a number of transactions/calculations across all the jurisdictions where the Group is subject to income taxes and to provide for current and deferred taxes accordingly. The Group consider this to be a significant judgemental area, due to the number of jurisdictions to be considered, along with increasing complexity and a period of significant change in tax legislation worldwide.

Recognition of deferred tax assets requires consideration of the value of those assets and the likelihood that those assets will be utilised in the foreseeable future. The recognition relies on the availability of sound and relatively detailed forecast information regarding the future performance of the business which has the legal right to utilise the deferred tax assets. As the Group has material tax attributes, consideration is given to the forecasting of performance, and the recognition of related deferred tax assets constitutes a key area of judgement in the preparation of the Group Financial Statements.

Assessment of carrying value of goodwill (Note 14)

Goodwill has been recognised in accounting for the acquisition of undertakings in a business combination. Management's judgement is required in testing the carrying value of goodwill for impairment when comparing the value in use of the cash generating unit ('CGU') to the carrying value of the CGUs.

The value in use calculation is based on an estimate of future cash flows expected to arise from the CGUs and these are discounted to net present value using an appropriate discount rate. The tests are dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows, the expected long term growth rate of the applicable businesses and terminal values. Such estimates and judgements are subject to change as a result of changing economic conditions. Details of the assumptions used are detailed in Note 14 to the Group Financial Statements.

Provisions for liabilities (Note 24)

The estimation of provisions is a key judgement area in the preparation of the Financial Statements due to the uncertainty around the timing or amount for which the provision will be settled. As a result, there is a level of judgement required in the recognition of provisions. A provision for closure costs is required when the Group has a legal or constructive obligation with regards to the exit of manufacturing or closure of a Group facility and judgement is required relating to the level of restructuring provision required at the reporting date to satisfy the obligation.

Accounting for acquisitions and disposals (Note 9 and Note 32)

When acquiring a business, the Group is required to bring acquired assets and liabilities on to the Group Balance Sheet at their fair value, the determination of which requires a significant degree of judgement.

Acquisitions may also result in intangible benefits being brought into the Group, some of which qualify for recognition as intangible assets while other such benefits do not meet the recognition requirements of IFRS and therefore form part of goodwill. Judgement is required in the assessment and valuation of these intangible assets. For intangible assets acquired, the Group bases the valuation on expected future cash flows. This method employs a discounted cash flow analysis using the present value of the estimated after tax cash flows expected to be generated from the purchased intangible assets using risk adjusted discount rates, revenue forecasts and estimated customer attrition as appropriate. The period of expected cash flows is based on the expected useful life of the intangible asset acquired.

When disposing of a business, the Group are required to apply IFRS 5: *Non-current assets held for sale and discontinued operations*. There is judgement involved in whether the disposal group meets the reclassification criteria at the balance sheet date. In addition, the Group are required to carry the disposal group at the lower of its carrying value and fair value less costs to sell. Judgement is required to assess the fair value by considering expected disposal proceeds less any necessary adjustments for debt, cash and working capital.

Critical Accounting Estimates

The Group has identified Post-Retirement Benefits as a significant source of estimation uncertainty in the preparation of the Group Financial Statements. The estimation of and accounting for retirement benefits obligations involves judgements made in conjunction with independent actuaries. These involve estimating the actuarial assumptions including mortality rates of members, increase in pension payments and inflation linked to certain obligations and discount rates used in estimating the present value of the schemes assets and liabilities. Details of the financial position of the Post-Retirement Benefit Schemes are set out in Note 25.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

1. GROUP STATEMENT OF ACCOUNTING POLICIES CONTINUED

NEW STANDARDS AND INTERPRETATION

There are no changes to IFRS which became effective for the Group during the financial year which resulted in material changes to the Group Financial Statements. A number of new standards and amendments to standards and interpretations are effective for annual reporting periods beginning from 1 January 2018 and have not been applied in preparing these Group Financial Statements.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets and liabilities. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and has been completed in a number of stages with the final version issued by the IASB in July 2014. IFRS 9 *Financial Instruments* introduces new rules for hedge accounting and a new impairment model for financial assets. The Group will apply the standard for the reporting period commencing 29 September 2018. The Group's evaluation of the effect of IFRS 9 is outlined below.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses. The standard provides a simplified approach as a practical expedient which the Group will adopt on transition. In applying this simplified approach, the Group does not expect any material adjustments to be made to receivables impairment provision.

The hedge accounting requirements in IFRS 9 are optional. Under the transition requirements of the new standard, the Group may choose to apply, as its accounting policy IAS 39. The Group have decided not to adopt the hedge accounting requirements under IFRS 9 and will continue to apply IAS 39. This decisions has no impact on the current effective hedging relationships.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of Financial Statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Group will apply the standard for the reporting period commencing 29 September 2018 and have elected to adopt the new standard using the modified retrospective method. Under this method the Group will apply the new standard at the date of application with no restatement of the prior period comparatives.

Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. The Group's customer contracts typically include one performance obligation (e.g. manufacture and distribution of sandwiches) with revenue recognised on despatch. The Group has assessed the potential impact on its Consolidated Financial Statements resulting from the application of IFRS 15, based on the analysis of customer contracts conducted to date and the findings are outlined below.

Following a review of customer contracts for third party supplied goods, in line with the agent-principal considerations under IFRS 15, a small number of contracts in the Convenience Foods UK and Ireland reporting segment, may transition from a principal to an agent relationship. This will result in a decrease in revenue and cost of sales with no impact on operating profit. The decrease in revenue will have an accretive impact on operating profit margin.

Based on the Group's contractual and trading relationships, the impact of adopting IFRS 15 on the Consolidated Financial Statements is not material for the Group and there is not expected to be any adjustment to retained earnings on application at 29 September 2018.

IFRS 16 Leases

IFRS 16 *Leases* sets out the principle for the recognition, measurement, presentation and disclosure of leases for both lessee and lessor. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all material leases that have a term of greater than a year.

The Group will apply the standard for the reporting period commencing 28 September 2019. The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of IFRS 16 and during the year the Group commenced a review of its contractual leases. The Group's evaluation of the effect of IFRS 16 is ongoing and the Group's initial findings are outlined below:

The Group expects that the adoption of IFRS 16 will have a material impact on the Consolidated Financial Statements, significantly increasing the Group's recognised assets and liabilities. The Group has approximately 500 operating leases for a range of assets principally relating to property, equipment and vehicles in Convenience Foods UK & Ireland and the Group. The fair values of these leases are currently being evaluated. As a result of the transition to IFRS 16, the fair value of these leases representing the present value of the lease payments over the expected lease contract period will be recognised as a right of use asset with a corresponding value recognised as a lease liability. Note 29 Commitments under operating and finance leases outlines the Group's lease obligations as at 28 September 2018.

There are no other IFRS standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

BASIS OF CONSOLIDATION

The Group Financial Statements comprise the Financial Statements of the parent undertaking and its subsidiary undertakings, together with the Group's share of the results of associated undertakings.

Subsidiaries

Subsidiary undertakings are included in the Group Financial Statements from the date on which control over the operating and financial policies is obtained, and cease to be consolidated from the date on which control is transferred out of the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All inter-group transactions, balances and unrealised gains on transactions between Group undertakings are eliminated on consolidation. Unrealised losses are also eliminated, except where they provide evidence of impairment.

Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee, but which is not a subsidiary or a jointly controlled entity.

The Group's share of the results, assets and liabilities of an associate are included in the Financial Statements using the equity method of accounting. Under the equity method of accounting, the investment in the associate is carried in the Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less distributions received, less any impairments in the value of the investment. The Group Income Statement reflects the Group's share of the results after tax of the associate. The Group Statement of Recognised Income and Expense reflects the Group's share of any income and expense recognised by the associate outside of profit or loss.

REVENUE RECOGNITION

Revenue represents the fair value of the sale of goods and rendering of services to external customers, net of trade discounts and value added tax in the ordinary course of the Group's activities. The Group provides trade discounts, primarily in the form of rebate arrangements or other incentive arrangements, to its customers. The arrangements can take the form of volume related rebates, marketing fund contributions, promotional fund contributions or lump sum incentives. The Group recognises revenue net of such discounts over the period to which the arrangement applies.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably, which generally arises on delivery or in accordance with specific terms and conditions agreed with customers. Revenue from the rendering of services is recognised in the period in which the services are rendered on the basis of services provided.

SUPPLIER REBATES

The Group enters into rebate arrangements with its suppliers. The arrangements are primarily volume related. These supplier rebates received are recognised primarily as a deduction from cost of sales, based on the entitlement that has been earned up to the balance sheet date, for each relevant supplier arrangement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is shown at cost less depreciation and any impairments. The cost of property, plant and equipment comprises its purchase price and any directly attributable costs.

Depreciation is provided so as to write off the cost less residual value of each item of property, plant and equipment during its expected useful life using the straight-line method over the following periods:

Freehold and long leasehold buildings	25 – 50 years
Plant, machinery, equipment, fixtures and fittings	3 – 25 years
Freehold land is not depreciated	

Useful lives and residual values are reassessed annually.

Subsequent costs incurred relating to specific assets are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to the profit or loss during the financial period in which they are incurred.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. When the carrying amount exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the profit or loss.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

1. GROUP STATEMENT OF ACCOUNTING POLICIES CONTINUED

PROPERTY, PLANT AND EQUIPMENT CONTINUED

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss. Following the recognition or reversal of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Gains or losses on the disposal of property, plant and equipment represent the difference between the net proceeds and the carrying value at the date of sale.

ASSETS HELD UNDER LEASES

Finance Leases

Leases of property, plant and equipment, where the Group obtains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased item and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant interest charge on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing loans and borrowings, allocated between current and non-current as appropriate. The interest element of the finance cost is charged to the profit or loss over the lease period. Assets held under finance leases are depreciated over the shorter of their expected useful lives or the lease term, taking into account the time period over which benefits from the leased assets are expected to accrue to the Group.

Operating Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of incentives received from the lessor, are charged to the profit or loss on a straight-line basis over the period of the lease. Income earned from operating leases is credited to the profit or loss when earned.

BUSINESS COMBINATIONS

The purchase method of accounting is used in accounting for the acquisition of businesses. In accordance with IFRS 3 *Business Combinations*, the fair value of the consideration for a business combination is measured as the aggregate of the fair values at the date of exchange of assets given and liabilities incurred or assumed in exchange for control. The assets, liabilities and contingent liabilities of the acquired entity are measured at their fair values at the date of acquisition. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated are made within 12 months of the acquisition date and are effected from the date of acquisition.

Where a business combination agreement provides for an adjustment to the cost of a business acquired contingent on future events, the Group accrues the fair value of the additional consideration payable as a liability at the acquisition date where this can be measured reliably. This amount is reassessed at each subsequent balance sheet date with any adjustments to the liability recognised in the profit or loss.

To the extent that deferred purchase consideration and earn-out obligations are payable after one year from the date of acquisition, they are discounted at an appropriate interest rate and, accordingly, are carried at net present value in the Group Balance Sheet. An appropriate interest charge, at a constant interest rate on the carrying amount, adjusted to reflect material conditions, is reflected in the profit or loss over the earn-out period, increasing the value of the provision so that the obligation will reflect its settlement value at the time of maturity.

Transaction costs are expensed as incurred.

GOODWILL

Goodwill represents the difference between the fair value of the consideration given over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Any excess of the fair value of the net assets acquired over the fair value of the consideration given (i.e. discount on acquisition) is credited to the profit or loss in the period of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. On acquisition, goodwill is allocated to CGUs expected to benefit from the combination's synergies. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the profit or loss.

Goodwill arising on investments in associates is included in the carrying amount of the investment and any impairment of the goodwill is included in income from associates.

ACQUISITION RELATED INTANGIBLES

An intangible asset, which is an identifiable non-monetary asset without physical substance, is capitalised separately from goodwill as part of a business combination to the extent that it is probable that the expected future economic benefits attributable to the asset will accrue to the Group and that its fair value can be measured reliably. The asset is deemed to be identifiable when it is separable (i.e. capable of being divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability) or when it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Group or from other rights and obligations.

Subsequent to initial recognition, acquisition related intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amounts of finite intangible assets are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. Any impairment charge is taken to the profit or loss.

The amortisation of intangible assets is calculated to write off the book value of finite intangible assets over their useful lives on a straight-line basis on the assumption of zero residual value. Customer related intangible assets are amortised over periods ranging from 1–18 years. The useful life used to amortise intangible assets relates to the future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The remaining useful life of finite intangible assets are reviewed at reporting periods and revised where appropriate to reflect the period over which the Group will receive the economic benefit from use.

COMPUTER SOFTWARE

Costs incurred on the acquisition of computer software and software licences are capitalised. Other costs directly associated with developing and upgrading computer software programs are capitalised once the recognition criteria set out in IAS 38 *Intangible Assets* are met.

Computer software is amortised over 5–7 years.

INVESTMENT PROPERTY

Investment property is shown at cost less depreciation and any impairment. The cost of investment property comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Investment property is depreciated so as to write off the cost, less residual value, on a straight-line basis over the expected life of each property. Freehold buildings held as investment property are depreciated over their expected useful life, normally assumed to be 40–50 years. Freehold land is not depreciated.

Rental income arising on investment property is accounted for on a straight-line basis over the lease term of the ongoing leases and is recognised within other income.

In relation to the recognition of income on the disposal of property, income is recognised when there is an unconditional exchange of contracts, or when all necessary terms and conditions have been fulfilled.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is calculated based on first-in, first-out or weighted average as appropriate. Cost includes raw materials, direct labour expenses and related production and other overheads. Net realisable value is the estimated selling price, in the ordinary course of business, less costs to completion and appropriate selling and distribution expenses.

TRADE RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost, net of provision for impairment. A provision is made when there is objective evidence that the Group will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Any trade and other receivables included in non-current assets are carried at amortised cost in accordance with the effective interest rate method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are initially recognised at fair value and subsequently carried at amortised cost. Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments that are readily convertible to known amounts of cash. These are subject to insignificant risk of changes in value and have an original maturity of three months or less.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

1. GROUP STATEMENT OF ACCOUNTING POLICIES CONTINUED

DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

Discontinued operations and disposal group held for sale is a component of the Group's business, the operations and cashflows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operation; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal, abandonment or when the operations meet the criteria to be classified as held for sale. This condition is regarded as satisfied only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year of the date of classification. Property, plant and equipment and intangible assets, once classified as held for sale, are not depreciated or amortised.

Disposal groups classified as held for sale are measured at the lower of the carrying value and the fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than continued use. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

When the Group ceases to have control of an undertaking (disposal group), it is at this point that the Group ceases to consolidate the operations and any gain or loss on disposal is recognised in the Group Income statement. In addition, any movements previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

TRADE AND OTHER PAYABLES

Trade and other payables are initially recorded at fair value and subsequently at the higher of cost or payment or settlement amounts. Where the time value of money is material, payables are initially recorded at fair value and subsequently carried at amortised cost.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is recognised in the profit or loss net of any reimbursement.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

BORROWINGS

All loans and borrowings are initially recognised at fair value less any directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the settlement or cancellation of liabilities are recognised in finance income and finance costs as appropriate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

FINANCE INCOME AND EXPENSE

Finance income comprises interest income on funds invested and the unwind of discount on assets. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings, unwind of discount on liabilities, interest on the net defined benefit pension scheme liabilities, changes in fair value of hedging instruments and other derivatives that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial Assets

A financial asset is derecognised when the Group no longer controls the contractual rights that comprise the financial asset, which is normally the case when the asset is sold or the rights to receive cash flows from the asset have expired, and the Group has not retained substantially all risks and rewards of ownership and has transferred control of the asset.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, and the recognition of a new liability with the result that the difference in the respective carrying amounts, together with any costs.

DERIVATIVE FINANCIAL INSTRUMENTS

The activities of the Group expose it to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments, such as forward foreign exchange contracts, cross-currency swaps and interest rate swap agreements, to hedge these exposures.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative instruments which are held for trading and are not designated as effective hedging instruments are classified as a current asset or liability (as appropriate) regardless of maturity if the Group expects that they may be settled within 12 months of the balance sheet date. All other derivative instruments that are not designated as effective hedging instruments are classified by reference to their maturity date. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

The fair value of derivative instruments is determined by using valuation techniques. The Group uses its judgement to select the most appropriate valuation methods and makes assumptions that are mainly based on observable market conditions existing at the balance sheet date.

For those derivatives designated as hedges and for which hedge accounting is sought, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how hedge effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair values or cash flows of hedged items.

For the purposes of hedge accounting, derivatives are classified as:

- Fair value hedges, when hedging the exposure of changes in the fair value of a recognised asset or liability; or
- Cash flow hedges, when hedging the exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction; or
- Net investment hedges, when hedging the exposure to foreign currency differences between the functional currency of a foreign operation and the functional currency of the parent.

Any gains or losses arising from changes in the fair value of all other derivatives which are classified as held for trading are taken to the profit or loss and charged to finance income or expense. These may arise from derivatives for which hedge accounting is not applied because they are not designated as hedging instruments. The Group does not use derivatives for trading or speculative purposes.

The treatment of gains and losses arising from remeasuring derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

Fair Value Hedges

In the case of fair value hedges which are designated and qualify for hedge accounting, any gain or loss arising from the remeasurement of the hedging instrument to fair value is reported in the profit or loss as finance costs. In addition, any fair value gain or loss attributable to the hedged risk is adjusted against the carrying amount of the hedged item and reflected in the profit or loss as finance income or finance costs. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised on an effective interest basis to the profit or loss with the objective of achieving full amortisation by maturity of the hedged item.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

1. GROUP STATEMENT OF ACCOUNTING POLICIES CONTINUED

DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Cash Flow Hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised within equity in the hedging reserve, with the ineffective portion being reported in the profit or loss as finance income or finance costs. When a highly probable forecast transaction results in the recognition of a non-financial asset or liability, the cumulative gain or loss is removed from the hedging reserve in equity and included in the initial measurement of the non-financial asset or liability. Otherwise, the associated gains and losses that had previously been recognised within equity in the hedging reserve are transferred to the profit or loss as the cash flows of the hedged item impact the profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised within equity in the hedging reserve is kept in the hedging reserve until the forecast transaction occurs. If a hedged transaction is no longer anticipated to occur, the net cumulative gain or loss recognised within equity in the hedging reserve is transferred immediately to the profit or loss as finance costs.

Net Investment Hedge

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in equity in the foreign currency translation reserve, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

TAXATION

The charge/credit for the year comprises current and deferred tax. Tax is recognised in the profit or loss except to the extent that it relates to items recognised in the Statement of Recognised Income and Expense or directly in equity, in which case the tax is also recognised in the Statement of Recognised Income and Expense or directly in equity, respectively.

Current tax payable represents the expected tax payable on the taxable income for the year, using tax rates and tax laws enacted or substantively enacted at the balance sheet date, along with any adjustment to tax payable in respect of previous years.

The Group provides in full for deferred tax assets and liabilities (using the liability method), arising from temporary differences between the tax base of assets and liabilities and their carrying amounts in the Group Financial Statements except where they arise from the initial recognition of goodwill or from the initial recognition of an asset or liability that at the date of initial recognition does not affect accounting or taxable profit or loss on a transaction that is not a business combination. Such differences result in an obligation to pay more tax or a right to pay less tax in future periods. A deferred tax asset is only recognised where it is probable that future taxable profits will be available against which the temporary differences giving rise to the asset can be utilised.

Deferred tax assets and liabilities are not subject to discounting and are measured at the tax rates that are enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Once it has been concluded that a liability needs to be recognised, the liability is measured. We consider the range of possible outcomes and record a liability based on the most likely single outcome, rather than alternative approaches which could include a weighted average probability of outcomes or an 'all or nothing' approach.

EMPLOYEE BENEFITS

Defined Contribution Pension Plans

A defined contribution pension plan is a plan under which the Group pays fixed contributions into a separate defined contribution scheme. Obligations for contributions to defined contribution pension plans are recognised as an expense within profit or loss as employee service is received. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined Benefit Pension Plans

All of the legacy defined benefit pension schemes have been closed to future accrual since 31 December 2009. The cost of providing benefits under the Group's defined benefit pension plans is determined separately for each plan, using the projected unit credit method, by professionally qualified actuaries and arrived at using actuarial assumptions based on market expectations at the balance sheet date. These valuations attribute entitlement benefits to the current and prior periods to determine current service costs and the present value of defined benefit pension obligations.

Re-measurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through the Statement of Recognised Income and Expense in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit pension liability or asset.

When a settlement (eliminating all obligations for defined benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the profit or loss during the period in which the settlement or curtailment occurs.

The defined benefit pension asset or liability in the Group Balance Sheet comprises the total, for each plan, of the present value of the defined benefit pension obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is the present value of any economic benefit the Group reasonably expects to recover by way of refund of surplus from the plan at the end of the plan's life or reduction in future contributions to the plan.

EMPLOYEE SHARE-BASED PAYMENTS

The Group grants equity settled share-based payments to employees (through the Performance Share Plan, the Deferred Bonus Plan, the Employee ShareSave Scheme and the Executive Option Scheme). The fair value of these is determined at the date of grant and is expensed to the profit or loss with a corresponding increase in equity on a straight-line basis over the vesting period. The fair value is determined using an appropriate valuation model, as measured at the date of grant, excluding the impact of any non-market conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options or awards that are expected to vest, recognising any adjustment in the profit or loss, with a corresponding adjustment to equity.

To the extent that the Group receives a tax deduction relating to services paid for by means of share awards or options, deferred tax is provided on the basis of the difference between the market price of the underlying equity as at the date of the Balance Sheet and the exercise price of the option. As a result, the deferred tax impact of share options will not directly correlate with the expense reported in the profit or loss. To the extent that the deductible difference exceeds the cumulative charge to the profit or loss, it is recorded in Equity.

When the exercise of share options results in the issuance of shares, the proceeds received are credited to the share capital and share premium accounts.

FOREIGN CURRENCY

Functional and Presentational Currency

The individual Financial Statements of each Group entity are measured in the currency of the primary economic environment in which the entity operates (the functional currency). The Group Financial Statements are presented in sterling, which is also the Company's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit or loss, except when deferred in equity as qualifying net investment hedges and qualifying cash flow hedges.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

1. GROUP STATEMENT OF ACCOUNTING POLICIES CONTINUED

FOREIGN CURRENCY CONTINUED

Foreign Operations

The Income Statement and Balance Sheet of Group entities that have a functional currency different from the presentation currency of the Company are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the Balance Sheet;
- Income and expenses are translated at the rates at the date of the transaction, normally estimated using average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and on long-term borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

GOVERNMENT GRANTS

Government grants for the acquisition of assets are recognised at their fair value when there is reasonable assurance that the grant will be received and any conditions attached to them have been fulfilled. The grant is held on the Balance Sheet as a deferred credit and released to the profit or loss over the periods necessary to match the related depreciation charges, or other expenses of the asset, as they are incurred.

RESEARCH AND DEVELOPMENT

Expenditure on research and development is recognised as an expense in the period in which it is incurred. An asset is recognised only when all the conditions set out in IAS 38 *Intangible Assets* are met.

SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal management structure of the Group and the internal financial information provided to the Group's Chief Operating Decision Maker who is responsible for making strategic decisions, allocating resources, monitoring and assessing the performance of each segment. The Group reports segmental information by class of business and by geographical area. The Group's primary reporting segment, for which more detailed disclosures are made, is by class of business. Note 2 sets out the operating and reportable segments of the Group.

EXCEPTIONAL ITEMS

Exceptional items are those that are separately disclosed by virtue of their nature or amount in order to highlight such items within the Group Income Statement and results for the year. Examples of such items may include but are not limited to, significant reorganisation programmes, profits or losses on termination of operations, impact of significant plant development and related onboarding of business, significant impairments of assets, transaction and integration costs related to acquisition activity, transaction costs related to disposal activity and litigation costs and settlements. Group management exercises judgement in assessing each particular item which, by virtue of its scale or nature, should be highlighted and disclosed in the Group Income Statement and notes to the Group Financial Statements as exceptional items. Exceptional items are included within the Income Statement caption to which they relate and are separately disclosed in the notes to the Group Financial Statements.

NON-CONTROLLING INTEREST

Non-controlling interests are stated at their proportion of the fair values of the identifiable assets and liabilities recognised. Subsequently, any losses applicable to non-controlling interests continue to be recognised and attributed to non-controlling interests.

SHARE CAPITAL

Ordinary Shares

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are taken as a deduction within equity, net of tax, from the proceeds.

Treasury Shares

Where the Company purchases its own share capital, the consideration paid is deducted from total shareholders' equity and classified as treasury shares until such shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in total shareholders' equity.

2. SEGMENT INFORMATION

The Chief Operating Decision Maker monitors the operating results of segments separately in order to allocate resources between segments and to assess performance. Segment performance is predominantly evaluated based on operating profit before exceptional items and acquisition related amortisation. Net finance costs and income tax are managed on a centralised basis, therefore, these items are not allocated between operating segments for the purposes of the information presented to the Chief Operating Decision Maker and are accordingly omitted from the segmental information below.

The Group has two operating segments Convenience Foods UK & Ireland and Convenience Foods US. Following the Group's decision to dispose of Greencore's US business during the year, the Convenience Foods US operating segment is now classified as a discontinued operation, which is a reporting segment, and the continuing operations of the Group represents the Convenience Foods UK and Ireland reporting segment.

Convenience Foods UK & Ireland: incorporating many UK Convenience Food categories including sandwiches, sushi, salads, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, frozen Yorkshire Puddings and cakes and desserts categories as well as Irish Ingredient trading businesses.

Discontinued operations: comprising the Convenience Foods US segment, manufacturing convenience food products for many of the largest food brands, convenience retail and food service leaders in the US. The segment produces a wide range of fresh, frozen and ambient products including sandwiches, meal kits and salad kits.

The comparative amounts for profit and loss information have been reclassified in line with the requirements of IFRS 5: *Non-current assets held for sale and discontinued operations*.

Intersegment revenue is not material and thus not subject to separate disclosure.

	Convenience Foods UK & Ireland		Discontinued operations		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Revenue	1,498.5	1,438.4	1,061.8	881.3	2,560.3	2,319.7
Group operating profit before exceptional items and amortisation of acquisition related intangible assets*	104.6	102.9	48.0	37.2	152.6	140.1
Amortisation of acquisition related intangible assets	(2.6)	(4.2)	(17.6)	(15.0)	(20.2)	(19.2)
Exceptional items	(52.2)	(53.2)	(27.9)	(25.0)	(80.1)	(78.2)
Group operating profit	49.8	45.5	2.5	(2.8)	52.3	42.7
Finance income					0.2	–
Finance costs					(34.1)	(31.0)
Share of profit of associates after tax					0.9	0.7
Taxation					17.2	1.5
Profit for the period					36.5	13.9

* The current year includes £6.0m of central costs previously allocated to discontinued operations, and the prior year has been re-presented to reflect £3.9m of central costs previously allocated to discontinued operations.

	Convenience Foods UK & Ireland		Discontinued operations		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Segment assets						
Assets	974.7	991.0	944.7	915.3	1,919.4	1,906.3
Reconciliation to total assets as reported in the Group Balance Sheet						
Investments in associates					1.3	1.2
Retirement benefit asset					15.3	17.3
Derivative financial instruments (current and non-current)					0.8	0.3
Deferred tax assets					41.7	93.5
Cash and cash equivalents					37.0	19.8
Total assets as reported in the Group Balance Sheet					2,015.5	2,038.4

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

2. SEGMENT INFORMATION CONTINUED

	Convenience Foods UK & Ireland		Discontinued operations		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Segment liabilities						
Liabilities	362.2	361.1	203.0	92.7	565.2	453.8
Reconciliation to total liabilities as reported in the Group Balance Sheet						
Borrowings					538.1	539.0
Derivative financial instruments (current and non-current)					13.5	14.3
Retirement benefit obligations					104.6	142.1
Provisions for liabilities (current and non-current)					15.6	38.2
Income tax liabilities (current and deferred)					15.5	121.8
Declared interim dividend					15.6	14.8
Interest payable					3.8	3.6
Total liabilities as reported in the Group Balance Sheet					1,271.9	1,327.6

OTHER SEGMENT INFORMATION

	Convenience Foods UK & Ireland		Discontinued operations		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Capital expenditure						
51.6	97.5	11.9	25.8	63.5	123.3	
Depreciation	31.2	31.2	16.1	13.9	47.3	45.1
Amortisation of computer software and other intangibles	4.2	3.6	0.9	0.9	5.1	4.5
Amortisation of acquisition related intangible assets – customer related	2.6	4.2	17.6	15.0	20.2	19.2
Non-current assets (excluding derivative financial instruments, retirement benefit assets and deferred tax assets)	755.9	774.5	767.6	796.3	1,523.5	1,570.8

3. OPERATING COSTS, NET

	2018 £m	2017* £m
Continuing operations		
Distribution costs		68.0
Administrative expenses		299.2
Research and development		3.0
Other operating costs		1.2
Other operating income		(0.5)
Total operating costs pre-exceptional, net	370.9	365.3
Exceptional charge (Note 7)	52.2	53.2
Total operating costs, net	423.1	418.5

* Re-presented to reflect the change in presentation of discontinued operations and categorisation of certain indirect costs from cost of sales to operating costs to be consistent with the current year

4. RESULT FOR THE FINANCIAL PERIOD

The result for the Group for the financial year has been arrived at after charging/(crediting) the following amounts:

	2018 £m	2017 £m
Depreciation:		
Owned assets	47.2	44.0
Assets held under finance lease	0.1	1.1
	47.3	45.1
Amortisation of intangible assets	25.3	23.7
Operating lease rentals:		
Premises, plant and equipment	25.5	20.9
Rental income from investment properties	(0.1)	(0.1)
	£'000	£'000
Auditor's remuneration		
Fees paid to the lead audit firm:		
Audit of the Group Financial Statements	819	905
Audit of subsidiary Financial Statements	53	60
Other non-audit services	471	647
Total	1,343	1,612

Directors' remuneration is shown in the Report on Directors' Remuneration and in Note 33.

In the current year non-audit fees of £0.5m were incurred by the Group primarily relating to consultancy fees associated with the disposal of our US business. The Audit Committee took comfort in external professional expertise when considering the appropriateness of the working capital statement and profit estimate analysis as disclosed in the circular. There were no fees paid to other firms in the lead audit firm's network in the current or prior year.

5. EMPLOYMENT

The average monthly number of persons (including Executive Directors) employed by the Group in continuing operations during the year was:

	2018 Number	2017* Number
Production	8,434	9,196
Distribution	1,076	1,014
Administration	2,170	1,977
	11,680	12,187

* Re-presented to show only continuing operations. Employment information relating to discontinued operations is included in Note 9.

The staff costs for the year for the above employees were:

	2018 £m	2017* £m
Wages and salaries	272.5	286.1
Social welfare costs	23.9	24.3
Employee share-based payment expense (Note 6)	1.6	3.5
Pension costs – defined contribution plans (Note 25)	7.8	7.5
Pension – settlement gain (Note 25)	–	(0.7)
	305.8	320.7
Legacy defined benefit pension interest cost (Note 25)	3.4	3.9
	309.2	324.6

* Re-presented to show only continuing operations. Employment information relating to discontinued operations is included in Note 9.

Total staff costs of continuing operations included above capitalised during the year were £3.3m (2017: £6.2m).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

5. EMPLOYMENT CONTINUED

Actuarial gain on Group defined benefit pension schemes recognised in the Group Statement of Recognised Income and Expense:

	2018 £m	2017 £m
Return on plan assets (Note 25)	2.5	(10.1)
Actuarial gains arising on scheme liabilities (Note 25)	21.8	40.2
Total gain included in the Statement of Recognised Income and Expense	24.3	30.1

6. SHARE-BASED PAYMENTS

The Group operates a number of employee share schemes which are equity settled share-based payments as defined in IFRS 2 *Share-based payments*. A recognised valuation methodology is employed to determine the fair value of awards and options granted as set out in the standard. The charge incurred relating to these schemes is recognised within operating costs. Detail of each of the employee share schemes operated by the Group are set out below:

ANNUAL BONUS PLAN

Senior Executives participate in the Annual Bonus Plan as outlined in the Report on Directors' Remuneration. In accordance with this plan, a deferred share award equal to a proportion of the cash bonus is awarded to the participating executives, the number of shares is calculated at market value on the date of allocation, to be held by a trustee for the benefit of individual participants without any additional performance conditions other than three years of service. The shares vest after three years but are forfeit should an executive voluntarily leave the Group within the three year time period, subject to normal 'good leaver' provisions. The charge recognised in the Group Income Statement was £0.8m (2017: £1.6m). The fair value of the award is equal to the share price on the grant date. The share price on the grant date, for awards granted in December 2017 was £2.05 (2017: £2.43).

On 1 December 2017 and 1 December 2016, 652,571 and 599,359, respectively, awards were granted to Senior Executives of the Group under the Annual Bonus Plan.

The following table illustrates the number of, and movements in, share awards during the year under the plan:

	2018 Number outstanding	2017 Number outstanding
At beginning of year	1,612,706	1,836,020
Granted	652,571	599,359
Vested	(573,045)	(804,697)
Forfeit	(149,043)	(197,820)
Adjustment in respect of Rights Issue*	–	179,844
At end of year	1,543,189	1,612,706
Exercisable at end of year	–	–

* The number of options outstanding and their exercise prices were adjusted to take account for the effect of the Rights Issue so that holders of options remain in the same position as they would have been before the Rights Issue.

Awards will be granted to Senior Executives of the Group under the Annual Bonus Plan in respect of the year ended 28 September 2018. A charge amounting to £0.1m (2017: £0.1m) relating to awards to Executive Directors and £0.2m (2017: £0.4m) relating to awards to other senior executives has been included in the Group Income Statement in respect of the estimated 2018 charge. The total fair value of the awards will be taken as a charge to the Group Income Statement over the vesting period of the awards.

PERFORMANCE SHARE PLAN

Certain employees participate in a long-term incentive scheme, the Performance Share Plan. In accordance with this scheme, participants are awarded an allotment of shares which will vest over three years subject to vesting conditions based on growth in Adjusted Earnings per Share and Return on Invested Capital. In December 2017 the Group introduced an additional vesting condition for relative Total Shareholder Return for all awards granted from this date. These measures will be equally weighted when assessing vesting conditions. An additional two year future service period will apply to Executive Directors vested shares before they are released.

The number of shares granted is calculated based on the market value on the date of allocation. Shares awards are forfeit should an executive voluntarily leave the Group prior to the vesting date, subject to normal 'good leaver' provisions. The fair value of the award has attributed a value to each vesting condition, equally weighted. Two thirds of the awards have a value that is equal to the share price on the grant date and the remaining one third relating to the TSR has been fair valued using a Monte Carlo simulation model which incorporates the relative volatility of the identified peer group against whom the Group are compared to assess the TSR vesting condition. Further description of the scheme can be found in the Report on Directors' Remuneration. A charge amounting to £0.1m (2017: £1.2m) was included in the Group Income Statement in the 2018 financial year related to these awards for all Performance Share Plan awards granted from December 2016 onwards.

The grant price of shares awarded in December 2017 was a weighted average price of £2.16 (granted in December 2016: £2.43).

The following table illustrates the number of, and movements in, share awards during the year under the plan:

	2018 Number outstanding	2017 Number outstanding
At beginning of year	5,406,319	4,417,763
Granted	4,234,819	2,686,426
Vested	(473,887)	(1,213,953)
Forfeit	(614,214)	(966,673)
Adjustment in respect of Rights Issue*	–	482,756
At end of year	8,553,037	5,406,319
Exercisable at end of year	–	–

* The number of options outstanding and their exercise prices were adjusted to take account for the effect of the Rights Issue so that holders of options remain in the same position as they would have been before the Rights Issue.

SHARESAVE SCHEMES

The Group operates savings-related share option schemes in both the UK and Ireland. Options are granted at a discount of between 20% and 25% of the market price at the date of invitation over three, five and seven year savings contracts and options are exercisable during the six month period following completion of the savings contract. The charge recognised in the Group Income Statement in respect of these options was £0.7m (2017: £0.7m). Grant date fair value was arrived at through applying a trinomial model, which is a lattice option-pricing model.

During the year ended 28 September 2018, ShareSave Scheme options were granted over 3,408,536 shares (UK) and 107,568 shares (Ireland), which will ordinarily be exercisable at an exercise price of £1.48 and €1.57 per share respectively, during the period 1 September 2021 to 28 February 2022. The weighted average fair value of share options granted during the year ended 28 September 2018 was £0.52 (UK) and £0.52 (Ireland).

During the prior year ended 29 September 2017, ShareSave Scheme options were granted over 2,410,569 shares (UK) and 30,429 shares (Ireland), which will ordinarily be exercisable at an exercise price of £1.98 and €2.11 per share respectively, during the period 1 September 2020 to 28 February 2021. The weighted average fair value of share options granted during the year ended 29 September 2017 was £0.62 (UK) and £0.66 (Ireland).

Number and Weighted Average Exercise Price for the UK ShareSave Scheme (expressed in sterling)

The following table sets out the number and weighted average exercise prices (expressed in sterling) of, and movements in, share options during the year under the UK ShareSave Scheme:

	2018	2017		
	Number outstanding	Weighted average exercise price £	Number outstanding	Weighted average exercise price £
At beginning of year	4,948,146	2.04	3,192,526	2.49
Granted	3,408,536	1.48	2,410,569	1.98
Exercised	(117,632)	1.87	(690,501)	1.65
Expired	(726,281)	2.05	(30,601)	1.29
Forfeit	(2,113,457)	2.04	(415,321)	2.09
Adjustment in respect of Right Issue*	–	–	481,474	2.03
At end of year	5,399,312	1.69	4,948,146	2.04
Exercisable at end of year	236,266	2.08	231,452	1.88

* The number of options outstanding and their exercise prices were adjusted to take account for the effect of the Rights Issue so that holders of options remain in the same position as they would have been before the Rights Issue.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

6. SHARE-BASED PAYMENTS CONTINUED

SHARESAVE SCHEMES CONTINUED

Range of Exercise Prices for the UK ShareSave Scheme (expressed in sterling)

	Number outstanding	Weighted average contract life years	Weighted average exercise price £	Number exercisable	Weighted average exercise price £
At 28 September 2018					
£1.01–£2.00	4,573,088	3.02	1.61	–	–
£2.01–£3.00	826,224	0.97	2.15	236,266	2.08
	5,399,312	2.71	1.69	236,266	2.08
At 29 September 2017					
£0.01–£1.00	2,206	0.26	0.59	2,206	0.59
£1.01–£2.00	2,606,637	3.01	1.97	229,246	1.89
£2.01–£3.00	2,339,303	1.72	2.12	–	–
	4,948,146	2.40	2.04	231,452	1.88

Number and Weighted Average Exercise Prices for the Irish ShareSave Scheme (expressed in euro)

The following table sets out the number and weighted average exercise prices (expressed in euro) of, and movements in, share options during the year under the Irish ShareSave Scheme:

	2018		2017	
	Number outstanding	Weighted average exercise price €	Number outstanding	Weighted average exercise price €
At beginning of year	90,596	2.43	80,781	2.62
Granted	107,568	1.57	30,429	2.11
Exercised	(3,318)	2.18	(23,825)	0.99
Expired	(8,299)	2.18	–	–
Forfeit	(46,314)	2.16	(14,214)	2.29
Adjustment in respect of Right Issue*	–	–	17,425	2.15
At end of year	140,233	1.88	90,596	2.43
Exercisable at end of year	25,094	2.74	11,617	2.18

* The number of options outstanding and their exercise prices were adjusted to take account for the effect of the Rights Issue so that holders of options remain in the same position as they would have been before the Rights Issue.

Range of Exercise Prices for the Irish ShareSave Scheme (expressed in euro)

	Number outstanding	Weighted average contract life years	Weighted average exercise price £	Number exercisable	Weighted average exercise price £
At 28 September 2018					
€1.01–€2.00	96,046	3.27	1.57	–	–
€2.01–€3.00	44,187	0.97	2.54	25,094	2.74
	140,233	2.55	1.88	25,094	2.74
At 29 September 2017					
€2.01–€3.00	90,596	2.04	2.43	11,617	2.18
	90,596	2.04	2.43	11,617	2.18

EXECUTIVE SHARE OPTION SCHEME

The charge relating to the Executive Share Option Scheme recognised in the Group Income Statement for the year was £nil (2017: £nil). Grant date fair value was arrived at through applying a trinomial model, which is a lattice option-pricing model. To the extent that options have vested, they will ordinarily remain exercisable for a period up to ten years from the grant date and are settled in equity through the issue of shares once exercised. The general terms and conditions applicable to the share options granted by the Group are addressed in the Report on Directors' Remuneration. All conditions are non-market based.

The Executive Share Option Scheme expired in 2011 and no further options have been granted under this scheme. During the year, all outstanding options were exercised.

The following table illustrates the number and weighted average exercise prices (expressed in euro) of, and movements in, share options during the year under the plan:

		2018		2017	
		Number outstanding	Weighted average exercise price €	Number outstanding	Weighted average exercise price €
At beginning of year		160,061	0.69	257,533	2.33
Exercised		(160,061)	0.69	–	–
Expired		–	–	(153,054)	3.19
Adjustment in respect of Rights Issue*		–	–	55,582	1.92
At end of year		–	–	160,061	0.69
Exercisable at end of year		–	–	160,061	0.69

* The number of options outstanding and their exercise prices were adjusted to take account for the effect of the Rights Issue so that holders of options remain in the same position as they would have been before the Rights Issue.

RANGE OF EXERCISE PRICES FOR THE EXECUTIVE SHARE OPTION SCHEME

	Number outstanding	Weighted average contract life years	Weighted average exercise price €	Number exercisable
At 29 September 2017				
€0.01 – €1.00	160,061	3.25	0.69	160,061
	160,061	3.25	0.69	160,061

WEIGHTED AVERAGE ASSUMPTIONS USED TO VALUE THE SHARE SCHEMES

ANNUAL BONUS PLAN

The fair value of awards granted under the Annual Bonus Plan is equal to the share price on the grant date.

PERFORMANCE SHARE PLAN

All awards granted under the PSP plans up to and including December 2016 are valued at a fair value equal to the share price on the grant date.

Awards granted in December 2017, have an additional vesting condition for relative Total Shareholder Return ('TSR'). All vesting conditions relating to the awards will be equally weighted when assessing the fair value at grant date. As such two thirds of the award has a fair value equal to the share price on the grant date and the remaining one third relating to the TSR has been fair valued using a different methodology. The TSR component has been valued using a Monte Carlo simulation model which also incorporates the relative volatility of the identified peer group with whom the Group are compared to assess the TSR vesting condition. The following table shows the weighted average assumptions used to fair value the equity settled awards granted.

	FY18 PSP TSR
Dividend yield (%)	2.98%
Expected volatility (%)	29.42%
Risk-free interest rate (%)	0.48%
Expected life of option (years)	3 – 5
Share price at grant (£)	£2.05
Fair value (£)	£0.22

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

6. SHARE-BASED PAYMENTS CONTINUED

WEIGHTED AVERAGE ASSUMPTIONS USED TO VALUE THE SHARE SCHEMES CONTINUED

ShareSave Schemes

The ShareSave Schemes equity settled options are also valued at the fair value on grant date in July 2018 and are calculated by applying a trinomial model. The following table shows the weighted average assumptions used to fair value the equity settled options granted.

	2018		2017	
	UK ShareSave	Ireland ShareSave	UK ShareSave	Ireland ShareSave
Dividend yield (%)	2.98%	2.98%	3.00%	3.00%
Expected volatility (%)	32.29%	32.29%	31.31%	31.31%
Risk-free interest rate (%)	0.76%	(0.24%)	0.41%	(0.44%)
Expected life of option (years)	3	3	3	3
Share price at grant (£/€)	£1.87	€ 2.09	£2.46	€ 2.81
Exercise price (£/€)	£1.48	€ 1.57	£1.98	€ 2.11
Fair value (£/€)	£0.49	€ 0.57	£0.62	€ 0.75

The average share price during the 2018 financial year was £1.83 (2017: £2.38).

The expected volatility is estimated based on the historic volatility of the Company's share price over a period equivalent to the life of the relevant option. The risk-free rate of return is the yield on a government bond of a term consistent with the life of the option.

The range of the Company's share price during the year was £1.27–£2.30 (2017: £1.87–£2.77).

7. EXCEPTIONAL ITEMS

Exceptional items are those which, in management's judgement, should be disclosed separately by virtue of their nature or amount. Such items are included within the Income Statement caption to which they relate and are separately disclosed in the notes to the Group Financial Statements.

The Group reports the following exceptional items:

	2018			2017		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Network rationalisation and optimisation	(A) (21.2)	(23.6)	(44.8)	–	–	–
Exit from cakes and desserts	(B) (13.9)	–	(13.9)	(16.5)	–	(16.5)
Reorganisation and integration costs	(C) (15.9)	(3.0)	(18.9)	(1.9)	(9.3)	(11.2)
Pre-commissioning and start up costs	(D) (1.2)	–	(1.2)	(3.6)	(0.5)	(4.1)
Transaction costs	(E) –	(1.3)	(1.3)	(0.4)	(15.2)	(15.6)
Intangible asset impairment	(F) –	–	–	(29.7)	–	(29.7)
Legal settlement	(G) –	–	–	(1.1)	–	(1.1)
	(52.2)	(27.9)	(80.1)	(53.2)	(25.0)	(78.2)
Tax on exceptional items	(H) 7.8	–	7.8	8.9	–	8.9
Tax credit	(I) –	20.6	20.6	–	–	–
Total exceptional charge	(44.4)	(7.3)	(51.7)	(44.3)	(25.0)	(69.3)

(A) NETWORK RATIONALISATION AND OPTIMISATION

Continuing operations

In the year, the Group recognised a charge of £21.2m relating to the rationalisation and optimisation of its prepared meals manufacturing network in the UK, following the Group's announcement in July 2018 to phase out of manufacturing of longer life ready meals at its Kiveton facility. The charge comprises an impairment of property, plant and equipment of £15.6m (Note 15), an impairment of goodwill of £1.4m (Note 14) and a provision for other costs associated with the exit (Note 24).

Discontinued operations

In the year, the Group recognised a charge of £23.6m relating to the optimisation of its manufacturing network in its US operations. The Group recognised an impairment charge of £20.6m in relation to the exit from the Rhode Island business and subsequent disposal, and in relation to the repurposing of its Jacksonville manufacturing facility. The charge also includes other onetime costs associated with the closure of the Rhode Island facility.

(B) EXIT FROM CAKES AND DESSERTS

Continuing operations

In February 2018, the Group disposed of its cakes and desserts business in Hull to Bright Blue Foods Ltd and subsequently disposed of its dessert manufacturing facility at Evercreech in July 2018, following its closure as announced in 2017 leading to a net loss of £13.9m. The sale of the business in Hull and the exit from dessert manufacturing at Evercreech marks Greencore's complete exit from the UK cakes and desserts sector.

In the prior year, a charge of £16.5m was recognised related to business exit costs associated with the exit from manufacturing at Evercreech.

(C) REORGANISATION AND INTEGRATION COSTS

Continuing operations

In the year, the Group recognised a charge of £15.9m relating to the implementation of its streamlining and efficiency programme across Convenience Foods UK & Ireland.

In the prior year, the Group recognised a charge of £1.9m in relation to the new organisation structure within Convenience Foods UK & Ireland and the integration of The Sandwich Factory Holdings Limited in the UK.

Discontinued operations

In the year, the Group recognised a charge of £3.0m in relation to the restructure of the US leadership team and ongoing integration costs associated with the Peacock Foods acquisition.

In the prior year, the Group recognised a charge of £9.3m in relation to the integration of the Peacock Foods acquisition, which completed in December 2016.

(D) PRE-COMMISSIONING AND START-UP COSTS

Continuing operations

In the year, the Group recognised a charge of £1.2m in relation to pre-commissioning and start-up activities on the expansion of its facility in Warrington.

In the prior year, the Group recognised a £3.6m charge in relation to pre-commissioning and start-up costs relating to significant plant development and related onboarding of new business at its facilities in Warrington and Northampton in the UK.

Discontinued operations

In the prior year, the Group recognised a £0.5m charge in relation to pre-commissioning and start-up costs relating to significant plant development and related onboarding of new business.

(E) TRANSACTION COSTS

Continuing operations

In the prior year the Group recognised a charge of £0.4m comprising transaction costs relating to the acquisition of its facility at Heathrow in June 2017.

Discontinued Operations

In the year, the Group recognised a £1.3m charge comprising transaction costs associated with the disposal of Greencore's US business which completed in November 2018.

In the prior year, the Group recognised a £15.2m charge in relation to the acquisition of Peacock Foods in December 2016.

(F) INTANGIBLE ASSET IMPAIRMENT

Continuing operations

In the prior year, the Group recognised a charge of £29.7m relating to the impairment of software assets, associated with the decision not to proceed with the planned rollout of a common ERP platform across the UK business.

(G) LEGAL SETTLEMENT

Continuing operations

In the prior year, the Group incurred a charge of £1.1m in respect of a legal settlement and related costs.

(H) TAX ON EXCEPTIONAL ITEMS

Continuing operations

The Group recognised a tax credit of £7.8m in respect of exceptional charges.

(I) TAX CREDIT

Discontinued operations

In the year, the Group recognised a tax credit of £20.6m on the revaluation of tax assets and liabilities as a result of the rate change in the US. The tax credit was recognised within profit from discontinued operations.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

7. EXCEPTIONAL ITEMS CONTINUED

CASH FLOW ON EXCEPTIONAL ITEMS

The total net cash outflow during the year in respect of exceptional charges was £15.0m (2017: £33.7m), of which £6.5m was in respect of prior year exceptional charges. The remaining current year exceptional cash flow includes proceeds received for assets divested during the year including Hull, Evercreech and Rhode Island.

8. FINANCE COSTS AND FINANCE INCOME

	2018 £m	2017* £m
Continuing operations		
Finance income		
Interest on bank deposits	(0.2)	–
Total finance income recognised in the Income Statement	(0.2)	–
Continuing operations		
Finance costs		
Bank overdrafts and other financing costs	15.7	13.5
Other borrowings	10.6	10.0
Interest on obligations under finance leases	0.1	0.2
Interest on legacy defined benefit pension scheme liabilities (Note 25)	3.4	3.9
Fair value movement on swaps not designated as hedges	3.4	(0.7)
Fair value movement on forward foreign exchange contracts not designated as hedges	–	0.5
Foreign exchange on inter-company and external balances where hedge accounting is not applied	(0.1)	3.0
Total finance expense recognised in the Income Statement	33.1	30.4
Total net finance expense recognised in the Income Statement	32.9	30.4
Recognised directly in equity for continuing operations		
Currency translation adjustment	15.4	(45.2)
Hedge of net investment in foreign operations	(10.6)	25.8
Effective portion of changes in fair value of cash flow hedges	4.1	1.9
	8.9	(17.5)

* Prior year re-presented to show finance income and expenses relating to continuing operations. For discontinued operations, please see Note 9.

Interest costs capitalised in the year were £0.4m (2017: £1.8m).

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

On 15 October 2018, the Group announced that it had reached an agreement to sell Greencore's US business to Hearthsides Food Solutions LLC for cash consideration of \$1,075m, subject to customary adjustments for cash, debt and working capital. On 7 November 2018 the shareholders approved disposal and the transaction subsequently completed on 25 November 2018.

At 28 September 2018, the disposal of Greencore's US business met the recognition criteria under IFRS 5 *Non-current assets held for sale and discontinued operations*. The results of the US business are presented as discontinued and are shown separately from continuing operations. The comparative 2017 financial information in the Group Income Statement has also been presented as discontinued for the purposes of enabling meaningful comparison.

Greencore's US business is included within the Convenience Foods US operating segment which has been presented as a discontinued reporting segment (Note 2).

RESULTS OF DISCONTINUED OPERATIONS

	2018 £m	2017 £m
Revenue	1,061.8	881.3
Cost of sales	(836.2)	(697.5)
Gross profit	225.6	183.8
Operating costs, net	(177.6)	(146.6)
Group Operating Profit before acquisition related amortisation and exceptional items	48.0	37.2
Amortisation of acquisition related intangibles	(17.6)	(15.0)
Group Operating Profit before exceptional items	30.4	22.2
Exceptional items	(27.9)	(25.0)
Finance costs	(1.0)	(0.6)
Taxation	22.4	—
Profit/(loss) for the year from discontinued operations	23.9	(3.4)

The profit from discontinued operations of £23.9 million (2017: loss of £3.4 million) is attributable entirely to the owners of the Company.

EMPLOYMENT RELATING TO DISCONTINUED OPERATIONS

The average monthly number of persons employed by the discontinued operation during the year was:

	2018 Number	2017 Number
Production	2,284	2,398
Distribution	102	171
Administration	568	448
	2,954	3,017

The staff costs for the year for the above employees was:

	2018 £m	2017 £m
Wages and Salaries	100.0	83.5
Social Welfare costs	8.3	6.5
Pension costs – defined contribution plans	1.8	1.5
	110.1	91.5

CASH INFLOWS/(OUTFLOWS) FROM DISCONTINUED OPERATIONS

	2018 £m	2017 £m
Cash inflow from operating activities	26.8	6.5
Cash outflow from investing activities	(16.8)	(7.4)
Cash outflow from financing activities	(0.5)	(2.8)
Net cash inflow/(outflow) for the year	9.5	(3.7)

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE CONTINUED

ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE

At 28 September 2018, the following assets and liabilities were classified as held for sale:

	2018 £m
Goodwill and intangible assets	644.9
Property, plant and equipment	122.7
Deferred tax assets	28.0
Inventory	38.7
Trade and other receivables	110.4
Assets held for sale	944.7
Trade and other payables	111.4
Provisions for liabilities	22.0
Deferred tax liabilities	69.6
Liabilities directly associated with the assets held for sale	203.0

CUMULATIVE INCOME OR EXPENSE INCLUDED IN OTHER COMPREHENSIVE INCOME

The movement in Other Comprehensive Income in the year is a credit of £43.7m related to disposal group held for sale (2017: charge of £55.7m).

The total cumulative amount carried in the foreign currency translation reserve at year end related to the disposal group held for sale is a gain of £8.2m.

MEASUREMENT OF FAIR VALUE

The disposal group was measured at its carrying value which was lower than its fair value less costs to sell. No impairment to the disposal group was necessary at 28 September 2018.

FAIR VALUE HIERARCHY AND VALUATION TECHNIQUE

Fair value less costs to sell is based on the agreed consideration for Greencore's US business as per the Stock Purchase Agreement with the vendor. This is a Level 3 on the fair value hierarchy.

10. INVESTMENT IN ASSOCIATES

The following table summarises the financial information of the Group's associates as included in their own Financial Statements:

	2018 £m	2017 £m
Associates' Income Statement		
Revenue	9.3	8.5
Profit before taxation	2.3	1.8
Taxation	(0.5)	(0.4)
Profit after taxation	1.8	1.4
Group's share of profit after tax (50%)	0.9	0.7
	2018 £m	2017 £m
Associates' Balance Sheet		
Current assets	3.2	2.9
Non-current assets	0.1	0.1
Current liabilities	(0.5)	(0.4)
Non-current liabilities	(0.2)	(0.2)
Net assets	2.6	2.4
Group's share of net assets (50%)	1.3	1.2

The following table reconciles the summarised financial position to the carrying amount of the Group's interest in its associates:

	2018 £m	2017 £m
Carrying amount of associates		
At beginning of year	1.2	1.0
Share of profit after tax of associates	0.9	0.7
Dividends received	(0.8)	(0.5)
At end of year	1.3	1.2

Details of the Group's principal associates, all of which are unlisted, are shown in Note 34.

11. TAXATION

	2018 £m	2017 £m
Continuing and discontinued operations		
Current tax		
Corporation tax charge	2.5	2.9
Overseas tax charge	5.6	3.9
Adjustment in respect of prior years	(1.3)	(6.1)
Total current tax charge (pre-exceptional)	6.8	0.7
Deferred tax		
Origination and reversal of temporary differences	3.4	6.7
Legacy defined benefit pension obligations	1.5	0.8
Effect of tax rate change	1.2	0.6
Employee share-based payments	0.4	0.1
Increase in asset recognised	(1.8)	(0.1)
Adjustment in respect of prior years	(0.3)	(1.4)
Total deferred tax charge	4.4	6.7
Income tax expense (pre-exceptional)	11.2	7.4
The total income tax expense (pre-exceptional) for the financial year is analysed as follows:		
Continuing operations	13.0	7.4
Discontinued operations	(1.8)	–
Income tax expense (pre-exceptional)	11.2	7.4
Tax on exceptional items		
Current tax credit	(4.5)	(2.3)
Deferred tax credit	(23.9)	(6.6)
Tax credit on exceptional items	(28.4)	(8.9)
The total exceptional tax expense for the financial year is analysed as follows:		
Continuing operations	(7.8)	(8.9)
Discontinued operations	(20.6)	–
Tax credit on exceptional items	(28.4)	(8.9)
Total tax credit for the year	(17.2)	(1.5)

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

11. TAXATION CONTINUED

	2018 £m	2017 £m
Tax relating to items taken directly to equity		
Current tax relating to items taken directly to equity		
Income tax relating to foreign currency exchange	–	(0.1)
Employee share-based payments	–	(0.4)
	–	(0.5)
Deferred tax relating to items taken directly to equity		
Actuarial gain on Group legacy defined benefit pension schemes	4.5	4.8
Adjustment in respect of prior years on Group legacy defined benefit pension schemes	–	0.3
Cash flow hedges transferred to Income Statement	–	0.1
Employee share-based payments	–	0.3
	4.5	5.5
	4.5	5.0

RECONCILIATION OF TOTAL TAX CREDIT

The tax credit for the year can be reconciled to the profit per the Income Statement as follows:

	2018 £m	2017 £m
Profit for the year	36.5	13.9
Total tax credit for the year	(17.2)	(1.5)
Less: share of profit of associates after tax	(0.9)	(0.7)
Profit before tax	18.4	11.7
Tax charge at Irish corporation tax rate of 12.5%	2.3	1.5
Effects of:		
Expenses not deductible for tax purposes	4.1	4.6
Differences in effective tax rates on overseas earnings	(5.3)	(7.6)
Effect of current year losses not recognised	5.1	9.2
Utilisation of losses not previously recognised	(2.7)	(4.2)
Recognition of previously unrecognised deferred tax asset	(1.8)	(0.1)
Effect of rate change	1.2	0.6
Exceptional items	1.8	1.5
Effect of the tax rate change in the US	(20.6)	–
Adjustment in respect of prior years	(1.7)	(7.5)
Other	0.4	0.5
Total tax credit for the year	(17.2)	(1.5)

DEFERRED TAXATION

The Group's deferred tax assets and liabilities are analysed as follows:

	Property, plant and equipment £m	Acquisition related intangibles £m	Retirement benefit obligations £m	Derivative financial instruments £m	Tax losses £m	Employee share-based payment £m	Other £m	Total £m
Year ended 28 September 2018								
At beginning of year	(13.8)	(91.5)	21.7	(0.1)	49.8	0.7	15.2	(18.0)
Income Statement (charge)/credit	7.4	30.6	(1.5)	–	(12.1)	(0.4)	(4.5)	19.5
Tax credited to equity	–	–	(4.5)	–	–	–	–	(4.5)
Currency translation adjustment and other	(0.2)	(1.4)	–	–	0.4	–	0.1	(1.1)
At end of year	(6.6)	(62.3)	15.7	(0.1)	38.1	0.3	10.8	(4.1)
Deferred tax assets (deductible temporary differences)								
– continued operations	3.9	–	15.7	–	20.6	0.3	1.2	41.7
– discontinued operations	–	–	–	–	17.5	–	10.5	28.0
Deferred tax liabilities (taxable temporary differences)								
– continued operations	(3.0)	(1.1)	–	(0.1)	–	–	–	(4.2)
– discontinued operations	(7.5)	(61.2)	–	–	–	–	(0.9)	(69.6)
Net deferred tax asset/(liability)	(6.6)	(62.3)	15.7	(0.1)	38.1	0.3	10.8	(4.1)
The net deferred tax asset/(liability) is analysed as follows:								
Continuing operations	0.9	(1.1)	15.7	(0.1)	20.6	0.3	1.2	37.5
Discontinued operations	(7.5)	(61.2)	–	–	17.5	–	9.6	(41.6)
Net deferred tax asset/(liability)	(6.6)	(62.3)	15.7	(0.1)	38.1	0.3	10.8	(4.1)
Year ended 29 September 2017								
At beginning of year	(1.7)	(2.4)	27.6	–	25.0	1.1	1.2	50.8
Income Statement (charge)/credit	(0.1)	(0.2)	(0.8)	–	1.0	(0.1)	0.1	(0.1)
Tax credited to equity	–	–	(5.1)	(0.1)	–	(0.3)	–	(5.5)
Reclassification	(3.7)	(1.1)	–	–	4.8	–	–	–
Arising on acquisition (Note 32)	(9.3)	(95.3)	–	–	21.0	–	15.0	(68.6)
Currency translation adjustment and other	1.0	7.5	–	–	(2.0)	–	(1.1)	5.4
At end of year	(13.8)	(91.5)	21.7	(0.1)	49.8	0.7	15.2	(18.0)
Deferred tax assets (deductible temporary differences)	4.9	–	21.7	–	49.8	0.7	16.4	93.5
Deferred tax liabilities (taxable temporary differences)	(18.7)	(91.5)	–	(0.1)	–	–	(1.2)	(111.5)
Net deferred tax asset/(liability)	(13.8)	(91.5)	21.7	(0.1)	49.8	0.7	15.2	(18.0)

The Group has not provided deferred tax in relation to temporary differences applicable to investments in subsidiaries on the basis that the Group can control the timing and realisation of these temporary differences, and it is probable that the temporary difference will not reverse in the foreseeable future. Given that participation exemptions and tax credits would be available in the context of the Group's investments in subsidiaries and joint ventures in the majority of the jurisdictions in which the Group operates, the aggregate amount of any unrecognised deferred tax liability arising in respect of temporary differences would be immaterial. No provision has been recognised in respect of deferred tax relating to unremitted earnings of subsidiaries as there is no commitment to remit earnings.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

11. TAXATION CONTINUED

DEFERRED TAXATION CONTINUED

No deferred tax asset is recognised in respect of certain tax losses and other attributes by the Group on the grounds that there is insufficient evidence that the assets will be recoverable. In the event that sufficient profits are generated in the relevant jurisdictions in the future, these assets may be recovered. The unrecognised deferred tax asset at 28 September 2018 was £50.7m (2017: £52.6m) which has been calculated based on the tax rate applicable to the jurisdiction in which the losses relate and have been translated to the reporting currency (GBP) at the closing balance sheet rate at 28 September 2018.

The total gross unrecognised tax losses are £241.5m (2017: £216.4m) of which £138.4m relate to continuing operations and £103.1m relate to discontinued operations. Trading losses arising in the US incurred prior to 2018 have a 20 year expiry. The US gross losses expire in 2030 – 2038. There is no expiry date for other losses in other jurisdictions. Deferred tax assets, to the extent that the Directors believe they are recoverable, have been recognised. The unrecognised deferred tax asset at 28 September 2018 in respect of capital losses was £11.4m, which has been translated to GBP calculated at the balance sheet rate at 28 September 2018 and which corresponds to gross unrecognised tax losses of £58.8m (2017: £57.1m). There is no expiry date for these losses in any jurisdiction. Recognition of deferred tax assets is a key judgement in the Financial Statements.

FACTORS THAT MAY IMPACT FUTURE TAX CHARGES AND OTHER DISCLOSURES

The tax charge in future periods will be impacted by any changes to the corporation tax rate in force in the countries in which the Group operates. There is a degree of uncertainty over the level of the future tax rate, due to a combination of factors including US tax reform, BEPS (Base Erosion and Profit Shifting) actions and the impact of Brexit on levels of UK taxation.

The main rate of UK corporation tax will reduce to 17% with effect from 1 April 2020. The rate reduction was enacted during a prior period and therefore has been taken into account in the calculation of the UK-related deferred tax balances.

In the US, the Federal rate is taken into account in the calculation of the US related balances with the State rate determined by the States in which the Group operates. The proposal to reduce the Federal rate from 35% to 21% was enacted during the period and therefore has been taken into account in the calculation of the US related deferred tax balances. The current tax rate is a blended rate reflecting the 35% for three months and 21% for nine months.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the Group's provision for income taxes and deferred taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Adjustments in respect of prior periods arose largely on the settlement of tax authority enquiries and/or closure of open periods.

12. EARNINGS PER ORDINARY SHARE

BASIC EARNINGS PER ORDINARY SHARE

Basic earnings per Ordinary Share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period, excluding Ordinary Shares purchased by the Company and held in trust in respect of the Annual Bonus Scheme, the Performance Share Plan and the Executive Share Option Scheme. The adjusted figures for basic and diluted earnings per Ordinary Share is calculated as profit attributable to equity holders of the Company adjusted to exclude exceptional items (net of tax), the effect of foreign exchange ('FX') on intercompany and certain external balances where hedge accounting is not applied, the movement in the fair value of all derivative financial instruments and related debt adjustments, the amortisation of acquisition related intangible assets (net of tax) and the effect of the interest expense relating to legacy defined benefit pension liabilities, net of tax.

NUMERATOR FOR EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE CALCULATION

	2018			2017		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Profit attributable to equity holders of the Company (numerator for basic earnings per share calculation)	9.9	23.9	33.8	15.6	(3.4)	12.2
Exceptional items (net of tax)	44.4	7.3	51.7	44.3	25.0	69.3
Movement on fair value of derivative financial instruments and related debt adjustments	3.4	–	3.4	(0.2)	–	(0.2)
FX effect on inter-company and external balances where hedge accounting is not applied	(0.1)	–	(0.1)	3.0	–	3.0
Amortisation of acquisition related intangibles (net of tax)	2.1	12.3	14.4	3.4	9.7	13.1
Pension financing (net of tax)	2.7	–	2.7	3.1	–	3.1
Numerator for adjusted earnings per share calculation	62.4	43.5	105.9	69.2	31.3	100.5

DENOMINATOR FOR EARNINGS PER SHARE CALCULATION

		2018 '000	2017 '000
Shares in issue at the beginning of the year		705,647	413,468
Effect of shares held by Employee Benefit Trust		(3,389)	(3,283)
Effect of shares issued during the year		1,054	220,704
Effect of bonus issue relating to Rights Issue		–	21,592
Weighted average number of Ordinary Shares in issue during the year		703,312	652,481
	2018		2017
	Continuing operations pence	Discontinued operations pence	Total pence
Basic earnings per Ordinary Share	1.4	3.4	4.8
Adjusted earnings per Ordinary Share			15.1

DILUTED EARNINGS PER ORDINARY SHARE

Diluted earnings per Ordinary Share is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential Ordinary Shares. Employee Performance Share Plan awards, which are performance based, are treated as contingently issuable shares, because their issue is contingent upon satisfaction of specified performance conditions in addition to the passage of time. These contingently issuable Ordinary Shares are excluded from the computation of diluted earnings per Ordinary Share where the conditions governing exercisability have not been satisfied as at the end of the reporting period. A total of 12,886,062 (2017: 6,619,322) unvested shares were excluded from the diluted earnings per share calculation as they were either antidilutive or contingently issuable Ordinary Shares which had not satisfied the performance conditions attaching at the end of the 2018 financial year.

DENOMINATOR FOR DILUTED EARNINGS PER SHARE CALCULATION

A reconciliation of the weighted average number of Ordinary Shares used for the purpose of calculating the diluted earnings per share amounts is as follows:

		2018 '000	2017 '000
Weighted average number of Ordinary Shares in issue during the year		703,312	652,481
Dilutive effect of share options		747	2,257
Weighted average number of Ordinary Shares for diluted earnings per share		704,059	654,738
	2018		2017
	Continuing operations pence	Discontinued operations pence	Total pence
Diluted earnings per Ordinary Share	1.4	3.4	4.8
Adjusted earnings per Ordinary Share			15.1

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

13. DIVIDENDS PAID AND PROPOSED

	2018 £m	2017 £m
Amounts recognised as distributions to equity holders in the year:		
Equity dividends on Ordinary Shares:		
Final dividend of 3.37 pence for the year ended 29 September 2017 (2016: 3.37 pence)	23.8	17.0
Interim dividend of 2.20 pence for the year ended 28 September 2018 (2017: 2.10 pence)	15.6	14.8
Total	39.4	31.8
Proposed for approval at AGM:		
Equity dividends on Ordinary Shares:		
Final dividend of 3.37 pence for the year ended 28 September 2018 (2017: 3.37 pence)	23.8	23.8

During the year, 1,210,655 (2017: 4,250,498) shares were issued in respect of the Scrip Dividend Scheme at a weighted average share price of £2.37 per share (2017: £2.58).

The proposed final dividend for the year ended 28 September 2018 will be payable on 5 February 2019 to shareholders on the Register of Members at 11 January 2019.

14. GOODWILL AND INTANGIBLE ASSETS

	Goodwill £m	Computer software and other intangibles £m	Acquisition related intangible assets – customer related £m	Total £m
Year ended 28 September 2018				
Opening net book amount	797.1	17.3	263.2	1,077.6
Additions	–	3.0	–	3.0
Disposals	–	(0.2)	–	(0.2)
Currency translation adjustment	11.3	–	6.2	17.5
Amortisation charge	–	(5.1)	(20.2)	(25.3)
Impairment charge	(1.4)	(0.8)	(0.2)	(2.4)
Assets transferred to assets held for sale (Note 9)	(397.3)	(4.5)	(243.1)	(644.9)
Closing net book amount	409.7	9.7	5.9	425.3
At 28 September 2018				
Cost	420.3	64.1	34.8	519.2
Accumulated impairment/amortisation	(10.6)	(54.4)	(28.9)	(93.9)
Net book amount	409.7	9.7	5.9	425.3
	Goodwill £m	Computer software and other intangibles £m	Acquisition related intangible assets – customer related £m	Total £m
Year ended 29 September 2017				
Opening net book amount	476.9	34.1	41.4	552.4
Acquisitions through business combinations (Note 32)	344.1	–	261.5	605.6
Additions	–	17.8	–	17.8
Currency translation adjustment	(23.9)	(0.2)	(20.5)	(44.6)
Amortisation charge	–	(4.5)	(19.2)	(23.7)
Impairment charge	–	(29.9)	–	(29.9)
Closing net book amount	797.1	17.3	263.2	1,077.6
At 29 September 2017				
Cost	806.4	63.1	330.5	1,200.0
Accumulated impairment/amortisation	(9.3)	(45.8)	(67.3)	(122.4)
Net book amount	797.1	17.3	263.2	1,077.6

During the year the Group recognised an impairment charge of £2.4m, which includes the impairment of goodwill of £1.4m relating to the prepared meals business following the rationalisation and optimisation of its longer life ready meals manufacturing network. The impairment charge is included as an exceptional item in operating costs within the Group Income Statement (Note 7).

During the prior year the Group recognised a £29.9m impairment charge relating to computer software and intangible assets. This charge was included as an exceptional item in operating costs in the Group Income Statement (Note 7).

Upon review of the useful economic lives of intangible assets in the year, it was identified that the useful economic life of an acquisition related intangible asset required a revision to extend the useful life by a further six years due to an extension of key customer contracts. In the current period this resulted in a reduced charge to the Group Income Statement of £1.6m.

At September 2018, £243.1m of acquisition related intangible assets were transferred to assets held for sale. These mainly relate to the Customer related intangible assets which were acquired as part of the acquisition of Peacock Foods in December 2016. These related to a number of significant customers including Tyson, Kraft, Nestle, General Mills and Kelloggs, and are considered to have a remaining useful life of approximately 16 years.

Goodwill acquired in business combinations is allocated, at acquisition, to the cash generating units ('CGU's) that are expected to benefit from that business combination. A summary of the allocation of the carrying value of goodwill by CGU is as follows:

	2018 £m	2017 £m
Convenience Foods UK	407.6	408.9
Convenience Foods US*	–	386.1
Ingredients and Property	2.1	2.1
	409.7	797.1

* Transferred to assets held for sale at 28 September 2018, see Note 9.

IMPAIRMENT TESTING AND GOODWILL

Goodwill acquired through business combinations has been allocated to CGUs for the purposes of impairment testing based on the business unit into which the business will be assimilated. Previously goodwill has been allocated to three individual cash-generating units which included Convenience Foods UK, Convenience Foods US and Ingredients and Property, however, with the disposal of Greencore's US business announced after the year end date, and the reclassification of the Convenience Foods US CGU as held for sale under IFRS 5: *Non-current assets held for sale and discontinued operations*, there are now only two individual cash-generating units for the purposes of impairment testing.

The recoverable amount of all of the Group's CGUs has been determined based on a value in use calculation. The calculation uses cash flow projections of CGUs based on the 2019 budget and the four year strategic plan formally approved by the Board of Directors and specifically exclude incremental profits and other cash flows stemming from any potential future acquisitions. Cash flows beyond the five year budget period have been calculated by extrapolating the year five forecast cash flows using a steady 2% (2017: 2%) rate (reflecting inflation but no other growth) for a further period of 25 years and discounting these back to present values. Applying these techniques, no impairment arose in either 2018 or 2017.

The application of a terminal value of 30 years to the cash flows has been arrived at after taking account of the Group's strong financial position, its established history of earnings growth and cash flow generation, its proven ability to pursue and integrate value enhancing acquisitions and the nature of the consumer foods market.

KEY ASSUMPTIONS USED IN THE VALUE IN USE CALCULATIONS

Estimation of the carrying value of goodwill is a critical accounting judgement in the preparation of the Group Financial Statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

14. GOODWILL AND INTANGIBLE ASSETS CONTINUED

CONVENIENCE FOODS UK CGU AND INGREDIENTS AND PROPERTY CGU

Discount Rate

A present value of the future cash flows of the Convenience Foods UK CGU and the Ingredients and Property CGU is calculated using a discount rate of 8% (2017: 8%). The discount rate used is the Group's weighted average cost of capital calculated using the Capital Asset Pricing Model adjusted for the Group's specific beta coefficient together with a country risk premium. The value assigned to the UK CGU discount rate is consistent with external sources of information.

The table below is a description of the approach used to determine the values assigned to each key assumption for the purpose of impairment testing for the Convenience Foods UK CGU and the Ingredients and Property CGU:

Key assumptions	Basis for determining values assigned to key assumptions			
Profitability growth	Future profitability is based on a four year plan and takes past experience into account as management places value on this key assumption based on the Group's established history of sales and earnings growth.	Management also considers external sources of information, such as Nielsen market data and IGD research, pertaining to the estimated growth of the UK market as well as the edible oil and molasses food business, UK and Irish property market data, customer behaviour, consumer behaviour, competitor activity, long and short-term customer growth targets, contract wins and customer attrition.	In any areas of significant uncertainty management seek to take a conservative approach to attributing values to key assumptions.	The value assigned to profitability reflects modest revenue growth and increased average future profitability growth rates. Revenue and profitability estimates are consistent with external sources of information pertaining to estimated growth of the UK convenience food market and profitability is consistent with past experience of the Group.
Capital expenditure	Capital expenditure is budgeted and forecast by assigning values to the investment required to deliver the estimated future profitability growth of the category and to deliver cost savings.	Management assigns this value based on past experience of the Group's capital expenditure requirements as well as external sources such as quotes from suppliers/contractors.		
Working capital	Working capital requirements are based on historical trends and past experience taking the budgeted future profitability into account.	As a group, Greencore has negative working capital. This is borne out by past experience. The Group assumes no change in working capital estimates after year one of the budget period.		
Inflation	Management considers the UK and Ireland inflation rate.	Values assigned to the inflation rate are consistent with external sources of information such as government and analyst predictions.		

The prior year assumptions were prepared on the same basis.

SENSITIVITY ANALYSIS

Sensitivity analysis has been carried out on each of the key assumptions used in the value in use calculation for each CGU identified. The Group believe that any reasonable change in the assumptions applied would not give rise to the carrying value of goodwill exceeding the recoverable amount of each CGU. Changes in the assumptions would lead to an impairment where there is a decline of 60% in projected cash flows, a reduction in the inflationary linked long term growth rate by 19% or an increase in the discount rate to 20%.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Capital work in progress £m	Total £m
Year ended 28 September 2018					
Opening net book amount	231.3	171.5	37.4	45.5	485.7
Additions	5.1	12.0	4.4	40.7	62.2
Disposals	(11.8)	(8.3)	(0.3)	(1.0)	(21.4)
Impairments	(18.3)	(17.2)	(0.7)	–	(36.2)
Reclassifications	9.6	14.1	2.5	(26.2)	–
Currency translation adjustment	1.7	0.6	0.2	0.2	2.7
Depreciation charge	(16.1)	(25.7)	(5.5)	–	(47.3)
Assets transferred to held for sale (Note 9)	(73.3)	(41.7)	(2.9)	(4.8)	(122.7)
Closing net book amount	128.2	105.3	35.1	54.4	323.0
At 28 September 2018					
Cost	192.4	345.0	57.4	54.4	649.2
Accumulated depreciation	(64.2)	(239.7)	(22.3)	–	(326.2)
Net book amount	128.2	105.3	35.1	54.4	323.0
Year ended 29 September 2017					
Opening net book amount	164.5	130.6	31.7	40.5	367.3
Acquisitions through business combinations	43.3	32.6	1.3	6.8	84.0
Additions	24.7	27.2	7.1	39.0	98.0
Impairments	–	(9.2)	(0.5)	–	(9.7)
Reclassifications	16.1	22.8	1.6	(40.5)	–
Currency translation adjustment	(3.1)	(5.7)	0.3	(0.3)	(8.8)
Depreciation charge	(14.2)	(26.8)	(4.1)	–	(45.1)
Closing net book amount	231.3	171.5	37.4	45.5	485.7
At 29 September 2017					
Cost	302.5	415.8	57.1	45.5	820.9
Accumulated depreciation	(71.2)	(244.3)	(19.7)	–	(335.2)
Net book amount	231.3	171.5	37.4	45.5	485.7

During the year the Group recognised a £36.2m impairment charge comprising of a £15.6m charge relating to its prepared meals manufacturing network in the UK, and a £20.6m impairment charge in relation to ceasing production at its Rhode Island facility and the repurposing of its Jacksonville facility. This charge was included as an exceptional item in operating costs in the Group Income Statement (Note 7).

Disposals of property, plant and equipment of £21.4m during the year related to the disposal of the Group's cakes and desserts operating sites and the Rhode Island facility (Note 7).

In 2017, an impairment charge of £9.7m arose in relation to the Evercreech facility, which the Group exited during 2018. This charge was included as an exceptional item in operating costs in the Group Income Statement.

ASSETS HELD UNDER FINANCE LEASES

All assets under finance leases have been reclassified as part of the disposal group held for sale (Note 9). In the prior year the total net book value of assets held under finance leases was £1.0m.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

16. INVESTMENT PROPERTY

	2018 £m	2017 £m
Opening net book amount	6.3	6.2
Currency translation adjustment	–	0.1
Closing net book amount	6.3	6.3
Analysed as:		
Cost	6.3	6.3
Net book amount	6.3	6.3

The majority of the Group's Investment Property portfolio is land and therefore is not depreciated.

The fair value of the Group's investment properties at 28 September 2018 was £6.5m (2017: £7.3m). The valuation was carried out by the Group during the current financial year, using external independent advisors, and was arrived at by reference to location, market conditions and status of planning applications. The fair values of investment properties are considered a Level 3 fair value measurement.

An increase or decrease in the price per hectare of 5% would result in a 5% increase or decrease in the fair value of the land.

17. INVENTORIES

	2018 £m	2017 £m
Raw materials and consumables	20.6	53.6
Work in progress	0.3	0.9
Finished goods and goods for resale	18.2	27.4
	39.1	81.9

None of the above carrying amounts have been pledged as security for liabilities entered into by the Group.

Inventory recognised within cost of sales for continuing operations	929.7	893.0
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The amount recognised as an expense for inventory write-downs for the year was £2.2m (2017: £0.9m), of which £0.7m relates to the exit of manufacturing at Evercreech.

18. TRADE AND OTHER RECEIVABLES

	2018 £m	2017 £m
Current		
Trade receivables	129.6	193.9
Prepayments	13.0	21.7
VAT	8.1	9.8
Other receivables	30.3	29.4
Total	181.0	254.8

The fair value of current receivables approximates book value due to their size and short-term nature.

Non-current receivables bear interest at market rates or are discounted to present value and accordingly approximate fair value.

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is set out in Note 22.

19. TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
Current		
Trade payables	242.6	305.3
Employment related taxes	6.6	7.0
Other payables and accrued expenses	113.1	133.2
Declared interim dividend	15.6	14.8
Subtotal – current	377.9	460.3
Non-current		
Other payables	3.7	11.9
Total	381.6	472.2

The Group's exposure to liquidity and currency risk is disclosed in Note 22.

20. CASH AND CASH EQUIVALENTS

	2018 £m	2017 £m
Cash at bank and in hand, being cash and cash equivalents	37.0	19.8

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods, between one day and one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents equals the carrying amount. Note 23 includes details of the Group's net debt at 28 September 2018.

21. BORROWINGS

	2018 £m	2017 £m
Current		
Finance leases	0.2	–
Sub-total – current	0.2	–
Non-current		
Bank borrowings	350.5	353.7
Private Placement Notes	124.8	121.9
Non-bank borrowings	62.3	61.6
Finance leases	0.3	1.8
Subtotal – non-current borrowings	537.9	539.0
Total borrowings	538.1	539.0

The maturity of non-current borrowings is as follows:

	2018 £m	2017 £m
Between 1 and 2 years	112.6	0.5
Between 2 and 5 years	369.0	464.5
Over 5 years	56.3	74.0
	537.9	539.0

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

21. BORROWINGS CONTINUED

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	2018 £m	2017 £m
6 months or less	350.9	353.7
1 – 5 years	130.9	111.3
Over 5 years	56.3	74.0
	538.1	539.0

The average spread that the Group paid on its financing facilities in the year ended 28 September 2018 was 2.29% (2017: 2.33%).

BANK BORROWINGS

The Group's bank borrowings are denominated in sterling, US dollar and euro and bear floating rate interest. Interest is set at commercial rates based on a spread over sterling LIBOR, US dollar LIBOR and EURIBOR for periods of up to six months. At 28 September 2018, the Group's bank borrowings comprised of £148m, \$261m and €5m (2017: £123m, \$307m and €5m), with maturities ranging from March 2020 to December 2022.

At 28 September 2018, the Group had available £188.3m (2017: £179.3m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. Uncommitted facilities undrawn at 28 September 2018 amounted to £33m (2017: £25.1m).

The disposal of Greencore's US business triggered mandatory prepayment offers under certain of the Group debt arrangements, however the Group's lenders have waived these prepayment obligations. In October 2018, the Group announced its intention to return £509m to shareholders and utilise the remainder of the net sales proceeds to reduce leverage. In addition, the Group plans to enter into discussions with its lenders to refinance its existing debt agreements in the first half of 2019, taking into account the return of capital to shareholders.

PRIVATE PLACEMENT NOTES

The Group's outstanding Private Placement Notes of \$139.5m and £18m at 28 September 2018 (2017: \$139.5 and £18m) were issued as fixed rate debt in October 2013 (\$65m) and June 2016 (\$74.5m and £18m) with maturities ranging between October 2021 and June 2026. The applicable fixed rates as at 28 September 2018 ranged from 4.14% to 6.15%.

NON-BANK BORROWINGS

The Group's non-bank borrowings were drawn in March 2014 and bear floating rate interest that is based on a spread over EURIBOR for periods of six months. The funds received were swapped (using cross-currency interest rate swaps designated as cash flow hedges under IAS 39 Financial Instruments: Recognition and Measurement) from floating euro to fixed US dollar rates. At 28 September 2018, the Group's non-bank borrowings comprised €70m (2017: €70m), maturing March 2020.

FINANCE LEASES

The Group has finance leases for property, plant and equipment. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are set out in Note 29.

GUARANTEES

The Group's financing facilities are secured by guarantees from Greencore Group plc and cross-guarantees from various companies within the Group. The Group treats these guarantees as insurance contracts and accounts for them as such.

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks that include interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk. These financial risks are actively managed by the Group's treasury department under strict policies and guidelines approved by the Board of Directors. The Group's treasury department actively monitors market conditions with a view to minimising the exposure of the Group to changing market factors while at the same time minimising the volatility of the funding costs of the Group. The Group uses derivative financial instruments such as foreign currency contracts, cross-currency swaps and interest rate swaps to manage the financial risks associated with the underlying business activities of the Group.

The risks relating to discontinued operations up to 28 September 2018, have been managed in the same manner as the rest of the Group at this time. From the date of transfer these risks reside with fair value of the disposal group held for sale.

FAIR VALUE HIERARCHY

The following table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not observable market data (un-observable inputs).

During the year, there were no transfers between the different levels identified above.

	2018 Level 2 £m	2017 Level 2 £m
Assets carried at fair value		
Forward foreign exchange contracts – not designated as hedges	0.3	0.3
Interest rate swaps – not designated as hedges	0.5	–
	0.8	0.3
Liabilities carried at fair value		
Interest rate swaps – cash flow hedges	(1.5)	(1.9)
Interest rate swaps – not designated as hedges	(0.1)	(0.5)
Cross-currency interest rate swaps – cash flow hedges	–	(11.8)
Cross-currency interest rate swaps – not designated as hedges	(11.8)	–
Forward foreign exchange contracts – not designated as hedges	(0.1)	(0.1)
	(13.5)	(14.3)

FINANCIAL ASSETS AND LIABILITIES

The carrying value of trade and other receivables and trade and other payables are considered a reasonable approximation of fair value.

The fair value of the financial liabilities held at amortised cost and the financial liabilities in fair value hedges are within Level 2 of the fair value hierarchy and have been calculated by discounting the expected future cash flows at prevailing interest rates and by applying period end exchange rates.

	2018					
	Loans and receivables £m	FV through Income Statement £m	Cash flow hedges £m	Financial liabilities at amortised cost £m	Carrying value £m	Fair value £m
Trade and other receivables	168.0	–	–	–	168.0	168.0
Cash and cash equivalents*	37.0	–	–	–	37.0	37.0
Derivative financial instruments*	–	(11.2)	(1.5)	–	(12.7)	(12.7)
Bank borrowings*	–	–	–	(350.5)	(350.5)	(349.4)
Private Placement Notes*	–	–	–	(124.8)	(124.8)	(127.2)
Non-bank borrowings*	–	–	–	(62.3)	(62.3)	(62.6)
Finance lease*	–	–	–	(0.5)	(0.5)	(0.5)
Trade and other payables	–	(2.8)	–	(372.2)	(375.0)	(375.0)

Level 2 denoted by *

	2017					
	Loans and receivables £m	FV through Income Statement £m	Cash flow hedges £m	Financial liabilities at amortised cost £m	Carrying value £m	Fair value £m
Trade and other receivables	233.1	–	–	–	233.1	233.1
Cash and cash equivalents*	19.8	–	–	–	19.8	19.8
Derivative financial instruments*	–	(0.2)	(13.8)	–	(14.0)	(14.0)
Bank borrowings*	–	–	–	(353.7)	(353.7)	(354.3)
Private Placement Notes*	–	–	–	(121.9)	(121.9)	(127.6)
Non-bank borrowings*	–	–	–	(61.6)	(61.6)	(63.6)
Finance lease*	–	–	–	(1.8)	(1.8)	(2.0)
Trade and other payables	–	–	–	(456.1)	(456.1)	(456.1)

Level 2 denoted by *

INTEREST RATE RISK

The Group's exposure to market risk for changes in interest rates arises from its floating rate borrowings, cash and cash equivalents and derivatives. The Group's policy is to optimise interest cost and reduce volatility in reported earnings. This is managed by reviewing the debt profile of the Group regularly on a currency by currency basis and by selectively using interest rate swaps to manage the level of floating interest rate exposure.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

INTEREST RATE RISK CONTINUED

Sensitivity Analysis for Floating Rate Debt

The full year impact of both an upward and downward movement in each applicable interest rate and interest rate curve by 100 basis points (assuming all the other variables remain constant) is shown below.

	On profit after tax		On equity	
	2018 £m	2017 £m	2018 £m	2017 £m
Effect of a downward movement of 100 basis points	2.2	1.6	(2.4)	(3.9)
Effect of an upward movement of 100 basis points	(2.4)	(2.2)	2.1	2.4

negative = cost, positive = gain

FOREIGN CURRENCY RISK

The Group is exposed to currency risk as follows:

- Sales and purchases in certain businesses; and
- Financing.

Sales and Purchases in Certain Businesses

The Group is exposed to currency risk on sales and purchases in certain businesses that are denominated in currencies other than the functional currency of the entity concerned. The Group utilises foreign currency contracts to economically hedge foreign exchange exposures arising from these transactions.

The Group's trading entity exposures to foreign currency risk for amounts not denominated in the functional currency of the relevant entity at the balance sheet date were as follows (excluding derivative financial instruments):

Denominated in:	2018			2017		
	Euro £m	US dollars £m	Sterling £m	Euro £m	US dollars £m	Sterling £m
Trade receivables	0.1	1.3	1.1	0.4	0.7	0.6
Trade payables	(1.3)	(0.7)	(0.8)	(0.7)	(0.5)	(0.5)
Cash and cash equivalents	1.4	0.4	0.5	0.4	3.5	—
Gross Balance Sheet exposure	0.2	1.0	0.8	0.1	3.7	0.1

Financing

The Group finances its operations by obtaining funding at Group level through external borrowings, and where appropriate, these borrowings are designated as net investment hedges. This enables gains and losses arising on the retranslation of foreign currency borrowings to be recognised in equity, providing a partial offset in equity against the gains and losses arising on translation of the net assets of the foreign operations. A foreign exchange loss of £10.6m (2017: gain of £25.8m) was recognised in equity during the period in respect of borrowings designated as net investment hedges.

The Group has financed its investment in the UK by directly borrowing in sterling, with the US business being funded in US dollar. Although the majority of the US funding is obtained by directly borrowing US dollar, an element of the funding is achieved through euro borrowings converted to US dollar using cross-currency interest rate swaps.

Sensitivity Analysis for Primary Foreign Currency Risk

A 10% strengthening of the sterling exchange rate against the euro or US dollar exchange rates in respect of the translation of amounts not denominated in the functional currency of relevant entities into the functional currency would impact profit after tax and equity by the amount shown below. This assumes that all other variables remain constant. A 10% weakening of the sterling exchange rate against the euro or US dollar exchange rates would have an equal and opposite effect.

	On Profit after tax		On Equity	
	2018 £m	2017 £m	2018 £m	2017 £m
Impact of 10% strengthening of sterling vs euro gain/(loss)	(0.8)	(0.3)	2.7	0.3
Impact of 10% strengthening of sterling vs dollar gain/(loss)	0.3	0.5	67.9	36.7

The effect on equity of a movement between sterling, US dollar and euro would be offset by the translation of the net assets of the subsidiaries against which the US dollar and euro borrowings are hedged. The above calculations do not include the variability in Group profitability which arises on the translation of foreign currency subsidiaries' Financial Statements to Group presentation currency.

LIQUIDITY RISK

The Group's policy on funding capacity is to ensure that it always has sufficient long-term funding and committed bank facilities in place to meet foreseeable peak borrowing requirements with an appropriate level of additional headroom. A prudent approach to liquidity risk management is taken by the Group by spreading the maturities of its debt using long-term financing. The Group's treasury department actively monitors the current and future funding requirements of the business on a daily basis. Excess funds are placed on short-term deposit for up to one month whilst ensuring that sufficient cash is available on demand to meet expected operational requirements.

The following are the carrying amounts and contractual liabilities of financial liabilities (including interest payments):

	Carrying amount £m	Contractual amount £m	Period 1–6 months £m	Period 6–12 months £m	Period 1–5 years £m	Period > 5 years £m
28 September 2018						
Non-Derivative Financial Instruments						
Bank borrowings	(350.5)	(378.0)	(3.5)	(3.5)	(371.0)	–
Private Placement Notes	(124.8)	(156.1)	(3.3)	(3.3)	(88.6)	(60.9)
Non-bank borrowings	(62.3)	(65.3)	(1.0)	(1.0)	(63.3)	–
Finance leases	(0.5)	(0.5)	(0.1)	(0.1)	(0.3)	–
Trade and other payables	(372.2)	(372.2)	(372.2)	–	–	–
Other financial liabilities	(2.8)	(2.8)	–	(1.1)	(2.7)	–
Derivative Financial Instruments						
Interest rate swaps – cash flow hedges	(1.5)					
Inflow/(outflow)		(1.9)	0.3	(0.9)	(1.3)	–
Interest rate swaps – not designated as hedges	0.4					
Inflow/(outflow)		0.4	–	–	0.4	–
Cross-currency interest rate swaps – not designated as hedges	(11.8)					
Inflow		65.3	1.0	1.0	63.3	–
(Outflow)		(80.5)	(2.2)	(2.2)	(76.1)	–
Forward foreign exchange contracts	0.2					
Inflow		34.0	28.3	5.1	0.6	–
(Outflow)		(33.7)	(28.2)	(5.1)	(0.4)	–
29 September 2017						
Non-Derivative Financial Instruments						
Bank borrowings	(353.7)	(410.2)	(5.6)	(6.0)	(398.6)	–
Private Placement Notes	(121.9)	(158.8)	(3.2)	(3.2)	(71.2)	(81.2)
Non-bank borrowings	(61.6)	(66.8)	(1.0)	(1.0)	(64.8)	–
Finance leases	(1.8)	(2.2)	(0.3)	(0.3)	(1.2)	(0.4)
Trade and other payables	(456.1)	(456.1)	(456.1)	–	–	–
Derivative Financial Instruments						
Interest rate swaps – cash flow hedges	(2.0)					
Inflow/(outflow)		(2.9)	(0.5)	–	(2.4)	–
Interest rate swaps – not designated as hedges	(0.5)					
Inflow/(outflow)		(0.5)	(0.2)	(0.2)	(0.1)	–
Cross-currency interest rate swaps – cash flow hedges	(11.8)					
Inflow		66.8	1.0	1.0	64.8	–
(Outflow)		(82.5)	(2.1)	(2.1)	(78.3)	–
Forward foreign exchange contracts	0.3					
Inflow		13.9	10.8	2.9	0.2	–
(Outflow)		(13.9)	(10.7)	(2.8)	(0.4)	–

CREDIT RISK

Credit risk refers to the risk of financial loss to the Group if a counterparty defaults on its contractual obligations on financial assets held in the balance sheet. Risk is monitored both centrally and locally. The Group derives a significant proportion of its revenue from sales to a limited number of major customers. Sales to individual customers can be of significant value and the failure of any such customer to honour its debts could materially impact the Group's results. The Group derives significant benefit from trading with its large customers and manages the risk by regularly reviewing the credit history and rating of all significant customers.

The Group assessed the carrying value of other receivables based on management's assessment and knowledge of the counterparty. The amounts due were neither past due nor impaired at 28 September 2018.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

CREDIT RISK CONTINUED

The maximum exposure for continuing operations to credit risk is represented by the carrying amount of each financial asset in the Balance Sheet:

	Carrying Amount	
	2018 £m	2017 £m
Trade receivables	129.6	193.9
Other receivables	30.3	29.4
Cash and cash equivalents	37.0	19.8
Derivative financial instruments	0.8	0.3

Trade receivables

Revenue earned individually from two customers in Convenience Foods UK & Ireland of £283.0m and £240.1m, respectively, represents more than 10% of the Group's revenue (2017: revenue earned individually from two customers in Convenience Foods UK & Ireland of £274.4m and £249.3m, respectively, represented more than 10% of the Group's revenue).

The Group also manages credit risk in the UK and US through the use of a receivables purchase arrangement. Under the terms of this agreement the Group has transferred substantially all of the credit risk and control of the receivables, which are subject to this agreement, and accordingly, £52.0m (2017: £41.2m) has been derecognised at year end.

The maximum exposure for continuing operations to credit risk for trade receivables at the reporting date by geographic region is:

	Carrying Amount	
	2018 £m	2017 £m
UK & Ireland	127.0	117.2
US	—	74.7
Rest of World	2.6	2.0
Total	129.6	193.9

Ageing of Trade Receivables

The aged analysis of trade receivables for continuing operations split between amounts that were neither past due nor impaired, amounts past due but not impaired and amounts that are impaired at 28 September 2018 and 29 September 2017 were as follows:

	2018 £m	2017 £m
Neither past due nor impaired:		
Receivable within 3 months of the Balance Sheet date	125.3	176.5
Past due but not impaired:		
Receivable between 1 and 6 months of the Balance Sheet date	4.3	17.4
Total	129.6	193.9

Trade receivables are generally receivable within 90 days of the balance sheet date and are unsecured and non interest bearing. The movements in the provision for impairment of receivables are as follows:

	2018 £m	2017 £m
At beginning of year	(1.1)	(0.9)
Provided during year	(1.7)	(0.3)
Written off during year	0.8	0.5
Arising on acquisition	—	(0.5)
Translation adjustment	—	0.1
Reclassified to assets held for sale	0.4	—
At end of year	(1.6)	(1.1)

Cash and Cash Equivalents

Exposure to credit risk on cash and derivative financial instruments is actively monitored by the Group's treasury department. The maximum exposure to credit risk for cash and cash equivalents by geographic location of financial institution was as follows:

	Carrying Amount	
	2018 £m	2017 £m
UK	15.2	16.8
US	12.6	2.8
Ireland	9.2	0.2
	37.0	19.8

PRICE RISK

The Group purchases a variety of commodities which can be subject to significant price volatility. The price risk on these commodities is managed by the Group's purchasing function. It is the Group policy to minimise its exposure to volatility by adopting an appropriate forward purchase strategy.

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to trade on a going concern basis while maximising the return to stakeholders through the optimisation of the debt and equity balance. Invested Capital is defined as the sum of all current and non-current assets (including intangibles), less current and non-current liabilities with the exception of debt items, derivatives and retirement benefit obligations. The Group monitors the return on invested capital of the Group as a key performance indicator, the calculation is set out in the Alternative Performance Measures.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments recognised as assets and liabilities in the Balance Sheet are analysed as follows:

	2018		
	Assets £m	Liabilities £m	Net £m
Current			
Forward foreign exchange contracts – not designated as hedges	0.3	(0.1)	0.2
	0.3	(0.1)	0.2
Non-current			
Cross-currency interest rate swaps – not designated as hedges	–	(11.8)	(11.8)
Interest rate swaps – cash flow hedges	–	(1.5)	(1.5)
Interest rate swaps – not designated as hedges	0.5	(0.1)	0.4
	0.5	(13.4)	(12.9)
Total	0.8	(13.5)	(12.7)
	2017		
	Assets £m	Liabilities £m	Net £m
Current			
Forward foreign exchange contracts – not designated as hedges	0.3	–	0.3
	0.3	–	0.3
Non-current			
Cross-currency interest rate swaps – cash flow hedges	–	(11.8)	(11.8)
Forward foreign exchange contracts – not designated as hedges	–	(0.1)	(0.1)
Interest rate swaps – not designated as hedges	–	(0.5)	(0.5)
Interest rate swaps – cash flow hedges	–	(1.9)	(1.9)
	–	(14.3)	(14.3)
Total	0.3	(14.3)	(14.0)

Derivative instruments which are held for trading and are not designated as effective hedging instruments are classified as a current asset or liability (as appropriate) regardless of maturity if the Group expects that they may be settled within 12 months of the balance sheet date. Derivative instruments that are designated as effective hedging instruments are classified as a current or non-current asset or liability by reference to the maturity of the hedged item. All other derivative instruments are classified by reference to their maturity date.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Cross-Currency Interest Rate Swaps

The Group utilises cross-currency interest rate swaps to swap floating rate euro denominated debt of €70m into fixed rate US dollar debt of \$96.7m. The floating rate is based on EURIBOR. During the year, the euro to US dollar swaps are designated as cash flow hedges under IAS 39 *Financial Instruments: Recognition and Measurement*.

The cash flow hedge accounting has been discontinued for the cross currency interest rate swap as at 28 September 2018, given the Group's intention to repay non-bank borrowings following the disposal of Greencore's US business, the hedged future cash flows are no longer expected to occur. The cumulative loss on the hedging instrument in equity has been recycled to the Group Income Statement as at 28 September 2018. Refer to Note 8 finance costs and income.

Interest Rate Swaps

The Group utilises interest rate swaps to convert floating rate sterling and US dollar debt into fixed rate debt liabilities. The principal amount of the Group's borrowings which are swapped at 28 September 2018 total £90m and \$30m (2017: £90m and \$30m). In addition, the Group has entered into forward starting interest rate swaps of £100m and \$70m. The GBP is split into one tranche of £50m and two tranches of £25m. The \$70m is split into eight tranches of \$5m, three individual tranches of \$15m, \$8m and \$7m. These are commencing in October 2018 and October 2019, respectively, with maturities in October 2020 and 2021 and November 2021.

The total value of GBP interest rate swaps designated as cash flow hedges under IAS 39 *Financial Instruments: Recognition and Measurement* at 28 September 2018 was £140m inclusive of forward starting derivatives (2017: £140m). At 28 September 2018, the fixed interest rates varied from 0.558% to 2.930% (2017: 0.558% to 2.387%) with maturities ranging from October 2018 to November 2021 (2017: October 2018 to October 2021).

In the prior year, USD interest rate swaps were designated as cash flow hedges under IAS 39 with a value of \$70m which was inclusive of forward starting derivatives. In the current year, USD interest rate swaps have a value of \$100m inclusive of forward starting derivatives. These swaps are no longer considered effective as at 28 September 2018, given the Group's intention to repay debt following the disposal of Greencore US, as the hedged future cash flows are no longer expected to occur. The cumulative gain in equity has been recycled to the Group Income Statement. Refer to Note 8 finance costs and income.

Forward Foreign Exchange Contracts

The notional principal amounts of outstanding forward foreign exchange contracts at 28 September 2018 total £39.0m (2017: £13.9m). No outstanding forward foreign exchange contracts are designated as cash flow hedges as at the 28 September 2018.

23. ANALYSIS OF NET DEBT

RECONCILIATION OF OPENING TO CLOSING NET DEBT

Net debt is a non-IFRS measure which comprises current and non-current borrowings less net cash and cash equivalents.

The reconciliation of opening to closing net debt for the year ended 28 September 2018 is as follows:

	At 29 September 2017 £m	Cash flow £m	Translation and non-cash adjustments £m	At 28 September 2018 £m
Net cash and cash equivalents	19.8	17.2	–	37.0
Bank borrowings	(353.7)	9.6	(6.4)	(350.5)
Finance leases	(1.8)	1.3	–	(0.5)
Non-bank borrowings	(61.6)	–	(0.7)	(62.3)
Private Placement Notes	(121.9)	–	(2.9)	(124.8)
Total	(519.2)	28.1	(10.0)	(501.1)

	At 30 September 2016 £m	Acquisitions £m	Cash flow £m	Translation and non-cash adjustments £m	At 29 September 2017 £m
Net cash and cash equivalents	25.5	7.8	(13.1)	(0.4)	19.8
Bank borrowings	(170.6)	–	(199.7)	16.6	(353.7)
Finance leases	(1.0)	(1.0)	0.1	0.1	(1.8)
Non-bank borrowings	(60.5)	–	–	(1.1)	(61.6)
Private Placement Notes	(125.2)	–	–	3.3	(121.9)
Total	(331.8)	6.8	(212.7)	18.5	(519.2)

CURRENCY PROFILE

The currency profile of net debt and derivative financial instruments at 28 September 2018 was as follows:

	US dollar £m	Euro £m	Sterling £m	Total £m
Net cash and cash equivalents	13.0	9.7	14.3	37.0
Borrowings	(306.2)	(66.7)	(165.2)	(538.1)
Net Debt	(293.2)	(57.0)	(150.9)	(501.1)
Other derivative financial instruments	(11.2)	–	(1.5)	(12.7)
Total	(304.4)	(57.0)	(152.4)	(513.8)

The currency profile of net debt and derivative financial instruments at 29 September 2017 was as follows:

	US dollar £m	Euro £m	Sterling £m	Total £m
Net cash and cash equivalents	6.3	2.4	11.1	19.8
Borrowings	(332.0)	(66.0)	(141.0)	(539.0)
Net Debt	(325.7)	(63.6)	(129.9)	(519.2)
Other derivative financial instruments	(11.9)	–	(2.1)	(14.0)
Total	(337.6)	(63.6)	(132.0)	(533.2)

INTEREST RATE PROFILE

The interest rate profile of net debt before other derivative financial instruments at 28 September 2018 was as follows:

	US dollar £m	Euro £m	Sterling £m	Total £m
Floating rate net debt	(163.0)	5.3	(43.2)	(200.9)
Fixed rate net debt	(130.2)	(62.3)	(107.7)	(300.2)
	(293.2)	(57.0)	(150.9)	(501.1)

The interest rate profile of net debt before other derivative financial instruments at 29 September 2017 was as follows:

	US dollar £m	Euro £m	Sterling £m	Total £m
Floating rate net debt	(198.8)	(1.9)	(21.4)	(222.1)
Fixed rate net debt	(126.9)	(61.7)	(108.5)	(297.1)
	(325.7)	(63.6)	(129.9)	(519.2)

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

24. PROVISIONS FOR LIABILITIES

	Leases £m	Remediation and closure £m	Other £m	Total £m
At beginning of year	25.6	6.5	6.1	38.2
Provided in year	—	6.0	—	6.0
Utilised in year	(0.8)	(6.5)	(0.4)	(7.7)
Unwind of discount to present value in the year	0.4	—	—	0.4
Reclassified to liabilities held for sale (Note 9)	(22.0)	—	—	(22.0)
Currency translation adjustment	0.6	—	0.1	0.7
At end of year	3.8	6.0	5.8	15.6

Analysed as:

	2018 £m	2017 £m
Non-current liabilities	8.9	29.8
Current liabilities	6.7	8.4
	15.6	38.2

The estimation of provisions is a key judgement in the preparation of the Group Financial Statements.

LEASE

Lease provisions consist of: (a) provisions for leasehold dilapidations in respect of certain leases, relating to the estimated cost of reinstating leasehold premises to their original condition at the time of the inception of the lease as provided for in the lease agreement; and (b) provisions for onerous contractual obligations for properties held under operating lease. It is anticipated that these will be payable within ten years.

Provisions utilised in the year relate to onerous leases.

REMEDIATION AND CLOSURE

Remediation and closure obligations were established to cover either a statutory, contractual or constructive obligation of the Group.

Remediation and closure obligations provided in the year related to the optimisation of longer life ready meals manufacturing network in the UK. In addition warranties related to the disposal of the cakes and desserts business, and the exit and subsequent disposal from Evercreech and Rhode Island facilities were also provided. Provisions utilised in the year primarily relate to the exit from the Evercreech facility.

OTHER

Other provisions consist of potential litigation and warranty claims arising from the acquisition of Peacock Foods. £0.4m of this was utilised in the year.

25. RETIREMENT BENEFIT OBLIGATIONS

The Group operates defined contribution pension schemes in all of its main operating locations. The Group also has legacy defined benefit pension schemes, which were closed to future accrual on 31 December 2009.

DEFINED CONTRIBUTION PENSION SCHEMES

The total cost charged to income relating to continued operations of £7.8m (2017: £7.5m) represents employer contributions payable to the defined contribution pension schemes at rates specified in the rules of the schemes. At year end, £1.0m (2017: £0.6m) was included in other accruals in respect of defined contribution pension accruals.

LEGACY DEFINED BENEFIT PENSION SCHEMES

The Group operates four legacy defined benefit pension schemes in the Republic of Ireland (the 'Irish schemes') and three legacy defined benefit pension schemes and two legacy defined benefit commitments in the UK (the UK schemes). The Projected Unit Credit actuarial cost method has been employed in determining the present value of the defined benefit pension obligation arising, the related current service cost and, where applicable, past service cost.

These plans have broadly similar regulatory frameworks. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies with the Company and the respective boards of trustees.

All of the legacy defined benefit pension schemes are closed to future accrual and there is an assumption applied in the valuation of the schemes that there will be no discretionary increases in pensions in payment. Scheme assets are held in separate trustee administered funds.

LEGACY DEFINED BENEFIT PENSION SCHEMES CONTINUED

The Group's cash contributions to its pension schemes are generally determined by reference to actuarial valuations undertaken by the schemes' actuaries at intervals not exceeding three years and not by the provisions of IAS 19 Employee Benefits. These funding valuations can differ materially from the requirements of IAS 19. In particular the discount rate used to determine the value of liabilities under IAS 19 Employee Benefits is determined by reference to the yield on high grade corporate bonds of comparable duration to the liabilities. In contrast the discount rate used in the ongoing valuation is generally determined by reference to the yield on the scheme's current and projected future investment portfolio.

Where a funding valuation reveals a deficit in a scheme, the Group will generally agree a schedule of contributions with the Trustees designed to address the deficit over an agreed future time horizon. The Group has agreed funding valuations in respect of all its relevant obligations including the UK Defined Benefit Scheme in March 2017. Based on current discussions with the Trustees of the scheme cash contributions are expected to remain unchanged at approximately £15m in FY19. All of the schemes are operating under the terms of funding proposals agreed with the relevant pension authorities.

Actuarial gains and losses and the associated movement in deferred tax are recognised in retained income via the Group Statement of Recognised Income and Expense.

Full actuarial valuations were carried out between 31 March 2016 and 31 March 2017. In general, actuarial valuations are not available for public inspection, however, the results of valuations are advised to the members of the various schemes.

LEGACY DEFINED BENEFIT PENSION ASSETS AND LIABILITIES ARE ANALYSED IN THE GROUP BALANCE SHEET

	UK Schemes £m	Irish Schemes £m	Total	
			2018 £m	2017 £m
Fair value of plan assets	217.9	255.5	473.4	478.6
Present value of scheme liabilities	(318.1)	(244.6)	(562.7)	(603.4)
(Deficit)/surplus in schemes	(100.2)	10.9	(89.3)	(124.8)
Deferred tax asset (Note 11)	17.0	(1.3)	15.7	21.7
Net (liability)/asset at end of year	(83.2)	9.6	(73.6)	(103.1)
Presented as:				
Retirement benefit asset*			15.3	17.3
Retirement benefit obligation			(104.6)	(142.1)

* The value of a net pension benefit asset is the value of any amount the Group reasonably expects to recover by way of refund of surplus from the remaining assets of a plan at the end of the plan's life.

EMPLOYEE BENEFIT PLAN RISKS

The employee benefit plans expose the Group to a number of risks, the most significant of which are:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield this will create a deficit. The plans hold equities which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to equities is monitored to ensure that it remains appropriate given the plans' long term objectives.

Discount rates: The discount rates employed in determining the present value of the schemes' liabilities are determined by reference to market yields at the balance sheet date on high-quality corporate bonds of a currency and term consistent with the currency and term of the associated post-employment benefit obligations. Changes in discount rates impact the quantum of the liabilities.

Inflation risk: Some of the Group's pension obligations have an inflation linkage; higher inflation will lead to higher liabilities (although in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The rate of inflation is derived from the RPI in the UK. The breakeven rate in the Eurozone is used for the basis for the Irish inflation assumption.

Longevity risk: In the majority of cases, the Group's legacy defined benefit pension schemes provide benefits for the life of the member, so increases in life expectancy will therefore give rise to higher liabilities.

The size of the obligation is sensitive to judgemental actuarial assumptions. These include demographic assumptions covering mortality, economic assumptions covering price inflation and benefit increases, together with the discount rate.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

25. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

EMPLOYEE BENEFIT PLAN RISKS CONTINUED

The principal actuarial assumptions are as follows:

	UK Schemes		Irish Schemes	
	2018	2017	2018	2017
Rate of increase in pension payments*	3.10%	3.05%	0%	0%
Discount rate	2.90%	2.75%	1.60%	1.65%
Inflation rate**	3.20%	3.10%	1.60%	1.45%

* The rate of increase in pension payments applies to the majority of the liability base, however, there are certain categories within the Group's Irish Schemes that have an entitlement to pension indexation and this is allowed for in the calculation.

** Inflation is RPI for UK schemes, for reference CPI is assumed to be 1% less than RPI.

Assumptions regarding future mortality experience are set based on information from published statistics and experience in all geographic regions and are selected to reflect the characteristics and experience of the membership of the relevant plans. In relation to the UK, this has been done by reflecting the characteristics of the membership using Club Vita research combined with the CMI 2017 model for future improvements in mortality. The average life expectancy, in years, of a pensioner retiring at 65 is as follows:

	UK Schemes		Irish Schemes	
	2018 years	2017 years	2018 years	2017 years
Male	23-24	22-24	23	23
Female	23-24	24-26	24	24

On 26 October 2018, the High Court of Justice of England and Wales issued a judgement on a claim regarding the rights of members to equality in defined benefit pension schemes. The judgement concluded that schemes are under a duty to equalise benefits for all members, regardless of gender, in relation to minimum pension benefits. The ruling will potentially change the assumptions used in the valuation of the scheme liabilities and while a full assessment has not yet been undertaken, it is likely to result in an increase in the Group's pension scheme obligation in the future.

SENSITIVITY OF PENSION LIABILITY TO JUDGEMENTAL ASSUMPTIONS

Assumption	Change in assumption	Impact on Scheme Liabilities		
		UK Schemes	Irish Schemes	Total
Discount rate	Increase by 0.5%	▼ £27.5m	▼ £17.6m	▼ £45.1m
Discount rate	Decrease by 0.5%	▲ £31.5m	▲ £18.2m	▲ £49.7m
Rate of inflation	Increase by 0.5%	▲ £20.1m	▲ £6.7m	▲ £26.8m
Rate of inflation	Decrease by 0.5%	▼ £18.5m	▼ £6.5m	▼ £25.0m
Rate of mortality	Members assumed to live 1 year longer	▲ £12.7m	▲ £7.8m	▲ £20.5m

SENSITIVITY OF PENSION SCHEME ASSETS TO YIELD MOVEMENTS

Assumption	Change in assumption	Impact on Scheme Assets		
		UK Schemes	Irish Schemes	Total
Change in bond yields	Decrease by 0.5%	▲ £12.5m	▲ £13.0m	▲ £25.5m

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. The sensitivity analysis intends to provide assistance in understanding the sensitivity of the valuation of pension liabilities to market movements on discount rates, inflation rates and mortality assumptions for scheme beneficiaries.

The Trustees invest the funds in a range of assets with the objective of maximising the fund return with a view to containing the cost of funding the scheme whilst at the same time maintaining an acceptable risk profile. In assessing the risk profile the Trustees take account of the nature and duration of the liabilities. Approximately 32% (2017: 29%) of the UK funds and 76% (2017: 70%) of the Irish funds are invested in liability matching investments.

The Greencore Group Scheme has a Liability Driven Investment ('LDI') portfolio which hedges 80% of the interest rate and inflation risk in the scheme (when measured as a % of the ongoing liabilities). The hedging is provided via a mix of interest rate and inflation swaps and a buy and hold credit portfolio. The interest rate and inflation swaps held are an exchange of cash flows where the initial market value of the bond portfolio on one side of the swap equals the present value of the pre-defined payments on the other side of the swap. A limited amount of leverage is used to enable a greater reduction in liability risk. This hedging portfolio is provided via a bespoke sub-fund. Due to the use of swaps and leverage,

collateral is held in cash form and the collateral risks that the scheme is exposed to are managed and reviewed by the trustees on a regular basis. The buy and hold credit portfolio contains corporate bonds with an average credit rating of BBB+ and an average duration of 4.5 years.

The Greencore UK DB Scheme has leveraged LDI funds which hedge broadly 35% of the interest rate risk and 45% of the inflation risk (when measured as a % of the liabilities). The hedging is provided via pooled fund manager funds which have specified limits on leverage. The Trustees review investment strategy regularly.

Plan assets are comprised as follows:

	2018			2017		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Cash	6.7	–	6.7	11.1	–	11.1
Equity instruments	76.3	–	76.3	95.2	–	95.2
Debt instruments	199.7	–	199.7	191.9	–	191.9
Real estate	21.2	–	21.2	16.7	18.9	35.6
Derivatives	57.2	–	57.2	55.4	–	55.4
Investment funds	112.0	–	112.0	86.8	–	86.8
Insurance contracts	–	0.3	0.3	–	2.6	2.6
Fair value of plan assets	473.1	0.3	473.4	457.1	21.5	478.6

MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS

	2018 £m	2017 £m
Change in plan assets		
Fair value of plan assets at beginning of year	478.6	497.8
Interest income on plan assets	10.1	7.9
Actuarial gain/(loss)	2.5	(10.1)
Administrative expenses paid from plan assets	(0.7)	(0.7)
Employer contributions	15.1	10.8
Benefit payments	(34.7)	(32.0)
Effect of exchange rate changes	2.5	4.9
Fair value of plan assets at end of year	473.4	478.6

MOVEMENT IN THE PRESENT VALUE OF LEGACY DEFINED BENEFIT OBLIGATIONS

	2018 £m	2017 £m
Change in benefit obligation		
Benefit obligation at beginning of year	603.4	660.1
Interest expense	13.5	11.8
Actuarial gain on financial assumptions	(3.1)	(37.9)
Actuarial gain on demographic assumptions	(2.5)	(3.8)
Actuarial (gain)/loss on experience	(16.2)	1.5
Plan settlements	–	(0.7)
Benefit payments	(34.8)	(32.1)
Effect of exchange rate changes	2.4	4.5
Liability recognised in Balance Sheet at end of year	562.7	603.4

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

25. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

MATURITY ANALYSIS

The expected maturity analysis is set out in the table below:

	UK Schemes % of benefits	Irish Schemes % of benefits
Expected benefit payments:		
Within 5 years	8%	18%
Between 6 and 10 years	10%	17%
Between 11 and 15 years	12%	17%
Between 16 and 20 years	14%	16%
Between 21 and 25 years	14%	14%
Over 25 years	43%	17%

The weighted average duration of the UK and Irish legacy defined benefit obligations are 18 years and 13 years, respectively.

GREENCORE GROUP PENSION SCHEME CONTINGENT ASSET

The Greencore Group Pension Scheme ('the Scheme') has a mortgage and charge relating to certain property assets of the Group with a carrying value of £5.2m (2017: £5.2m) for use as a contingent asset of the Scheme. Under the terms of the mortgage and charge, should a disposal of these property assets occur that meets certain requirements, the Scheme is entitled to a portion of the sale proceeds. The maximum amount recoverable by the Trustees of the Scheme under the mortgage and charge is the amount required for the Scheme to meet the minimum funding standard under the Pension Acts 1990–2009.

GREENCORE UK LEGACY DEFINED BENEFIT SCHEME

In 2013, the Group entered into arrangements with the Greencore UK Retirement Legacy Defined Benefit Scheme ('the UK Scheme') to address £40.0m of the actuarial deficit in the UK Scheme. The substance of this arrangement is to reduce the cash funding which would otherwise be required based on the latest actuarial valuation, whilst improving the security of the UK Scheme members' benefits.

On 10 May 2013, the Group made a contribution to the UK Scheme of £32.8m. On the same day, the UK Scheme's trustees invested £32.8m in Greencore Convenience Foods Limited Partnership ('SLP') as a limited partner. SLP was established by Greencore Prepared Meals Limited, a wholly owned subsidiary of the Group, to hold properties of the Group and loan notes issued by Greencore Convenience Foods I Limited Liability Partnership ('LLP'). LLP was established by SLP and holds certain trade receivables of the Group. As at 28 September 2018, SLP held properties with a carrying value of £16.5m (2017: £17.1m), trade receivables with a carrying value of £36.0m (2017: £36.0m), and a call on restricted cash of £nil (2017: £nil) in the Group Financial Statements. The properties are leased to other Group undertakings. As a partner in the SLP, the Scheme is entitled to a semi-annual share of the profits of SLP until 2029.

These partnerships are controlled by the Group, and as such, they are fully consolidated as wholly owned subsidiaries in accordance with IFRS 10 *Consolidated Financial Statements*. Under IAS 19 *Employee Benefits*, the investment held by the Scheme in SLP, does not represent a plan asset for the purposes of the Group's consolidated accounts. Accordingly, the Scheme's deficit position presented in the Group Financial Statements does not reflect the investment in SLP held by the Scheme. Distributions from SLP to the Scheme are treated as contributions by employers in the Group Financial Statements on a cash basis.

26. SHARE CAPITAL

EQUITY SHARE CAPITAL

Authorised	2018 £m	2017 £m
1,000,000,000 Ordinary Shares of £0.01 each (2017: 1,000,000,000 Ordinary Shares of £0.01 each)	10.0	10.0
500,000,000 Deferred Shares of €0.01 each	4.3	4.3
300,000,000 Deferred Shares of €0.62 each	160.1	160.1
1 Special Rights Preference Share of €1.26 ^(A)	—	—
	174.4	174.4
<hr/>		
Issued and fully paid	2018 £m	2017 £m
706,978,416 (2017: 705,646,811) Ordinary Shares of £0.01 each	7.1	7.1
1 Special Rights Preference Share of €1.26 ^(A)	—	—
	7.1	7.1
<hr/>		
Reconciliation of movements on Equity Share Capital	2018 £'000	2017 £'000
Share capital, at beginning of year	7,057	4,136
Exercise of share options ^(B)	1	7
Scrip dividends ^(C)	12	42
Rights Issue ^(D)	—	2,872
	7,070	7,057

(A) There is one Special Share of €1.26 in the capital of the Company. The Articles of Association provide that the Special Share may be held only by, or transferred only to, the Minister for Agriculture, Food and the Marine or some other person appointed by the Minister. In 2011, many of the rights attaching to the Special Share were abolished.

(B) 120,950 share options (2017: 714,326) granted under the ShareSave scheme were exercised in the year at a nominal value of £0.001m (2017: £0.007m). See Note 6.

(C) During the year 1,210,655 (2017: 4,250,498) shares were issued in respect of the Scrip Dividend Scheme for £2.8m (2017: £11.2m).

(D) A Rights Issue was undertaken in December 2016 and 287,214,963 shares were issued to part fund the Peacock Foods acquisition. The offer to shareholders was 9 for 13 Rights Issue at a discounted share price of £1.53 per new share and it raised £439.4m.

All shares, with the exception of the Special Rights Preference Share, carry equal voting rights and rank for dividends to the extent to which the total amount payable in each share is paid up.

On 28 November 2018, Greencore Group plc completed the share capital reduction of £650.8m of share premium, which was converted into profits available for distribution. The capital reduction had previously been approved by a special resolution of shareholders of 7 November 2018 and was confirmed by the High Court on 28 November 2018.

OWN SHARE RESERVE

The Employee Benefit Trust had an opening balance of 3,593,144 (2017: 2,421,371) shares with a value of £8.6m (2017: £7.5m) and nominal value of £0.04m (2017: £0.02m). Pursuant to the terms of the Employee Benefit Trust, 984,678 shares were acquired by the Trust for £2.0m (2017: 3,231,732 shares for £7.4m) at a nominal value of £0.01m (2017: £0.03m) and a further 56,858 shares (2017: 45,228) were acquired by the Trust through the Scrip Dividend and utilisation of dividend income of £0.2m (2017: £0.0m) with a nominal value of £0.0006m (2017: £0.0005m). During the year, 1,248,039 shares (2017: 2,105,187) at a cost of £2.7m (2017: £6.3m) and nominal value of £0.01m (2017: £0.02m) were transferred to beneficiaries of the Annual Bonus Plan and the Performance Share Plan. The closing balance of the Employee Benefit Trust is 3,386,641 (2017: 3,593,144) shares with a value of £8.1m (2017: £8.6m) and a nominal value of £0.03m (2017: £0.04m).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

27. NON-CONTROLLING INTERESTS

	2018 £m	2017 £m
At beginning of year	5.2	4.4
Profit after tax	2.7	1.7
Dividends paid to non-controlling interests	(1.5)	(1.0)
Currency translation adjustment	–	0.1
At end of year	6.4	5.2

28. WORKING CAPITAL MOVEMENT

The following represents the Group's working capital movement:

	2018 £m	2017 £m
Inventories	5.1	6.9
Trade and other receivables	(33.9)	(55.3)
Trade and other payables	12.9	45.4
	(15.9)	(3.0)

29. COMMITMENTS UNDER OPERATING AND FINANCE LEASES

OPERATING LEASES

Future minimum rentals payable under non-cancellable operating leases at year end in respect of continuing operations are as follows:

	2018 £m	2017* £m
Continuing operations		
Within one year	9.3	12.7
After one year but not more than five years	22.2	23.8
More than five years	12.9	18.4
	44.4	54.9

* Prior year re-presented to exclude discontinued operations.

Operating lease commitments relate to property, plant and machinery and fixtures and fittings.

FINANCE LEASES

The future minimum lease payments under finance leases at 28 September 2018, together with the present value of the net minimum lease payments were as follows:

	2018		2017	
	Minimum payments £m	Present value of payments £m	Minimum payments £m	Present value of payments £m
Within one year	0.2	0.2	0.6	0.5
After one year but not more than five years	0.3	0.3	1.2	0.9
More than five years	–	–	0.4	0.4
Total minimum lease payments	0.5	0.5	2.2	1.8
Less: amounts allocated to future finance costs	–	–	(0.4)	–
Present value of minimum lease payments	0.5	0.5	1.8	1.8

30. CAPITAL EXPENDITURE COMMITMENTS

The table below includes the capital commitments at 28 September 2018 for both continuing and discontinued operations.

	2018 £m	2017 £m
Capital expenditure that has been contracted but not been provided for	4.7	21.1
Capital expenditure that has been authorised by the Directors but not yet contracted	6.1	21.2
	10.8	42.3

31. CONTINGENCIES

The Company and certain subsidiaries have given guarantees in respect of borrowings and other obligations arising in the ordinary course of the business of the Company and other Group undertakings. The Company and other Group undertakings consider these guarantees to be insurance contracts and account for them as such. The Company treats these guarantee contracts as contingent liabilities until such time as it becomes probable that a payment will be required under such guarantees.

Pursuant to the provisions of Section 357, Companies Act 2014, the Company has guaranteed the liabilities of certain subsidiary undertakings in the Republic of Ireland for the financial year ended 28 September 2018 and as a result, such subsidiary undertakings have been exempted from the filing provisions of Companies Act 2014.

Various subsidiaries of the Group are subject to legal proceedings. Provisions for anticipated settlement costs and associated expenses arising from legal and other disputes are made where a reliable estimate can be made of the probable outcome of the proceedings.

The Group provided bank guarantees to third parties in relation to continuing operations for amounts of £5.4m (2017: £4.5m) and in relation to discontinued operations for amounts of £4.8m (2017: £4.7m).

32. ACQUISITIONS AND DISPOSAL OF UNDERTAKINGS

ACQUISITIONS IN THE PRIOR YEAR

Peacock Foods

On 30 December 2016, the Group acquired 100% of CB-Peacock Holdings Inc. ('Peacock Foods'), a US based convenience food manufacturer. Details of the acquisition are set out in Note 31 to the 2017 Annual Report. The fair value of the assets and liabilities acquired were provisional at 29 September 2017 and have subsequently been finalised. There have been no adjustments made to provisional fair values of assets and liabilities as presented in the 2017 Annual Report.

Heathrow

On 26 June 2017, the Group entered into an asset purchase agreement with Tasties of Chester Limited. Details of the acquisition are set out in Note 31 to the 2017 Annual Report. The fair value assets and liabilities acquired were provisional at 29 September 2017 and have subsequently been finalised. There have been no adjustments made to provisional fair values of assets and liabilities as presented in the 2017 Annual Report.

DISPOSAL IN THE CURRENT YEAR

Hull

On 10 February 2018, the Group reached an agreement to dispose of its cakes and desserts manufacturing facility at Hull to Bright Blue Foods Limited. Under terms of the agreement the trade and assets of the business were transferred to the purchaser for cash consideration of £1.0m deferred for 12 months. In addition, cash consideration for working capital of £2.9m was received during the period.

The net assets of Hull at the date of disposal were as follows:

	2018 £m
Property, plant and equipment	12.0
Intangible assets	0.6
Inventory	3.1
Trade and other receivables	0.3
Net assets and liabilities	16.0
Satisfied by:	
Consideration received, satisfied in cash	2.9
Deferred consideration	1.0
Net cash inflows	3.9

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

33. RELATED PARTY DISCLOSURES

The principal related party relationships requiring disclosure in the Group Financial Statements under IAS 24 *Related Party Disclosures* pertain to the existence of subsidiaries and associates and transactions with these entities entered into by the Group, as well as the identification and compensation of key management personnel, as addressed in greater detail below.

SUBSIDIARIES AND ASSOCIATES

The Group Financial Statements include the Financial Statements of the Company (Greencore Group plc, the ultimate parent) and its subsidiaries and associates. A listing of the principal subsidiaries and associates is provided in Note 34 of the Group Financial Statements.

Sales to and purchases from, together with outstanding payables and receivables to and from, subsidiaries, are eliminated in the preparation of the Group Financial Statements in accordance with IFRS 10 *Consolidated Financial Statements*. Amounts receivable from and payable to associates as at the balance sheet date are included as separate line items in the notes to the Group Financial Statements.

TERMS AND CONDITIONS OF TRANSACTIONS WITH ASSOCIATES

In general, sales to and purchases from associates are on terms equivalent to those that prevail in arm's length transactions. The outstanding balances included in receivables and payables at the balance sheet date in respect of transactions with associates are unsecured, interest-free and settlement arises in cash. No guarantees have been either requested or provided in relation to the associates' company receivables and payables.

KEY MANAGEMENT PERSONNEL

For the purposes of the disclosure requirements of IAS 24 *Related Party Disclosures*, the term 'Key Management Personnel' (i.e. those persons having the authority and responsibility for planning, directing and controlling the activities of the Company), comprise the Board of Directors which manages the business and affairs of the Group. As identified in the Report on Directors' Remuneration, the Directors who served during the period, other than the Non-Executive Directors, serve as executive officers of the Group.

Key management personnel compensation was as follows:

	2018 £m	2017* £m
Salaries and other short-term employee benefits	2.1	1.9
Post-employment benefits	0.4	0.4
Share-based payments**	0.3	0.9
	2.8	3.2

* Prior year has been re-presented to include the Non-Executive Directors' fees.

** This is the Income Statement charge for the year which represents the fair value of the share-based payments, relating to Executive Directors. Details of the Group's share-based payments and the basis of calculation are set out in Note 6. This differs from the amount included in the single total figure for remuneration included in the Directors' Report which is not an IFRS metric.

The aggregate gain of awards that vested in the year for key management personnel was £0.9m.

34. PRINCIPAL SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS

Name of undertaking	Nature of business	Percentage share	Registered office
Greencore Advances Designated Activity Company	Finance Company	100	No. 2 Northwood Avenue Northwood Business Park, Santry Dublin 9, D09 X5N9
Greencore Beechwood Limited*	Holding Company	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Greencore Convenience Foods Limited Partnership*	Pension Funding	100	c/o Eversheds LLP 3-5 Melville Street Edinburgh EH3 7PE
Greencore Convenience Foods I Limited Liability Partnership*	Pension Funding	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA

Name of undertaking	Nature of business	Percentage share	Registered office
Greencore Developments Designated Activity Company	Property Company	100	No. 2 Northwood Avenue Northwood Business Park, Santry Dublin 9, D09 X5N9
Greencore Finance Designated Activity Company	Finance Company	100	No. 2 Northwood Avenue Northwood Business Park, Santry Dublin 9, D09 X5N9
Greencore Foods Limited*	Holding and Management Services Company	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Greencore Food to Go Limited*	Food Processor	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Greencore Funding Limited**	Finance Company	100	13 Castle Street St. Helier Jersey JE4 5UT
Greencore Grocery Limited*	Food Processor	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Greencore Prepared Meals Limited*	Food Processor	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Greencore UK Holdings Limited*	Holding Company	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Hazlewood (Blackditch) Limited*	Property Company	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Hazlewood Foods Limited*	Holding Company	100	Greencore Group UK Centre Midland Way Barlborough Links Business Park Barlborough Chesterfield S43 4XA
Irish Sugar Designated Activity Company	General Trading Company	100	No. 2 Northwood Avenue Northwood Business Park, Santry Dublin 9, D09 X5N9
Premier Molasses Company Limited	Molasses Trading	50	Harbour Road Foynes Co. Limerick

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

34. PRINCIPAL SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS CONTINUED

Name of undertaking	Nature of business	Percentage share	Registered office
Trilby Trading Limited	Food Industry Supplier	100	No. 2 Northwood Avenue Northwood Business Park, Santry Dublin 9, D09 X5N9
United Molasses (Ireland) Limited*	Molasses Trading	50	Duncrue Street Belfast BT3 9AQ
Greencore USA, LLC.***	Food Processor	100	National Registered Agents 160 Greentree Drive, Suite 101 Dover, DE 19904 USA
Greencore USA – CPG Partners LLC***	Food Processor	100	National Registered Agents Inc., 160 Greentree Drive, Suite 101 Dover, DE 19904 USA
Greencore USA – Produce & Foodservice LLC***	Food Processor	100	National Registered Agents Inc., 160 Greentree Drive, Suite 101 Dover, DE 19904 USA
Greencore US Holdings LLC***	Holding Company	100	National Registered Agents Inc., 160 Greentree Drive, Suite 101 Dover, DE 19904 USA

All the above entities are registered in the Republic of Ireland except those marked with * which are registered within the UK, that marked with ** which is registered in Jersey, and those marked with *** which are registered in the US and have subsequently been disposed of.

All companies registered in the Republic of Ireland are covered by s357 of the Companies Act 2014.

35. SUBSEQUENT EVENTS

DISPOSAL OF DISCONTINUED OPERATIONS

The transaction to dispose of Greencore's US business was completed on 25 November 2018, of which details have been included at Note 9. The disposal will be recognised in the Greencore Group plc half year Financial Statements for the period ended 29 March 2019. The transaction will be accounted for as a 100% disposal of Greencore's US business in consideration for the cash payments outlined above.

36. BOARD APPROVAL

The Group Financial Statements, together with the Company Financial Statements, for the year ended 28 September 2018 were approved by the Board of Directors and authorised for issue on 3 December 2018.

COMPANY BALANCE SHEET

at 28 September 2018

	Notes	2018 £m	2017 £m
ASSETS			
Non-current assets			
Tangible assets	2	0.7	0.7
Intangible assets	3	1.8	2.1
Financial assets	4	176.8	176.8
Total non-current assets		179.3	179.6
Current assets			
Trade and other receivables	5	1,314.0	1,244.7
Cash and cash equivalents		–	3.8
Total current assets		1,314.0	1,248.5
Total assets		1,493.3	1,428.1
EQUITY			
Capital and reserves			
Share capital	7	7.1	7.1
Share premium		650.8	647.8
Undenominated capital reserve		117.8	117.8
Other reserves		(3.9)	(2.0)
Retained earnings		177.7	121.1
Total equity		949.5	891.8
LIABILITIES			
Current liabilities			
Trade and other payables	6	543.8	536.3
Total liabilities		543.8	536.3
Total equity and liabilities		1,493.3	1,428.1

PG Kennedy
Director

EP Tonge
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

year ended 28 September 2018

	Share capital £m	Share premium £m	Undenominated capital reserve ^(C) £m	Share based payment reserve ^(D) £m	Own share reserve ^(E) £m	Retained Earnings £m	Total equity £m
At 29 September 2017	7.1	647.8	117.8	6.6	(8.6)	121.1	891.8
Items of income and expense taken directly to equity							
Profit for the financial year	–	–	–	–	–	94.5	94.5
Total recognised income and expense for the financial year	–	–	–	–	–	94.5	94.5
Employee share-based payment expense	–	–	–	1.6	–	–	1.6
Exercise, forfeit or lapse of share based payments	–	0.2	–	(4.0)	–	4.0	0.2
Shares acquired by Employee Benefit Trust ^(A)	–	–	–	–	(2.2)	0.2	(2.0)
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust ^(B)	–	–	–	–	2.7	(2.7)	–
Dividends	–	2.8	–	–	–	(39.4)	(36.6)
At 28 September 2018	7.1	650.8	117.8	4.2	(8.1)	177.7	949.5
At 30 September 2016	4.1	198.9	117.8	7.6	(7.5)	149.8	470.7
Items of income and expense taken directly to equity							
Profit for the financial year	–	–	–	–	–	17.9	17.9
Total recognised income and expense for the financial year	–	–	–	–	–	17.9	17.9
Employee share-based payment expense	–	–	–	3.5	–	–	3.5
Exercise, forfeit or lapse of share based payments	–	1.1	–	(4.5)	–	4.5	1.1
Issue of shares – Rights Issue	2.9	436.7	–	–	–	–	439.6
Costs associated with the issue of shares	–	–	–	–	–	(13.0)	(13.0)
Shares acquired by Employee Benefit Trust ^(A)	–	–	–	–	(7.4)	–	(7.4)
Transfer to retained earnings on grant of shares to beneficiaries of the Employee Benefit Trust ^(B)	–	–	–	–	6.3	(6.3)	–
Dividends	0.1	11.1	–	–	–	(31.8)	(20.6)
At 29 September 2017	7.1	647.8	117.8	6.6	(8.6)	121.1	891.8

(A) The Employee Benefit Trust acquired 56,858 (2017: 45,228) shares in the Group with a combined value of £0.2m (2017: £0.2m) and a nominal value at the date of purchase of £0.0006m (2017: £0.0004m) through the Scrip Dividend Scheme and utilisation of dividend income. Pursuant to the terms of the Employee Benefit Trust 984,678 (2017: 3,231,732) shares were purchased during the financial year ended 28 September 2018 at a cost of £2.0m (2017: £7.2m). The nominal value of these shares, on which dividends have not been waived by the Employee Benefit Trust was £0.01m (2017: £0.03m) at the date of purchase.

(B) During the year 1,248,039 (2017: 2,105,187) shares with a nominal value at the date of transfer of £0.01m (2017: £0.02m) were transferred to beneficiaries of the Deferred Bonus Plan.

(C) The undenominated capital reserve represents the nominal cost of cancelled shares and the amount transferred to reserves as a result of renominalising the share capital of Greencore Group plc on conversion to the euro.

(D) The share-based payment reserve relates to equity settled share-based payments made to employees through the Performance Share Plan, the Deferred Bonus Plan, the Employee ShareSave Scheme and the Executive Option Scheme. Further information in relation to this share-based payment is set out in Note 6 of the Group Financial Statements.

(E) The amount included as own shares relates to Ordinary Shares in Greencore Group plc which are held in trust. The shares held in trust are granted to beneficiaries of the Group's share-based payment schemes when the relevant conditions are satisfied.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

year ended 28 September 2018

1. COMPANY STATEMENT OF ACCOUNTING POLICIES

BASIS OF PREPARATION

The Company Financial Statements of Greencore Group plc ('the Company') were prepared under the historical cost convention, in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Acts 2014 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these Financial Statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the Consolidated Financial Statements of the Group are prepared in accordance with IFRS as adopted by the EU and include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 2 *Share-Based Payments*; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments: disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

The Financial Statements have been prepared in sterling and are rounded to the nearest million.

PROFIT AND LOSS

The profit attributable to equity shareholders dealt with in the Financial Statements of the Company was £94.5m (2017: £17.9m). In accordance with section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the Income Statement.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost net of provision for impairment. A provision is made when there is objective evidence that the Group will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Any trade and other receivables included in non-current assets are carried at amortised cost in accordance with the effective interest rate method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are initially recognised at fair value and subsequently carried at amortised cost. Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have an original maturity of three months or less.

TRADE AND OTHER PAYABLES

Trade and other payables are initially recorded at fair value and subsequently at the higher of cost or payment or settlement amounts. Where the time value of money is material, payables are initially recorded at fair value and subsequently carried at amortised cost.

INTRA-GROUP GUARANTEES

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

1. COMPANY STATEMENT OF ACCOUNTING POLICIES CONTINUED

FINANCIAL ASSETS

Investments in subsidiaries and associated undertakings are held at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. When the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

TANGIBLE ASSETS

Depreciation is calculated so as to write off the cost or valuation, less estimated residual value, of each fixed asset during its expected useful life using the straight-line or reducing balance methods over the following periods:

Plant, machinery, equipment, fixtures and fittings	3–25 years
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No depreciation is provided on freehold land.

INTANGIBLE ASSETS

Costs incurred on the acquisition of computer software and software licences are capitalised. Other costs directly associated with developing and upgrading computer software programs are capitalised once the recognition criteria set out in IAS 38 *Intangible Assets* are met.

Computer software is amortised over 5–7 years.

EMPLOYEE SHARE-BASED PAYMENTS

The Group grants equity settled share-based payments to employees (through the Performance Share Plan, the Deferred Bonus Plan, the Employee ShareSave Scheme and the Executive Option Scheme). The fair value of these is determined at the date of grant and is expensed to the profit or loss with a corresponding increase in equity on a straight-line basis over the vesting period. The fair value is determined using an appropriate valuation model, as measured at the date of grant, excluding the impact of any non-market conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options or awards that are expected to vest, recognising any adjustment in the profit or loss, with a corresponding adjustment to equity.

To the extent that the Group receives a tax deduction relating to services paid for by means of share awards or options, deferred tax is provided on the basis of the difference between the market price of the underlying equity as at the date of the Balance Sheet and the exercise price of the option. As a result, the deferred tax impact of share options will not directly correlate with the expense reported in the profit or loss. To the extent that the deductible difference exceeds the cumulative charge to the profit or loss, it is recorded in Equity.

When the exercise of share options results in the issuance of shares, the proceeds received are credited to the share capital and share premium accounts.

TAXATION

The expense charge for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised in the Statement of Recognised Income and Expense or directly in equity, in which case the tax is also recognised in the Statement of Recognised Income and Expense or directly in equity.

Current tax represents the expected tax payable on the taxable income for the year, using tax rates and tax laws enacted or substantively enacted, at the balance sheet date along with any adjustment to tax payable in respect of previous years.

The Company provides in full for deferred tax assets and liabilities (using the liability method), arising from temporary differences between the tax base of assets and liabilities and their carrying amounts in the Financial Statements except where they arise from the initial recognition of goodwill or from the initial recognition of an asset or liability that at the date of initial recognition does not affect accounting or taxable profit or loss on a transaction that is not a business combination. Such differences result in an obligation to pay more tax or a right to pay less tax in future periods.

A deferred tax asset is only recognised where it is probable that future taxable profits will be available against which the temporary differences giving rise to the asset can be utilised.

Deferred tax assets and liabilities are not subject to discounting and are measured at the tax rates that are enacted or substantively enacted at the balance sheet date. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

EMPLOYEE BENEFITS

Defined Contribution Pension Plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate defined contribution scheme. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement as employee service is received. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined Benefit Pension Plans

Pension benefits are funded over the employees' years of service by way of contributions to a legacy defined benefit scheme operated by a fellow group company. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

SHARE CAPITAL

Ordinary Shares

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are taken as a deduction, within equity net of tax, from the proceeds.

Treasury Shares

Where the Company purchases the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity and classified as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in total shareholders' equity.

DIVIDENDS

Interim dividends payable are recognised as a liability of the Company when the Board of Directors' resolves to pay the dividend and the shareholders have been notified in accordance with the Company's Articles of Association. Final dividends of the Company are recognised as a liability when they have been approved by the Company's shareholders.

CASH FLOW

The Company has taken advantage of the exemption available to it under FRS 101 not to prepare a statement of cash flows.

2. TANGIBLE ASSETS

	Fixtures and fittings £m	Total £m
Cost		
At 29 September 2017	1.3	1.3
At 28 September 2018	1.3	1.3
 Depreciation		
At 29 September 2017	0.6	0.6
At 28 September 2018	0.6	0.6
 Net book value		
At 28 September 2018	0.7	0.7
At 29 September 2017	0.7	0.7

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

year ended 28 September 2018

3. INTANGIBLE ASSETS

	Computer software £m	Total £m
Cost		
At 29 September 2017	2.1	2.1
At 28 September 2018	2.1	2.1
Amortisation		
At 29 September 2017	—	—
Charge for the year	0.3	0.3
At 28 September 2018	0.3	0.3
Net book value		
At 28 September 2018	1.8	1.8
At 29 September 2017	2.1	2.1

4. FINANCIAL ASSETS

	2018 £m	2017 £m
Interest in subsidiary undertakings		
At beginning and end of the year	176.8	176.8

The principal trading subsidiaries and associated undertakings are set out in Note 34 to the Group Financial Statements.

5. TRADE AND OTHER RECEIVABLES

	2018 £m	2017 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings*	1,313.3	1,244.2
Other receivables	0.3	—
Prepayments and accrued income	0.4	0.5
	1,314.0	1,244.7

* Amounts due from subsidiary undertakings are classified as current, as all inter-company receivables and payables are repayable on demand.

6. TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
Amounts falling due within one year		
Amounts owed to subsidiary undertakings*	514.8	510.3
Declared interim dividend	15.6	14.8
Trade and other payables	2.5	2.4
Accruals	10.2	8.8
Bank overdraft	0.7	—
	543.8	536.3

* Amounts due to subsidiary undertakings are classified as current, as all inter-company receivables and payables are repayable on demand.

7. SHARE CAPITAL

Details in respect of called-up share capital are presented in Note 26 of the Group Financial Statements.

8. EMPLOYEE BENEFITS

A fellow group company, Irish Sugar DAC, operates a funded defined benefit pension scheme for its employees, including certain employees of the Company. The scheme assets are held in separate Trustee administered funds. Contributions to these funds, which are charged against profits, are based on independent actuarial advice following the most recent valuation of such funds.

Full actuarial valuations were carried out between 31 March 2016 and 31 March 2017. In general, actuarial valuations are not available for public inspection, however, the results of valuations are advised to the members of the various schemes. This scheme had a net surplus at 28 September 2018 of £7.6 million (2017: £10.6 million) as measured on a IAS 19 employee benefits basis. The contribution for the period was £nil (2017: £nil).

At year end, £nil (2017: £nil) was included in other accruals in respect of amounts owed to the scheme. The scheme was closed to future benefit accrual on 31 December 2009.

The Company also contributes to a defined benefit contribution scheme for its' employees. At year end, £nil (2017: £0.03m) was included in other accruals in respect of amounts owed to the scheme.

Disclosures in relation to this and all other Group legacy defined benefit pension schemes are given in Note 25 to the Group Financial Statements.

9. SHARE-BASED PAYMENTS

The Company grants share awards and options under various share option plans as detailed in the Report of the Directors. A charge of £1.7m (2017: £3.5m) was recognised in the Income Statement of the Company in respect of the employees of the Company. All disclosures relating to the plans are given in Note 6 to the Group Financial Statements.

10. FINANCIAL GUARANTEE CONTRACTS

Pursuant to the provisions of Section 357, Companies Act 2014, the Company has guaranteed the liabilities of certain subsidiary undertakings in the Republic of Ireland for the financial year ended 28 September 2018. Where the Company has entered into financial guarantee contracts to guarantee the indebtedness of such subsidiaries, the Company considers these to be insurance contracts and accounts for them as such.

The Company is party to cross guarantees on Group borrowings. These are treated as insurance contracts and accounted for as such.

11. STATUTORY INFORMATION

During the period the average number of persons employed by the Company (excluding Non-Executive Directors) was 33 (2017: 26).

Directors' remuneration is disclosed in the Report on Directors' Remuneration and in Note 33 to the Group Financial Statements.

Auditor's remuneration for the year was as follows:

	2018 £'000	2017 £'000
Audit of the Company Financial Statements	39	26

The Company has annual commitments under operating leases expiring between two and five years of £0.9m (2017: £1.1m) and after five years of £0.1m (2017: £0.5m).

ALTERNATIVE PERFORMANCE MEASURES

The Group uses the following Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole: Pro Forma Revenue Growth, Adjusted EBITDA, Adjusted Operating Profit, Adjusted Operating Margin, Adjusted Profit before Tax ('PBT'), Adjusted Earnings, Adjusted Earnings per Share, Maintenance and Strategic Capital Expenditure, Operating Cash Flow, Free Cash Flow and Net Debt.

The Group believes that these APMs provide useful historical information to help investors evaluate the performance of the underlying business and are measures commonly used by certain investors and security analysts for evaluating the performance of the Group. In addition, the Group uses certain APMs which reflect the underlying performance on the basis that this provides a more relevant focus on the core business performance of the Group.

PRO FORMA REVENUE GROWTH

The Group uses Pro Forma Revenue Growth as a supplemental measure of its performance. The Group believes that Pro Forma Revenue Growth provides a more accurate guide to underlying revenue performance. Pro Forma Revenue Growth for continuing operations in FY18 adjusts reported revenue to exclude the impact of the Heathrow Acquisition in both years, and excludes the cakes and desserts category, representing Hull and Evercreech which have been disposed of in the year. The discontinued Pro Forma Revenue Growth has been adjusted to reflect the ownership of Peacock Foods for the full period in FY17 and has excluded the Rhode Island site which ceased trading in the current year. These figures are reported on a constant currency basis.

	2018	
	Convenience Foods UK & Ireland	Discontinued operations
Pro Forma Revenue Growth (%)	8.7%	6.6%
<hr/>		
	2018	
	Convenience Foods UK & Ireland %	Discontinued operations %
Reported revenue	4.2%	20.5%
Impact of acquisitions	(0.2%)	(24.1%)
Impact of disposals	4.8%	0.3%
Impact of currency	(0.1%)	9.9%
Pro Forma Revenue Growth (%)	8.7%	6.6%

ADJUSTED EBITDA, ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING MARGIN

Adjusted EBITDA, Adjusted Operating Profit and Adjusted Operating Margin are used by the Group to measure the underlying and ongoing operating performance of each business unit and of the Group as a whole.

The Group calculates Adjusted Operating Profit as operating profit before amortisation of acquisition related intangibles and exceptional charges. Adjusted EBITDA is calculated as Adjusted Operating Profit plus depreciation and amortisation. Adjusted Operating Margin is calculated as Adjusted Operating Profit divided by reported revenue.

ADJUSTED EBITDA, ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING MARGIN CONTINUED

The following table sets forth a reconciliation from the Group's Profit for the financial year to Adjusted Operating Profit, Adjusted EBITDA and Adjusted Operating Margin:

	2018			2017		
	Convenience Foods UK & Ireland £m	Discontinued operations £m	Total £m	Convenience Foods UK & Ireland £m	Discontinued operations £m	Total £m
Profit for the financial year	12.6	23.9	36.5	17.3	(3.4)	13.9
Taxation ^(A)	5.2	(22.4)	(17.2)	(1.5)	—	(1.5)
Net finance costs ^(B)	32.9	1.0	33.9	30.4	0.6	31.0
Share of profit of associates after tax	(0.9)	—	(0.9)	(0.7)	—	(0.7)
Exceptional items	52.2	27.9	80.1	53.2	25.0	78.2
Amortisation of acquisition related intangibles	2.6	17.6	20.2	4.2	15.0	19.2
Adjusted Operating Profit	104.6	48.0	152.6	102.9	37.2	140.1
Depreciation and amortisation ^(C)	35.4	17.0	52.4	34.8	14.8	49.6
Adjusted EBITDA	140.0	65.0	205.0	137.7	52.0	189.7
Adjusted Operating Margin (%)	7.0%	4.5%	6.0%	7.2%	4.2%	6.0%

(A) Includes tax credit on exceptional items for continuing operations of £7.8m (2017: £8.9m) and for discontinued operations £20.6m (2017: £nil).

(B) Finance costs less finance income.

(C) Excludes amortisation of acquisition related intangibles.

ADJUSTED PROFIT BEFORE TAX ('PBT') FOR CONTINUING OPERATIONS

Adjusted PBT is used as a measure by the Group to measure overall performance before associated tax charge and exceptional items.

The Group calculates Adjusted PBT as profit before taxation, excluding tax on share of profit of associate and before exceptional items, pension finance items, amortisation of acquisition related intangibles, FX on inter-company and certain external balances and the movement in the fair value of all derivative financial instruments and related debt adjustments.

The following table sets out the calculation of Adjusted PBT:

	2018 £m	2017 £m
Profit before taxation for continuing operations	17.8	15.8
Taxation on share of profit of associates	0.3	0.2
Exceptional items	52.2	53.2
Pension finance items	3.4	3.9
Amortisation of acquisition related intangibles	2.6	4.2
FX and fair value movements ^(A)	3.3	2.8
Adjusted Profit Before Tax	79.6	80.1

(A) FX on inter-company and certain external balances and the movement in the fair value of all derivative financial instruments and related debt adjustments.

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

ADJUSTED BASIC EARNINGS PER SHARE ('EPS')

The Group uses Adjusted Earnings and Adjusted EPS as key measures of the overall underlying performance of the Group and returns generated for each share.

Adjusted Earnings is calculated as profit attributable to equity holders (as shown on the Group's Income Statement) adjusted to exclude exceptional items (net of tax), the effect of foreign exchange (FX) on inter-company and external balances where hedge accounting is not applied, the movement in the fair value of all derivative financial instruments and related debt adjustments, the amortisation of acquisition related intangible assets (net of tax) and the interest expense relating to legacy defined benefit pension liabilities (net of tax). Adjusted EPS is calculated by dividing Adjusted Earnings by the weighted average number of Ordinary Shares in issue during the year, excluding Ordinary Shares purchased by Greencore and held in trust in respect of the Annual Bonus Plan, the Performance Share Plan and the Executive Share Option Scheme, and after adjusting the weighted average number of shares in the prior year for the effect of the rights issue and related bonus issue on the average number of shares in issue. Adjusted EPS is also referred to as Adjusted Basic EPS.

The following table sets forth a reconciliation of the Group's profit attributable to equity holders of Greencore to its Adjusted Earnings for the financial years indicated.

	2018 £m	2017 £m
Profit attributable to equity holders of Greencore	33.8	12.2
Exceptional items (net of tax)	51.7	69.3
FX effect on inter-company and external balances where hedge accounting is not applied	(0.1)	3.0
Movement in fair value of derivative financial instruments and related debt adjustments	3.4	(0.2)
Amortisation of acquisition related intangible assets (net of tax)	14.4	13.1
Pension financing (net of tax)	2.7	3.1
Adjusted Earnings	105.9	100.5
<hr/>		
	2018 '000	2017 '000
Weighted average number of Ordinary Shares in issue during the year	703,312	652,481
<hr/>		
	Pence	Pence
Adjusted Basic Earnings Per Share	15.1	15.4

CAPITAL EXPENDITURE

Maintenance Capital Expenditure

The Group defines Maintenance Capital Expenditure as the expenditure required for the purpose of sustaining the operating capacity and asset base of the Group, and of complying with applicable laws and regulations. It includes continuous improvement projects of less than £1m that will generate additional returns for the Group.

Strategic Capital Expenditure

The Group defines Strategic Capital Expenditure as the expenditure required for the purpose of facilitating growth and developing and enhancing relationships with existing and new customers. It includes continuous improvement projects of greater than £1m that will generate additional returns for the Group. Strategic Capital Expenditure is generally expansionary expenditure creating additional capacity beyond what is necessary to maintain the Group's current competitive position and enables the Group to service new customers and/or contracts or to enter into new categories and/or new manufacturing competencies.

The following table sets forth the breakdown of the Group's purchase of property, plant and equipment and purchase of intangible assets between Strategic Capital Expenditure and Maintenance Capital Expenditure:

	2018			2017		
	Convenience Foods UK & Ireland £m	Discontinued operations £m	Total £m	Convenience Foods UK & Ireland £m	Discontinued operations £m	Total £m
Purchase of property, plant and equipment	48.8	11.7	60.5	80.3	25.1	105.4
Purchase of intangible assets	2.8	0.2	3.0	17.2	0.7	17.9
Net cash outflow from capital expenditure	51.6	11.9	63.5	97.5	25.8	123.3
<hr/>						
Strategic Capital Expenditure	24.6	2.2	26.8	62.4	21.2	83.6
Maintenance Capital Expenditure	27.0	9.7	36.7	35.1	4.6	39.7
Net cash outflow from capital expenditure	51.6	11.9	63.5	97.5	25.8	123.3

OPERATING CASH FLOW AND FREE CASH FLOW

The Group uses Operating Cash Flow to measure the amount of cash generated by the operating activities of each business unit and of the Group as a whole.

The Group calculates Operating Cash Flow as the net cash inflow/(outflow) from operating and investing activities before Strategic Capital Expenditure, contributions to legacy defined benefit pension schemes, interest paid, tax paid, acquisition of undertakings, net of cash acquired, disposal of undertakings, contract acquisition costs and disposal of investment property.

Free Cash Flow is a new APM. The Group uses Free Cash Flow to measure the amount of cash available for distribution and allocation.

The Group calculates Free Cash Flow as the net cash inflow/outflow before the following items: Strategic Capital Expenditure, acquisition of undertakings, net of cash, disposal of undertakings, issue and purchase of shares, dividends paid to equity holders, translation and other cash movements.

The following table sets forth a reconciliation from the Group's net cash inflow from operating activities and net cash outflow from investing activities to Operating Cash Flow and Free Cash Flow:

	2018 £m	2017 £m
Net cash inflow from operating activities	129.8	118.2
Net cash outflow from investing activities	(62.7)	(726.1)
Net cash outflow from operating and investing activities	67.1	(607.9)
Strategic Capital Expenditure	26.8	83.6
Contributions to legacy defined pension schemes	15.1	11.1
Tax paid	0.9	0.5
Interest paid	26.7	27.2
Acquisition of undertakings, net of cash acquired	–	606.2
Disposal of undertakings	–	(2.9)
Operating Cash Flow	136.6	117.8
Contributions to legacy defined pension schemes	(15.1)	(11.1)
Tax paid	(0.9)	(0.5)
Interest paid	(26.7)	(27.2)
Dividends paid to non-controlling interests	(1.5)	(1.0)
Free Cash Flow	92.4	78.0

NET DEBT

Net Debt is used by the Group to measure overall cash generation of the Group and to identify cash available to reduce borrowings.

Net Debt comprises current and non-current borrowings less net cash and cash equivalents.

The following table sets out the calculation of Net Debt:

	2018 £m	2017 £m
Non-current		
Bank borrowings	(350.5)	(353.7)
Private Placement Notes	(124.8)	(121.9)
Non-bank borrowings	(62.3)	(61.6)
Finance leases	(0.5)	(1.8)
Total borrowings	(538.1)	(539.0)
Cash and cash equivalents	37.0	19.8
Net Debt	(501.1)	(519.2)

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

RETURN ON INVESTED CAPITAL ('ROIC')

The Group uses ROIC as a key measure to determine returns from each business unit and the Group as a whole, and as a key measure to determine potential new investments.

The Group uses invested capital as a basis for this calculation as it reflects tangible and intangible assets the Group has added through its capital investment programme, the intangible assets the Group has added through acquisition, as well as the working capital requirements of the business.

The Group calculates ROIC as net Adjusted Operating Profit after tax ('NOPAT') divided by average invested capital. NOPAT is calculated as Adjusted Operating Profit plus share of profit of associates before tax, less tax at the effective rate in the Income Statement. Invested Capital is calculated as net assets (total assets less total liabilities) excluding Net Debt and the balance sheet value of derivatives not designated as fair value hedges, it also excludes retirement benefit obligations (net of deferred tax assets). Average Invested Capital is calculated by adding together the invested capital from the opening and closing balance sheet and dividing by two.

The following table sets forth the calculation of net operating profit after tax ('NOPAT') and invested capital used in the calculation of ROIC for the financial years indicated in respect of the Group and continuing operations.

	2018 £m	2017 £m
Adjusted Operating Profit	152.6	140.1
Share of profit of associates before tax	1.1	0.9
Taxation at the effective tax rate ^(A)	(16.9)	(11.3)
Group NOPAT	136.8	129.7
Invested capital	2018 £m	2017 £m
Total assets	2,015.5	2,038.4
Total liabilities	(1,271.9)	(1,327.6)
Net Debt	501.1	519.2
Derivatives not designated as fair value hedges	12.7	14.0
Retirement benefit obligation (net of deferred tax asset)	73.6	103.1
Invested capital for the Group	1,331.0	1,347.1
Average invested capital for ROIC calculation for Group^(B)	1,339.1	1,060.9
ROIC (%) for the Group	10.2	12.2

(A) The effective tax rates for the Group for the financial year ended 28 September 2018 and 29 September 2017 were 11% and 8%, respectively. This is a blended rate for continuing and discontinued operations.

(B) The invested capital for the Group in 2016 was £774.6m.

	2018 £m	2017 £m
Adjusted Operating Profit for continuing operations	104.6	102.9
Share of profit of associates before tax	1.1	0.9
Taxation at the effective tax rate ^(C)	(13.7)	(8.3)
NOPAT for continuing operation	92.0	95.5
Invested Capital	2018 £m	2017 £m
Invested Capital for the Group	1,331.0	1,347.1
Net assets of disposal group held for sale	(741.7)	(755.7)
	589.3	591.4
Average invested capital for ROIC calculation for continuing operations^(D)	590.4	596.7
ROIC (%) for continuing operations	15.6	16.0

(C) The effective tax rates for continuing operations for the financial year ended 28 September 2018 and 29 September 2017, were 13% and 8%, respectively.

(D) The invested capital for continuing operations was £601.9m in 2016 which excludes £172.7m of invested capital in respect of discontinued operations.

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SHAREHOLDER AND OTHER INFORMATION

Greencore Group plc is an Irish registered company. Its Ordinary Shares are quoted on the London Stock Exchange (Symbol: GNC). Greencore has a Level 1 American Depository Receipts programme (Symbol: GNCGY).

SHAREHOLDING STATISTICS AS AT 3 DECEMBER 2018

Range of units	Total holders	Units	% of Issued Capital
0–1,000	4,949	1,655,572	0.23%
1,001–5,000	3,647	8,937,950	1.26%
5,001–10,000	967	6,792,506	0.96%
10,001–25,000	643	9,866,061	1.40%
25,001–100,000	271	12,407,928	1.76%
100,001–250,000	85	12,996,041	1.84%
250,001–500,000	46	16,309,812	2.31%
Over 500,000	151	638,012,546	90.24%
Total	10,759	706,978,416	100.00%

FINANCIAL CALENDAR

Record date for 2018 final dividend	11 January 2019
Annual General Meeting	29 January 2019
Payment date for 2018 final dividend	5 February 2019
Half year financial report	21 May 2019
2019 financial year end	27 September 2019
Announcement of final results	26 November 2019

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